XPS Pensions Group

We do the right thing

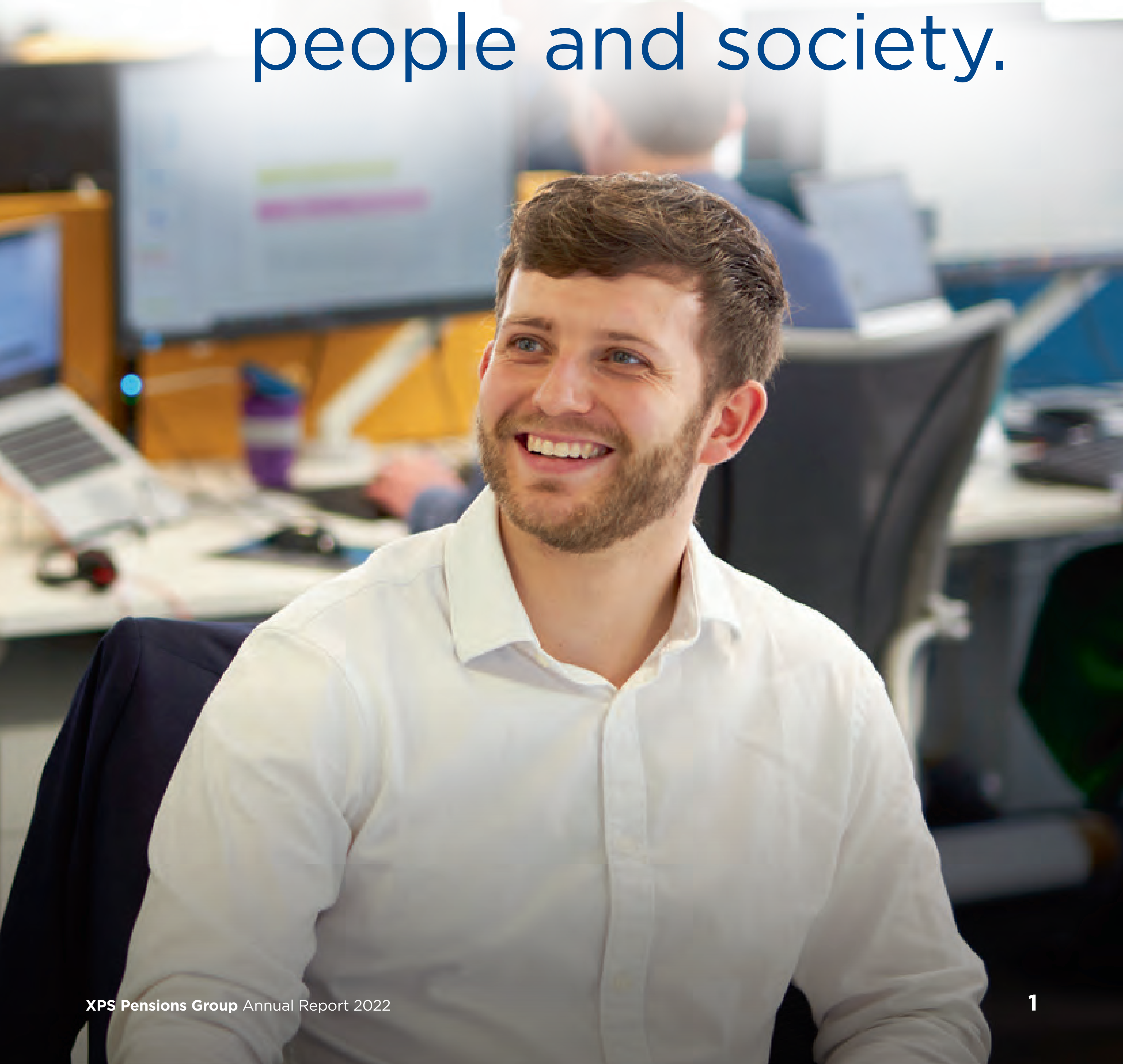
Annual Report and Accounts **2022**

Contents

We exist to shape and support

safe, robust and well-understood

pension schemes for the benefit of people and society.



What we want to achieve

We are a **forward-looking, ambitious business.** We are a leading independent pensions and administration consulting firm – **the best place for people to work, and the best partner for our clients.**

Our values

We are **ambitious**

We do the **right thing**

We are **agile**

We are **helpful**

We are **experts**

Read more on **page 24**

Our strategic priorities

Regulatory change

Expand services

Grow market share

Mergers & acquisitions

Read more on **page 12**

Our sustainability framework focuses on...

Governance

Our employees

Our clients

Our communities

Our environment

Read more on **page 22**

Financial highlights

Revenue

	Value
FY 2022	£138.6m
FY 2021	£127.9m

+8%

Adjusted EBITDA[1]

	Value
FY 2022	£34.1m
FY 2021	£32m

+7%

Adjusted diluted earnings per share[2]

	Value
FY 2022	10.2p
FY 2021	9.8p

+4%

FTE Employees[3]

	Value
FY 2022	1,442
FY 2021	1,325

+9%

Proposed full year dividend

	Value
FY 2022	7.2p
FY 2021	6.7p

+7%

Net debt[4]

	Value
FY 2022	£54.6m
FY 2021	£50.4m

+8%

Profit before tax

	Value
FY 2022	£16.9m
FY 2021	£11.4m

+48%

Basic EPS

	Value
FY 2022	4.6p
FY 2021	4.4p

+5%

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.

Operational highlights

- Significant new client wins including being appointed pensions advisory partner by BT Group plc
- Partnership announced with abrdn plc to launch a UK DB master trust
- Acquisition of Michael J Field Consulting Actuaries to expand our SIP business
- Investment in developing our proprietary administration platform to drive operational efficiencies in the future
- Developed our services including member analytics, GMP, trustee governance / secretarial services, risk transfer
- Winner of Actuarial Consulting Firm of the Year and Investment Consulting Firm of the Year at the Professional Pensions UK Pensions Awards 2021
- Strong client survey results with 93% of clients 'satisfied' or better
- Excellent staff survey results with 95% of staff agreeing or strongly agreeing that XPS is a good place to work
- We became carbon neutral and continued to be a signatory to the Stewardship Code for our investment advice

Scale, agility and expertise

What we do

XPS Pensions Group is a leading pensions consultancy and administrator 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.

1,500+
Employees

>1,500
Pension scheme clients

Our locations

16
UK Locations

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

Our services

Pensions

We provide pragmatic advice that addresses the specific and often complex challenges faced by UK pension schemes and their corporate sponsors.

www.xpsgroup.com/what-we-do/pensions-advisory/

Investment

We provide clear and independent investment advice which we help clients implement quickly and effectively.

www.xpsgroup.com/what-we-do/investment-consulting/

Administration

Award winning, client and member focused pension scheme administration.

www.xpsgroup.com/what-we-do/administration/

National Pension Trust

The National Pension Trust (NPT) is a multi-employer defined contribution master trust offering members full retirement flexibilities. Economies of scale and cutting edge technology means charges are low for members and there are no ongoing costs for employers.

www.nationalpensiontrust.com

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.

www.xpsselfinvestedpensions.com

Diversified and stable client base

We have long-standing relationships with a large and diverse client base, consisting of over 1,500 clients. We have a strong brand and have won multiple industry awards for our client service.

Read more on **page 14**

1,500+
clients

Top ten clients represent 16% of revenue

Well positioned in a sustainable market with favourable market trends

There are c.£2trillion of liabilities of private UK defined benefit pension schemes and a rapidly growing defined contribution market. Regulatory developments are driving increased client activity and demand for our services.

Read more on **page 10**

£2bn+
size of annual fee market

Long dated liabilities in UK defined benefit schemes

Track record of positive financial performance and dividend yield

XPS has delivered year-on-year revenue growth, through a range of macroeconomic conditions, for the past five years since listing on the London Stock Exchange.

Read more on **page 36**

23%

Revenue CAGR over the last five years

Trusted expertise and highly engaged colleagues

The outstanding expertise and client service focus of our colleagues is widely relied upon and highly valued by our clients. We have high client satisfaction scores and our people think XPS is a great place to work.

Read more on **page 26**

95%

of our people think XPS is a great place to work

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. We have a high degree of visibility of our revenue.

Read more on **page 11**

90%+

Repeat recurring revenue across the business

Opportunities for earnings enhancing M&A and scale up

We have a proven track record of successful earnings enhancing M&A which demonstrates our ability to execute deals that are aligned to our corporate strategy.

Read more on **page 14**

5

Acquisitions since listing in 2017

Strong cash conversion and growing dividends

The Group has a robust balance sheet, consistently high cash conversion and has continued to pay two-thirds of adjusted profit in dividends each year since listing.

Read more on **page 36**

96%

Adjusted operating cash conversion

Why invest in XPS?

Robust and predictable growth

XPS Pensions Group is a leading pensions consulting and administration business focused on UK pension schemes.

Our mission

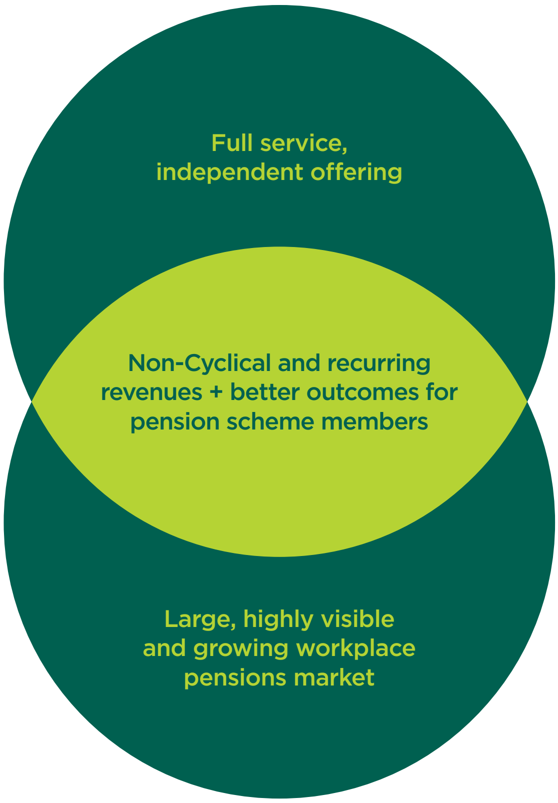
To be a sustainable business that allows us to build long-term relationships with our clients, offers a great place to work for our people and delivers value to all our stakeholders.

Inputs

Our people
Experts in their fields, our people drive the business. They're the innovators, the problem-solvers, the forward-thinkers and that's why we invest in them

Our culture
Employee-centric; inclusive; friendly; meritocratic – our culture empowers our business

Our technology
We invest in technology to deliver our services efficiently, and to bring clarity and understanding to the complex problems we help to solve



Outputs

Blue-chip client base

High levels of service

Innovative solutions

Thought leadership

Strong award-winning brand

Value for all stakeholders

Clients
- Specialist insight and expertise leading to better outcomes for all stakeholders
- High-quality service and tailored solutions
- Value for money

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

Shareholders
- Track record of growing revenues, profits and dividends – more than £57 million paid in dividends since listing in 2017
- Non-cyclical demand for services
- Highly predictable revenues
- Strong cash generation

Other stakeholders
- **Communities**
  - Employee involvement in fundraising and volunteering
  - Positive impact on communities through supporting local and national charities
- **Regulators and suppliers**
  - Establishing open and fair relationships
  - Regular engagement and communication

Building on our **expertise...**

"Since we appointed XPS as our pensions partner, it's developed an online platform that enables us to truly work as an extension of each other's team. This sharing of technology, knowledge, training and infrastructure is a novel way of working together which we hadn't seen proposed before by any other consultancy."

Shan Abdullah,
Senior Finance Lead, Pensions Risk, BT Group plc

Creating an "industry-first" advisory partnership model with BT Group plc

In 2021 BT wanted to completely change the way it worked with its advisers. We met with BT to understand its needs in detail and it was clear that the traditional advisory model would not work for it, so we reinvented our advisory model to make XPS virtually part of the BT in-house team. We did this by giving BT:

Access to staff
We deployed XPS staff across grades to provide BT with instant access to resource, as if they are part of the BT team.

Access to research
We provide direct access to our in-house pensions, regulatory and investment research capabilities.

Access to modelling tools
We have made our internal actuarial, benefit and investment models available to the BT team to do its own analysis.

Access to advice
We provide BT with focused advice it can rely on – the timing and scope are agreed with its in-house team.

...delivering at scale

Scale, agility and expertise

At XPS, we cover all things workplace pensions related. We help trustees and employers run pension schemes for the benefit of both current and former employees. We provide advice to trustees and corporate sponsors, and we support scheme members in a way that is relevant, innovative and easily digestible. We deliver services and solutions that are designed to protect the value of pension schemes. Above all, we work to ensure all members receive their pensions in full.

Large market

Of the £2.7 trillion private sector market, defined benefit (DB) schemes, where employers promise members a specified pension on retirement, account for £2.3 trillion. Defined contribution (DC) schemes, where employees and employers' contributions are invested with the proceeds used to buy a pension and/or other benefits at retirement, account for the remaining £0.5 trillion. DB schemes are rarely offered to employees these days; however, they will still require advice and services for many years to come to ensure good outcomes for members who have built up promises in these schemes. DC represents the future.

In terms of fee market size across workplace pensions advice and administration, covering both DB and DC, this is estimated at over £2 billion per annum.

DB or DC

DB schemes were workplace pensions' vehicle of choice until the mid-1990s. By this point, many established schemes had grown considerably in size, both in terms of assets and the pension promises made by employers. At the same time, new regulations were adding to the funding and administrative demands on employers. Retrospective changes were made that gave members more protection at a big cost to employers – for example, in the early 1990s it became mandatory for pension promises to be inflation linked all the way to retirement. Increasingly deemed too expensive by employers, DB schemes began to close firstly to new joiners in the late 1990s and then a decade or so later to the further build-up of benefits for existing members.

Today, half of all private sector DB schemes remain open to building benefits, while an even smaller proportion still allow new joiners. The run-off of these schemes will happen over a very long period of time; some members will still be receiving benefits in 50 to 60 years' time.

As DB schemes closed to the build-up of employees' pensions, DC schemes opened. Essentially tax-efficient savings accounts funded by contributions that will one day provide long-term income streams, DC transfers the risk associated with providing retirement income away from the employer to the employee. They do not transfer away the responsibilities of employers and trustees. As with DB, DC schemes still need to be safely and securely administered. Trustees still need advice. Members still have to be engaged and informed, arguably more so as retirement income is dependent on the size of contributions and investment performance, as opposed to the promises of employers.

Long dated
Whether DB or DC, the ultimate goal of workplace pensions remains the same – to provide members with the optimal financial outcome on retirement. While each pension scheme is different and requires advice that is relevant to it, for as long as a scheme exists, it will continue to require actuaries, such as XPS, and the services they provide, to navigate the ever-changing regulatory, governance and market landscape so that members receive the retirement income they expect. The market for the provision of workplace pensions services to both trustees and companies is therefore long dated.

Highly visible
Whatever the prevailing macro environment, pension schemes require up-to-date advice and solutions, and there are core compliance requirements they must adhere to on an ongoing basis. This generates highly visible and recurring revenue streams – for example c.90% of XPS's revenues are repeat/recurring. As a result, the workplace pensions market is largely independent of the economic cycle and, by definition, is defensive.

Workplace pensions market in numbers

£2.7tn
Overall value in terms of assets[1]

>£2bn
Annual fee market value[3]

5,220
Number of DB schemes[2]

£80bn
Size range of DB schemes Private sector/PPF eligible - £80bn to less than £1m

1,370
Size of DC market - Number of single trust DC schemes[4]

23.4m
Number of members in DC schemes in private sector occupational pension[1,4]

Sources:
1 https://www.ons.gov.uk/economy/investmentspensionsandtrusts/bulletins/fundedoccupationalpensionschemesintheuk/july2021toseptember2021

2 https://www.ppf.co.uk/sites/default/files/2021-12/PPF_PurpleBook_2021.pdf

3 Professional Pensions.

4 DC trust: scheme return data 2021 to 2022 | The Pensions Regulator https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/dc-trust-scheme-return-data-2021-2022

Growing
Defensive does not mean the c. £2 billion fee market, which typically grows each year at least at the rate of inflation, lacks growth drivers. Long term growth drivers include:

- De-risking schemes via buy-ins and buy-outs;
- master trusts/consolidation vehicles, that enable smaller schemes to benefit from economies of scale;
- ongoing regulatory change, requiring new advice to be given and new solutions to be developed;
- administration outsourcing, that provides a solution for internally administered schemes weighed down by an ever-complex regulatory landscape; and
- ESG-overlayed investment advice, that is becoming more and more important.

So too is the competitive landscape of the market. Below the three big players, for whom workplace pensions are just one area of business, are more agile mid-tier players, such as XPS, for whom workplace pensions represent near 100% of business activities.

Significant room remains for market share growth for mid-tier firms, either organically or through consolidation opportunities.

Societally important
The market exists to help pension schemes deliver promises made and to give underlying members financial security in retirement. It also has a role to play in promoting sustainable/responsible business practices via the trillions of assets under management/advisory. Pensions and ESG represent two of the most pressing issues confronting society today. The workplace pensions market can positively impact both of these.

Our strategic priorities

We are a forward-looking and ambitious business.

Our objective is to be the pre-eminent UK focused pensions consulting and administration firm. One that offers a clearly differentiated alternative to the Big 3 – able to operate at scale and yet agile enough to provide clients with superior service at better value than our larger rivals.

Our strategy is to deliver our objective, while remaining focused on achieving profitable growth, and is centred around four key pillars.

Regulatory change

Whenever there is regulatory change, our clients need bespoke advice and support. Periods of significant regulatory upheaval are therefore drivers of market growth. Today, more regulatory change is taking place, or is in the pipeline, than at any time in the past 20 years.

Progress

During the year, further mandates were won from a number of large schemes for our end to end GMP equalisation solution. We helped our clients to adapt to the Pension Schemes Act 2021 and we continued to develop solutions in line with the evolving funding regulations. Our market leading approach on GMP won us wide ranging mandates including on some large schemes outside of our existing client portfolio.

Priorities for FY 2023

Advise and support client response to recent regulatory changes such as the Pension Schemes Act 2021. Ensure clients are prepared for upcoming New Funding Code (expected end-2022) and Single Code of Practice. Continue roll-out of GMP equalisation solution.

Key risks

- Third party supplier/outsourcing
- Strategy
- Errors
- Theft and fraud

140

Phase 1 GMP equalisation reports issued

£5.1m

Revenue from GMP equalisation work

Expand services

We provide a full range of services that pension trustees and corporate sponsors need. But for many clients, we only provide one service and could deliver more. Expanding our current service offerings to existing clients represents a significant opportunity, as does developing new services that help deliver better outcomes for members.

We also have strong analytical and administration skills that can be deployed more widely than the pensions industry and this presents an opportunity for us to grow and diversify.

Progress

We continued to add new solutions to our offering, including Member Analytics and Mortality Analytics tools. We also invested in our Trustee Secretarial Services Unit and appointed a Head of Trustee and Governance Services. In March 2022, we announced a strategic alliance with abrdn plc to launch a UK DB master trust that will deliver a one-stop shop solution for small- and medium-sized legacy DB pension schemes, generate cost savings and improve governance and member benefit security.

Priorities for FY 2023

Launch UK DB master trust with abrdn plc

Continued growth of our de-risking practice including delivering large insurance transactions

Continued growth in Trustee Governance Services

National Pension Trust being introduced across our client base

Key risks

- Strategic planning and execution
- Financial performance
- Information/cyber security
- Staff/human resources
- Client engagement
- Client engagement
- Business conduct and reputation

212

Member analytics mandates in the year

£1.3bn

NPT assets under management

Grow market share

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

Progress

Our Market Force Initiative generated multiple new business leads from the large pension schemes targeted. Several of these were converted during the year in both advisory and pension administration including Wood Group, Mitchells & Butlers and the BT Group.

Priorities for FY 2023

Continue roll-out of Market Force Initiative to grow and convert new business pipeline.

Key risks

- Strategy
- Errors
- Third party supplier/outsourcing
- Strategic planning and execution

8%
Organic revenue growth

47
Client schemes with over £1bn assets

Mergers and Acquisitions

We operate in a fragmented market. Being one of the largest mid-tier independent companies in the sector, there is an opportunity to grow our market share through the acquisition of businesses that can boost our scale and capability in certain specialist areas.

Progress

Acquisition of specialist SIPP and SSAS provider, Michael J Field Consulting Actuaries, which complements our existing capabilities and expands the reach of our offering to a wider base of clients and financial advisers.

Priorities for FY 2023

Continue to evaluate potential acquisitions that meet investment and strategic criteria.

Key risks

- Financial performance
- Business conduct and reputation

4
Bolt on transactions in the last 4 years

£14m
Earnings enhancing capital deployed

Delivering long-term sustainable growth

We are focused on improving profitability and delivering long-term sustainable growth for our shareholders whilst taking into account the interests of all stakeholders. We have continued to make progress across our four strategic pillars and are focusing on building XPS into the pre-eminent independent pensions actuarial, consulting and administration business we set out to build.

Five years as a publicly traded company – five years of growth
The increase in revenue this year to £139 million represents a significant 2.7x increase in the size of our business and the highest level of year on year organic growth since our public listing in 2017. We were appointed pensions advisory partner by BT Group plc, the UK's largest corporate pension scheme; we developed our partnership with abrdn plc to launch a UK defined benefit (DB) master trust; we became carbon neutral across the entire value chain; we acquired Michael J Field Consulting Actuaries – the year under review is not short of significant corporate milestones.

There was another major achievement during the year though, one that was neither strategic, financial nor operational: February 2022 marked the five-year anniversary of our admission to the premium segment of the London Stock Exchange. As with all anniversaries, this provides an opportunity to reflect on how far we have come since listing.

On admission, we became the UK's only publicly listed pensions actuarial, consulting and administration company. We still are today. What has changed is the scale and breadth of our business. In 2017, the Group had 450 employees, generated revenues and adjusted EBITDA of £52 million and £17.5 million respectively and had a client base of c. 400. Five years on, XPS employs 1,500 people, is reporting annual revenues and adjusted EBITDA of £138.6 million and £34.1 million

> As I look back over the last five years, I am extremely proud of how far we have come, but I'm even more excited about the future. We are a market leading firm with great solutions for clients, and have created a really strong platform for growth for the benefit of our people and all our stakeholders."
>
> **Paul Cuff,**
> Co-Chief Executive Officer

respectively and has more than doubled the number of clients to over 1,500. Furthermore, our client base now includes the likes of BT Group, evidence that, after a period of investment, XPS has the platform and profile to attract and service the largest mandates.

In our 2017 Annual Report, we stated that being publicly owned would give "us access to capital to pursue our strategic vision of becoming the pre-eminent mid-tier firm, whether through acquisitions or other forms of investment". In line with this, growth over the last five years has been generated both via acquisition, most notably through the Punter Southall merger in 2018, and organically. This year's c. 8% increase in organic revenues is the highest level of organic growth we have reported since listing. Our programme of investing for the future is delivering, and this year's adjusted diluted EPS is 52% above that when we listed.

As with the previous 12 months, growth in FY 2022 was achieved against the backdrop of the pandemic. This is testimony to the strength of our end markets, which are largely independent of the economic cycle, and the resilience of our business model, which revolves around the provision of essential non-discretionary services to pension scheme sponsors and trustees. Strong end markets, resilient business models, innovative solutions, and proprietary technology are not enough though. The results we are reporting today would not have been possible without the commitment, support and professionalism of our people, all of whom work tirelessly to deliver better outcomes for our clients and pension scheme members. This is our societal purpose: helping to make pension schemes safe and secure for the members so that they can rely on them for financial security in later life. It is because of our people that we can achieve this.

Financial performance: highest organic revenue growth since listing

With total Group revenues up 8.4% to £138.6 million (FY 2021: £127.9 million), the year ended 31 March 2022 saw us maintain our track record of reporting at least mid-single digit revenue growth every year since our listing in 2017.

Within Advisory (Pensions Actuarial and Consulting and Pensions Investment Consulting), revenues grew 7.1% to £77.4 million, while Administration revenues were up 8.5% to £50.8 million.

> We continue to deliver strong organic revenue growth, with FY 2022 showing the highest operating result since our listing in 2017 reflecting our market position as a high-quality provider in the pensions market."

Ben Bramhall,
Co-Chief Executive Officer

Financial performance: highest organic revenue growth since listing continued

Pensions Actuarial and Consulting grew revenues 4.9% to £63.7 million (FY 2021: £60.7 million) thanks to further GMP equalisation work and new client mandates, including Mitchells & Butlers and Michelin, as well as BT Group.

New client wins and continued demand for support and advice from our existing customer base drove an 18.1% increase in revenues in Pensions Investment Consulting to £13.7 million (FY 2021: £11.6 million). The division continues to benefit from the CMA review into the way that some of the biggest firms in our market recommended their own fiduciary management products to their clients, the outcome of which has been a requirement for independent advice and oversight to be obtained from firms like ours. This has created wide-ranging opportunities which we continue to capitalise on. We are also seeing increased demand for ESG-aligned investment advice and expect this to gather pace in the years ahead.

Pensions Administration revenues grew 8.5% to £50.8 million (FY 2021: £46.8 million), helped by new client wins. We see significant scope to secure further outsourcing mandates and so we continue to invest in and develop the platform.

Momentum at National Pension Trust (NPT), our defined contribution (DC) master trust, continues to build with assets under management growing 22% to over £1.3 billion. As with last year, growth was driven by transfers into the trust and by annual contributions from active members. We see exciting opportunities for NPT, which delivers bespoke solutions for clients via a common platform. In terms of investment returns, NPT's default investment strategy was the year's top performer in the master trust universe.

The number of clients in our SIP division grew during the year driving a 9% growth in revenues. The recent Michael J Field acquisition strengthens our SIP platform and is expected to help drive organic growth in the years ahead. Almost all of this year's 8% revenue growth was generated organically – our highest rate of organic growth in the five years since we listed. This record growth rate underpins our belief that, following a capital-intensive period, the benefits of the investments we have made are increasingly driving financial performance. For example, our programme of investing in people, technology and acquisitions has historically resulted in revenue growth outpacing earnings. Now that we have a scalable and highly cash-generative platform in place that wins major mandates, we have significantly narrowed the historical revenue/earnings gap this year and in future expect it to improve further. Adjusted EBITDA for the year increased 7% to £34.1 million (FY 2021: £32.0 million), while statutory profit before tax rose 48% to £16.9 million (FY 2021: £11.4 million) and adjusted diluted EPS rose 4% to 10.2p (FY 2021: 9.8p).

As with previous years, the strong financial performance we are reporting today is a reflection of the structurally driven end markets in which we operate and the four-pillared strategy we are implementing.

During the year we made significant investments in technology, particularly in our administration business. We acquired proprietary technology that we will develop during FY 2023 and deploy in the years beyond. The focus of this investment is to continually improve client service and drive efficiency in our business. We are also focused on developing online portals that will improve the experience of members of our pension scheme clients.

> The Group continues to win significant blue-chip clients. Landmark appointments such as adviser to BT Group plc are testament to the strength of the XPS brand and our drive to continually generate innovative ideas to help our clients.
>
> **Paul Cuff,**
> Co-Chief Executive Officer

Counter-cyclical and growing markets

Our market is the provision of consulting and administration services to DB pension schemes, the liabilities of which run off over many decades. In the DC space, we also provide administration and consulting services, alongside our own master trust solution. The fee market in which we operate is large at over £2 billion and growing at a rate of between 3% and 4% per annum. Growth comes from the expansion of services to existing clients, either in response to regulatory change or through cross-selling, net new client wins and inflation-linked fees.

Whether small changes in, for example, tax rules or more fundamental changes such as a new funding regime for DB schemes, clients require bespoke advice and guidance on how change affects them. Periods of significant regulatory upheaval are therefore drivers of market growth. Today, in response to corporate scandals, such as BHS and Carillion, more regulatory change is taking place or is in the pipeline than at any time in the past 20 years. Pension schemes have risen up the corporate agenda and with them the need for the specialist and non-discretionary services XPS Group provides. A glance at current regulatory drivers highlights the level of change at play:

- the Pension Schemes Act 2021 – focuses on how corporates finance their arrangements and how schemes are treated following M&A;
- New Funding Code (expected end of 2022) – will impact how pension schemes are funded;
- GMP equalisation – November 2020's ruling that companies must correct the unequal treatment of men and women in relation to a small (but overlooked) part of 80s/90s pension schemes continues to generate work that will take years to complete;
- Single Code of Practice (upcoming) – will likely increase trustees' governance requirements;
- Task Force on Climate-related Financial Disclosures (TCFD) – pension schemes are having to satisfy new requirements focused on improving the quality of governance and reporting in respect of climate-related risks and opportunities; and
- CMA Review – continues to provide tailwinds via the independent advice recommendation.

The ever-changing regulatory landscape not only increases the scope of advice and services we provide to our existing clients, it also generates opportunities to win outsourcing mandates from internally administered schemes. Regulation is making pension administration more and more complex for in-house teams, so too are cyber security and GDPR.

Outsourcing, which involves the transfer of schemes and teams to businesses like XPS, provides a solution. We are a recognised leader in this area – at XPS, we estimate we have executed around half of all administration outsourcings in the last decade.

Regulatory change, particularly with regards to governance arrangements, is also driving growth in the DC market. XPS Group helps in two ways: we work with trustees to improve governance through our growing DC consulting practice; and we offer a solution via NPT, our own consolidation vehicle.

Progress across our four strategic pillars

It is one thing to operate in a large, long dated, and growing market, but another to maximise the opportunity. We strive to achieve this by implementing a strategy that is centred around four key pillars:

Regulatory change as a driver of activity: by leveraging our expertise, we offer clients bespoke advice and support whenever there is regulatory change. We are doing this in the GMP equalisation space. Here our market-leading, proportionate, and pragmatic approach won mandates from a number of large schemes during the year, both from our own clients and from those of other firms. As well as growing our revenues, winning work such as this generates cross-selling opportunities.

Progress across our four strategic pillars continued

Growth through expanding services: the year under review saw us add to our offering. We have added Member Analytics, which analyses demographics and behaviours and how these can best be served, and Covid-19 Analytics, which provides market-leading analysis on the long-term impact of the pandemic. In addition, we formally established a Trustee Governance offering, which takes on pension scheme governance and management, and won competitively tendered new appointments in the market. In addition, we are now providing DC consulting services to a growing number of clients, and we continue to invest in additional functionality in our Radar risk analysis software.

We have also added two senior hires to our growing risk transfer practice, which is an area of the market that we expect to grow significantly.

In March 2022, we announced a strategic alliance with abrdn plc to launch a UK DB master trust in Q2 2022. The master trust is believed to be the first developed and launched jointly by an independent pensions consultancy and a leading global asset manager. It will deliver a one-stop-shop solution covering all the services required to run small and medium-sized legacy DB pension schemes and is expected to generate cost savings and improve governance and member benefit security.

Growing market share: Based on full year revenues of £138.6 million, XPS Group's market share stands at 6-7%. Considerable room remains for further growth. Maintaining a healthy pipeline of business opportunities across all service lines is key and our "Market Force" initiative generated multiple new business leads from the large pension schemes targeted. Several of these were converted during the year in both Advisory and Pensions Administration.

Growth through M&A: the market in which we operate is fragmented. Significant scope remains to grow market share via acquisition. We have a long track record of successfully integrating new businesses, including Punter Southall in 2018 and the smaller bolt-on acquisitions of Kier Pensions Unit, Trigon and Royal London Corporate Pension Services that followed. All of these were executed with high employee and client retention. We are constantly evaluating businesses that match our key investment criteria, including cultural alignment, capability enhancement and cross-selling opportunities. One such business was acquired in the second half of the year – Michael J Field Consulting Actuaries, a specialist SIPP and SSAS provider that complements our existing capabilities and expands the reach of our offering to a wider base of clients and financial advisers.

> To capitalise on the opportunities around us, we continue to hire more people. The recruitment market is competitive but our reputation as an employee centric business with a strong focus on culture means we are well placed."
>
> **Ben Bramhall,**
> Co-Chief Executive Officer

Delivering for our people

XPS is only as good as its people. Our societal purpose helps us attract, inspire and retain talent. So too does our corporate culture: employee centric; inclusive; friendly; and meritocratic. We do not, however, take the above for granted. Our people deliver for us. We must deliver for them. In line with this, we constantly strive to ensure our working arrangements and practices are embedded with a high level of flexibility, inclusivity and care. Our aim is to ensure all our people feel they belong at XPS and that they have the opportunity to progress on merit. The launch of our flexible working model, My XPS, My Choice, during the year is one example of the importance we place on looking after our people. So too is our annual employee survey, the results of which were highly encouraging with 95% of respondents agreeing that XPS is a good place to work, an improvement on the previous year's 94%.

The year also saw us train over 50 members of staff as Mental Health Allies to provide confidential in-house counselling; sign up to independent counselling service, Unum; host a wide variety of team events, societies and fundraisers, as well as women and LGBT+ networks; celebrate Black History Month; and hold our second Values in Practice Awards, which recognises people and teams who have gone above and beyond.

We value all our people, and thank them for delivering yet another successful year. We would like to personally thank Jonathan Bernstein who, after holding various roles within the Group, most recently as Chief Operating Officer, retired during the year. The Board and management team thank Jonathan for his valuable contribution to the XPS journey and we wish him a long, healthy and happy retirement. Jonathan's responsibilities have been reallocated among existing management as well as to our first ever Chief Information Officer (CIO), Jon Marchant. Jon, who has over 20 years' experience, most recently as CIO at PayPoint, has been appointed to drive our tech strategy forward.

As we announced following year end, Tom Cross Brown will retire as the Group's Chairman following the AGM in September 2022. On behalf of the Board, we would like to thank Tom for his commitment and contribution since his appointment as Chairman in January 2017. Tom has seen XPS through a transformational period and we wish him well for his retirement. We look forward to working with the new Chair when appointed.

Growing sustainably

As one of the leading pensions consultancies in the UK, XPS is in a strong position to promote sustainable/responsible business practices across its customer as well as its supplier base – the £140 billion or so of assets under XPS investment advisory provide substantial collective purchasing power to drive positive change.

While our investment consulting business delivers market-leading ESG-aligned investment advice, it is important that XPS leads by example. During the year we became carbon neutral following the purchase of UN-approved carbon credits. As well as Scope 1 and 2 emissions from our own activities, these cover Scope 3 emissions produced by suppliers when serving XPS.

Achieving carbon neutrality through the purchase of carbon credits does not represent the sum of our ambitions. It is one step of a journey. The next is to reduce our direct carbon footprint.

Outlook

The FY 2022 results demonstrate the continued resilience and predictability 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 protected against the impact of the wider global political and economic situation.

We expect the demand for our services to remain high as we help our clients navigate the complex and evolving regulatory backdrop. We have continued to develop service lines to meet client needs, including in the areas of scheme governance and in risk transfer where we have invested in our team. Recent client wins and a strong pipeline of opportunities will support further growth in the coming year.

We remain mindful of the current inflationary backdrop but remain confident in our business model to be able to minimise the impact of inflationary pressures on profits whilst still maintaining investment in our market leading products, platform and people. Many of our contracts have mechanisms by which our fees automatically increase in line with inflation, and we will maintain a focus on overall efficiency and a disciplined approach to pricing our services.

The Group has made a good start to the new financial year, and we remain confident in delivering against market expectations for the current year.

Paul Cuff
Co-Chief Executive Officer
22 June 2022

Ben Bramhall
Co-Chief Executive Officer
22 June 2022

A strong trusted adviser for the Mitchells & Butlers Trustees

The Trustees of the two Mitchells & Butlers defined benefit schemes appointed XPS in 2021, wanting advisers that could be proactive and joined-up and bring strategic clarity to the future of the plans.

When bulk annuity pricing drastically moved in favour of the Executive Plan we immediately responded with expertise, innovation and collaboration to secure the full buy-in for its 700 members only nine months into our appointment.

The Trustees have since engaged us for administration, secretarial and governance services, allowing us to further demonstrate the depth and quality of our services and our people. We look forward to our ongoing work with the Mitchells & Butlers team and the Trustees to put their members first.

...executed with agility

"XPS is truly joined up across its advisory teams and uses trustee friendly technology to deliver expert advice. Transacting the full scheme buy-in so quickly was testament to the quality of the advice and the people at XPS, supporting us to deliver an excellent result for our members and sponsor."

Lee Miles,
Pensions Controller & Deputy Treasurer, Mitchells & Butlers

Supporting sustainable pensions for the benefit of all

Being a responsible business has never been more important than it is today, but it has always been a priority for us. Doing the right thing is at the core of our business strategy. It is how we operate across all our activities.

> Our purpose puts people and society at the heart of our business. By looking after the long-term financial wellbeing of millions of people in UK pension schemes, we provide services that have an important societal value.
>
> We use the term Sustainability and ESG interchangeably within the business, but the fundamental principles are strongly aligned and embedded within our strategy. Whether it is fully integrating ESG in to all our pension investment advisory services, building a strong culture with commitment to inclusion, equality and diversity or doing our bit for the environment – we have made significant progress on our Sustainability strategy."
>
> **Snehal Shah,**
> Chief Financial Officer

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

Our sustainability framework and ambitions

Our sustainability approach is overseen by the Sustainability Committee, a Committee of the Board established in 2021 and chaired by Non-Executive Director Sarah Ing (details of the Committee's composition and activities can be found on pages 68-69).

Our sustainability framework, which has been in place since 2020, evolves with market practice and we continue to develop our approach to meet the needs and expectations of all our stakeholders. This year has seen us further embed ESG and sustainability principles throughout XPS. Strong progress has been made in a number of areas, but we recognise we are on a journey that will continue as our sustainability approach matures.

This year our Sustainability Committee has focused on developing our ambitions in relation to the five framework pillars. Key sustainability ambitions and targets are outlined on the right:

Our sustainability framework

Focusing on governance	**Goal**: Continue to operate to a high standard of corporate governance **Material topics:** Business ethics and values, corporate governance, cyber security and data privacy, human rights and modern slavery **Ambitions and targets:** • Continue to comply with corporate governance code principles which apply to FTSE 350 companies • At least 40% of the Board to be female by 2027 • Set meaningful targets linking executive pay to non-financial performance metrics and disclose progress against these objectives each year
Focusing on our employees	**Goal:** Create a supportive environment where employees can thrive **Material topics:** Employee engagement, inclusion, equality and diversity, learning and development, employee wellbeing **Ambitions and targets:** • Maintain 90% minimum engagement score on "XPS is a good company to work for" • Achieve 90% engagement score on "XPS is inclusive and values each person for what they bring to the Company" • At least 30% of senior management to be female by 2027
Focusing on our clients	**Goal:** Help clients and scheme members achieve positive long-term outcomes **Material topics:** Sustainable products and services, responsible investment **Ambitions and targets:** • Committed to offering sustainable solutions to 100% of investment clients • Continue to publish market leading thought leadership and positively raise industry standards • Ambition to see integration of ESG in our clients' holdings/funds improve over time, based on our fund ESG ratings
Focusing on our communities	**Goal:** Create a positive impact wherever we operate **Material topics:** Community engagement, charitable giving, supply chain management **Ambitions and targets:** • Increase our charitable giving by introducing our matched donations scheme • Continue to review our supplier due diligence programme to include more ESG-related expectations • Continue to support our employees in volunteering and other activities that benefit the communities that we operate in
Focusing on our environment	**Goal:** Reduce our impact on the environment and help others do the same **Material topics:** Energy usage and climate change, environmentally friendly culture **Ambitions and targets:** • Reduce direct and indirect emissions consistent with a low carbon Paris Agreement-aligned economy • Continue to develop our carbon offsetting strategy, with the aim of achieving independently verified net zero status • Continue to roll out ISO 14001 certification to XPS offices • Work with landlords to switch to using renewable energy wherever possible in 2022/23 • Develop our response to managing climate-related risk and opportunity

Focusing on governance

We're committed to being a responsible business, one that meets the highest standards of ethics and professionalism. Doing the right thing is a core value at XPS. Ethical behaviour and integrity are embedded within our culture.

Culture and values

Our culture defines our interactions with all of our stakeholders – clients, shareholders, regulators, employees, contractors, suppliers, communities, charities and the environment. The interests of all our stakeholders shape our decision making and business model, and are vital to our ongoing ability to achieve our goals. Read more about how we engage with our stakeholders on pages 59 and 60.

Our values drive everything we do in the business. They unite us as a company, inspire us and help us attract new talent. In FY 2022, we further developed our values to ensure they are fully aligned with our commitments to inclusion and diversity, and sustainability.

This year we ran our "XPS Values in Practice" Awards for the second time, celebrating the values and the people who have lived them this year in a way that reflects their importance to us.

Our values

We are **ambitious**

XPS is an ambitious business.
We're aiming high to achieve our purpose of benefiting people and society. We have ambitious goals for our clients, our industry and ourselves. This means leading our industry in thought, action and opinion. It means we are progressive and think differently about pensions. We invite bold thinking and actions within our business, and we give each person the support they need to become their very best.

We are **agile**

We're forward thinking, innovative and quick-moving.
When we see a better and more sustainable way to do something, we make change happen. We don't just follow the way things have always been done in our industry. We take a fresh look and find new ways of achieving the best outcomes for our clients, while benefiting people and society

We are **helpful**

We build and sustain great relationships with our clients and with each other.
This means we're always ready and willing to help out. Clients and colleagues know they can trust us. We listen and we are helpful. Ultimately, we're out to make people's lives better and we play an active role across our industry and wider society to help achieve this. We work hard together, we support each other, and we have fun together.

We are **experts**

We know our stuff and we each bring something special to our collective knowledge.
We make a point of cultivating our individual expertise and diversity of thought – and we use it, share it and support each other for the benefit of our clients and colleagues every single day. We understand the responsibilities that come with our skills and abilities, so we each put them to good use and build on them with constant learning.

We do the **right thing**

We're inclusive, approachable, honest and fair, both with our clients and each other.
We value everyone's unique contribution, recognising and rewarding hard work. We act with integrity and honesty, speaking up if something doesn't meet our standards.

By following these values we'll grow responsibly and sustainably, for everyone's benefit.

Business ethics
We believe that high standards of business ethics and a consistency of approach positively impact our operations. They also enhance our reputation. It is therefore important that, in the first place, we select people who want to do the right thing and then we give them the support they need throughout their careers with the Group. In line with this, all employees have access to our Business Code of Ethics. This outlines the principles and values that we expect all our people to adhere to in relation to areas such as harassment and bullying, treating customers fairly, inclusion and diversity, financial crime and dealing with vulnerable customers.

In addition, all employees complete an annual programme of mandatory training. Topics include financial crime, bribery and corruption, insider trading, modern slavery, data protection, and cyber security. This training is managed and monitored by the Compliance and Information Security teams.

Our values are fundamental to delivering our mission. We therefore have a zero tolerance for any activities or behaviours that are not in line with our values. Furthermore, we have an anti-bribery and corruption policy that is supported by a whistleblowing process and, where necessary, proportionate and independent investigation and follow-up of any matters, the conclusions of which may be reported.

Corporate governance
We operate to a high standard of corporate governance, which is centred around strong engagement with all stakeholders. We comply with the UK Corporate Governance Code 2018. Please refer to pages 54 to 61 for our Statement of Corporate Governance. Please refer to our Sustainability Committee Report on page 68 for detail on our governance structure around ESG.

Cyber security and data privacy
XPS has a comprehensive information security programme in place which incorporates effective policies and technical controls to safeguard our customers' information.

Our regular assessment of cyber risks drives our targeted investment in our cyber security capabilities. This is supported by our Information Security Management System (ISMS) which is certified to ISO 27001. The effective deployment of the framework of controls is independently verified through our Cyber Essentials Plus certification.

All information security risks are reported into and discussed by the Audit & Risk Committee. These discussions consider the results of the Group's programme of cyber assurance activities, effectiveness of key controls and action plans to address any identified weaknesses.

All colleagues undertake ongoing mandatory training on protecting client, employee and corporate information, including regular phishing awareness exercises.

This training is supported by regular communications with staff to raise awareness on how we can safeguard customer information.

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. Our annual modern slavery statement is available to read on our website www.xpsgroup.com/modern-slavery-statement/. All XPS employees have also completed awareness training on modern slavery during the year.

This year we have introduced a Supplier Code of Conduct which clearly outlines how we expect suppliers to act when providing services to us. This can be found on our website www.xpsgroup.com/sustainability/governance/. The Code contains our commitments and expectations around human rights and social responsibilities, discrimination, freedom of association, environmental protection and health and safety.

Focusing on our employees

Our people are our most important asset. Because of this we continually strive to make XPS an employer of choice and a place where colleagues can thrive in their careers. Throughout the year, we have strengthened our approaches to inclusion and diversity, employee engagement and flexible working.

Employee engagement

During the year we continued to strengthen communication channels, both to allow colleagues' input into decisions that may affect their interests and to share key information regularly.

Our Employee Engagement Group (EEG), chaired by Non-Executive Director Margaret Snowdon OBE, continued to meet on a regular basis, facilitating direct communication between employees and the Board. This was supported by our annual engagement survey and shorter themed surveys throughout the year, plus a new anonymous feedback channel which complements our whistleblowing process.

During the year, our engagement survey showed improved sentiment on several issues including mental health, inclusion and diversity and flexibility. Following the results, action plans were put in place to address some of the issues raised, namely around career progression, resourcing and reward and recognition.

For the first time, we invited the EEG to discuss and provide input into the personal objectives of the Co-CEOs for the year ahead. This gives staff the opportunity to help ensure senior management focus on things that matter to employees.

With many of us working from home or in a hybrid way, we continued to make improvements to our internal intranet to provide colleagues with regular updates. A weekly Friday message from the Co-CEOs also informs colleagues of the latest business updates, celebrates successes and helps maintain motivation.In addition, a Co-CEO roadshow, business update webinars and regular email communications keep colleagues up to date with factors affecting Company performance. They also provide opportunities to acknowledge our people's valued contribution to that performance. We continue to drive business performance by incentivising colleagues through our bonus schemes and employee share plans.

77%
of colleagues completed the survey

95%
of colleagues agree XPS is a good company to work for

91%
of colleagues approve of our new flexible working approach

Learning and development

Our learning and development offering continues to be a strength at XPS, with a wide range of professional training, workshops and mentoring available for colleagues at all levels.

During the year we delivered over 17,500 hours of training across a wide range of professional and technical courses

A particular focus this year was line manager training and support, with a range of sessions focused on upskilling line managers, from senior leadership to first-time managers, in both hard and soft skills.

Support was provided for employees studying for professional qualifications via bespoke technical programmes across all areas of our business. We continued to support early career talent through our graduate Actuarial and Administration programmes and Advisory apprenticeships. We also introduced a new induction programme and an improved probation toolkit to support new joiners to XPS.

All XPS colleagues work to an annual performance management cycle and all have access to a performance-related bonus scheme that is based around clear objectives stemming from Group business objectives.

At XPS we have five Employee Networks that lead our inclusive programme of events and campaigns:

XPS LGBTQ+ Network

XPS Women's Network

XPS Disability Network

XPS Menopause Network

XPS Multicultural Network

Inclusion and diversity

We are committed to a culture of "belonging" at XPS, where differences are valued and respected, where all colleagues can be their true selves at work and where we can all contribute to, and be recognised for, creating the best possible XPS. Non-Executive Director Margaret Snowdon OBE is the Board member responsible for inclusion and diversity.

During the year we launched our inclusion and diversity (I&D) framework, following input from the Diversity Working Group, the EEG, and our Employee Networks. Working with inclusion specialists, 'Inclusive Group' and our people, we identified what was important to colleagues, clients and other stakeholders, where we could make a difference and what our key priorities are. This work resulted in the creation of our I&D strategy, which focuses on four key areas: our culture, fair processes, attraction and retention and I&D within society. Clear priorities have been set in each area.

Our inclusion and diversity framework focuses on:

Our culture
Creating an environment of belonging through awareness raising, setting clear expectations, active learning and celebrating difference

Fair processes
Ensuring decisions are based on merit, and that all colleagues are recognised for their contributions, through fair and unbiased processes and open communication

Attraction and retention
Sharing our inclusive practices and culture to attract and retain the best talent

I&D within society
Driving an inclusive culture across society using our influence and participation in industry networks and events, and supporting and developing inclusive and diverse leadership at XPS

This year we reviewed several diversity-related policies, including the I&D, Parental Leave, Family-friendly, Menopause, Harassment and Bullying Prevention, and Recruitment Policies. Every employee attended diversity awareness training, delivered by external specialist SceneChange. There were extended sessions for line managers and partners, who are expected to lead by example, uphold the highest of standards and ensure decisions are fair and free from bias.

XPS continued to support I&D awareness days throughout the year with an inclusive programme of events and campaigns led by our five Employee Networks. Highlights this year included celebrating International Women's and Men's Days, Pride Month, Black History Month and our Be Yourself at Work campaign. A number of workshops were held during the year, including on LGBTQ+ Allyship, the importance of self-promotion for women's careers, menopause awareness and confidence when speaking up.

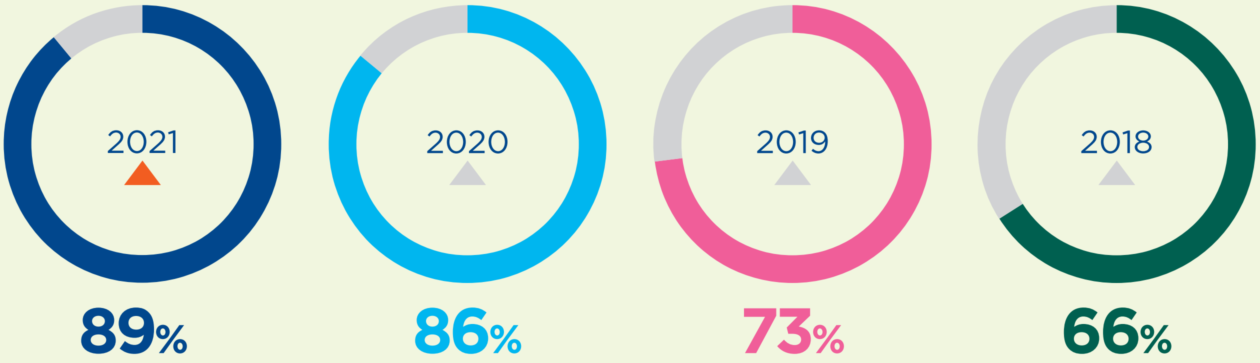
Focusing on our employees *continued*

Inclusion & Diversity continued
In our 2021 engagement survey, 85% of staff said they felt they "belong" at XPS. We are using this as a baseline for measuring the impact of our inclusion and diversity activities going forward.

The survey results also show that the percentage of staff who agree that the XPS leadership team is committed to equality, diversity and inclusion has increased over the last four years to 89%.

Since 2017, XPS has been part of the Actuarial Mentoring Programme (AMP), a cross-company mentoring programme designed to improve diversity within the actuarial profession. We have been members of the 30% Club, a business campaign aiming to boost the number of women in board seats and executive leadership roles in companies all over the world, for the last four years and use our internal mentoring programme to help develop gender equality.

Percentage of staff who agree that the XPS leadership team is committed to equality,diversity and inclusion



Gender pay gap

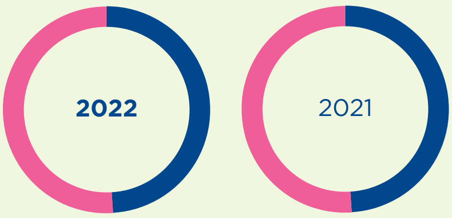
We continued to work to improve our gender pay gap, which has reduced for the third consecutive year since reporting began. Our efforts are particularly focused on four key areas:

- evolving our culture so that everyone can be their true selves and feel they belong at XPS;
- ensuring our processes are fair and that we provide equality of opportunity where decisions are based on objectivity and merit;
- demonstrating we are an inclusive employer to attract and retain a diverse range of people; and
- helping to drive a more inclusive culture across wider society.

We believe that the initiatives we are undertaking under these four key areas will help reduce our gender pay gap. Whilst meaningful change takes time, we are moving in the right direction. Our full gender pay gap report can be found on our website: www.xpsgroup.com//gender-pay-gap-reports.

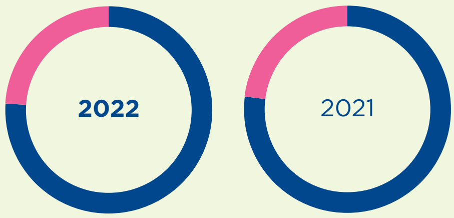
Gender split data

Group
Total: 1,510



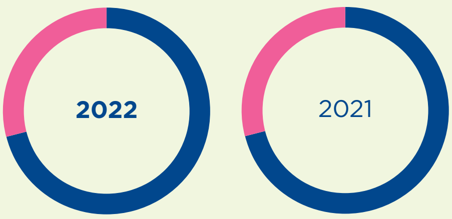
	2022		2021
Male	743	Male	682
Female	767	Female	698

Partners
Total: 71



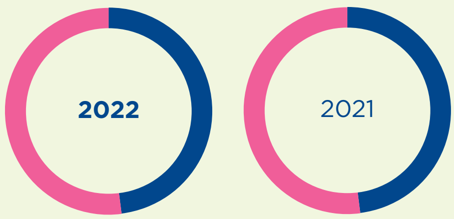
	2022		2021
Male	54	Male	56
Female	17	Female	17

Board
Total: 7



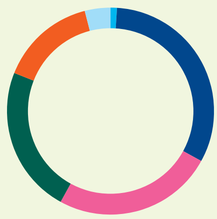
	2022		2021
Male	5	Male	5
Female	2	Female	2

Other employees
Total: 1,432



	2022		2021
Male	684	Male	621
Female	748	Female	679

Multi-generational split



<20	1%
21-30	32%
31-40	25%
41-50	23%
51-60	15%
60+	3%

Disability

4.8%

Employees who have disclosed they have a disability

XPS is a member of:

HENPICKED Menopause in the Workplace · DIVERSITY PROJECT · Business in the Community – The Prince's Responsible Business Network · Valuable 500 · Business Disability Forum · Stonewall DIVERSITY CHAMPIONS

Focusing on our employees *continued*

Our approach to flexible working

FY 2022 was another year where the Covid-19 pandemic dominated our approach to how we work as an organisation, and to employee wellbeing.

A consultation exercise was launched in response to the second Covid-19 lockdown to explore how XPS colleagues prefer to work. The results revealed there was no consensus view, but highlighted employees felt their working environment had a significant impact on both their mental health and productivity. My XPS, My Choice has been developed to respond to the desire for greater flexibility and allows colleagues to have more say in how and where they choose to work. This exercise has also allowed us to review how we use our offices, with some spaces being repurposed to allow for greater collaboration and connection.

My XPS, My Choice will be kept under review as we continue the journey out of the pandemic, but there is no doubt the future is one of increased flexibility for colleagues in how and where they do their work, which we welcome wholeheartedly.

Employee wellbeing

All XPS colleagues benefit from a wide range of wellbeing and mental health supports. These include options for private medical insurance, permanent health insurance, critical illness and life cover, occupational health, access to counselling and other support via an Employee Assistance Programme, and a second medical opinion service.

We also have trained volunteers from across the business, our Mental Health Allies, who promote positive mental health, listen to colleagues who are experiencing mental health issues and provide guidance on accessing appropriate support.

In FY 2022, we continued to take our employee wellbeing offering online, and colleagues were invited to a series of Mental Health Webinars facilitated by Mental Health at Work. This year we also launched our Disability and Neurodiversity Network, aimed at raising awareness of issues that may affect colleagues and their families, and reducing stigma within the workplace.

We also recognise the importance financial wellbeing plays, and to support colleagues we hosted a series of webinars run by The Money Charity, aimed at raising awareness and giving guidance around issues including budgeting, credit, borrowing and debt, wills and future planning.

People policies

XPS's wide range of HR policies are in place to protect the employment rights of all XPS colleagues. These include a Recruitment Policy, Training and Development Policy, Grievance Policy, Flexible Working Policy, and Family Friendly Policy. All policies are available to employees via our intranet. Our line managers are responsible for ensuring compliance with our policies, with support from the HR team.

Focusing on our clients

Signatory of: UK STEWARDSHIP CODE | 2021

Signatory of: PRI Principles for Responsible Investment

Through our role as trusted advisers, we aim to develop long-term partnerships with our clients. We are clear that the only way for us to do this is to always ensure that we do the right thing for them in the long term. This is the number one objective given to all our people. It is a key driver of our culture and shapes the way we interact with stakeholders.

Responsible investing

XPS has a deep understanding of ESG and its growing importance in investment decisions. This enables us to offer expertise and advice to our clients on how best to integrate these factors into their investments.

We recognise that one size does not fit all when it comes to ESG and stewardship. We work with our clients to understand their specific beliefs and priorities to ensure our advice and solutions are tailored to their unique needs. Through our responsible investing framework, we provide trustees with practical steps they can take to meet their responsible investing objectives and, at the same time, generate long-term sustainable returns for their members.

ESG and sustainability are embedded into our investment recommendations and client advice, covering £140bn of assets under advice

XPS has developed its own ESG fund rating system to ensure full consideration of ESG factors is given in all recommended funds. Using a detailed questionnaire and face-to-face meetings to assess a manager's overall philosophy, how ESG is integrated into investment decisions within the given fund, climate change risk management and stewardship, our rating system also provides us with a comprehensive range of funds which offer sustainable objectives above and beyond a responsible approach. We encourage all clients to take this approach as we believe considering sustainable themes will improve long term outcomes.

We also provide detailed feedback to all investment managers we have assessed on ESG, identifying specific areas where they have not scored well so as to drive improvements in their processes and practices. Improvements (or the lack of) are captured in our annual review and, where relevant, in between the annual assessment cycle. By continuously improving the practices of investment managers to support effective ESG risk management and directing finance towards the global green transition, XPS is well positioned to make a positive impact on wider society.

Scam Protection Service

Our Scam Protection Service was ideally placed to help trustees meet the expected requirements of the new transfer value legislation contained within the Pension Schemes Act 2021. Our Scam Protection Team uses a phone call with scheme members to obtain robust information about their transfer, and can identify any suspicious activity early on in the process. The service also identifies additional key scam warning flags as set out in the Pensions Scams Industry Group (PSIG) Code of Good Practice in Combating Pension Scams, plus a number of bespoke flags that XPS has identified from its own experience.

Protecting vulnerable customers

We recognise that many pension members we deal with may be experiencing one or more vulnerabilities, and that we must take care to listen to our customers' needs and identify when we should apply an extra duty of care so as not to make a situation worse.

Our Dealing with Vulnerable Customers Policy provides clear guidance to all employees around vulnerabilities our customers may experience, barriers they may face when dealing with professional service providers such as us, and what we can do to make our services as accessible and inclusive as possible, adapting to customers' specific needs wherever possible. All customer facing employees also complete annual online training to embed their knowledge and skills in this area further.

Our Scam Protection Service has helped protect 7,100 members transfers, totalling over £1.6bn

Focusing on our clients *continued*

FY 2022 responsible investing highlights

April
Internal training for all investment colleagues, which has enabled us to share knowledge and advice with clients on embedding ESG and climate risk factors

June
Ten green-rated sustainable funds on offer, giving schemes options for investment solutions which align to sustainable objectives including the low carbon transition

July
Development of a carbon dashboard, giving clients a clear view of their carbon footprint and forward-looking climate risk exposure

September
Approved as signatory to the new UK Stewardship Code, validating the strength of our process and activities in practice

September
Assessment and feedback provided to over 50 investment managers across over 190 funds. In 2021, we published the results of our ESG fund rating review for the first time. This set out the summary of ratings across asset classes and identified specific areas of improvement needed across the board. This transparency to the market helps investment managers understand where their ratings sit relative to others as well as highlighting the broader market areas for improvement that they can act upon

October
Launched a Responsible Investment Policy, ensuring ESG and sustainability are embedded into all our investment recommendations and client advice

November
Established Climate & Environmental Solutions Team, comprising senior members from our Investments and Pensions Actuarial teams

November
Eight thought leadership pieces published on ESG specifically, and two webinars dedicated to sustainability hosted

Ongoing
Provided training on ESG and climate change issues for Trustees to inform advice based on their specific beliefs, helped clients meet climate change reporting requirements, integrated climate risk into valuation documents and explored mortality scenarios for physical and transition risks

XPS Investment is a participant in the Investment Consultants Sustainability Working Group, and an Influencer member of Pensions for Purpose. We continue to be a signatory to the UN PRI, and the UK Stewardship Code.

Read more about our approach to responsible investing and ESG integration, and how we help our clients in our in-depth 2021 Stewardship Code report: www.xpsgroup.com/sustainability/clients/

Focusing on our communities

Like all businesses, XPS is a part of the communities in which it operates. It is therefore only right that we continue to encourage employee engagement in activities which benefit those beyond our organisation.

We are clear that the only way for us to do this is to always ensure that we do the right thing for them in the long term. This is the number one objective given to all our People. It is a key driver of our culture and shapes the way we interact with stakeholders.

Community engagement

XPS continues to encourage employee involvement in fundraising and volunteering activities which benefit our local communities. This year we also focused on supporting school students and individuals in their early careers, by providing various opportunities to undertake work experience at XPS.

As well as offering work experience to secondary school students within our Administration business, we also offered the opportunity for university students to join our Investment Team for a week to gain a valuable insight into the workplace, as part of the upReach Investment Springboard Project. upReach supports high-potential students from less-advantaged backgrounds, who may not otherwise be able to access high quality work experience within professional environments. The group of students were introduced to a wide range of investment topics and worked on a skills-based group project, which they presented back to the XPS team.

To demonstrate our commitment to supporting charities, we will be launching a Matched Fundraising Policy. As well as matching funds raised for our recognised charity partners, XPS will match funds raised by XPS colleagues for any registered charity.

Charitable giving

Over the past year, XPS continued to support some of our key charity partners – Tax Help for Older People, the Mental Health Foundation and TeamPolice. A combined total of over £45,000 was raised for these three charities alone.

XPS colleagues also took part in numerous fundraising activities throughout the year, including a Steps Challenge in aid of the Mental Health Foundation, various Olympic themed fundraising events and a Christmas fundraiser in aid of Freedom from Torture and Rainbow Migration.

Our charity partners

Mental Health Foundation

TeamPolice

TAX HELP
Tax Help For Older People

Focusing on our environment

Doing the right thing is a fundamental aspect of our Company culture and a key driver of our environmental approach. We recognise the need for all parts of the business to take responsibility for the impact our activities have on the environment. This way we aim to reduce our impacts so that we may have a more stable future, both financially and environmentally.

Energy usage and climate change
As a professional services business, XPS is a relatively low environmental impact business compared to other industries. We are, however, committed to reducing emissions associated with our own operations and encouraging the reduction of emissions throughout our value chain.

XPS has taken a number of significant steps during this reporting period to improve our environmental performance, including deploying an Environmental Management System (EMS) across the Group, becoming carbon neutral and developing a Carbon Reduction Plan in alignment with the 2015 Paris Climate Accords.

As part of our journey to limit our environmental impacts and help clients and stakeholders move towards a more sustainable future, XPS made the significant step of achieving carbon neutrality across its entire value chain for FY 2022.

Excess emissions were ultimately offset with the acquisition of high-quality carbon credits from the UN Climate Now Initiative, a trusted, verified and PAS 2060 compliant scheme. To ensure our response to the climate emergency is appropriate, credible and sustainable, we have chosen to align our carbon reduction plans with ISO 14064, the international standard for quantifying greenhouse gas emissions.

In Q2 2022 LRQA, an established certification and assurance company, will be completing a review of XPS Group's carbon reduction plans to the ISO 14064 framework.

XPS understands that offsetting alone is not a long-term solution. We are motivated to continue to achieve significant long-term reductions in our environmental impact through the further development of our internal Environmental Management System and its quality of output. XPS is ambitious in its strategy to achieve this, aiming to fully align with a Paris-aligned pathway well ahead of the 2050 UK milestone. The business is currently developing interim targets to facilitate this and is pursuing the adoption of independently verified, industry-leading frameworks within the next reporting period.

Our TCFD disclosure and more detail on our operational efforts to reduce emissions can be found on pages 40 to 43.

An environmentally friendly culture

In early 2022, the EMS was certified to the international ISO 14001 standard across three of our sites. Reporting into our Information Security & Environmental Management Steering Committee, as well as the Board Sustainability Committee, the EMS provides a framework for us to monitor, manage and ultimately reduce our environmental impact.

In tandem with the EMS, we implemented an Environment Policy and established objectives for the Group to reduce our environmental impacts. In addition, the EMS has been assigning Environmental Champions in each office to assist in driving environmental awareness and initiatives as well as identifying and progressing local opportunities.

Furthermore, regular green initiatives, training videos and media are shared internally via news bulletins and the dedicated Environmental intranet page to increase awareness of our policies and to encourage the business to engage in internal initiatives.

In the forthcoming reporting period, the EMS has appropriately high ambitions. These are aimed at raising internal awareness through events, seminars and activity days, increasing local business volunteering days within our community, bringing additional offices into the scope of certification to ISO 14001 and collecting higher quality data to assist in the reduction of XPS's long-term environment impact.

Annual greenhouse gas emissions and energy use data for FY 2022:

(tCO_2e) [1,2]	FY 2022[3]	FY 2021[3]	FY 2020[3]
Scope 1 emissions	215	212	267
Scope 2 emissions	230[4]	350	548
Energy consumption used to calculate above emissions (kWh)	*2,334,261*	*2,655,443*	*3,329,067*
Scope 3 emissions	1,522[5]	1,928[6]	–
Total Emissions	**1,967**	**2,490**	**815**

Carbon intensity	FY 2022	FY 2021	FY 2020
Carbon Intensity per £m revenue			
Scope 1 + scope 2 emissions intensity (tCO_2e/£m)	3.2	4.4	6.8
Scope 1, scope 2 & Scope 3 emissions intensity (tCO_2e/£m)	14.2	19.5	–
Carbon Intensity per human resource [7]			
Scope 1 + scope 2 emissions intensity (tCO_2e/employee)	0.3	0.4	0.7
Scope 1, scope 2 & scope 3 emissions intensity (tCO_2e/employee)	1.4	1.9	–

Notes:

1 Unless otherwise noted (note 4), all conversion to carbon rates is based on current Department for Education, Food and Rural Affairs ('DEFRA') factors.

2 tCO_2e = tonnes of CO_2 equivalent.

3 All activities are UK-based.

4 XPS has transitioned to certified renewable energy in a number of facilities in the period. Calculated scope 2 emissions are determined by Market Based data where available and Location Based (note 1) factors otherwise.

It has been determined the company's transition to renewable energy avoided 16.4 Tonnes of CO_2e in the period based upon KWH conversion rates provided by DEFRA and this figure reflects this.

5 Scope 3 emission figures for FY 2022 include business travel, employee commuting and domestic energy usage to support staff working from home. XPS have significantly developed the understanding of its scope 3 energy emissions which has resulted in a significant reduction in disclosed emissions for this period.

6 For the FY 2021 reporting period Pilio assisted XPS in their Scope 3 calculations using a number of assumptions where required to calculate the impact of the pandemic's restrictions. XPS have since collected improved data on its workforce's remote activities which indicate a lower energy consumption for the FY 2022 period.

7 Based on Full time employees only.

Like-for-like comparisons between Scope 1 and 2 emissions against the previous reporting period show a reduction of 117.3 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 FY 2022. 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 have been included.

Strong and sustainable organic growth

It was pleasing to see another year of strong and resilient growth as Group revenues grew 8%, almost all organic and our highest rate of organic growth since listing in 2017. Growth in all divisions saw adjusted EBITDA up 7% year on year.

The business has performed very well with revenues growing 8% year on year, nearly all of which was organic. The revenue growth has been delivered efficiently, with total staff cost growth now below revenue growth. We have continued to invest in areas such as risk transfer and member analytics and made capital investment in developing our own administration platform which will further enhance our operational gearing in the future.

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. These alternative performance measures may not be similar to those defined by other entities but help to explain the progress within the underlying business.

> A third consecutive year of operating cash conversion in excess of 95% demonstrates the highly cash generative nature of our business. We have increased the full year dividend by 7%, underlining our confidence in the Group's prospects."
>
> **Snehal Shah,**
> Chief Financial Officer

Group income statement

	FY 2022 £m	FY 2021 £m	Change %
Revenue			
Pensions Actuarial & Consulting	**63.7**	60.7	5%
Pensions Investment Consulting	**13.7**	11.6	18%
Total Advisory	**77.4**	72.3	7%
Pensions Administration	**50.8**	46.8	9%
SIP	**6.1**	5.6	9%
NPT	**4.3**	3.2	34%
Total revenue	**138.6**	127.9	8%
Adj. EBITDA[1]	**34.1**	32.0	7%
Depreciation & amortisation	**(5.3)**	(4.9)	(8%)
Adj. EBIT[1]	**28.8**	27.1	6%
Exceptional & non-trading items	**(9.8)**	(13.9)	29%
Net finance expense	**(2.1)**	(1.8)	(17%)
Profit before tax	**16.9**	11.4	48%
Income tax expense	**(7.5)**	(2.4)	(213%)
Profit after tax	**9.4**	9.0	4%

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. See note 6 for details of exceptional and non-trading items

Revenue

Total Group revenues grew 8% year on year with all divisions achieving year on year growth.

Pensions Actuarial and Consulting is the Group's largest business. The division achieved 5% year on year growth in revenues, due to high client activity levels driven by continued regulatory changes as well as further new business wins for the Group.

Pensions Investment Consulting had another strong year with a number of new client mandates as well as continued growth in fiduciary management oversight appointments following the CMA ruling in 2019. Revenues in this division grew 18% year on year.

Pensions Administration revenues grew 9% year on year with a number of new client wins coming on stream during the year, and increased levels of project work. Pensions Administration accounted for 37% of the Group revenues (FY 2021: 37%).

SIP revenues were up 9% on prior year, as strong underlying sales helped offset the impact of the bank base rate reduction in the first half of the year, while the recent base rate increases will have a positive impact on revenues looking forward. The acquisition of the trade and assets of Michael J Field Consulting Actuaries ("Michael J Field") completed in February 2022, and we are pleased that the integration of the business is progressing well.

The National Pension Trust (NPT) business has performed well with revenue growing 34% 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 £1.3 billion.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 9% or £9.0 million year on year. The main drivers for the cost increases are an increase in headcount as the business grows (1,442 FTE v 1,325 last year), continued investment in IT (particularly cyber security), and higher bonus cost in light of the strong financial performance.

As a result, the Group's adjusted EBITDA grew by 7% year on year. Adjusted EBITDA margin was 25% (FY 2021: 25%). Statutory profit before tax grew by 48% year on year.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £9.8 million (FY 2021: £13.9 million). Amortisation of acquired intangible assets amounted to £6.6 million (FY 2021: £6.5 million). Share-based payment charges were £3.9 million (FY 2021: £4.9 million). An exceptional credit in the year of £1.0 million was due to the unwinding of an exceptional holiday pay accrual made in the prior year. The Group also incurred corporate transaction costs of £0.3 million (FY 2021: £0.2 million) in the year.

Tax on the exceptional and non-trading items was £2.5 million (FY 2021: credit of £2.3 million). The large increase is due to the revaluation of deferred tax liabilities as a consequence of the increase in corporation tax from 1 April 2023 to 25%.

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

Net finance costs

Net finance costs for the year were £2.1 million (FY 2021: £2.0 million).

Taxation

A tax charge of £5.0 million (FY 2021: £4.7 million) was recognised on adjusted profits (before exceptional and non-trading items) which represents an effective tax rate of 19% (FY 2021: 19%). The Group also recognised a tax charge of £2.5 million (FY 2021: credit of £2.3 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £7.5 million (FY 2021: £2.4 million). As previously disclosed, the increase in corporation tax in FY 2024 to 25% has driven an increase in tax charges in the year now that 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 2022, we paid corporation tax of £3.9 million (FY 2021: £3.3 million); we collected employment taxes of £22.5 million (FY 2021: £22.8 million) and VAT of £21.3 million (FY 2021: £20.2 million). Additionally, we have paid £1.2 million (FY 2021: £1.2 million) in business rates. The total tax contribution of the Group was therefore £48.9 million (FY 2021: £47.5 million).

Cash flow, capital expenditure and financing

Non-GAAP cash flow	31 March 2022 £m	31 March 2021 £m
Operating		
Adjusted EBITDA	**34.1**	32.0
Change in net working capital	**(0.7)**	4.4
Other	**(0.6)**	(0.7)
Adjusted operating cash flow	**32.8**	35.7
OCF conversion	**96%**	112%
Financing & tax		
Net finance expense	**(1.5)**	(2.1)
Taxes paid	**(3.9)**	(3.3)
Proceeds from/(repayment of) new loans	**3.9**	(11.5)
Repayment of lease liabilities	**(2.7)**	(2.6)
Share-related movements	**(3.3)**	(3.4)
Net cash flow after financing	**25.3**	12.8
Investing		
Acquisition (net of disposals)	**(1.5)**	(0.2)
Capex	**(7.9)**	(2.4)
Restricted cash (NPT)	**—**	(0.5)
Net cash flow after investing	**15.9**	9.7
Dividends paid	**(14.1)**	(13.4)
Exceptional items	**(0.3)**	(2.1)
Movement in cash	**1.5**	(5.8)
Net debt	**54.6**	50.4
Leverage	**1.74x**	1.74x

EPS

The basic EPS for FY 2022 is 4.6p (FY 2021: 4.4p). The higher profit before tax is largely offset by the increase in tax due to the future rate change.

Adjusted fully diluted EPS of 10.2p was delivered in FY 2022 (FY 2021: 9.8p), an increase of 4% year on year.

Dividend

A final dividend of 4.8p is being proposed by the Board (FY 2021: 4.4p). The final dividend, if approved, which amounts to £9.7 million (FY 2021: £9.0 million), will be paid on 22 September 2022 to those shareholders on the register on 26 August 2022.

Cash

FY 2022 has been another year of strong cash performance for the Group. Adjusted operating cash flow decreased by £2.9 million driven by a £2.1 million increase in EBITDA offset by a £5.1 million reduction in net working capital. Other items were an outflow of £0.6 million compared to an outflow of £0.7 million in FY 2021. Overall, this resulted in adjusted operating cash flow conversion of 96% compared to 112% in the prior year.

Taxes paid in the year were £3.6 million lower than the income statement charge as the current year tax charge includes a large tax charge in deferred tax due to the future rate increase.

During the year, the Group drew down £5.0 million of the RCF. A new facility was negotiated in the year, for four years from October 2022 at a margin above SONIA. The new facility is for £100 million, with an accordion of a further £50 million.

Capital expenditure in the year amounted to £7.9 million (FY 2021: £2.4 million) with £0.8 million spent on leasehold improvements and office fitouts and the remaining £7.1 million on software development, enhancements to our platforms cyber security and other IT equipment.

After paying £14.1 million in dividends and £0.3 million of exceptional costs, the Group cash balance increased by £1.5 million year on year to close at £10.1 million. The Group had drawn down £64 million of its £100 million RCF at 31 March 2022, resulting in a net debt of £54.6 million, an increase of £4.2 million year on year.

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 35 in the Annual Report.

Snehal Shah
Chief Financial Officer
22 June 2022

Task Force on Climate-related Financial Disclosures (TCFD)

Governance

Board oversight and management's role in assessing and managing climate-related risks and opportunities.

XPS considers climate change and the transition to a low carbon future as a key material risk to the business. As such, our Board Sustainability Committee is responsible for XPS's sustainability strategy and for 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 pages 68 and 69.

At the management level, climate risk is overseen by the Information Security & Environmental Management Steering Committee. The Committee meets quarterly to review aspects and impacts, and legislation updates, and to provide management with a regular opportunity for review. Outputs are then fed into both the Sustainability and Audit & Risk Committees for review and approval of any actions, objectives or policy, which then feed back to the XPS Board (see pages 64 to 67 for an update from our Audit & Risk Committee).

Environmental governance structure and responsibilities

XPS Board
- Ultimate accountability for long-term viability of the Group
- The Group's long-term objectives, business strategy and risk appetite
- The Company's overall corporate governance arrangements

Audit & Risk Committee
- Oversight of XPS's emissions data, reduction targets and planned pathways and actions
- Oversight of ISO and PAS accreditation

Sustainability Committee
- Oversight of the Company's ESG impact and initiatives
- Development and delivery of Group sustainability strategy
- Improving practices, reporting and communication in relation to ESG factors
- Maintaining oversight of the views and interests of all key stakeholders of the Company, internal and external

Risk Management Committee
- Oversight and approval of EMS objectives

Information Security & Environmental Management Steering Committee
- Reviewing and monitoring climate-related risks at least annually
- Reviewing environmental aspects and impacts
- Monitoring legislation updates
- Providing management review of the implementation of EMS
- Risk assessment and scenario analysis

Sustainability and Risk team members
- Providing ESG expertise to various Committees
- Implementation of Environmental Management System
- Engaging with XPS colleagues to champion sustainability across the Group
- Supporting our XPS Environmental Champions

Strategy

Overview of our climate-related risks and opportunities, and impact on strategy and financial planning

Meeting the required emissions reduction to stay within a Paris-aligned pathway and the changing climate itself present both risks and opportunities for XPS Group.

The nature of our business as a UK-based professional services provider means that, in the short term, we are more exposed to transitional risks such as uncertainty in markets, increased expectations from stakeholders and the potential for increased costs. In the medium term (five to ten years), we would expect to see some impact from increased pricing of GHG emissions or costs associated with transitioning to lower emissions technologies or buildings. In the longer term (ten plus years), we can expect to see more physical risks from extreme weather events impacting our direct operations, although disruptions to supply chains may be felt sooner.

In relation to opportunities, we expect to see increased demand for our advisory and actuarial services in response to market changes and increased regulation, as well as from pension schemes requiring additional disclosure. This creates opportunities for increased market share as we develop both our response within our own operations and our investment and advisory business models to drive ESG and sustainability-informed approaches.

XPS is responding to climate risks and opportunities via our sustainability framework, as well as our business continuity and financial planning.

Using scenario analysis to consider the resilience of our organisational strategy

Climate scenario analysis was undertaken by our risk team and peer reviewed by the Information Security & Environmental Management Steering Committee. This exercise aimed to provide the business with an effective measurement of both the significance and the timeliness of climate-related risks XPS may face up to 2080.

As part of a comprehensive risk analysis exercise, we first assigned climate risk scores to climate-related risks and opportunities to better understand the significance of each for our business. These scores were combined with predicted risk influence evaluation per decade, allowing the business to analyse when impacts may materialise and pose the most risk, or present the most opportunity, to XPS.

This risk analysis exercise was applied across four climate scenarios designed by the Network for Greening the Financial System (NGFS), which uses data input from the IPCC. Each scenario contained risks and opportunities that developed at varying pace throughout the model.

This exercise generated a final Risk Materialisation metric for each scenario, allowing XPS to understand both the significance of an array of potential risks as well as the projected timeliness of those risks taking effect.

We have provided high-level examples of risks from each of the four scenarios:

Scenario 1:
Rapid transition to net zero
- Significant transitional risk and possible asset retirement
- Short-term market shock

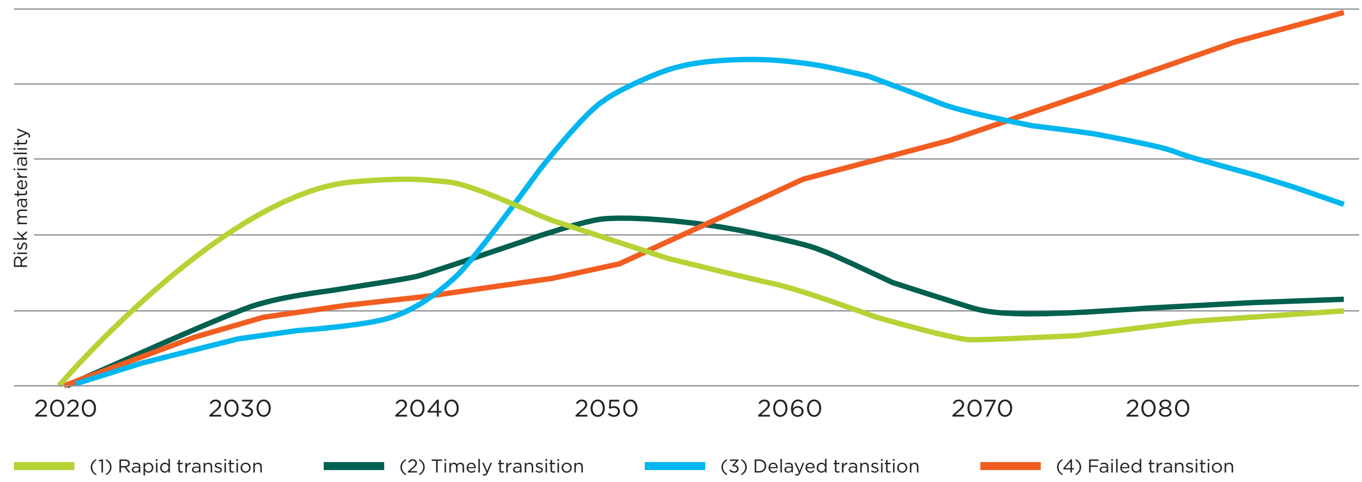
Scenario 2:
Timely transition staying below 2°C
- Low transitional risk due to smoother implementation
- Lower short-term market shock

Scenario 3:
Delayed transition
- High transitional risk likely between 2035 and 2050 due to reactive policy implementation
- Low short-term market shock: however, large shock in 2040

Scenario 4:
Failed transition
- Low transitional risk in the short term
- High long-term climate risk
- High opportunities
- Long-term market decline

A timely transition, which aligns to warming levels staying below 2°C, currently presents the least material risk overall to XPS, as illustrated in the chart overleaf.

Strategy continued
Scenario analysis comparisons



We believe XPS has strong resilience to climate-related risks, as a result of the nature of our business, our business continuity and financial planning and the balance of risk and opportunity embedded within our business model.

Risk management
Our process for identifying, assessing and managing climate-related risks

As part of this year's implementation of our Environmental Management System (EMS), a full business-wide risk assessment was completed. This considered a wide range of transitional and physical risks to the business, along with potential impacts and likelihoods, to enable us to determine a rating for each risk in the short, medium and long term.

Identified material climate/environmental risks were then integrated into the pre-existing risk framework we utilise for business and information security risks.

Process for managing climate-related risks within XPS:

Material risks are agreed, and risk appetites assessed, by the Audit & Risk Committee. Where appropriate, risks are also fed into the Sustainability Committee.

↓

All risks are filtered through to the Risk Management Committee.

↓

All risks undergo management review via the Information Security and Environmental Steering Committee which agrees risk priority scoring based on the Group's pre-existing Risk Matrix.

↓

The Environmental Management System (EMS) operation identifies climate and environmental risks and maintains a Group EMS Risk Register. EMS risks are scored pre-controls, post-controls and additionally at five and ten-year intervals. These risks are somewhat driven by scenario analysis.

Metrics and targets

Please see page 35 for our disclosure of Scope 1, 2 and 3 greenhouse gas (GHG) emissions, and commentary on metrics used.

Having introduced our EMS this year, we are now working on establishing clear direct and indirect emissions reduction targets and actions, consistent with a low carbon Paris Agreement-aligned economy. A Carbon Reduction Plan, incorporating science-based targets, will be shared with the Sustainability Committee for review in 2022. We will seek to reduce our carbon offsetting as we implement this plan.

In the short term, we will continue to roll out ISO 14001 certification to XPS offices, which provides independent audit of our EMS system and objectives. We will also work with landlords in our leased properties to switch to using renewable energy wherever possible in 2022/23.

Read more about our response to climate change and our pledge to remain carbon neutral on pages 34 to 35.

Non-Financial Information Statement

The Companies Act 2006 requires us to disclose certain non-financial information in the Annual Report and Accounts. This information can be found on the following pages:

Reporting matters	Information to understand our policies and impacts
Environmental matters	Focusing on our environment, see page 34
Employees	Focusing on our employees, see pages 26 to 30
Respect for human rights	Focusing on governance, see page 25
Social matters	Focusing on our clients, see pages 31 to 32 Focusing on our communities, see page 33
Anti-bribery and corruption	Focusing on governance, see page 25
Description of principal risks and impact of business activity	Our principal risks and uncertainties, see pages 44 to 49
Description of our business model	Our business model, see pages 6 to 7
Non-financial key performance indicators	Our sustainability framework, see page 23

Managing risk effectively

Robust and effective Risk Management ensures the Group is able to deliver successful outcomes for our customers, supporting delivery of consistent financial results. The frameworks in place allow the Group to clearly understand its risk profile and adapt to new threats and opportunities in an agile way, supporting further growth. These frameworks also provide the information needed to ensure the appropriate skills, expertise and internal controls are in place and maintained to manage risks on an ongoing basis.

Over the year the Group has looked to improve its risk management capabilities and enhance its ability to identify, evaluate and monitor its principal risks. This has included supporting our ability to address the challenges presented by the ongoing Covid-19 pandemic and other changes to the external threat environment such as the continuing increases in phishing and ransomware attacks.

Significant enhancements to the risk management framework since the last report include:

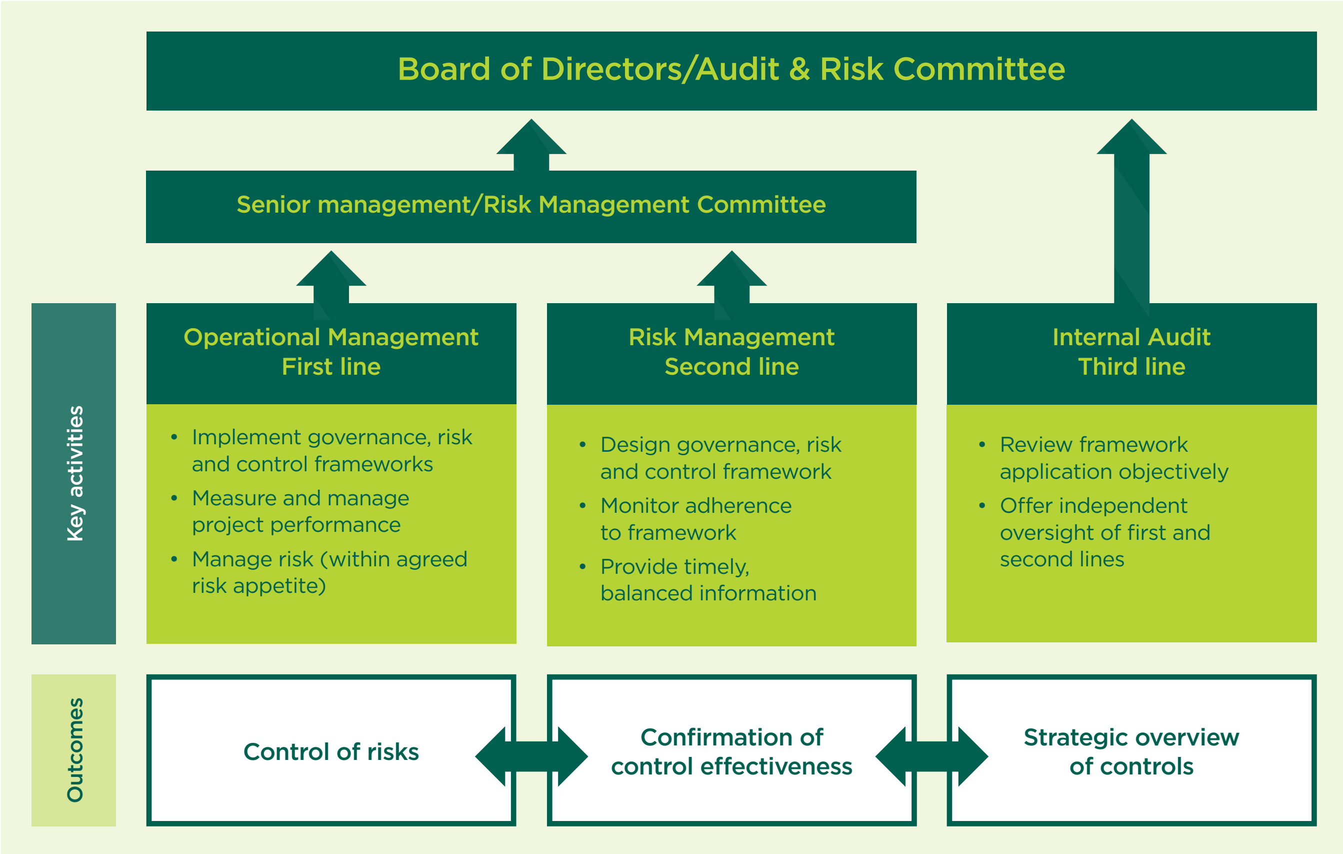
- the development of our existing assurance frameworks in place to ensure they continue to provide independent validation of key controls and their effectiveness. This included the move to the new AAF 01/20 framework, expanding the scope of our ISO 27001 certification and the introduction of annual Cyber Essentials Plus certification;
- completing the integration of our Environmental Management System into existing risk frameworks, supporting compliance with regulatory obligations such as TCFD and enabling the Group to gain ISO 14001 certification:
- the development of the Executive level Risk Management Committee, including the expansion of attendees to include the CFO and new CIO;
- the expansion of the dedicated Information Security team, including the introduction of several additional technical security enhancements; and
- the development of the third party assurance framework, to ensure that supply chain risks are managed and operational resilience plans are in place and effective.

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

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

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

- political/economic/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, inflation, interest rates and liquidity;
- competition – risks of change on the demand side of the business due to changes in customer demands or competitors, likely to influence entire industry, e.g. aggressive competitor pricing, consolidation trends, major technological innovation and substitute technologies. These changes may not directly affect the Group but could influence the entire industry; and
- 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 and 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:

Strategy

Description	Key mitigations	Rationale for change
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, or 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.	Stable

Change during the year:
- Increased risk
- Stable
- Improving

Links to strategy:
- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Strategic planning and execution

Description
Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications, or poor management of change or projects.

Key mitigations
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.

Rationale for change
XPS has recruited Jon Marchant in the new role of Chief Information Officer. The CIO is instrumental in driving and co-ordinating technology development.

This has included the introduction of a single Development and Delivery team that co-ordinates and delivers business initiatives across the Group.

Financial performance

Description
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.

Key mitigations
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 tested 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 the financial performance of the Group at each Board meeting.

Rationale for change
The Group has progressively improved it's budgeting and forecasting frameworks. These improvements are evidenced through consistent delivery of financial results in line with or ahead of market consensus.

Errors

Description
Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly, or not following peer review processes.

Key mitigations
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 sign-off required, with regular quality audits to confirm processes are being followed correctly.

Insurance arrangements are in place to limit the loss should an error occur, with root cause analysis used to identify where controls can be improved.

Rationale for change
Stable

Change during the year:
- Increased risk
- Stable
- Improving

Links to strategy:
- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Theft and fraud (financial and physical assets)

Description
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, or theft from Group or client bank accounts.

Key mitigations
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.

Rationale for change
Recent audits of key controls have identified areas that can be improved and these recommendations have been actioned to further enhance frameworks.

Whilst we continue to see attempts to impersonate pension scheme members, controls are identifying and preventing these.

Information/cyber security

Description
Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. unauthorised access to or disclosure of staff or client information, denial of access to systems or data required, or business continuity incidents caused by equipment breakdown/fire/flood.

Key mitigations
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.

Rationale for change
Whilst the external cyber threat level continues to increase, the Group's capabilities to deal with these have been significantly enhanced.

This includes the expansion of the Information Security team, and additional protective technologies, with independent assurance provided through Cyber Essentials Plus certification.

New DRaaS and BaaS capabilities give the Group strengthened capabilities to deal with ransomware attacks.

Staff/human resources

Description
Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence, and management capability.

Key mitigations
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 the strategy and budgeting process to ensure alignment with business plans.

Rationale for change
Stable

Third party supplier/outsourcing

Description
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, or financial failure of supplier resulting in inability to deliver service.

Key mitigations
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 SLAs and financial status.

Where there is a reliance on a single supplier, contingency plans are in place to protect against failure.

Rationale for change
Stable

Client engagement

Description
Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client, or poorly presented or uses out of date technologies, but not errors.

Key mitigations
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.

Rationale for change
Stable

Business conduct and reputation

Description
Risks that could lead to a breach of acceptable conduct or ethics, impacting the Group's brand, image or reputation. Failure to ensure services are appropriate for client's needs, any discrimination, or a poor response to a cyber incident or client complaint.

Key mitigations
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 the Group's 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 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.

Rationale for change
Stable

Change during the year:
- Increased risk
- Stable
- Improving

Links to strategy:
- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Covid-19 (Coronavirus)

The Covid-19 pandemic continued to impact normal business operating conditions during 2021. The business continuity and technology infrastructure put in place at the initial outbreak in 2020 continued to keep staff safe and support continued client servicing without interruption. All staff have been subject to home working periods and throughout have maintained our client service and other obligations. 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 proactive management actions have resulted in resilient and stable residual risk positions across the Group'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.

Geopolitical risk

The Group has assessed the risk of the current geopolitical situation. The Group does not have any clients in Russia, or business relations with Russian owned firms. Therefore, there is no significant risk to the Group as a result of the current climate.

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

The Directors confirm in the Directors' Responsibility Statement on page 95 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

Ben Bramhall
Co-Chief Executive Officer

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 91 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 2025. 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 cover the period up to June 2023. A 12 month period from the sign-off of the accounts is used for the going concern review as the Group produce more detailed budgets and forecasts for this time frame which have proved to be very reliable in the past.

These forecasts have been comprehensively stress-tested by using simulation techniques involving sensitivity analysis. The stress-testing involved removing revenue relating to a large part of customers discretionary spend from Group revenues from the forecasts. A high percentage of the Groups revenue relate to compliance work which is non-discretionary. Mitigating actions, which include reducing certain non-fixed costs were also factored into the stress-testing.

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 44 to 49. In addition, note 2 on page 117 of the accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk, liquidity risk and market risk.

The Directors believe that dramatic changes in the future development and size of the pensions market which underpin the strategy of the Group as well as risks relating to cyber security including ransomware attacks could threaten the longer term viability of the Group. These risks have been considered in detail, including potential mitigating actions and the direction of travel for these specific risks on pages 45-48.

The Group had £10 million of cash at 31 March 2022 and a £100 million committed financing facility with an accordion of £50 million until October 2025. At 31 March 2022, £64 million of this facility was drawn. The facility is subject to two covenants: net leverage and interest cover. These covenants are forecast to be met throughout the viability period. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the financial statements and notes.

The current economic situation and inflationary environment is not a significant risk to the Group as increases in costs are largely protected against by the Group's contractual ability to increase revenue from customers by an amount linked to inflation. 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

"As our excellent financial results demonstrate, XPS employees continued to provide an exceptional level of service to our pension scheme clients and their underlying members, despite the disruption and challenges we all faced."

Tom Cross Brown,
Chairman

Covid-19 pandemic
For the second consecutive year, the Covid-19 pandemic prevented physical Board meetings for the majority of the reporting period. Through regular virtual meetings, the Board and its members were still able to carry out their duties effectively and we were delighted to hold one in-person Board meeting before the year end. The same was clearly true for our employees. As our excellent financial results demonstrate, XPS employees continued to provide an exceptional level of service to our pension scheme clients and their underlying members, despite the disruption and challenges we all faced.

Board composition
There were no changes to the Board during the review period to report. However, as announced post year end in April 2022, I have taken the decision to retire from my role as Chairman of the Group. I will therefore not be standing for re-election at this year's Annual General Meeting, which is to be held on 8 September 2022, and will retire from the Group at the conclusion of the meeting. A process to identify and appoint my successor is underway and this is being led by the Nomination Committee.

My successor in the role of Chair of the Board will be joining a Group that takes its responsibilities to all stakeholders and wider society extremely seriously and one that continually strives to improve itself at all levels at all times. It has been a pleasure to be a part of XPS's journey since its IPO in 2017 and I wish my successor, the rest of the Board and all XPS employees continued success in the years ahead.

The report below outlines how the Company has applied the main principles of the 2018 Corporate Governance Code (the "Code"), and how it has complied with all relevant provisions of the Code during the reporting period.

Tom Cross Brown
Chairman
22 June 2022

> XPS's stakeholders' interests were key to the decisions the Board made during the year."

Statement of compliance with the UK Corporate Governance Code
In 2021, 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 the principles can be found on the following pages:

(i) Board leadership and Company purpose: pages 52 to 53;

(ii) division of responsibilities: pages 57 to 58;

(iii) composition, succession and evaluation: pages 54, 61 and 63;

(iv) audit, risk and internal control: pages 64 to 67; and

(v) remuneration: pages 70 to 90.

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

Tom Cross Brown

Independent
Non-Executive Chairman

Appointed: January 2017–September 2022

Committee membership

N R

Key strengths

- Mergers and 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 2011–2018

Current external listed company directorships/ key appointments:

- None

Meetings attended:
11/11

Paul Cuff

Co-Chief
Executive Officer

Appointed: October 2016

Committee membership

N/A

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 and 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

Meetings attended:
11/11

Ben Bramhall

Co-Chief
Executive Officer

Appointed: April 2014

Committee membership

N/A

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 and 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

Meetings attended:
11/11

Key to Committee membership

- Chairman
- Member
- A Audit & Risk
- R Remuneration
- N Nomination
- S Sustainability

Snehal Shah
Chief Financial Officer
Appointed: July 2019

Committee membership
S

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

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

Current external listed company directorships/ key appointments:
- None

Meetings attended:
11/11

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

Committee membership
A R N S

Key strengths
- 40+ years of experience in pensions industry
- Mergers and acquisitions, strategy, risk management, workforce engagement, pensions industry, corporate governance, business development, investment strategy, technology, customer service, trusteeship 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

Meetings attended:
11/11

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

Committee membership
A R N

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

Meetings attended:
11/11

Sarah Ing
Independent Non-Executive Director
Appointed: May 2019

Committee membership
A R N S

Key strengths
- Chartered accountant
- 30+ years of experience in financial services including audit, corporate finance, investment banking and asset management
- Mergers and 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

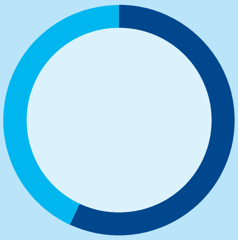
Current external listed company directorships/ key appointments:
- Non-Executive Director of CMC Markets plc since September 2017, where she chairs the Remuneration Committee
- Non-Executive Director of Marex Group since July 2021 where she chairs the Audit & Compliance Committee
- Non-Executive Director of Gresham House plc since September 2021, where she chairs the Audit Committee

Meetings attended:
11/11

Group governance at a glance

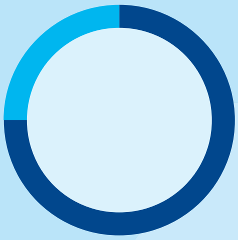
Board composition

Independence



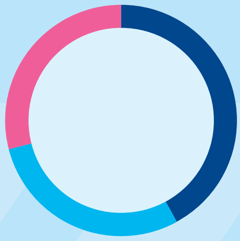
- Non-Executives **57%**
- Executives **43%**

Non-Executive tenure



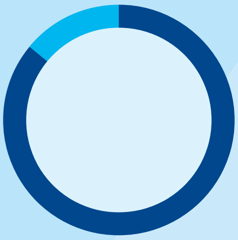
- 3–6 years **75%**
- Less than 3 years **25%**

Age



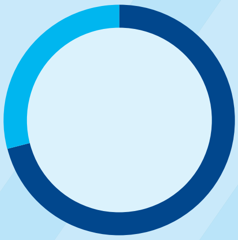
- 41–50 **42%**
- 51–60 **29%**
- 61+ **29%**

Ethnicity



- White **86%**
- Minority ethnic group **14%**

Gender



- Male **71%**
- Female **29%**

Non-Executive gender

- Male **50%**
- Female **50%**

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. Tom Cross Brown will not stand for re-election at the next Annual General Meeting in September 2022 and will retire as the Group's Chairman as of conclusion of the AGM. The Nomination Committee has commenced the recruitment process for a successor.

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.

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

Board Committees

The Audit & 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 auditor; and the processes for compliance with laws, regulations and ethical codes of practice. Further details are given in the Audit & Risk Committee Report on pages 64 to 67.

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 70 to 90.

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 62 and 63.

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. The Committee intends to improve practices, reporting and communication in relation to factors that have a material impact on business strategy, business performance and the long-term sustainability of the Group. Further details are given in the Sustainability Committee Report on pages 68 and 69.

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 www.xpsgroup.com/investors/corporate-governance/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. The Company Chairman is not a member of the Audit & Risk Committee, in compliance with the Code. Each Chair reports on the business of their previous Committee meeting at the next scheduled Board meeting.

Executive Committee

The Co-Chief Executive Officers operate an 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, Chief Information Officer, Head of Advisory, Managing Director of Administration, Head of Investment, General Counsel and HR Director.

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 and receives strategy updates at each Board meeting. 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 of service per year to the Company. The Board is 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 on occasion meet 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 & 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 2022 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 we expect to see and embedding these throughout the Group. In addition to the Board, the Executive Committee upholds our values and ensures that the importance of compliance and integrity is recognised at all levels throughout the Group. At XPS, our values are embedded in everything we do; you can read more about our values on page 24.

We are **ambitious**

We do the **right thing**

We are **agile**

We are **helpful**

We are **experts**

Board responsibilities

The Board is focused on providing entrepreneurial and sustainable 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. All Directors devote sufficient time to their roles. 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, culture, 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 management;
- 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

Board division of responsibilities continued

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 any Non-Executive Director 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
- Chair of the Audit & Risk Committee

S172 Statement

Stakeholder engagement is central to the Group's strategy and sustainable success. The Board of Directors of the Company acts in good faith to promote the long-term success of the Company for the benefit of its members as a whole, taking into account the factors as listed in Section 172 of the Companies Act 2006:

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationships with suppliers, customers and others;

d. the impact of the Company's operations on the community and the environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the Company.

The Company's purpose, values and culture are established by the Board and embedded throughout the Group and key decisions made.

When making key decisions, the Board is careful to consider the interests and priorities of stakeholders, and the consequences the decisions may have. The Board recognises that stakeholders have differing interests and gives 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 44 to 49.

	Key interests	Engagement strategy
Clients	• Products and services • Service performance and efficiency • Competitiveness and value • Compliance and data protection • Sustainable products	The Company engages with clients through key contacts who work day to day with the clients. We also complete client satisfaction surveys every two years and the Board reviews the results. We are pleased that our client survey this year shows that clients are very positive, with 93% of clients "satisfied" or better and 86% of clients likely to recommend XPS. We also hold conferences, webinars and training exercises for clients throughout the year. We work with clients to establish a relationship that works for them; an example of an innovative way in which we have collaborated with BT plc to satisfy its requirements can be found on page 9.
Shareholders	• Financial performance and growth • Dividends • Timely and relevant communications • Sound corporate governance and stewardship • Strategy aligned with long-term sustainability and value creation	We engage with our shareholders in various ways throughout the year including meetings with investors and results roadshows hosted by the Executive Directors and regular calls with analysts, investors and potential investors. The Investor section of the XPS website was updated and improved during the year, to include useful information for our shareholders. The Board also attends the Annual General Meeting and is available to answer shareholder questions. Sarah Ing is appointed as the designated Shareholder Engagement Non-Executive Director. Sarah attends the Company's results presentations for analysts and shareholders. Sarah meets and speaks to shareholders and prospective investors as well as sell side analysts. The Remuneration Committee Chair engages through consultation and meetings with major shareholders in relation to executive remuneration.
Regulators	• Transparency and openness • Proactivity and engagement in consultation • Compliance with regulation and legislation	The Company works with the regulators by responding to requests and consultations, submitting returns and attending industry meetings. Margaret Snowdon is an adviser to The Pensions Regulator and regularly updates the Board on industry developments.

	Key interests	Engagement strategy
Employees	• Engagement • Reward • Career opportunities • Training and development • Wellbeing • Equality, inclusion and diversity • Work-life balance and flexibility	Margaret Snowdon is appointed as the Designated Employee Engagement Non-Executive Director. Margaret is Chair of the Employee Engagement Group (EEG) and updates the Board after each EEG meeting. Employees complete an annual employee survey, the results of which are analysed in detail and shared with the Board, and an action plan is agreed. An external and anonymous whistleblowing hotline is available to employees 24/7; any reports can be escalated to the Board as required. Employees have been at the forefront of the Board's discussions and considerations in relation to the Covid-19 pandemic and the My XPS, My Choice trial. You can read more about employee engagement on pages 26 to 30.
Suppliers	• Responsible procurement and ethics • Fair contract and payment terms • Cost efficiency and value	The Group has a designated Procurement team and an external company which engages with and carries out due diligence on its suppliers. We conduct formal and transparent tender processes when required. An annual review of existing suppliers, which 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.
Communities, charities and environment	• Local and worldwide social and environmental impact • Health and safety	The Sustainability Committee is a Committee of the Board, and 50% of members are Board members. The Committee Chair, Sarah Ing, updates the Board following each meeting. You can read the Committee report on pages 68 and 69. XPS is excellently positioned to ensure our positive impact is wider than the Group itself as we advise our clients on sustainable investments; you can read about this on pages 31 and 32. XPS has reported on TCFD this year; you can read this on pages 40 to 43. XPS achieved carbon neutrality in 2021; you can read more about this on pages 34 and 35. You can also read about our community support on page 33.

Examples of stakeholder key interests being considered and impacting decisions during the year:

My XPS, My Choice:

Employees – The initiative was formed following the pandemic resulting in all employees working from home for a period of time; we engaged with employees throughout the pandemic to understand how employees work most efficiently. We engaged via the EEG, surveys and discussions between employees and line managers and formed this innovative initiative. A trial was completed, and employees were consulted throughout. 91% of employees were satisfied or better in relation to their initial experience of the new flexible working model (Employee survey 2021).

Clients – The satisfaction of and efficiency for clients remain of paramount importance and were monitored throughout the pandemic and the trial. 77% of clients were "very satisfied" with XPS (Client satisfaction survey 2021).

Shareholders – It is important that our shareholders continue to see the Group's growth in-line with consensus, and to achieve this we must retain the talented people we have by offering an attractive and flexible way of working to our employees.

Environment – The nature of the flexible working initiative has resulted in less travel to offices, and therefore less environmental impact as a result of travel.

Michael J Field Consulting Actuaries acquisition:

Shareholders – Our shareholders' key interests are the growth of the Group and value creation. It is with this in mind that part of the XPS strategy is growth through acquisition.

Employees – Through the acquisition, we welcomed new employees to the Group. It is important to us that these employees feel welcomed and integrated as quickly and effectively as possible, with as minimal disruption as possible.

Clients – The clients we welcomed as a result of the acquisition are important to us and the success of the acquisition. We aim to ensure minimal impact and disruption to our new clients, whilst developing the relationships and access to XPS's experience, offerings and skills.

Regulators – We ensure that we meet all regulatory requirements when conducting an acquisition.

Annual General Meeting

The Company's Annual General Meeting (AGM) will take place at 12pm on Thursday 8 September 2022 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. The next externally facilitated evaluation will be conducted in 2023.

In 2022, 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.

2022 outcome

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

- the handover and succession of the Chair role following Tom Cross Brown's retirement in September 2022 will be a key focus for the Board in the year ahead;
- relations and communications with shareholders will continue to develop, including the potential for new introductions when the Group's new Chair is appointed; and
- the Board will continue to develop engagement with Group employees, including re-introducing Non-Executive Director and employee networking sessions (previously halted due to Covid-19).

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, meet annually to evaluate the performance of the Chairman, led by the Senior Independent Director. The Senior Independent Director also engages with the Executive Directors separately for their feedback. As the Chairman, Tom Cross Brown, has confirmed his intention to retire and not stand for re-election at the 2022 AGM, the directors are focused on recruiting a successor and ensuring an orderly handover.

2021 evaluation outcomes and progress

The 2021 evaluation identified the following areas for improvement, which have been improved as follows:

Actions from 2021	Improvements
The Board will consider other mechanisms for shareholder engagement, including holding a capital markets day, and would develop the Group's Investor Relations function with external support.	The Group has appointed an external firm to support with investor relations and a capital markets day will be held in future. The Remuneration Committee Chair has been in touch with the Group's largest investors and agreed to maintain regular dialogue in relation to remuneration policy and practices.
The Board will work cohesively to continue key strategic themes and continue to hold an annual Board strategy session.	A strategy meeting was held and attended by all Board members, where effective and engaging discussions were had.

Succession planning for a sustainable future

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.

Committee membership	Attendance
Chair	
Tom Cross Brown	**2/2**
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 2022. The Committee has met twice during the 2021/22 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.

Board changes

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

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.

Chairman succession

Following the year end, I informed my fellow Directors of my intention to retire and not stand for re-election at the September 2022 AGM. The Nomination Committee, led by Margaret Snowdon, has commenced its search for a successor and I have not partaken in the search or decisions surrounding this. As part of the recruitment effort, the Committee has considered and reviewed the skill set and experience of all Directors to identify any skills gaps following my retirement. The Committee has engaged external search firm Russell Reynolds, with which the Group and Directors have no other connections. The Group will keep stakeholders updated by public announcement as the search progresses. The identified successor will chair the Nomination Committee following their appointment.

Board effectiveness evaluation

During the year, an internally facilitated Board effectiveness evaluation was completed; further details of the outcomes can be found on page 61. The Group intends to conduct an externally facilitated effectiveness review in 2023, three years following the prior external evaluation.

Succession planning

During the year, the Nomination Committee reviewed detailed succession plans covering the roles considered key to the business, including those of the Executive Directors and the Executive Committee. The Committee is satisfied that the contingency and talent management plans in place for key positions are appropriate and has agreed that the Group's succession planning should be kept under review, at least bi-annually. We conduct Leadership Development Centres to develop our future senior leaders.

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.

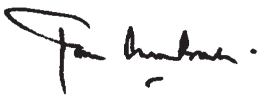
Diversity, equality and inclusion

The Company has an established Diversity Working Group, championed by Non-Executive Director Margaret Snowdon and chaired by a senior female within the Group. The group has made great progress and has a significant impact across the business and is a key channel of communication and engagement for employees. You can read more about the Group's I&D strategy on page 27.

The Company acknowledges that there remains a gender pay gap within the business which reflects a higher proportion of males in higher paid roles than females. Whilst this is partly a challenge of the UK industry in which the Company operates, with a male-dominated actuarial profession, the Board believes it has a responsibility to promote change, both within XPS and the industry more generally. The Group introduced an apprentice scheme during the year and hopes this continues to improve the diversity of the Group and profession in the future.

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 29 in the sustainability section.



Tom Cross Brown
Chair of the Nomination Committee
22 June 2022

Delivering independent oversight

The Audit & Risk Committee continues to provide independent oversight of the Group's financial reporting procedures, risk management and internal control framework.

Committee membership	Attendance
Chair	
Alan Bannatyne	**4/4**
Committee members	
Sarah Ing	**4/4**
Margaret Snowdon OBE	**4/4**

Dear Shareholder,

I am pleased to present the report of the Audit & Risk Committee for the year ended 31 March 2022. The Committee met four times during the 2021/22 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 Sarah Ing, Margaret Snowdon OBE and me. The Board is satisfied that the Audit & Risk Committee as a whole has competence relevant to the sector in which the Company operates and that Sarah Ing and I have recent relevant financial experience as can be seen in our biographies included on pages 52 and 53 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.

Significant accounting matters considered during the year

Revenue recognition, accrued income and trade receivables

Matters considered

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.

Action

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 its 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

Matters considered

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.

Action

The carrying value of all indefinite lived assets is tested for impairment annually. In reaching its 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.

Business combinations

Matters considered

During the year, the Group acquired the trade and assets of Michael J Field Consulting Actuaries for cash consideration of £1.5 million and up to £1.5 million in contingent consideration. All acquisitions are assessed under IFRS 3 where applicable, and a purchase price allocation (PPA) exercise is undertaken.

Action

The Committee has reviewed management's assessment of the fair value of the assets and liabilities acquired and resulting goodwill from the acquisition. The Committee has reviewed the disclosures in respect of the acquisition and considers the accounting and disclosures to be appropriate.

Presentation and disclosure of exceptional and non-trading items

Matters considered

The Group classifies certain items in the income statement as exceptional/non-trading to allow a clearer understanding of the underlying trading performance of the business.

Exceptional and non-trading items in the year totalled £9.8 million (FY 2021: £13.9 million). For more details, see note 6 to the financial statements on page 119.

Action

As part of its assessment that the treatment of exceptional/non-trading items in the financial statements is appropriate, and 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.

Auditor

The Committee is responsible for making recommendations to the Board regarding the appointment of its external auditor and its 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.

The Committee is responsible for making recommendations on the independence of the Company's auditor, BDO LLP. In addition, the auditor has internal processes, which include peer reviews, to ensure that independence is maintained. The Committee will review the level of audit fees and non-audit fees on an ongoing basis. See note 5 to the financial statements on page 118.

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 its findings. There is an open line of communication between the Chair of the Audit & Risk Committee and the audit engagement partner. The Committee assessed the effectiveness of the external audit process by obtaining feedback from parties involved in the process, including management and the external auditor.

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

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

Internal Audit

The Internal Audit function is provided using a co-sourcing agreement, with PwC reappointed in 2020 after a retender as it had been in place since 2017. It offers independent oversight of operational and risk management activities, with audit reports and relevant findings presented to the Committee. This year it focused on the Group's fraud controls and no significant control weaknesses were identified. The Internal Audit programme is supported by a number of regular assurance activities which are carried out by the Risk and Compliance teams, which look at the design and effectiveness of internal controls for key processes.

Annual Report review

A final draft of the Annual Report is reviewed by the Committee prior to consideration by the Board and the Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the necessary information.

Risk

XPS Group has continued to enhance its 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 changes in the external threat environment.

> The updated risk management framework rolled out during the year has been supported by a strong culture, active engagement from staff and clear direction from Executive Management."
>
> **Alan Bannatyne,**
> Chair of the Audit & Risk Committee

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

The central 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 programme across the Group, to ensure all risks and controls are considered and assessed appropriately. These assurance activities include certifications to ISO 14001 and ISO 27001, AAF 01/06, IIP and the IoA Quality Assurance Scheme (QAS).

The Audit & 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 manage the impact of the ongoing Covid-19 pandemic, allowing us to continue to keep staff safe and support continued client servicing without interruption.

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 & Risk Committee reviews the policy and process annually to ensure they remain fit for purpose.

Alan Bannatyne
Chair of the Audit & Risk Committee
22 June 2022

Aligning strategy with sustainability

Our core purpose as a business is to shape and support safe, robust and well-understood pension schemes for the benefit of people and society. We are ambitious in our goals to create sustainable financial futures for as many people as possible, and use our influence to integrate ESG considerations throughout the pensions industry.

Committee membership	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**
Alex Quant	**2/3**

Created during the 2020/21 financial year, the role of the Sustainability Committee is to improve practices, reporting and communication in relation to environmental, social and governance (ESG) factors that have a material impact on business strategy and performance and the long-term sustainability of the Group. The Committee has oversight of the views and interests of all key stakeholders of the Group, internal and external.

Membership of the Committee

The members of the Committee are Margaret Snowdon OBE (Independent Non-Executive Director), Snehal Shah (CFO), Charlotte West (Head of Employee Engagement), Adrian Davison (Head of Risk), Alex Quant (Head of ESG for the Investment business) and me. Alex Quant joined the Committee during the year. Other Board members and members of the management team are invited to meetings as the agenda dictates.

The Committee met three times during the 2021/22 financial year and all meetings were attended by all members, with the exception of one meeting due to a prior engagement. The Committee intends to continue to meet at least twice yearly with additional meetings as required.

The focus of the Committee

During the year the Committee provided oversight and challenge on a number of sustainability issues within the Group's key areas of focus – governance, our employees, our clients, our communities and our environment.

Board of Directors

Sustainability Committee

Sarah Ing
Chair of the
Sustainability Committee
Non-Executive Director

Margaret Snowdon OBE
Non-Executive Director and Chair of EEG and I&D Group
Additional Board member responsible for providing expertise across all areas

Snehal Shah
Chief Financial Officer
Executive sponsor for sustainability, responsible for representing investor views

Charlotte West
Head of Employee Engagement
Responsible for employee engagement and I&D strategies

Alex Quant
Head of ESG for the Investment business
Responsible for representing client interests

Adrian Davison
Head of Risk
Responsible for environmental strategy

Supported by resources from across XPS

1. Launch of I&D strategy

The Committee oversaw the implementation of the I&D strategy, which was launched to XPS colleagues in November 2021. The strategy has four main pillars with clear ambitions and measurable actions in place to achieve these. Progress has already been made in the reporting year on a number of key actions.

2. Development of environmental strategy

The Committee provided oversight on the carbon offsetting project, having reviewed the implementation of the Environmental Management System and associated Environment Policy.

3. Development of our responsible investment solutions

A strong focus for the Committee this year was to provide oversight of the Group's development of its responsible investment offering and implementation of the Responsible Investment Policy. Input was given on a range of issues including training and development within the Investment team, strategy, our position in the market to influence and educate, and communication.

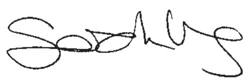
4. Shaping sustainability reporting

This year the Committee discussed a number of external sustainability frameworks and standards. The Committee also reviewed sustainability reporting best practice and considered feedback from proxy advisers on XPS's ESG performance, incorporating this into our sustainability framework where appropriate.

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

- providing oversight for further development and integration of our sustainability strategy, including the development of our sustainability framework and reporting to include clear commitments, KPIs and measurement thereof. See pages 22 to 35 of the Strategic Report for our current reporting on sustainability matters;
- continuing to review and provide challenge on activities carried out by the business, underpinned by our sustainability strategy; keeping best practice under review; referring to thought leadership; and monitoring the Group's position regarding relevant emerging sustainability issues; and
- providing oversight and challenge on the continued integration of climate risk into our risk management processes, and the development of our carbon reduction plan and associated targets.

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



Sarah Ing
Chair of the Sustainability Committee
22 June 2022

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 providing 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 2022: 11.1%) or the average increase of employees across the Group in any given year, whichever is higher.	Increases of 6% applied effective 1 April 2022 as the second phase of a market adjustment following Remuneration Committee confirmation of continued strong corporate and individual performance.
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 2021/22 is 150% of salary and potentially payable in cash and deferred shares. 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 119% of salary and the CFO was awarded 89% of salary, as determined by the Remuneration Committee. These payments amounted to 79% of maximum. Bonuses were paid on financial performance as well as personal objectives (detailed on pages 82 and 83).
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 September 2019 PSP award is subject to underlying EPS performance and relative TSR performance. The overall payout for the award is equal to an estimated 38% 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

2021/22 fixed remuneration

Base salary		Pension	
Co-CEOs	CFO	Co-CEOs	CFO
£313,920	£265,160	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 2021/22 resulted in a bonus payment of 89% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this led to formulaic bonus outturn of between 86 and 87% of the maximum. However, the Executive Directors volunteered that the Remuneration Committee reduce the level of bonus payable from this formulaic outcome to 79% of maximum to be consistent with bonus outcomes in the wider firm. Further details of financial and personal objectives can be found on page 82.

£m	Threshold £'000	Target £'000	Maximum £'000	Actual £'000	Payout (% of this element)
Group adj. PBT (75% of potential)	26,140	26,522	26,864	26,750	89%

Aligning remuneration with sustainable success

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 Snowdon OBE
Chair of the Remuneration Committee

Committee membership	Attendance
Chair	
Margaret Snowdon OBE	**4/4**
Committee members	
Tom Cross Brown	**4/4**
Alan Bannatyne	**4/4**
Sarah Ing	**4/4**
Attending by invitation	
Co-CEOs	
CFO	
HR Director	

Dear Shareholder,

The Directors' Remuneration Report for the year ended 31 March 2022 contains:

- my annual statement;
- the annual report on remuneration which describes how the Directors' Remuneration Policy has been applied in the 2021/22 financial year and how it will be implemented in the 2022/23 financial year; and
- the Directors' Remuneration Policy which remains unchanged since it was approved at the 2020 AGM.

Operational highlights

During the year ended 31 March 2022, we produced another year of robust financial performance. At a Group level, total revenues grew 8% year on year. The Group delivered adjusted diluted earnings per share of 10.2p.

Engaging with our stakeholders

Shareholders

At last year's Annual General Meeting held on 7 September 2021, the Remuneration Committee was pleased that shareholders approved the Remuneration Report with 99.28% 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 Designated Employee Engagement Non-Executive 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. 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 Executive Director objectives. The group improves engagement between the Board and XPS employees.

The Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the 2020 AGM and therefore will be due for renewal at the 2023 AGM. The Remuneration Committee will consult with major shareholders and the voting guidance services well in advance in relation to the Policy.

The changes to the operation of the Directors' Remuneration Policy

As outlined last year, due to base salaries being low against the FTSE Small Cap market and other similarly sized companies the Remuneration Committee therefore decided to increase the base salaries of the Executive Directors in two phases:

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

These increases still leave target and maximum total remuneration for all the Executive Directors below the market median.

The Committee has also agreed to amend the approach to measuring EPS performance under the PSP.

Due to the current volatility of inflation rates, the Committee determined to remove the link with CPI when measuring EPS performance. For the 2022 awards, this will now be measured on an absolute growth scale.

Remuneration of the Executive Directors for 2022/23

The table below summarises our intended approach to the remuneration of the Executive Directors for 2022/23.

Component of remuneration	Summary of approach
Base salary and benefits	Base salary and benefits are reviewed annually on 1 April in light of a number of factors, including the approach to salary reviews more generally across the Group. In line with the phased approach outlined last year, the base salaries of the Co-Chief Executive Officers have been increased by 6% for the 2022/23 financial year: Ben Bramhall – £332,755 Paul Cuff – £332,755 Snehal Shah – £281,069 The increase since 1 April 2018 remains below that of the general level of salary increases across the Group since then:
Pension	Defined contribution/cash supplements of 6% are paid. This is well below the rate provided to many employees who have joined the business through the acquisitions we have made.
Annual bonus	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. Maximum bonus opportunity: Ben Bramhall – 150% of salary Paul Cuff – 150% of salary Snehal Shah – 112.5% of salary
Long-term incentives	Annual awards of performance shares. Shares vest, subject to the achievement of the performance conditions, after three years and are subject to a further two-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
All-employee share plans	Executive Directors are entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees.
Share ownership guidelines	Executive Directors are subject to a minimum shareholding requirement of 200% of salary with a requirement to maintain a shareholding post cessation of employment at 200% for one year and 100% for a second year.

	1 April 2019	1 April 2020	1 April 2021	1 April 2022	Total
Co-CEOs	0%	0%	9.0%	6.0%	15.5%
Average staff	3.0%	3.2%	3.2%	5.9%	16.2%

Annual bonus payments for 2021/22

The financial element of these bonuses is based on Group profit before tax (PBT). The reported Group adjusted PBT for 2021/22 has resulted in a bonus payment of 89% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this led to a formulaic bonus outturn of 86% of the maximum for the Co-CEOs and 87% for the CFO. However, the Executive Directors volunteered that the Remuneration Committee reduce the level of bonus payable from this formulaic outcome to 79% of maximum to be consistent with bonus outcomes in the wider firm.

Annual bonus payments for 2021/22 continued

On this basis, the bonus outturn for 2021/22 for the Executive Directors is as follows:

Executive Director	% of salary	% of maximum
Ben Bramhall	119%	79%
Paul Cuff	119%	79%
Snehal Shah	89%	79%

Vesting outcomes for the 2019 PSP awards

The September 2019 PSP award is subject to underlying EPS performance and relative TSR performance. The estimated overall payout for the award is equal to 38% of maximum.

The Committee considers that the Policy operated as intended during 2021/22 and that remuneration outcomes are consistent with the Group performance and appropriately reflect performance delivered for our shareholders over the respective periods. Other than the adjustment to the bonus outturn mentioned above, the Committee felt that no further 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 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 Snowdon OBE
Chair of the Remuneration Committee
22 June 2022

We were pleased to be given an early opportunity to comment on the Co-CEOs' personal objectives for FY 2023. We discussed various topics including sustainability, inclusion and diversity, gender pay gap, and employee engagement metrics.

As in previous years, we were asked to review the Directors' Remuneration Report and put forward our views on future changes."

Abigail Fletcher,
XPS EEG Representative

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 in 2020 and took effect in respect of all payments made to Directors from the conclusion of the 2020 AGM at which it was approved. The Policy as approved can be found at www.xpsgroup.com/investors/results-reports-and-presentations/. We have reproduced some of the main sections of the Directors' Remuneration 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 advisers, 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

Summary of decision-making process and changes to Policy continued

Element and purpose	Policy and operation	Maximum	Performance measures
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
Annual bonus To motivate Executive Directors and support the delivery of the Group's financial and strategic business target over a one-year operating cycle	Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions or other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments. The Remuneration Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). 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. Clawback and malus provision applies as explained in more detail in the notes to this Policy table.	The maximum annual bonus opportunity is 150% of base salary. For 2022/23, the maximum opportunity will be 150% of base salary for the Co-CEOs and 112.5% of salary for other Executive Directors.	Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration Committee. The targets may be financial and/or personal and strategic. The intended weighting of these measures is not less than 60% financial. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. Bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the bonus outturn accordingly.

Element and purpose	Policy and operation	Maximum	Performance measures
Performance Share Plan To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests	Awards under the PSP may be granted as nil/nominal cost options which vest to the extent performance conditions are satisfied over a period normally of at least three years. Awards will vest at the end of the specified vesting period at the discretion of the Remuneration Committee and are subject to a further holding period of two years (or such shorter period so that the period from the date of grant until the end of the holding period will be equal to five years). The PSP rules allow that the number of shares (or the cash equivalent) subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period. Clawback and malus provisions applied are explained in more detail in the notes to this Policy table.	The market value of shares to be awarded to Executive Directors in respect of any year will normally be up to 150% of base salary, with awards of a maximum of 200% allowable in exceptional circumstances.	The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest. All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years. Awards in 2022 will be subject to EPS and relative TSR performance weighted 75/25%. No more than 25% of awards vest for attaining the threshold level of performance. Formulaic outcome of all PSP performance measures will also be subject to the Committee considering that the proposed levels, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the PSP outturn accordingly.
Share ownership guidelines To promote stewardship and to further align the interests of Executive Directors with those of shareholders	The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company. Minimum shareholding of 200% of base salary for any Executive Director. 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. 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. 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.	n/a	n/a

Summary of decision-making process and changes to Policy continued

Element and purpose	Policy and operation	Maximum	Performance measures
All-employee share plans To facilitate and encourage share ownership by staff, thereby allowing everyone to share in the long-term success of the Company and align interests with those of shareholders	The Executive Directors will be entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees. These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.	The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time. However the Company may impose lower limits on a scheme-by-scheme basis.	Consistent with normal practice and/or HMRC requirements, such awards would not be subject to performance conditions.
Chairman and Non-Executive Directors' fees To enable the Company to recruit and retain Company Chairs and Non-Executive Directors of the highest calibre, at the appropriate cost	The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other listed companies of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board, with the Chairman's fees determined by the Committee. No Director participates in decisions regarding their own fees. The Chairman and Non-Executive Directors do not participate in any new cash or share incentive plans. The Chairman and Non-Executive Directors are entitled to benefits relating to travel and office support and such other benefits as may be considered appropriate. The Chairman is paid a single fee for the role, although he will be entitled to an additional fee if he is required to perform any specific and additional services. Non-Executive Directors receive a base fee for the role. Additional fees are paid for acting as Senior Independent Director, Chairs of the Audit, Remuneration or other Board Committees or 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.	The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees, currently £500,000 p.a. in aggregate. Any increases in fee levels made will be appropriately disclosed.	n/a

Notes to the Policy table

1. **Stating maxima for each element of the Remuneration Policy** The Regulations and related investor guidance encourage companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Policy, these will operate simply as caps and are not indicative of any aspiration.
2. **Travel and hospitality** While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors (and in exceptional circumstances their families) may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities.
3. **Past obligations** In addition to the above elements of remuneration, any commitment made prior to, but due to be fulfilled after, the approval and implementation of this Remuneration Policy will be honoured.
4. **Malus/clawback** The Committee may apply malus (being the ability to withhold or reduce a payment/vesting) and clawback (the ability to reclaim some or all of a payment/ vesting) to an award under the

annual bonus or PSP where there are circumstances which would justify such action. The relevant circumstances where these powers of recovery may operate include:

- the Company materially misstated its financial results for any reason and that misstatement would result or resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that misstatement not been made;
- the extent to which any performance target and/or any other condition was satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made;
- circumstances arose (or continued to arise) during the vesting period (including any holding period) of an award which would have warranted the summary dismissal of the participant; or
- there is a sufficiently significant impact on the reputation of the Company (including a Company failure) to justify the operation of malus or clawback.

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

5. **Performance conditions** The performance-related elements of remuneration take into account the Group's risk policies and systems, and are designed to align the senior executives' interests with those of shareholders. The Committee reviews the metrics used and targets set for the Group Executive Directors and senior management (not just the Executive Directors) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency.

6. **Differences between the Policy in respect of remuneration for Directors and the policy on remuneration for other staff** While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this Policy across the Company as a whole. Where the Group's pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Executive Directors' Remuneration Policy.

7. **Committee discretions** The Committee will operate the annual bonus plan and PSP according to their respective rules and the above Remuneration Policy table. The Committee retains discretion, consistent with market practice, in a number 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/payouts;
   - 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 issues, 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 on pages 75 to 78. 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 Plan 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 2022.

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 four times during the year. All members attended every Committee meeting throughout the year.

Other individuals, such as the Co-Chief Executive Officers, the Chief Financial Officer, the Chief Operating Officer, the HR Director and external professional advisers, were 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 the 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 are reviewed annually and can be viewed on the Company's website: www.xpsgroup.com.

Advisers

FIT Remuneration Consultants LLP (FIT), signatory to the Remuneration Consultants Group's Code of Conduct, was appointed by the Committee. 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 2021/22 financial year were £63,902 (2020/21: £68,649). 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 17 May 2025. Tom Cross Brown has confirmed his intention to retire following the conclusion of the 2022 AGM; the Nomination Committee has commenced the recruitment process for a successor.

The following (audited) section provides details of how the Directors were paid during the financial year to 31 March 2022.

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	**2022**	**313,920**	**11,017**	**371,995**	**159,536**	**17,860**	**874,328**	**342,797**	**531,531**
	2021	288,000	10,813	293,760	83,893	16,275	692,741	315,088	377,653
Paul Cuff	**2022**	**313,920**	**10,817**	**371,995**	**159,536**	**17,860**	**874,128**	**342,597**	**531,531**
	2021	288,000	10,613	293,760	83,893	16,275	692,541	314,888	377,653
Snehal Shah	**2022**	**265,160**	**10,736**	**235,661**	**132,116**	**15,467**	**659,140**	**291,363**	**367,777**
	2021	243,270	10,555	186,102	—	13,930	453,857	267,755	186,102
Non-Executive Directors									
Tom Cross Brown – Chair of Board and Chair of Nomination Committee	**2022**	**120,000**	**–**	**–**	**–**	**–**	**120,000**	**120,000**	**–**
	2021	120,000	—	—	—	—	120,000	120,000	—
Alan Bannatyne – Chair of Audit & Risk Committee and Senior Independent Director	**2022**	**75,000**	**–**	**–**	**–**	**–**	**75,000**	**75,000**	**–**
	2021	75,000	—	—	—	—	75,000	75,000	—
Margaret Snowdon – Chair of Remuneration Committee and Designated Employee Engagement NED	**2022**	**70,000**	**–**	**–**	**–**	**–**	**70,000**	**70,000**	**–**
	2021	70,000	—	—	—	—	70,000	70,000	—
Sarah Ing – Chair of Sustainability Committee	**2022**	**65,000**	**–**	**–**	**–**	**–**	**65,000**	**65,000**	**–**
	2021	60,873	—	—	—	—	60,873	60,873	—
Total	**2022**	**1,223,000**	**32,570**	**979,651**	**451,188**	**51,187**	**2,737,596**	**1,306,757**	**1,430,839**
	2021	1,145,143	31,981	773,622	167,786	46,480	2,165,012	1,223,604	941,408

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 83.

3 The outturn for the September 2019 PSP which vests in September 2022 is expected to be 38% and the vesting share price has been estimated at 134.26p, based on the three-month average share price ended 31 March 2022. The grant share price for the award was 115p and accordingly the relevant figures are reflective of an increase of 17% in the Company's share price comparing the award price to the vesting price. Details of the performance measures and targets applicable to the 2019 PSP are set out on pages 84 and 85. The outturn for the July 2018 PSP which vested on 26 July 2021 was 21.3% and the value has been updated reflecting the actual vesting share price of 143.5p and the dividend equivalents.

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

2021/22 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.

	Threshold £'000	Target £'000	Maximum £'000	Actual £'000	Payout (% of this element)
Group adj. PBT (75% of potential)	26,140	26,522	26,864	26,750	89%

The personal performance goals which account for 25% of the annual bonus were agreed with each Executive Director and were based on a range of strategic and other objectives set at the start of the year. The targets were principally designed to focus and reward the Executive Directors for accomplishing strategic goals which directly support the Company's strategy. Details of the measures and performance, to the extent they are not commercially sensitive, are outlined below.

Ben Bramhall and Paul Cuff – Co-CEOs

Measure	Target	Performance	Assessment
Maintain high level of employee engagement and oversee successful development and implementation of My XPS, My Choice, the Company's new fully-flexible working policy	Employee satisfaction score above 80%	The 2021 employee survey indicates 95% of employees agree that XPS is a good company to work for and 79% of employees believe the My XPS, My Choice framework is working well.	78%
Implementation of plan to enhance Group's technology strategy	Progress against delivery of implementation plan	A full review of options for the future was completed and implementation of the strategy has progressed significantly.	76%
Enhance the Group's I&D strategy	New I&D strategy to be implemented	The new I&D strategy was rolled out across the Group. The 2021 employee survey indicates that 89% of staff agree that XPS is committed to I&D.	100%
Increase in client satisfaction	Increased client satisfaction score	The 2021 client satisfaction score remained constant with the previous survey. Given the disruption caused by Covid-19 and the transition to a new working model, this is regarded a strong result.	60%

Snehal Shah – CFO

Measure	Target	Performance	Assessment
Maintain strong cash conversion and further optimise the client billing cycle	OCF conversion above 90% at year end	OCF conversion of over 90% achieved for the full year. Progress on reducing Days Sales Outstanding (DSO) achieved.	80%
Develop strategic three to five-year forecasting model	Present forecasting model to Board	The five-year forecast strategic model has been developed and reviewed by the Board.	100%
Further development of KPIs for businesses to increase visibility of efficiency	KPI dashboard to be developed	The divisional dashboard has now been developed and delivered.	80%
Review of broking arrangement and increase number of new shareholders	Broking arrangement to be reviewed and meet with non-holders during the year	Broking arrangement review and transition completed smoothly. A number of non-holders met with and XPS market profile widened.	100%
Improve shareholder communication and investor story	Increased level and quality of shareholder communication	Increased engagement with current shareholders and potential new shareholders and increased analyst coverage achieved.	90%

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.

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 79% of maximum for this element of bonus to be payable to the Co-CEOs and 80% to the CFO.

This results in a formulaic outcome in aggregate of 86% of maximum for the Co-CEOs and 87% for the CFO. However, the Executive Directors volunteered that the Remuneration Committee reduce the level of bonus payable from the formulaic outcome to 79% of maximum to be consistent with bonus outcomes in the wider firm.

		Outcomes		
	Weightings	Ben Bramhall	Paul Cuff	Snehal Shah
Financial performance (% of this element)	75%	89%	89%	89%
Strategic performance (% of this element)	25%	79%	79%	80%
Total formulaic performance outcome (% of maximum)		86%	86%	87%
Total actual performance outcome (% of maximum)[1]		79%	79%	79%
Total actual performance outcome (% of salary)		119%	119%	89%
Total actual performance outcome (£)		£371,995	£371,995	£235,661

1 The Executive Directors volunteered that the Remuneration Committee reduce the level of bonus payable from 86% of maximum for the Co-CEOs and 87% for the CFO, to 79% of maximum to be consistent with bonus outcomes in the wider firm.

Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 31 March 2022 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 2022	1,618,848	886,490	–	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 2022 salary	639%	350%	–%[1]	n/a	n/a	n/a	n/a
Number of ordinary shares held as at 31 March 2021	1,591,699	856,763	–	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 2022 and 22 June 2022.

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 July 2021.

These awards vest in 2024 subject to performance relating to: (i) adjusted EPS targets as to 75% of the award; and (ii) relative TSR targets as to the remaining 25% of the award. The details of these targets are shown in the "Outstanding share plan awards" section on page 84.

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	1 July 2021	150%	£470,880	341,217	July 2024
Paul Cuff	1 July 2021	150%	£470,880	341,217	July 2024
Snehal Shah	1 July 2021	125%	£331,450	240,181	July 2024

1 Based on the share price of £1.38 on 30 June 2021.

Outstanding share plan awards (audited)

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

Director	Date of grant	Exercise price	Interests held at 31 March 2021	Interests awarded during the year	Interests vested during the year	Interests lapsed during the year	Interests held at 31 March 2022	Vesting period
Ben Bramhall	26 July 2018	0.05p	241,340	—	51,405	189,935	—	July 2021
	18 September 2019	0.05p	313,043	—	—	—	313,043	September 2022
	30 November 2020	0.05p	348,387	—	—	—	348,387	November 2023
	1 July 2021	0.05p	—	341,217	—	—	341,217	July 2024
Paul Cuff	26 July 2018	0.05p	241,340	—	51,405	189,935	—	July 2021
	18 September 2019	0.05p	313,043	—	—	—	313,043	September 2022
	30 November 2020	0.05p	348,387	—	—	—	348,387	November 2023
	1 July 2021	0.05p	—	341,217	—	—	341,217	July 2024
Snehal Shah	18 September 2019	0.05p	259,239	—	—	—	259,239	September 2022
	30 November 2020	0.05p	240,423	—	—	—	240,423	November 2023
	1 July 2021	0.05p	—	240,181	—	—	341,217	July 2024

Notes:

1 On 27 July 2021, Ben Bramhall exercised awards over 51,405 shares granted on 26 July 2018 and sold 24,256 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.395.

2 On 30 July 2021, Paul Cuff exercised awards over 51,405 shares granted on 26 July 2018 and sold 21,678 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.475.

3 The highest mid-market price of the Company's ordinary shares during the year ended 31 March 2022 was £1.515 and the lowest was £1.18. The year-end price was £1.24.

Vesting outcomes for the 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 September 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 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 2022	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 3% above CPI	0%
CAG of 3% above CPI	25%
CAG of between 3% and 7% above CPI	Between 25% and 100% on a straight-line basis
CAG of 7% or more above CPI	100%
Actual performance[1]: CAG of 2.9% above CPI	0%

1 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 outturn is an accurate reflection of operational performance.

XPS Pensions Group's TSR ranking vs a comparator group of companies	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%
Actual performance[2]: Between median and upper quartile	76%

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 which is 18 September 2022.

Based on the above the expected percentage of the total award vesting is 38% of maximum. Details of the shares under award and their estimated value (based on the three-month average share price at 31 March 2022 of 134.26p per share) are as follows:

Executive	Maximum number of shares	Number of shares to vest	Number of shares to lapse	Estimated value vesting £[1]
Ben Bramhall	313,043	118,956	194,087	159,536
Paul Cuff	313,043	118,956	194,087	159,536
Snehal Shah	259,239	98,510	160,729	132,116

1 Based on the three-month average share price to 31 March 2022.

The awards also receive the value of dividend equivalents.

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 2023	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 3% above CPI	0%
CAG of 3% above CPI	25%
CAG of 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.

2021/22 PSP awards (granted in July 2021)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2024 subject to performance relating to: (i) adjusted earnings per share (EPS) targets as to 75% of the award; and (ii) relative total shareholder return (TSR) targets as to the remaining 25% 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 2024	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 for 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 FY 2022 (FY 2021: £nil).

Payments for loss of office (audited)

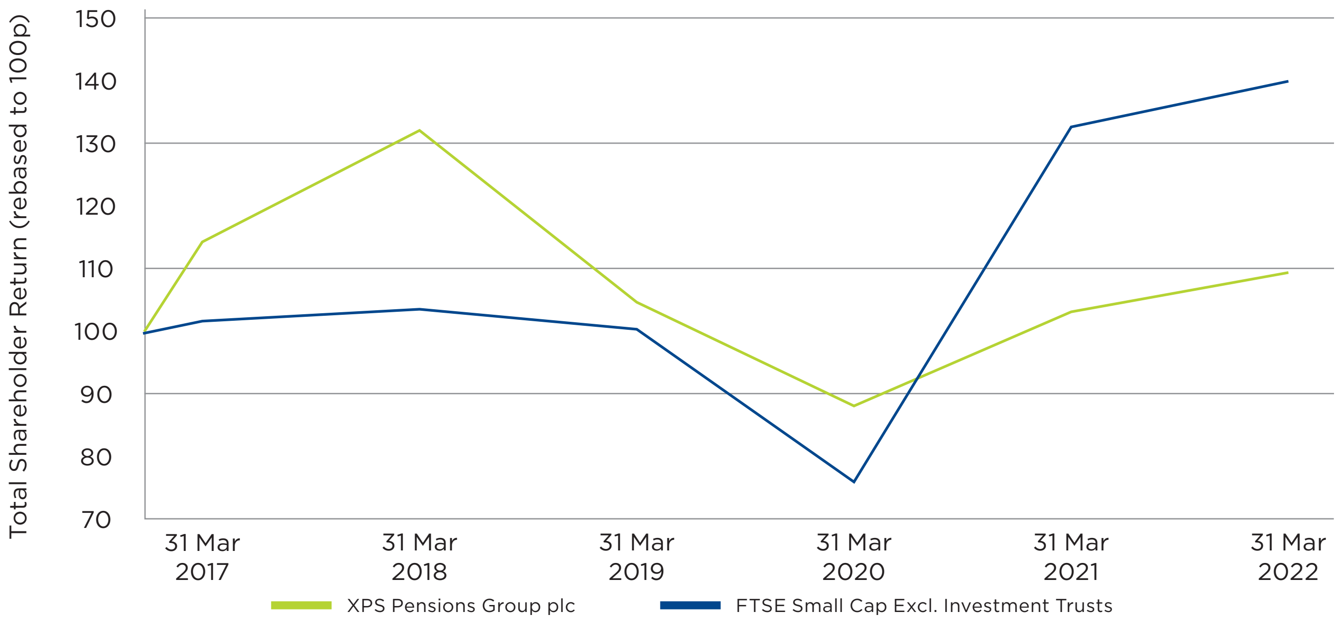
No payments were made to any Director in respect of loss of office in the financial year FY 2022 (FY 2021: £nil).

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 2022. This is considered an appropriate comparator for XPS Pensions Group, which is a constituent of the FTSE Small Cap Index.

Total shareholder return

Source: Refinitiv Datastream



The table below shows the Co-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
2022	Ben Bramhall	£874,328	79%[1]	38%[2]
	Paul Cuff	£874,128	79%[1]	38%[2]
2021	Ben Bramhall	£692,741	68%	21.3%
	Paul Cuff	£692,541	68%	21.3%
2020	Ben Bramhall	£569,272	30%[3]	40.3%
	Paul Cuff	£569,272	30%[3]	40.3%
2019	Ben Bramhall	£362,803	12%[4]	n/a
	Paul Cuff	£362,803	12%[4]	n/a
2018	Ben Bramhall	£546,138	79%	n/a
	Paul Cuff	£545,724	79%	n/a
2017	Ben Bramhall	£286,882	31%	n/a
	Paul Cuff	£4,179,695	31%	n/a

1 The bonus was reduced with agreement of the Co-CEOs from the formulaic outcome of 86%.

2 The vesting rate relates to the September 2019 award that is due to vest in September 2022 and is, in part, based on estimated vesting levels at 31 March 2022.

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

4 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 remuneration from 31/03/2021 to 31/03/2022		
	Percentage change in base salary %	Percentage change in benefits %	Percentage change in bonus %	Percentage change in base salary %	Percentage change in benefits %	Percentage change in bonus %
Ben Bramhall	0%	—	127%	9%	2%	27%
Paul Cuff	0%	-2%	127%	9%	2%	27%
Snehal Shah[1]	20%	23%	177%	9%	2%	27%
Tom Cross Brown	0%	—	—	0%	—	—
Alan Bannatyne	0%	—	—	0%	—	—
Margaret Snowdon	4%	—	—	0%	—	—
Sarah Ing[2]	14%	—	—	0%	—	—
All UK employees	3.2%	1%	68%	5.9%	(2)%	14%

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

CEO pay

The table below sets out the pay ratios for the Group Co-Chief Executive Officers 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
2022	Option A	Total pay ratio	31:1	22:1	15:1
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 2022.

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 increase reflects the increase in the Co-CEO single figure remuneration for 2022, for which can be found on page 87.

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, median and 75th percentile are shown below:

£	25th percentile	Median	75th percentile
Salary	£26,203	£36,471	£51,969
Total pay and benefits	£28,333	£39,232	£57,905

Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between FY 2021 and FY 2022 as detailed in note 10 of the financial statements, compared with distributions to shareholders by way of dividend, share buybacks or any other significant distributions or payments. These figures have been calculated in line with those in the audited financial statements.

£'000	FY 2022	FY 2021	% change
Total gross staff pay	68,222	63,379	8
Distributions to shareholders	13,831	13,480	3

Statement of shareholder voting

The table below shows the outcome of the binding vote on the Directors' Remuneration Policy at the Annual General Meeting held on 8 September 2020 and the advisory vote on the 2020/21 Directors' Remuneration Report held on 7 September 2021.

AGM resolution	Votes for	%	Votes against	Votes withheld
Directors' Remuneration Policy	160,263,927	96.06	6,575,827	3,625
Directors' Remuneration Report	163,527,249	99.28	1,180,103	5,141,754

Implementation of Policy for 2022/23 (unaudited information)

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in the year ending 31 March 2023.

Base salary

Base salaries are as follows with effect from 1 April 2022:

- Ben Bramhall – £332,755
- Paul Cuff – £332,755
- Snehal Shah – £281,069

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 81. There is no intention to introduce additional benefits in 2022/23.

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 2022/23 bonus in next year's report. The targets will be set to ensure both consistency and fairness to all stakeholders.

Implementation of Policy for 2022/23 (unaudited information) continued

PSP awards

It is intended that the PSP awards will be made in 2022/23. There are two performance criteria and they are based on EPS and relative TSR performance. In 2022 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. Due to the current volatility of inflation rates, the Committee determined to remove the link with CPI when measuring EPS 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 2025	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 5%	0%
CAG of 5%	25%
CAG of between 5% and 10%	Between 25% and 100% on a straight-line basis
CAG of 10% or more	100%

1 Measured on a constant tax rate basis, to ensure the outturn is an accurate reflection of operational performance.

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 is 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 Designated Employee Engagement Non-Executive Director.

This report was reviewed and approved by the Board of Directors on 22 June 2022 and was signed on its behalf by:

Margaret Snowdon OBE
Chair of the Remuneration Committee
22 June 2022

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 2022.

The Governance section on pages 50 to 90 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 Statement of Corporate Governance and Directors' Remuneration Report, 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 on page 92 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 39 and the Viability Statement on page 49 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 2022 are set out on pages 103 to 141 and the Company's audited financial statements are set out on pages 142 to 148. The Group's profit after taxation for the year ended 31 March 2022 was £9.2 million (FY 2021: £9.0 million).

An interim dividend of 2.4p per ordinary share (FY 2021: 2.3p) was paid on 3 February 2022. The Directors recommend a final dividend for the year of 4.8p per ordinary share (FY 2021: 4.4p) to be paid on 22 September 2022 to shareholders on the register on 26 August 2022. Further information regarding dividend policy and payments can be found in the Financial Review on page 39 and in note 36 to the financial statements on page 141.

Post balance sheet events

There have been no significant post balance sheet events to report since 31 March 2022.

Directors

The current Directors of the Company, with summaries of their key skills and experience, are set out in the Governance section on pages 52 and 53. 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 Snowdon OBE
Sarah Ing

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

Details of share options granted to Directors and the interests of the Directors in the ordinary shares of the Company are set out in the Remuneration Report on pages 83 to 86.

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.

Directors continued

Information	Location within Annual Report
Likely future developments in the business of the Company	Strategic Report (pages 12 to 13)
Equality and diversity	Sustainability (pages 27 to 28) , Nomination Committee (page 63)
Employee involvement	Sustainability (page 26), Co-Chief Executive Officers' Review (pages 18 to 19), S172 Statement (pages 59 to 60) and Statement of Corporate Governance (page 51)
Directors' share interests	Directors' Remuneration Report (page 83)
Emissions and energy consumption	Strategic Report (page 35)
Financial risk management objectives and policies	Note 2 to the financial statements (page 117)
Directors' regard to foster business relationships	Strategic Report (page 59)

Capital structure

The Company's issued ordinary share capital and total voting rights at 31 March 2022 and the date of this report were 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. 3,169,221 ordinary shares were held in the Employee Benefit Trust as at 31 March 2022 and the date of this report. Further details of the Company's issued share capital are given in note 28 of the financial statements on page 134.

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 3,169,221 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 on page 93 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 2022 and 31 May 2022 (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. Tom Cross Brown will retire as the Group's Chairman at the conclusion of the 2022 Annual General Meeting and therefore will not stand for re-election. All other Directors will offer themselves for re-election at the 2022 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 2021 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 2022 Annual General Meeting.

Political donations

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (FY 2021: £nil).

Provisions on change of control

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

The Company's £100 million agreement with HSBC Bank plc, National Westminster Bank plc, Bank of Ireland and Citibank in multicurrency revolving facilities, with a further uncommitted facility of up to £50 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 is 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.

Auditor and disclosure of information to the auditor

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 auditor is 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 auditor is 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 & Risk Committee, that a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

Details of the forthcoming Annual General Meeting are given in the Statement of Corporate Governance on page 61.

	At 31 March 2022		At 31 May 2022	
Shareholder	**Number of ordinary shares**	**Percentage of total voting rights**	**Number of ordinary shares**	**Percentage of total voting rights**
Gresham House Asset Management	**30,617,621**	**14.92**	31,520,183	15.36
Punter Southall Financial Management	**22,543,887**	**10.99**	22,543,887	10.99
Fidelity International	**18,102,738**	**8.82**	18,326,170	8.93
Schroder Investment Management	**14,724,367**	**7.18**	14,724,367	7.18
Premier Miton Investors	**12,681,795**	**6.18**	13,138,795	6.40
Tellworth Investments	**10,642,009**	**5.19**	10,082,086	4.91
Montanaro Asset Management	**10,275,000**	**5.01**	10,275,000	5.01

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 73
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 92 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
22 June 2022

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 UK adopted International Financial Reporting Standards. 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 UK adopted International Financial Reporting Standards 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 co-ordination 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 & 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 UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company as a whole, together with a description of the principal risks and uncertainties that they face.

Snehal Shah
Chief Financial Officer
22 June 2022

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

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 2022 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Financial Position - Company, Statement of Changes in Equity - 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 UK adopted international accounting standards 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

We were appointed by the directors on 28 October 2016 to audit the financial statements for the year ending 31 March 2017, and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is six years, covering the years ending 31 March 2017 to 31 March 2022. Prior to the listing of the Parent Company, we were auditors for the three years ending 31 March 2014 to 31 March 2016. 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[1]

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting 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;

Conclusions relating to going concern[1] continued

- Assessing the reasonableness of assumptions, by review and challenge, through enquiry and consideration of historical performance, applied by management in preparation of cash flow forecasts, including growth assumptions and movements in headcount and base costs, and the Group's ability to meet working capital requirements over the going concern period.
- Assessing the reasonableness of the underlying forecast model against the Directors' historical forecast accuracy, including an assessment of the period to May 2022 actuals against forecast;
- 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[1]

100% (2021: 100%) of Group profit before tax

100% (2021: 100%) of Group revenue

100% (2021: 100%) of Group total assets

100% (2021: 100%) of Group EBITDA (EBITDA - calculated as profit before tax, less depreciation, amortisation and finance costs)

Key audit matters

	2022	2021
Revenue recognition	✓	✓
Going concern	×	✓

Going concern is no longer considered to be a key audit matter because the Group and Parent Company have continued to trade profitability with very little disruption to their activities during the Covid-19 pandemic.

Materiality

Group financial statements as a whole

2022: £900,000 based on 3% of EBITDA.

2021: £568,000, based on 5% of profit before tax.

1 These are areas which have been subject to a full scope audit by the group engagement team

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, nine trading subsidiaries and five intermediate holding companies which are 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.

The intermediate holding companies were not considered significant components, but were subject to full scope statutory audits to materiality thresholds below group materiality.

Three of the nine trading subsidiaries were considered to be significant components for the purpose of the Group opinion and full scope audits were carried out by the Group audit team. We performed testing of the consolidation and related consolidation adjustments posted in preparation of the Group financial statements.

For five of the remaining subsidiaries, which were considered to be non-significant components, we performed full scope audit procedures for Group purposes, all performed to materiality thresholds below Group materiality. For the smallest subsidiary which was acquired in the period, a desktop review has been performed, as the balances are not material to the Group.

All Group audit work and subsidiary procedures were performed by the Group audit team.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The accounting policy for revenue is disclosed in note 1 of the consolidated financial statements. The segmental information relating to Group revenue is disclosed in note 8 to the consolidated financial statements.	**The key audit matter is the significant risk of fraudulent overstatement or understatement of accrued income at the year end.** This risk is specific to revenue from pension advisory and investment consulting services. There is a risk that incorrect revenue is recognised due to the judgements involved in the application of the applicable accounting standards, in this case specifically being the valuation of accrued income at year end.	To consider the risk of over or understatement of accrued income and the associated revenues, we analysed fluctuations in recorded production levels based on the timesheet system against the amounts recognised as revenue in the month to calculate a recovery rate on the time recorded in the month. Using data analytics we then isolated outliers in the data around the year-end, investigating identified outliers for evidence of fraudulent manipulation of revenues around the year-end. We also performed a series of data quality tests, in order to validate the timesheet data in the system that underlies the recognition of accrued income, and therefore revenue, and tested the underlying IT controls over the finance system and timesheet system. We tested IT controls in order to place reliance on the data within the finance and timesheet systems. We tested accrued income by selecting a sample of accrued income transactions, agreeing back to contract with the customer, underlying timesheet data, invoice, and subsequent receipt of payment. We tested management's fee analysis control which operated throughout the year, which is designed to identify any material error in revenue. Using data analytics we identified outliers in the journals population for testing journals that were posted to revenue and accrued income, reviewing any postings outside of the group's expected revenue journal postings. For such items identified we agreed journals to supporting documentation. **Key observations:** Based on the procedures undertaken, we consider that revenue arising from pension advisory and investment consulting services has been recognised appropriately.

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	
	2022	2021	2022	2021
Materiality	£900,000	£568,000	£360,000	£240,000
Basis for determining materiality	3% of EBITDA	5% of profit before tax	40% of Group materiality	42% of Group materiality
Rationale for the benchmark applied	EBITDA is considered to be the benchmark that is of the most interest of all the users of the financial statements based on investor and stakeholder expectations.	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.	40% of Group materiality given the assessment of the components aggregation risk.	42% of Group materiality given the assessment of the components aggregation risk.
Performance materiality	£650,000	£404,000	£252,000	£168,000
Basis for determining performance materiality	72%	71%	70%	70%
	These thresholds are based on our knowledge of the Group and Parent Company, control environment over financial reporting, 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 71% and 73% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £200,000 to £675,000, with aggregation risk considered. 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 £40,000 (2021:£23,000). 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 Code 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

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting as set out on page 39 and any material uncertainties identified; and
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 49 of the financial statements.

Other Code provisions

- The Directors' statement on fair, balanced and understandable set out on page 95;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 49;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 44-49; and
- The section describing the work of the Audit Committee set out on pages 64-67

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

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

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

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.

Directors' remuneration

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, 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, these apply to the parent and components:

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, labour regulations, 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, and key drivers for Directors' remuneration and performance targets. We considered the fraud risk areas to be management override and revenue recognition, specifically the valuation of accrued income at the year end.

In response to the risk of management override, we tested the appropriateness of journal entries made through the year and post year end, by applying specific criteria to detect possible irregularities and fraud, we performed a detailed review of the Group's year-end adjusting consolidation entries, and assessed whether the judgements made in significant accounting estimates (such as the recoverability of accounts receivable, the valuation of accrued income, the completeness of provisions, recoverability of intangible balances and the valuation of share options) 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.

DocuSigned by:
Andrew Radford
A42BFCDC38704BE...

Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
22 June 2022

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

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2022

	Note	Year ended 31 March 2022			Year ended 31 March 2021		
		Trading items £'000	Non-trading and exceptional items £'000	Total £'000	Trading items £'000	Non-trading and exceptional items £'000	Total £'000
Revenue	8	**138,622**	**—**	**138,622**	127,931	—	127,931
Other operating income	4	**—**	**—**	**—**	—	421	421
Operating expenses	9	**(109,826)**	**(9,808)**	**(119,634)**	(100,848)	(14,092)	(114,940)
Profit/(loss) from operating activities		**28,796**	**(9,808)**	**18,988**	27,083	(13,671)	13,412
Finance income	14	**—**	**—**	**—**	3	—	3
Finance costs	14	**(2,047)**	**—**	**(2,047)**	(1,857)	(188)	(2,045)
Profit/(loss) before tax		**26,749**	**(9,808)**	**16,941**	25,229	(13,859)	11,370
Income tax (expense)/credit	15	**(4,988)**	**(2,530)**	**(7,518)**	(4,741)	2,334	(2,407)
Profit/(loss) after tax and total comprehensive income/(loss) for the year		**21,761**	**(12,338)**	**9,423**	20,488	(11,525)	8,963
Memo							
EBITDA		**34,139**	**(3,229)**	**30,910**	32,011	(7,124)	24,887
Depreciation and amortisation		**(5,343)**	**(6,579)**	**(11,922)**	(4,928)	(6,547)	(11,475)
Profit/(loss) from operating activities		**28,796**	**(9,808)**	**18,988**	27,083	(13,671)	13,412

		Pence		**Pence**	Pence		Pence
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:		**Adjusted**			Adjusted		
Profit or loss:							
Basic earnings per share	34	**10.7**	**—**	**4.6**	10.0	—	4.4
Diluted earnings per share	34	**10.2**	**—**	**4.4**	9.8	—	4.3

The notes on pages 107 to 141 form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**3,187**	3,197
Right-of-use assets	31	**10,927**	12,228
Intangible assets	17	**206,800**	204,784
Deferred tax assets	18	**1,099**	767
Other financial assets	19	**1,814**	1,780
		223,827	222,756
Current assets			
Trade and other receivables	20	**38,776**	34,635
Cash and cash equivalents	21	**10,150**	8,623
		48,926	43,258
Total assets		**272,753**	266,014
Liabilities			
Non-current liabilities			
Loans and borrowings	22	**63,309**	58,876
Lease liabilities	31	**8,935**	9,612
Provisions for other liabilities and charges	26	**1,781**	1,678
Deferred income tax liabilities	18	**20,065**	16,390
		94,090	86,556
Current liabilities			
Lease liabilities	31	**2,745**	3,094
Provisions for other liabilities and charges	26	**1,236**	1,384
Trade and other payables	24	**27,275**	24,504
Current income tax liabilities	25	**2,207**	1,410
Deferred consideration	27	**765**	—
		34,228	30,392
Total liabilities		**128,318**	116,948
Net assets		**144,435**	149,066
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	28	**103**	103
Share premium	29	**116,804**	116,797
Merger relief reserve	29	**48,687**	48,687
Investment in own shares held in trust	29	**(4,157)**	(2,563)
Accumulated deficit	29	**(17,002)**	(13,958)
Total equity		**144,435**	149,066

The notes on pages 107 to 141 form part of these financial statements.

The Financial Statements were approved by the Board of Directors on 22 June 2022 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
22 June 2022

Registered number: 08279139

Consolidated Statement of Changes in Equity
for the year ended 31 March 2022

	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 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 36)	—	—	—	—	(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 13)	—	—	—	—	4,082	4,082
Deferred tax movement in respect of long-term incentives (note 18)	—	—	—	—	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
Balance at 1 April 2021	103	116,797	48,687	(2,563)	(13,958)	149,066
Comprehensive income and total comprehensive income for the year	—	—	—	—	9,423	9,423
Contributions by and distributions to owners:						
Share capital issued	—	7	—	—	—	7
Dividends paid (note 36)	—	—	—	—	(13,831)	(13,831)
Dividend equivalents paid on exercised share options	—	—	—	—	(268)	(268)
Shares purchased by Employee Benefit Trust for cash	—	—	—	(3,324)	—	(3,324)
Share-based payment expense – equity settled from Employee Benefit Trust	—	—	—	1,730	(1,704)	26
Share-based payment expense - IFRS 2 charge in respect of long-term incentives (note 13)	—	—	—	—	3,343	3,343
Deferred tax movement in respect of long-term incentives (note 18)	—	—	—	—	(7)	(7)
Total contributions by and distributions to owners	—	7	—	(1,594)	(12,467)	(14,054)
Balance at 31 March 2022	**103**	**116,804**	**48,687**	**(4,157)**	**(17,002)**	**144,435**

The notes on pages 107 to 141 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 March 2022

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021[1] £'000
Cash flows from operating activities			
Profit for the year		**9,423**	8,963
Adjustments for:			
Depreciation	16	**842**	974
Depreciation of right-of-use assets	31	**3,046**	2,892
Amortisation	17	**8,034**	7,609
Finance income	14	**–**	(3)
Finance costs	14	**2,047**	2,045
Share-based payment expense	13	**3,343**	4,082
Other operating income	4	**–**	(421)
Income tax expense	15	**7,518**	2,407
		34,253	28,548
Increase in trade and other receivables		**(3,982)**	(36)
Increase in trade and other payables		**2,315**	5,453
Decrease in provisions		**(65)**	(373)
		32,521	33,592
Income tax paid		**(3,862)**	(3,304)
Net cash inflow from operating activities		**28,659**	30,288
Cash flows from investing activities			
Finance income received	14	**–**	3
Acquisition of other intangible assets	7, 27	**(1,469)**	(336)
Disposal of healthcare business		**–**	104
Purchases of property, plant and equipment	16	**(1,050)**	(1,348)
Purchases of software	17	**(6,820)**	(1,419)
Increase in restricted cash balances – other financial assets	19	**(34)**	(480)
Net cash outflow from investing activities		**(9,373)**	(3,476)
Cash flows from financing activities			
Proceeds from the issue of share capital net of share issue costs	28	**7**	1
Proceeds from loans net of capitalised costs		**5,895**	–
Repayment of loans		**(2,000)**	(11,500)
Payment relating to extension of loan facility		**–**	(188)
Sale of own shares		**26**	163
Purchase of ordinary shares by EBT		**(3,324)**	(3,170)
Interest paid		**(1,222)**	(1,562)
Lease interest paid		**(299)**	(283)
Payment of lease liabilities		**(2,743)**	(2,161)
Dividends paid to the holders of the parent		**(13,831)**	(13,480)
Dividend equivalents paid on exercise of share options		**(268)**	(441)
Net cash outflow from financing activities		**(17,759)**	(32,621)
Net increase/(decrease) in cash and cash equivalents		**1,527**	(5,809)
Cash and cash equivalents at start of year		**8,623**	14,432
Cash and cash equivalents at end of year	21	**10,150**	8,623

1 Purchases of property, plant and equipment and software of £0.1 million in investing activities and lease payments of £0.5 million in financing activities previously incorrectly presented as a movement within trade and other payables (which impacts operating cash flows), have been reclassified as the amounts were unpaid at the year end (net of amounts unpaid at the previous year end). A corresponding adjustment has been made to working capital movements. This change has no overall impact on the total movement in cash and cash equivalents in the year; it is just a reclassification of the movement.

The notes on pages 107 to 141 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 UK adopted International Financial Reporting Standards. There were no changes to accounting policies on adoption of UK IFRSs. The consolidated financial statements have been prepared under the going concern basis.

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

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

Functional and presentation currency

The financial statements are presented in British pounds which is the Company's functional currency. Figures are rounded to the nearest thousand.

Measurement convention

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

Basis of consolidation

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

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
- historical 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 incremental borrowing rate (a rate that represents the amount that would be charged to acquire an asset of similar value for a similar period), 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.

1 Accounting policies continued

Property, plant and equipment

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

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

Office equipment	3 to 10 years
Leasehold improvements	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 up to 31 March 2024, which includes the 12 month period from the date of approval of these financial statements. These forecasts 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. For the year ended 31 March 2023, the Directors have modelled a scenario at which the banking covenants would be broken, which is the point where 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 extremely unlikely.

The Group negotiated a new banking facility in the year which will be in place for four years from October 2021. This facility gives the Group access to a Revolving Credit Facility of £100 million with an accordion of £50 million. The facility is subject to two covenants - net leverage and interest cover. These covenants were not breached during the financial year, nor are any breaches forecast.

The Directors have reviewed the historical accuracy of the Group's budgets. The Group's performance was compared to the budget, and actual revenue was within 2% of the forecast figure, and adjusted profit after tax was within 0.4% of the forecast figure. This demonstrates that the Group's forecasting process is at a sufficient standard to be able to place reliance on it when making a going concern assessment. Post-year-end trading is in line with forecasts. 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.

The Group does not have any clients in Russia, and so has not had any direct impact from the sanctions or restrictions imposed on Russian owned firms. The main impact on the Group of the current global situation therefore is the high level of inflation currently being experienced in the UK, and also the related increase in interest rates. The Group is confident of being able to minimise the impact of inflationary pressures on profits through a continued focus on overall efficiency and a disciplined approach to pricing.

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.

1 Accounting policies continued

Intangible assets and goodwill continued
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.

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 operating 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 blocked account agreement is required due to regulatory rules on Master Trusts. 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. As such, it is not included in cash and cash equivalents in the Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows.

1 Accounting policies continued

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

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

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

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

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

Dilapidations provisions relate to the estimated cost to put leased premises back to the required condition expected under the terms of the lease. These include provisions for 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.

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 EBT 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.

1 Accounting policies continued

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

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

Amounts recognised as revenue but not yet billed are reflected in the statement of financial position as accrued income (contract assets for adjustments relating to fixed fees as described below). All performance obligations have been satisfied. Amounts billed in advance of work performed are deferred in the statement of financial position as deferred income (contract liabilities for adjustments relating to fixed fees as described below).

Performance obligations and timing of revenue recognition
Performance obligations in contracts with customers are typically satisfied as services are rendered. In most cases, revenue is recognised on an over time basis. This is because effort has been expended by the business on fulfilling the performance obligations in the contract and the contracts would require payment for time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contract for any reason other than the Group's failure to perform its obligations under the contract. Invoices are in most cases raised monthly, based on timesheet data for Pensions actuarial and consulting work and Pensions investment consulting. For Pensions Administration services, invoices are typically raised monthly based on services provided. 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 (pensions actuarial, administration and investment), most of which are ongoing and therefore require no revenue recognition adjustment to the regular invoice issued to the customer. These are recognised monthly at the time of billing, as the benefit the customer receives as the work is done is largely in line with the amount billed each month.

For some fixed price customers, an element of the fixed fee includes the triennial valuation of their defined benefit pension schemes, which is a distinct performance obligation. Under IFRS 15, the Group has assessed these contracts and has determined that an adjustment is needed to recognise the revenue for the performance obligation relating to the triennial valuations in the specific periods that the work is undertaken.

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

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

1 Accounting policies continued

Revenue continued

Determining the transaction price and allocating amounts to performance obligations

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

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

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

Services provided under contracts which do not include a fixed fee are recognised at a price quoted within the contract which typically varies depending on the level of seniority of the employee providing the service. Commission income is recognised on renewal of scheme membership, as the performance obligations are met at the time the contract is won or renewed with the insurer.

Expenses

Exceptional and non-trading items

To assist in understanding its underlying performance, the Group has defined the following items of pre-tax income and expense as exceptional or 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.

1 Accounting policies continued

Leases and payments continued

Identifying leases continued
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 26).

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

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated lease 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; and
- 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.

1 Accounting policies continued

Leases and payments continued

Identifying leases continued

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement.

Where the 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.

Finance income and expense

Finance costs comprise interest payable, foreign exchange losses and costs directly related to the raising of loans.

Finance income comprises interest receivable on own funds, and foreign exchange gains.

Interest income and interest payable are 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
- excluding 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.

1 Accounting policies continued

Changes in accounting policies - new standards, interpretations and amendments effective from 1 April 2021
New and amended standards and interpretations issued by the IASB that apply for the first time in these annual financial statements do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not effective for 2022, and therefore have not been applied in preparing XPS Pensions Group's financial statements. They are not expected to have a material impact on the Group's consolidated financial statements. These include the following amendments effective for the year beginning 1 April 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the year beginning 1 April 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify that "settlement" includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB.

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.

1 Accounting policies continued

Critical accounting estimates and judgements continued

Fair values of intangible assets

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

Application of the goodwill impairment test requires judgement, including the identification of cash-generating units, assignment of assets and liabilities to such units, assignment of goodwill to such units and determination of the fair value of a unit. The fair value of each cash-generating unit or asset is estimated using the income approach, on a discounted cash flow methodology. This analysis requires significant estimates, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur and determination of our weighted average cost of capital. See note 17 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 certain SSAS and SIPP services, 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 18 for details of the carrying amount of the deferred tax assets.

Provisions

Dilapidations provisions have been made for properties which the Group currently leases 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 26 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.

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.

1 Accounting policies continued

Critical accounting estimates and judgements continued

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

Asset acquisition
In the year ended 31 March 2022, the Group undertook two significant software transactions. One of these transactions included the purchase of a legal entity, which was necessary in order to gain control of the software asset. Judgement was exercised to conclude that this acquisition was an asset acquisition and not a business combination, after applying the optional concentration test.

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 & Risk 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 30.

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

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

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

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

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

The Group is exposed to movements in interest rate in its net finance costs and also in a small element of its operating revenue. Senior loans are linked to SONIA. 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; and secondly, interest expense arising on bank facilities at a margin over SONIA.

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 its reporting requirements. The Group was compliant with its capital requirements throughout the year.

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 2022 £'000	Year ended 31 March 2021 £'000
Fair value adjustment of contingent consideration (note 27)	**–**	421

5 Auditor's remuneration

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Audit services		
Fees payable in respect of the Parent Company and consolidated accounts	**197**	187
Fees payable in respect of the subsidiary accounts	**151**	140
	348	327
Audit-related services	**45**	43
Total	**393**	370

6 Non-trading and exceptional items

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Corporate transaction costs[1]		**(320)**	(226)
Restructuring costs		**—**	(367)
Other exceptional costs[2]		**966**	(2,028)
Exceptional items		**646**	(2,621)
Contingent consideration write back	27	**—**	421
Share-based payment costs[3]	13	**(3,875)**	(4,924)
Amortisation of acquired intangibles[4]	17	**(6,579)**	(6,547)
Exceptional finance costs		**—**	(188)
Non-trading items		**(10,454)**	(11,238)
Total before tax		**(9,808)**	(13,859)
Tax on adjusting items[5]		**(2,530)**	2,334
Adjusting items after taxation		**(12,338)**	(11,525)

1 Costs associated with acquisitions and potential acquisitions of £320,000 (2021: £226,000).

2 Other exceptional credit of £966,000 relates to the reversal of the prior year increase in exceptional holiday pay accrual. The one-off non-cash holiday pay accrual in the year ended 31 March 2021 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. Prior to the pandemic the holiday pay accrual had been stable. In the year ended 31 March 2022 the Group changed its holiday year to align with its accounting year, and as a result there was no cash outflow as a result of the charge in the year ended 31 March 2021. Due to its one-off nature and the size of the holiday pay accrual in the prior year, as well as the corresponding reversal in the year ended 31 March 2022, it was deemed appropriate to disclose the amount separately from the underlying business performance. The year ended 31 March 2021 also included one-off costs to enable staff to work from home, dual running costs for a delayed office move, and exceptional finance costs relating to renegotiations on the Revolving Credit Facility - all as a direct result of the Covid-19 pandemic.

3 Share-based payment expenses are included in non-trading and exceptional costs as they are a significant non-cash cost which are excluded from the results for the purposes of measuring performance for PSP awards and dividend amounts. Additionally, the largely non-cash related credits 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.

4 During the year the Group incurred £6,579,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2021: £6,547,000).

5 The tax charge on non-trading items of £2,530,000 (2021: credit of £2,334,000) represents 26% (2021: 17%) of the non-trading items incurred of £9,808,000 (2021: £13,859,000). This is different to the expected tax credit of 19% (2021: 19%), as various adjustments are made to tax including for deferred tax, and the exclusion of amounts not allowable for tax. The tax on non-trading and exceptional items is a tax charge in the year ended 31 March 2022 instead of a tax credit, because of the tax rate increase from 19% to 25% from 1 April 2023. As a result the Group re-valued the deferred tax position, and the large deferred tax charge in the year (£4.3 million) is mainly due to the revaluation of deferred tax on acquired intangible assets.

7 Business combinations during the period

On 1 February 2022, the Group acquired the business of the Michael J Field Group, and 100% of the share capital of MJF Pension Trustees Limited and MJF SSAS Trustees Limited from Michael Jeffrey Field, for total consideration of £1.5 million in cash upon completion, and £0.8 million contingent cash consideration. The business acquired undertakes the provision of administration, operator and actuarial consulting services to SIPP and SSAS pensions, their trustees, operators and customers.

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

	Book value £'000	Adjustment £'000	Fair value £'000
Trade and other receivables	**69**	**—**	**69**
Trade and other payables	**(797)**	**—**	**(797)**
Customer relationships	**—**	**1,964**	**1,964**
Deferred tax	**—**	**(477)**	**(477)**
Total net assets	**(728)**	**1,487**	**759**

7 Business combinations during the period continued

Fair value of consideration paid

	£'000
Cash	**1,469**
Contingent cash	**765**
Total consideration	**2,234**
Goodwill (note 17)	**1,475**

Contingent consideration

The value of the contingent cash consideration for the Michael J Field acquisition in the contract is up to a maximum of £1.5 million, based of revenue and cost targets being met in the 12 months following the acquisition. The value attributed to the contingent consideration included in consideration has been determined using Group forecasts. The contingent consideration is payable in February 2023.

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

The goodwill arising from the above acquisition is not deductible for tax purposes.

Since the acquisition date, the Michael J Field business has contributed £313,000 to Group revenues and £77,000 to Group profit before tax.

If this acquisition had occurred on 1 April 2021, Group revenue would have been £140,605,000 and Group profit before tax for the year would have been £17,063,000.

Acquisition expenses

Costs relating to the above acquisition totalled £294,000 and are included within exceptional costs.

8 Operating segments

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

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Pensions Actuarial & Consulting	**63,724**	60,687
Pensions Administration	**50,786**	46,813
Pensions Investment Consulting	**13,678**	11,585
National Pension Trust (NPT)	**4,353**	3,239
SIP[1]	**6,081**	5,607
Total	**138,622**	127,931

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

9 Administrative expenses

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Expenses by nature		
Staff costs (note 10)	**83,060**	77,999
Depreciation and amortisation	**11,922**	11,475
Short-term and low value lease costs	**31**	—
Premises costs (excluding rent accounted for under IFRS 16 Leases)	**2,651**	2,674
Exceptional items (note 6)	**(646)**	2,621
Other general business costs	**22,616**	20,171
Total	**119,634**	114,940

10 Staff numbers and costs

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

	Year ended 31 March 2022 Number of employees	Year ended 31 March 2021 Number of employees
Operational	**1,309**	1,202
Administration	**106**	93
Sales and marketing	**20**	20
	1,435	1,315

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Wages and salaries	**66,719**	62,086
Social security contributions and similar taxes	**7,454**	6,529
Defined contribution pension cost	**3,509**	3,131
Other long-term employee benefits	**1,503**	1,329
Share-based payment costs (note 13)	**3,875**	4,924
	83,060	77,999

11 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan. Outstanding contributions at the year end were £nil (2021: £nil).

12 Directors' emoluments

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Aggregate emoluments	**2,256**	1,967
Company contributions to money purchase pension plans	**30**	30
	2,286	1,997

Share-based payment expense for Directors was £433,000 (2021: £509,000).

	Year ended 31 March 2022 Number of Directors	Year ended 31 March 2021 Number of Directors
At 31 March 2022, retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**3**	3

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
The emoluments of the highest paid Director, including benefits and share-based payments	**870**	835

13 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 criterion for the DSP is a service criterion. The fair value of awards under this scheme was determined using the share price on the date of grant.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Performance Share Plan awards, Deferred Share Plan awards and SAYE scheme	**3,343**	4,082
Social security cost on Performance Share Plan awards and Deferred Share Plan awards	**532**	684
Share-based payments	**3,875**	4,766
Bonus settled from EBT	**—**	139
Social security cost on bonus settled from EBT	**—**	19
Total	**3,875**	4,924

13 Share-based payment costs continued

The fair value of Executive PSP options granted during the period was calculated using different methods for different elements - the Black-Scholes method for the EPS element, the Stochastic method for the TSR element, and the Finnerty method for the holding period (2021: Monte Carlo valuation method). The inputs to the model were as follows:

	Year ended 31 March 2022			
	75% earnings per share (EPS)	25% relative total shareholder return (TSR)	Two-year holding period	Year ended 31 March 2021
Weighted average exercise price of options issued during the period (pence)	**0.05**	**0.05**	**0.05**	0.05
Expected volatility (%)	**n/a**	**49.00%**	**40.70%**	44%
Expected life beyond vesting date (years)	**3.01**	**3.01**	**2.00**	3
Risk-free rate (%)	**n/a**	**0.16%**	**0.34%**	(0.02)%
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 SAYE options granted during the period was calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	Year ended 31 March 2022
Weighted average exercise price of options issued during the period (pence)	**111.0**
Expected volatility (%)	**47.63%**
Expected life beyond vesting date (years)	**3.35**
Risk-free rate (%)	**0.28%**
Dividend yield (%)	**5.00%**

No SAYE options were granted in the prior year.

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 at 31 March 2022, in respect of the Group's ordinary shares of 0.05p each, 2,984,550 Executive PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 3,222,875 Staff PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 3,825,682 Staff DSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 4,156 SAYE options had been granted and remained outstanding, at an exercise price of 147.2p per share, 3,506,955 SAYE options had been granted and remained outstanding, at an exercise price of 78p per share, and 919,855 SAYE options had been granted and remained outstanding at an exercise price of 111p per share. The table below includes dividend equivalent shares on the PSP and DSP option figures where applicable.

13 Share-based payment costs continued

		2022 Weighted average exercise price (pence)	2022 Number	2021 Weighted average exercise price (pence)	2021 Number
Executive PSP	Outstanding at 1 April	**0.05**	**2,918,849**	0.05	2,750,750
	Granted during the year	**0.05**	**964,133**	0.05	969,999
	Forfeited during the year	**0.05**	**(235,198)**	0.05	(201,680)
	Exercised during the year	**0.05**	**(146,101)**	0.05	(312,235)
	Cancelled during the year	**0.05**	**(403,447)**	0.05	(287,985)
	Outstanding at 31 March	**0.05**	**3,098,236**	0.05	2,918,849
Staff PSP	Outstanding at 1 April	**0.05**	**5,045,911**	0.05	7,996,727
	Forfeited during the year	**0.05**	**(474,375)**	0.05	(1,104,040)
	Exercised during the year	**0.05**	**(1,194,069)**	0.05	(1,784,325)
	Cancelled during the year	**0.05**	**(41,792)**	0.05	(62,451)
	Outstanding at 31 March	**0.05**	**3,335,675**	0.05	5,045,911
Staff DSP	Outstanding at 1 April	**0.05**	**2,331,278**	—	—
	Granted during the year	**0.05**	**1,795,090**	0.05	2,337,458
	Forfeited during the year	**0.05**	**(149,906)**	0.05	(6,180)
	Outstanding at 31 March	**0.05**	**3,976,462**	0.05	2,331,278
SAYE	Outstanding at 1 April	**80.22**	**3,883,505**	82.73	4,367,675
	Granted during the year	**111.00**	**975,889**	—	—
	Forfeited during the year	**82.74**	**(171,814)**	85.06	(154,043)
	Exercised during the year	**87.64**	**(37,421)**	—	—
	Lapsed during the year	**144.75**	**(113,015)**	130.20	(178,579)
	Cancelled during the year	**91.74**	**(106,178)**	88.83	(151,548)
	Outstanding at 31 March	**88.61**	**4,430,966**	80.22	3,883,505

The exercise price of options outstanding at 31 March 2022 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 (2021: £0.0005 to £1.472). Their weighted average contractual life was 3 years (2021: 3 years), and the weighted average exercise price for exercisable options was £0.01 (2021: £0.04).

Of the total number of options outstanding at 31 March 2022, 447,454 (2021: 506,580) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £1.31 (2021: £1.10).

14 Finance income and expense

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest income on bank deposits	—	3
Finance income	**—**	3
Interest expense on bank loans	**1,108**	1,171
Other costs of borrowing	**602**	317
Interest on leases	**291**	340
Other finance expense	**46**	29
Finance expenses – trading	**2,047**	1,857
Exceptional finance costs (note 6)	—	188
Finance expenses	**2,047**	2,045

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

15 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax expense		
Current year	**4,864**	3,785
Adjustment in respect of prior year	**(205)**	(112)
Total current tax expense	**4,659**	3,673
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(1,399)**	(1,266)
Effect of tax rate changes	**4,258**	—
Total income tax expense	**7,518**	2,407

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit for the year	**9,423**	8,963
Total tax expense	**7,518**	2,407
Profit before income tax	**16,941**	11,370
Tax using the UK corporation tax rate of 19% (2021: 19%)	**3,219**	2,160
Non-deductible expenses	**648**	1,002
Other operating income not taxable	**—**	(80)
Fixed asset differences	**(55)**	(85)
Adjustment in respect of prior periods	**(205)**	(112)
Amounts credited directly to equity or otherwise transferred	**(7)**	3
Excess relief on exercise of share options	**(340)**	(481)
Effect of tax rate change	**4,258**	—
Total tax expense	**7,518**	2,407

15 Income tax expense continued

Recognised in the statement of comprehensive income continued

The standard rate of corporation tax in the UK was 19% (2021: 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 2022, which is not lower than 19% (2021: 19%). Deferred tax not recognised relates to £6 million of finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2022 the total unrecognised deferred tax asset in respect of these losses was approximately £1.1 million (2021: £1.2 million).

An increase in corporation tax from 19% to 25%, taking effect from 1 April 2023, has been substantively enacted. As a result, the deferred tax values in these financial statements have been updated to reflect this.

16 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2021	3,128	1,723	832	5,683
Acquired through business combinations	—	2	—	2
Additions	174	591	66	831
Disposals	(85)	(844)	(7)	(936)
Balance at 31 March 2022	**3,217**	**1,472**	**891**	**5,580**
Accumulated depreciation				
Balance at 1 April 2021	1,254	1,000	232	2,486
Acquired through business combinations	—	1	—	1
Depreciation charge for the year	271	482	89	842
Disposals	(85)	(844)	(7)	(936)
Balance at 31 March 2022	**1,440**	**639**	**314**	**2,393**
Net book value				
Balance at 1 April 2021	1,874	723	600	3,197
Balance at 31 March 2022	**1,777**	**833**	**577**	**3,187**

	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

17 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2021	120,343	123,305	6,036	5,076	254,760
Acquired through business combinations	1,475	1,964	—	—	3,439
Additions	—	—	—	6,611	6,611
Disposals	—	—	—	(880)	(880)
Balance at 31 March 2022	**121,818**	**125,269**	**6,036**	**10,807**	**263,930**
Accumulated amortisation					
Balance at 1 April 2021	—	42,011	5,917	2,048	49,976
Amortisation for the year	—	6,516	63	1,455	8,034
Disposals	—	—	—	(880)	(880)
Balance at 31 March 2022	**—**	**48,527**	**5,980**	**2,623**	**57,130**
Net book value					
Balance at 1 April 2021	120,343	81,294	119	3,028	204,784
Balance at 31 March 2022	**121,818**	**76,742**	**56**	**8,184**	**206,800**

	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

The Group made two significant software purchases in the year, totalling £5,071,000. This software will be used within the Administration business and will drive efficiencies and cost savings in the longer term.

Material customer relationship assets are broken down as follows:

	Remaining UEL (years) 31 March 2022	**Net book value (£'000) 31 March 2022**	Remaining UEL (years) 31 March 2021	Net book value (£'000) 31 March 2021
Acquisitions prior to January 2018 (CGU 1)	**11**	**19,623**	12	21,421
Punter Southall Actuarial (CGU 2)	**16**	**43,634**	17	46,399
Punter Southall Administrative (CGU 3)	**6**	**5,655**	7	6,633
Kier (CGU 3)	**7**	**2,044**	8	2,355
XPS Pensions RL Limited (CGU 1)	**8**	**2,184**	9	2,489
XPS Pensions Trigon Limited (CGU 1)	**8**	**1,632**	9	1,847
Michael J Field (CGU 1)	**10**	**1,931**	—	—

17 Intangible assets continued

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 35, 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, Trigon and Michael J Field 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:

	2022			2021		
	CGU 1	**CGU 2**	**CGU 3**	CGU 1	CGU 2	CGU 3
Discount rate pre-tax	**9.3%**	**9.3%**	**9.3%**	9.9%	9.9%	9.9%
Terminal rate 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)	**10.4%**	**7.4%**	**27.3%**	6.4%	8.1%	1.9%
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 2022 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 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 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.

	2022 £'000	2021 £'000
Goodwill allocated to cash-generating units:		
Goodwill - XPS Pensions Consulting Limited, Xafinity SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries, XPS Pensions (RL) Limited, XPS Pensions (Trigon) Limited (CGU 1)	**30,007**	28,532
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
	121,818	120,343

17 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. 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.

18 Deferred income tax

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

	Balance at 1 April 2021 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in period £'000	**31 March 2022 £'000**	**31 March 2022 Assets £'000**	**31 March 2022 Liabilities £'000**
Property, plant and equipment	51	39	—	—	**90**	**—**	**90**
Capital gains	717	—	—	—	**717**	**—**	**717**
Short-term temporary differences	(767)	(339)	7	—	**(1,099)**	**1,099**	**—**
Business combinations	15,622	3,159	—	477	**19,258**	**—**	**19,258**
	15,623	2,859	7	477	**18,966**	**1,099**	**20,065**

	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

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. The increase in the main rate of corporation tax to 25% was substantively enacted in May 2021. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2023, the date on which that new rate becomes effective. For balances expected to reverse before 1 April 2023, 19% (2021: 19%) has been used.

19 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 £1,814,000 (2021: £1,780,000) 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.

20 Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Trade receivables	**17,925**	17,382
Less: provision for impairment of trade receivables	**(330)**	(350)
Net trade receivables	**17,595**	17,032
Accrued income	**13,240**	12,147
Contract assets	**1,322**	1,149
Total financial assets other than cash and cash equivalents carried at amortised cost	**32,157**	30,328
Prepayments	**6,292**	4,068
Other receivables includes £276,000 (2021: £186,000) of capitalised loan arrangement fees	**327**	239
Total trade and other receivables	**38,776**	34,635

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

31 March 2022	**Current**	**Past due 0-30 days**	**Past due 31-90 days**	**Past due more than 90 days**	**Total £'000**
Expected loss rate	**0%**	**0%**	**2%**	**24%**	
Gross carrying amount	**13,018**	**3,089**	**876**	**942**	**17,925**
Loss provision	**13**	**9**	**15**	**226**	**263**
Amendment for specific bad debt provision	**(13)**	**(9)**	**(15)**	**104**	**67**
Total	**—**	**—**	**—**	**330**	**330**

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

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 affecting the Group's customers.

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 2021 contract asset balance of £1,149,000, £982,000 was billed in the year. Of the March 2020 contract asset balance of £1,528,000, £1,100,000 was billed in the year ended 31 March 2021. The March 2022 contract asset balance is expected to be billed in the year ending 31 March 2023 (£1,014,000), and the year ending 31 March 2024 (£308,000). The March 2021 contract asset balance was to be billed in the years ending 31 March 2022 (£982,000) and 31 March 2023 (£167,000).

21 Cash and cash equivalents

	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents per statement of financial position	**10,150**	8,623
Cash and cash equivalents per statement of cash flows	**10,150**	8,623

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

22 Loans and borrowings

31 March 2022	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	—	—	64,000	64,000	64,000
Capitalised debt arrangement fees	—	(276)	(415)	(691)	(691)
Sub-total	—	(276)	63,585	63,309	63,309
Capitalised debt arrangement fees shown as current assets on balance sheet	(276)	—	—	—	(276)
Total	(276)	(276)	63,585	63,309	63,033

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

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

Terms and debt repayment schedule

31 March 2022	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility	64,000	GBP	1.65% above SONIA	2025

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

At 31 March 2022 the Group had drawn down £64,000,000 (2021: £59,000,000) of its £100,000,000 (2021: £80,000,000) Revolving Credit Facility. On 12 October 2021, the Group entered into a new Revolving Facility Agreement for £100 million with an accordion of £50 million. This facility has a 4 year term which started in October 2021. Interest is calculated at a margin above SONIA, subject to a net leverage test. This refinancing completes the Group's transition to alternative benchmark rates from LIBOR, and the Group has no residual LIBOR exposures.

The related fees for access to the facility are included in the consolidated statement of comprehensive income.

Capitalised loan-related costs are amortised over the life of the loan to which they relate.

Bank debt is secured by way of debentures in the Group companies which are obligors to the loans. These are XPS Reading Limited, XPS Consulting (Reading) Limited, XPS Pensions Consulting Limited (and its subsidiaries), Xafinity Pensions Consulting Limited (and its subsidiaries), 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.

23 Reconciliation of liabilities arising from financing activities

	31 March 2021 £'000	Cash flows £'000	Non-cash change: liability to asset £'000	Non-cash change: new leases/ interest this year £'000	**31 March 2022 £'000**
Long-term borrowings	59,000	5,000	—	—	**64,000**
Capitalised debt arrangement fees	(310)	(1,105)	276	172	**(967)**
Interest payable on long-term borrowings	10	(1,222)	—	1,269	**57**
Lease liabilities	12,706	(3,042)	—	2,016	**11,680**
Total liabilities from financing activities	71,406	(369)	276	3,457	**74,770**

	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)
Interest payable on long-term borrowings	270	(1,562)	—	1,302	10
Lease liabilities	12,965	(2,444)	50	2,135	12,706
Total liabilities from financing activities	83,235	(15,506)	236	3,441	71,406

The prior year table has been restated to reflect the changes made in the classification of lease liabilities not paid at the period end (see the cash flow statement for more detail), and also to include interest payable on long-term borrowings.

24 Trade and other payables

	31 March 2022 £'000	31 March 2021 £'000
Trade payables	**8,635**	4,746
Accrued expenses	**8,867**	10,603
Interest payable	**57**	10
Other payables	**390**	624
Total financial liabilities excluding leases, loans and borrowings, classified as financial liabilities at amortised cost	**17,949**	15,983
Other payables – tax and social security payments	**1,846**	1,934
Other payables – VAT	**4,233**	3,802
Contract liabilities	**3,247**	2,785
Total trade and other payables	**27,275**	24,504

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

Of the March 2021 contract liability balance of £2,785,000, £2,230,000 was recognised in revenue in the year. Of the March 2020 contract liability balance of £2,472,000, £1,876,000 was recognised in revenue in the year ended 31 March 2021.

The March 2021 trade payables balance has been restated to exclude £636,000 unpaid relating to finance lease liabilities. The lease liability note has also been updated to reflect this adjustment.

25 Current income tax liabilities

	31 March 2022 £'000	31 March 2021 £'000
Tax payable	**2,207**	1,410
	2,207	1,410

26 Provisions for other liabilities and charges

31 March 2022	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Balance at 1 April 2021	**746**	**1,712**	**604**	**3,062**
Provisions made during the year	**532**	**20**	**332**	**884**
Provisions used during the year	**(283)**	**—**	**(350)**	**(633)**
Provisions released unused during the year	**—**	**(101)**	**(195)**	**(296)**
Balance at 31 March 2022	**995**	**1,631**	**391**	**3,017**
Due within one year or less	**594**	**251**	**391**	**1,236**
Due after more than one year:				
Between one and three years	**401**	**442**	**—**	**843**
Over three years	**—**	**938**	**—**	**938**
	995	**1,631**	**391**	**3,017**

31 March 2021	Social security costs on Performance Share Plan £'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:				
Between one and three years	326	218	—	544
Over three years	—	1,134	—	1,134
	746	1,712	604	3,062

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.

27 Deferred consideration

	Balance at 1 April 2021 £'000	Acquisition £'000	Fair value adjustment £'000	Settled in year £'000	**31 March 2022 £'000**
Contingent cash consideration	—	765	—	—	**765**
	—	765	—	—	**765**

	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)	—
	757	—	(421)	(336)	—

The contingent cash consideration liability recognised at 31 March 2022 relates to the Michael J Field acquisition in February 2022. The liability has been calculated based on terms agreed in the business purchase agreement, which are dependent on certain revenue and cost targets being met in the 12 months following the acquisition date.

28 Share capital

	Ordinary shares '000 31 March 2022	**Ordinary shares £'000 31 March 2022**	Ordinary shares '000 31 March 2021	Ordinary shares £'000 31 March 2021
In issue at the beginning of the year	**205,117**	**103**	203,905	102
Issued during the year	**34**	**—**	1,212	1
In issue at the end of the year	**205,151**	**103**	205,117	103

	31 March 2022 '000	**31 March 2022 £'000**	31 March 2021 '000	31 March 2021 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.05p (2021: 0.05p) each	**201,982**	**101**	203,105	102
Shares held by the Group's Employee Benefit Trust				
Ordinary shares of 0.05p (2021: 0.05p) each	**3,169**	**2**	2,012	1
Shares classified in shareholders' funds	**205,151**	**103**	205,117	103

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.

29 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.

30 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.

Contingent consideration is a level 2 financial liability, and is measured based on budgeted performance compared to targets agreed in the business transfer agreement. The amount is not discounted as this would be immaterial.

Credit risk

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

	Carrying amount 31 March 2022 £'000	Carrying amount 31 March 2021 £'000
Trade receivables	**17,925**	17,382
Provision for impairment of trade receivables	**(330)**	(350)
Net trade receivables due	**17,595**	17,032
Accrued income	**13,240**	12,147
Contract assets	**1,322**	1,149
Cash and cash equivalents	**10,150**	8,623
Non-current financial asset	**1,814**	1,780
	44,121	40,731

Credit risk mitigation

The ageing of trade receivables at the reporting date was:

	31 March 2022 £'000	31 March 2021 £'000
Not past due	**13,018**	12,146
Past due 0-30 days	**3,089**	2,814
Past due 31-90 days	**876**	1,225
Past due more than 90 days	**942**	1,197
	17,925	17,382

Movement in impairment allowance for trade receivables		
Balance at start of the year	**350**	674
Increase during the year	**121**	172
Receivable written off during the year as uncollectable	**(57)**	(3)
Reversal of allowances	**(84)**	(493)
Balance at end of the year	**330**	350

30 Financial instruments continued

Credit risk mitigation continued

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 £330,000 (2021: £350,000) 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 has considered whether any provision needs to be made for credit losses on contract assets and accrued income, 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 SONIA.

Interest rate risk

The interest rate on long-term borrowings is a margin over SONIA and as such the Company is at risk from SONIA increases. The sensitivity of the interest rate risk has been assessed and it is not material.

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 2022 £'000**
Trade and other payables	**17,949**	**—**	**—**	**—**	**—**	**17,949**
Leases	**1,115**	**1,911**	**2,537**	**4,479**	**2,606**	**12,648**
Loans and borrowings	**—**	**—**	**—**	**64,000**	**—**	**64,000**
Bank interest	**375**	**1,061**	**1,236**	**2,367**	**—**	**5,039**
Deferred consideration	**—**	**765**	**—**	**—**	**—**	**765**
	19,439	**3,737**	**3,773**	**70,846**	**2,606**	**100,401**

	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	15,983	—	—	—	—	15,983
Leases	1,446	1,949	2,203	4,615	3,706	13,919
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

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.

30 Financial instruments continued

Management of capital

	31 March 2022 £'000	31 March 2021 £'000
Total equity	**144,435**	149,066

31 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 2022	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	**9**	**—**	**82**	**± 334**
Property leases with fixed payments	**8**	**17**	**—**	**—**
Leases of plant and equipment	**2**	**1**	**—**	**—**
	19	**18**	**82**	**± 334**

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

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 2022, 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 undiscounted lease payments of £6,689,469 (2021: £6,138,038) 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 2021	**12,063**	**165**	**12,228**
Additions	**1,745**	**—**	**1,745**
Depreciation	**(2,984)**	**(62)**	**(3,046)**
At 31 March 2022	**10,824**	**103**	**10,927**

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

31 Leases continued

Nature of leasing activities (in the capacity as lessee) continued

Lease liabilities	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2021	12,528	178	12,706
Additions	1,725	—	1,725
Interest expense	286	5	291
Lease payments	(2,974)	(68)	(3,042)
At 31 March 2022	**11,565**	**115**	**11,680**

Lease liabilities	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2020	12,748	238	12,986
Additions	1,774	—	1,774
Interest expense	332	8	340
Effect of modification to lease terms	50	—	50
Lease payments	(2,376)	(68)	(2,444)
At 31 March 2021	12,528	178	12,706

The lease liability as at 1 April 2020 and 31 March 2021 has been restated. Previously, this was reported net of rental invoices received but not paid at the year end (included in trade payables). Trade payables and the lease liability have now been adjusted by £636,000 to include balances not settled at the year end.

	31 March 2022 £'000	31 March 2021 £'000
Short-term lease expense	**30**	—
Low value lease expense	**8**	—
Aggregate expense for short-term leases	**38**	—

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Up to 3 months	**1,039**	1,360
Between 3 and 12 months	**1,706**	1,734
Between 1 and 2 years	**2,321**	1,947
Between 2 and 5 years	**4,192**	4,137
More than 5 years	**2,422**	3,528
	11,680	12,706

The lease liability as at 1 April 2020 and 31 March 2021 has been restated. Previously, this was reported net of rental invoices received but not paid at the year end (included in trade payables). Trade payables and the lease liability have now been adjusted by £636,000 to include balances not settled at the year end. These amounts are all current liabilities due within 3 months of the year end.

32 Notes supporting statement of cash flows

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cash at bank available on demand	**10,150**	8,623

33 Related party transactions

Key management emoluments during the year

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Emoluments excluding gain on the exercise of share options	**1,926**	1,642
Gain on exercise of share options	**451**	128
Share-based payment	**433**	509
Company contributions to money purchase pension plans	**30**	30
Social security costs	**255**	200
	3,095	2,509

Non-executive emoluments during the year

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Emoluments	**330**	326
Social security costs	**41**	40
	371	366

34 Earnings per share

	31 March 2022 £'000	31 March 2021 £'000
Profit for the year	**9,423**	8,963

	'000	'000
Weighted average number of ordinary shares in issue	**203,742**	204,392
Diluted weighted average number of ordinary shares	**212,519**	209,850
Basic earnings per share (pence)	**4.6**	4.4
Diluted earnings per share (pence)	**4.4**	4.3

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.

Reconciliation of weighted average ordinary shares in issue to diluted weighted average ordinary shares:

	Year ended 31 March 2022 '000	Year ended 31 March 2021 '000
Weighted average number of ordinary shares in issue	**203,742**	204,392
Dilutive impact of share options vested up to exercise date	**329**	271
Dilutive impact of PSP and DSP options not yet vested	**5,954**	3,420
Dilutive impact of dividend yield shares for PSP and DSP options	**803**	358
Dilutive impact of SAYE options not yet vested	**1,691**	1,409
Diluted weighted average number of ordinary shares	**212,519**	209,850

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 vests 3 years after the award date. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in the years ending 31 March 2019, 2020 and 2022; these will vest in the years ending 31 March 2022, 2023 and 2025 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

34 Earnings per share continued

Adjusted earnings per share

	Total 31 March 2022 £'000	Total 31 March 2021 £'000
Adjusted profit after tax	**21,761**	20,488
Adjusted earnings per share (pence)	**10.7**	10.0
Diluted adjusted earnings per share (pence)	**10.2**	9.8

35 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

35 Subsidiaries continued

Company name	Company number	Principal activity	Registered address
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
MJF Pension Trustees Limited	03394648	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
MJF SSAS Trustees Limited	04089958	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB
Pensions Software Solutions Limited	11482474	Software development	Phoenix House, 1 Station Hill, Reading, Berkshire, RG1 1NB

36 Dividends

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

	31 March 2022 £'000	31 March 2021 £'000
Final dividend for the year ended 31 March 2021: 4.4p per share (2020: 4.3p per share)	**8,948**	8,795
Interim dividend for the year ended 31 March 2022: 2.4p (2021: 2.3p) per ordinary share was paid during the year	**4,883**	4,685
	13,831	13,480

The recommended final dividend payable in respect of the year ended 31 March 2022 is £9,696,000 or 4.8p per share (2021: £9,025,000).

The proposed dividend has not been accrued as a liability as at 31 March 2022 as it is subject to approval at the Annual General Meeting.

	31 March 2022 £'000	31 March 2021 £'000
Proposed final dividend for year ended 31 March 2022	**9,696**	9,025

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 £28,073,000. Therefore there are sufficient distributable reserves in XPS Pensions Group plc in order to pay the proposed final dividend.

37 Ultimate controlling party

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

Statement of Financial Position - Company
as at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Investments	5	**29,681**	26,345
Trade and other receivables	6	**233,857**	217,123
		263,538	243,468
Total assets		**263,538**	243,468
Liabilities			
Non-current liabilities			
Trade and other payables	7	**40,309**	38,312
		40,309	38,312
Current liabilities			
Current tax liabilities	8	**744**	1,531
		744	1,531
Total liabilities		**41,053**	39,843
Net assets		**222,485**	203,625
Equity and liabilities			
Share capital	9	**103**	103
Share premium	10	**116,804**	116,797
Merger relief reserve	10	**48,687**	48,687
Other reserve	10	**28,818**	25,483
Retained profit	10	**28,073**	12,555
Total equity		**222,485**	203,625

The notes on pages 145 to 148 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 £29,349,000 (2021: £23,519,000).

These financial statements were approved by the Board of Directors on 22 June 2022 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
22 June 2022

Registered number: 08279139

Statement of Changes in Equity - Company
for the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Other reserve £'000	Retained profit £'000	Total £'000
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
Balance at 1 April 2021	103	116,797	48,687	25,483	12,555	203,625
Comprehensive income and total comprehensive income for the year	—	—	—	—	29,349	29,349
Contributions by and distributions to owners:						
Share capital issued	—	7	—	—	—	7
Share-based payment expense - equity settled from Employee Benefit Trust	—	—	—	26	—	26
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	—	—	—	3,316	—	3,316
Deferred tax movement in respect of long-term incentives	—	—	—	(7)	—	(7)
Dividends paid	—	—	—	—	(13,831)	(13,831)
Total contributions by and distributions to owners	—	7	—	3,335	(13,831)	(10,489)
Balance at 31 March 2022	**103**	**116,804**	**48,687**	**28,818**	**28,073**	**222,485**

The appropriate filing of interim accounts showing sufficient reserves to pay the £13,831,000 dividend was undertaken.

The notes on pages 145 to 148 form part of these financial statements.

Statement of Cash Flows - Company

for the year ended 31 March 2022

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 145 to 148 form part of these financial statements.

Notes to the Financial Statements - Company
for the year ended 31 March 2022

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 UK adopted International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006. There were no changes to accounting policies on adoption of UK IFRSs. 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.

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 2021
New and amended standards and interpretations issued by the IASB that apply for the first time in these annual financial statements do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New standards and interpretations adopted and not yet adopted
A number of new standards, amendments to standards, and interpretations are not effective for 2022, and therefore have not been applied in preparing XPS Pensions 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 11.

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 2022 (2021: 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 (2021: £nil) were paid on behalf of the Directors.

5 Investments in subsidiaries

	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	**26,345**	22,097
In relation to XPS Pensions Consulting Limited	**1,894**	2,584
In relation to XPS SIPP Services Limited	**89**	91
In relation to XPS Pensions Limited	**818**	1,075
In relation to XPS Administration Limited	**454**	446
In relation to XPS Investment Limited	**65**	38
In relation to XPS Pensions (RL) Limited	**11**	12
In relation to XPS Pensions (Trigon) Limited	**5**	2
At the end of the year	**29,681**	26,345

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

The additions to investments during the year represent amounts in respect of Performance Share Plan awards and SAYE schemes, and an equity-settled award made by the Employee Benefit Trust to subsidiary companies as instructed by the Company.

All other subsidiaries disclosed in note 35 of the Group accounts are indirectly owned by other Group companies.

6 Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Receivables due from related parties	**233,857**	217,123
Non-current receivable	**233,857**	217,123
Current receivable	**—**	—
	233,857	217,123

7 Trade and other payables

	31 March 2022 £'000	31 March 2021 £'000
Payables due to related parties	**40,309**	38,312
Total trade and other payables	**40,309**	38,312
Non-current payable	**40,309**	38,312
Current payable	**—**	—
	40,309	38,312

Corporation tax payable was included within this note in the prior year; this has now been disclosed in a separate note (note 8).

8 Current tax liabilities

	31 March 2022 £'000	31 March 2021 £'000
Corporation tax payable	**744**	1,531
	744	1,531

9 Share capital

Details on the share capital of the Company are contained in the Group financial statements.

10 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, and share-based payment reserves.
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.

11 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 2022 £'000	Carrying amount 31 March 2021 £'000
Receivables due from related parties	**233,857**	217,123

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.

Interest rate risk

The Company does not have any significant interest rate risk, as its receivables and payables are all with related parties.

11 Financial instruments continued

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 is regular reviews of financial data to ensure that the Company is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to the XPS Pensions Group's forecast which ensures future covenant test points are met. The XPS Pensions Group continues to meet these test points and they have been achieved over the last 12 months. Further information can be found within the consolidated financial statements of XPS Pensions Group plc.

Management of capital	**31 March 2022 £'000**	31 March 2021 £'000
Total equity	**222,485**	203,625

12 Related party transactions

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

	31 March 2022 £'000	31 March 2021 £'000
Loans to related parties	**233,857**	217,123
Loans from related parties	**(40,309)**	(38,312)
	193,548	178,811

Transactions with related parties during the year

	31 March 2022 £'000	31 March 2021 £'000
Interest income	**3,565**	4,178
Interest expense	**(690)**	(729)
Increase in loans to related parties	**(15,145)**	(18,292)
Increase in loans from related parties	**7**	4,010
Intercompany dividend	**27,000**	20,900
	14,737	10,067

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. 1.68% was applied in the year (2021: 1.88%). All related parties are part of the XPS Pensions Group.

13 Contingencies

The Company has provided a guarantee in relation to the repayment of syndicated banking facilities available to its subsidiaries. The facilities guaranteed comprise a drawn revolving credit facility of £64,000,000 (2021: £59,000,000) and a further undrawn rolling facility loan in the amount of £36,000,000 (2021: £21,000,000). This facility has a 4 year term which started in October 2021. Interest is calculated at a margin above SONIA, subject to a net leverage test.

14 Ultimate controlling party

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

Registered office and Directors' address
Phoenix House
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Company Secretary
Zoe Adlam

Financial adviser and broker

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Financial adviser and broker

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