

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 concern¹

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 concern¹ 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

Coverage¹	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	x	✓
	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
<p>Revenue recognition</p> <p>The accounting policy for revenue is disclosed in note 1 of the consolidated financial statements.</p> <p>The segmental information relating to Group revenue is disclosed in note 8 to the consolidated financial statements.</p>	<p>The key audit matter is the significant risk of fraudulent overstatement or understatement of accrued income at the year end.</p> <p>This risk is specific to revenue from pension advisory and investment consulting services.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>We tested management's fee analysis control which operated throughout the year, which is designed to identify any material error in revenue.</p> <p>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.</p> <p>Key observations:</p> <p>Based on the procedures undertaken, we consider that revenue arising from pension advisory and investment consulting services has been recognised appropriately.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

	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

	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			Year ended 31 March 2021
	75% earnings per share (EPS)	25% relative total shareholder return (TSR)	Two-year holding period	
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

	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
31 March 2022					
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					
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

	Amount £'000	Currency	Nominal interest rate	Year of maturity
31 March 2022				
Revolving Credit Facility	64,000	GBP	1.65% above SONIA	2025
31 March 2021				
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.

	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
31 March 2022				
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
	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
31 March 2021				
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.

	Land and buildings £'000	Office equipment £'000	Total £'000
Right-of-use assets			
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
	Land and buildings £'000	Office equipment £'000	Total £'000
Right-of-use assets			
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

	Land and buildings £'000	Office equipment £'000	Total £'000
Lease liabilities			
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

	Land and buildings £'000	Office equipment £'000	Total £'000
Lease liabilities			
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 Xfinity 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

	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.

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.

	31 March 2022 £'000	31 March 2021 £'000
Management of capital		
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.

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Zoe Adlam

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Notes

www.xpsgroup.com



XPS Pensions Group's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arctic Snow, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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