We are passionate about pensions. We are XPS

XPS Pensions Group plc
formerly Xafinity plc
Interim Report

2019

We believe in a better way

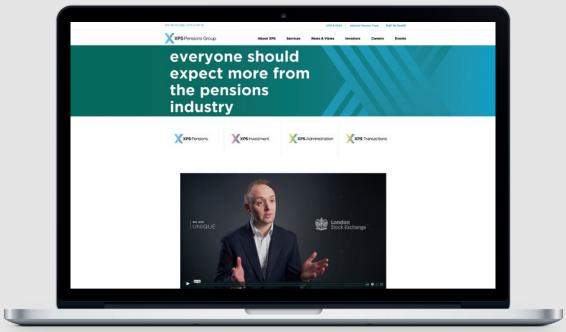
Overview

Highlights 1
Overview 2

Financial statements

Condensed Consolidated Statement of Comprehensive Income 6
Condensed Consolidated Statement of Financial Position 7
Condensed Consolidated Statement of Changes in Equity 8
Condensed Consolidated Statement of Cash Flows 9
Notes to the Condensed Consolidated Financial Statements 10
Responsibility Statement 20
Independent Review Report to XPS Pensions Group plc 21

Visit us online



xpsgroup.com

H1 2019 Highlights

Growth in revenue

£52.2m +113%

(H1 2018: £24.5m)

Adjusted operating profit

£11.4m +63%

(H1 2018: £7.0m)

Employee survey

85%

of staff agreed or strongly agreed 'XPS' is a good company to work for

Dividend

+10%

Combined business growth[1]

+3.3%

Reflects addition of Punter Southall Pensions, Administration and Investment businesses

With new business wins coming on stream in H2 2019, integration well progressed, and with a favourable market backdrop, the Board looks forward to H2 with confidence that revenue growth rates will increase towards long-term expectations.

1. Combined business growth on a pro-forma basis compared to H1 2018

Overview

Looking forward to H2 with confidence

Following the acquisition of Punter Southall, we have put in place the infrastructure in H1 2019 that will drive a successful future for the combined business.

We launched a new brand for our merged business, with all the supporting collateral developed and released (a new website, marketing materials, new business materials and client delivery reports and so on). We now trade as XPS Pensions Group, with sub-brands of XPS Pensions, XPS Administration and XPS Investment. We have supported the launch of the brand with a wide range of external events during H1 2019, and at the start of H2 2019 we held a large client conference with c. 400 attendees. Our new identity has been extremely well received in the market.

We have focused on the culture of the new organisation, and we have implemented new harmonised staff grading, new reporting lines and new staff incentive and bonus arrangements. We have achieved this whilst maintaining strong morale in the business. In an employee survey carried out at the end of H1 2019, 85% of our staff agreed or strongly agreed with the statement that 'XPS is a good company to work for'; an excellent result in any circumstances, but particularly heartening against the backdrop of the recent merger.

We won a number of large new clients during H1 2019. Highlights include an investment mandate on a £800m scheme and an actuarial appointment on a £1bn+ scheme, both won from a 'Big 3' provider. Our new business pipeline grew during H1 2019 as our brand gained traction in the market and it is currently strong with multiple large opportunities across all key service lines. We hope to convert a number of these in H2 2019 to drive growth in FY 2020.

We have also secured significant new project wins, including cross-selling Xafinity offerings, such as Trivial Commutation, to Punter Southall clients. We will deliver these projects in H2 2019 and FY 2020.

We successfully opened a new office in Perth, with 40 staff transferring to the Group from Aviva, to provide pensions administration back to Aviva in an outsourcing contract. The contract went live with effect from 1 August, and will deliver additional revenue to our administration business in H2 2019 and FY 2020.

We completed the acquisition of the Kier Pensions Administration business. This was an earnings enhancing transaction, is consistent with our focus on the UK pensions market, and opens strategic opportunities in the large public sector administration outsourcing market. This transaction was announced on 18 September 2018 and has now completed.

The sale of our non-core Healthcare business, which enables us to focus exclusively on our core activities in the UK pensions market, was also announced on 18 September 2018 and has now completed.

During H1 2019, we have moved offices into new 'XPS only' premises in Belfast and Edinburgh, where we separated from former Punter Southall Group offices. In October, we merged our London offices to bring all XPS staff into one location.

More generally, wider integration activities on HR, Finance and IT continue in line with management expectations with an aim of ending the Transitional Services Agreement ('TSA') with Punter Southall Group well ahead of the 11 January 2020 end date.

Furthermore, it has also been announced that Mike Ainslie has reached an agreement with the Board that he will step down from the Board next year. The search for a successor is underway and a further update will be given in due course.

All of the above has happened against an increasingly positive regulatory and market background. A recent court case involving Lloyds Bank has given rise to a need for pension schemes to take action to equalise benefits between men and women (known as 'GMP Equalisation'). This is a highly technical issue on which the majority of our clients will need in-depth support, both in H2 2019 and in the longer term, which we expect to deliver further revenue opportunities from existing clients.

We expect to see further opportunities arising from the CMA review into investment consulting, and are optimistic with our new business pipeline as we move into H2 2019.

Financial Highlights

Revenue compared to the same period in the previous year (ie the 6 months to 30 September 2017) was up 113% to £52.2m (H1 2018: £24.5m). The growth reflects the addition of the Punter Southall Pensions, Actuarial, Administration and Investment business, the purchase of which completed on 11 January 2018. The combined business grew by 3.3% on a pro-forma basis compared to the corresponding period which now excludes the Healthcare division which has been presented as a discontinued operation, the sale of which completed on 30 September 2018, and the HR Trustees business which was sold on 11 January 2018.

Revenue is split between the main business areas as follows:

Pensions	£27.8m	53.5%
Administration	£17.0m	32.5%
Investment	£3.8m	7%
Other	£3.6m	7%
Total	**£52.2m**	**100%**

Further commentary follows below on each of these areas.

Operating profit for the period was £0.1m (H1 2018: £4.2m). The decrease was largely driven by the treatment of intangible assets arising from the Punter Southall acquisition. £4.8m of intangible assets, out of the total c. £161m, were ascribed to the Punter Southall brand value at the time of acquisition. With the re-branding of the business to XPS Pensions Group in May 2018, £4.8m of intangible assets were written off rather than being amortised over time. The amortisation on the remaining acquired intangible assets totalled £3.2m (H1 2018: £1.7m) in the period. Share-based payment charges were also significantly higher at £2.6m (H1 2018: £0.7m). On an adjusted basis, (ie excluding the impact of acquisition Intangibles, share-based payment charges and exceptional items related to the acquisition) the adjusted operating profit for the period was £11.4m (H1 2018: £7.0m), an increase of 63%, again driven by the addition of the Punter Southall business.

Administrative expenses in the period were £52.4m (H1 2018: £20.3m). The increase is due to the inclusion of the Punter Southall business (£20.4m), as well as the increased amortisation (£6.4m increase on prior period), and share-based payment charges (£2.0m increase on prior period) referred to above.

Finance expense in the period was £1.1m (H1 2018: £0.4m), £0.8m (H1 2018: £0.4m) of this amount relates to interest payments. The increase is due to the increased level of debt held by the company, used as part of the funding of the Punter Southall acquisition. The remainder of the current period charge is unwinding of discount on the deferred consideration for the Punter Southall acquisition.

The Group has a strong balance sheet. Overall, net assets have reduced by £4.8m to £148.5m (March 2018: £153.4m). Some of the larger movements in the balance sheet include depreciation and amortisation of non-current assets (including the Punter Southall brand amortisation mentioned above) of £8.7m, a reduction in trade and other payables of £2.1m driven by a movement in accruals, and a decrease in deferred tax liability of £1.9m related to the accelerated amortisation of the Punter Southall brand. Net debt at the end of the period was £47.5m, up marginally from £45.7m at 31 March 2018.

Pensions

Revenue from the Pensions business was £27.8m (H1 2018: £15.4m). The large increase represents the addition of the Punter Southall business. The Pensions business serves 493 clients providing a mixture of compliance-type activities as well as one-off projects in relation to de-risking and corporate actions. We won 10 material clients (defined as delivering annuity income of over £40k pa) in the period. Despite this the number of clients decreased from 505 to 493. The reduction in client numbers is largely driven by the non–recurrence of a number of one-off projects in H1 2018. Radar, the firm's proprietary software, has now been rolled out to 63% of the Xafinity clients and 9% of Punter Southall clients. We believe that a combination of recent wins, projects driven by the rollout of Radar, and recent developments regarding Guaranteed Minimum Pensions ('GMP') Equalisation will drive improved performance in the second half of the year.

Overview continued

	31.03.17	30.09.17	31.03.18	30.09.18
Pensions				
No. of fee earners[1]	188	182	321	321
Average charge-out rate (£)[2]	273	286	326	313
No. of clients[3]	232	229	505	493
Recurring revenue[4]	N/A	89%	91%	92%
New wins (>£40k Annual revenue)	N/A	N/A	6	12
Losses (>£40k Annual revenue)	N/A	N/A	(2)	(5)

1 Number of fee earners definition: headcount of the relevant departments within the business at the end of the reporting period
2 Average charge-out rate definition: sum of charge-out rates for all staff in the relevant departments, divided by total staff (excluding support staff)
3 Number of clients (Pensions) definition: this is the number of clients in the 6 month period where annual income exceeds £10,000
4 Recurring revenue definition: revenue from customers who have a regular revenue stream. The revenue is either earned from the same customer every month, or in some cases every quarter

Administration

Revenue from the Administration business was £17.0m (H1 2018: £4.0m). The large increase represents the addition of the Punter Southall business which is the market leader in this area. The Administration business serves 399 schemes and looks after the pensions of c. 630,000 members. During the period the number of schemes decreased from 408 at 31 March 2018 to 399, however the number of members increased by over 70,000, due to the Aviva contract mentioned in the overview above. Two clients were won in the period. On 18 September 2018 XPS announced the acquisition of the Kier Pensions Unit, a division of Kier Group plc. The deal completed on 31 October 2018. The acquisition gives XPS, for the first time, a significant presence in the market for public sector third-party administration, in addition to the Group's already strong presence in the market for private sector pension schemes.

The acquisition will add a number of important clients to XPS's portfolio of 'administration only' schemes and take the total number of members XPS administers above 850,000. In addition, 70 employees based in Middlesbrough will join the Group. The acquisition is expected to add approximately 4% to XPS's annual Group revenues.

	31.03.17	30.09.17	31.03.18	30.09.18
Administration				
No. of schemes	N/A	154	408	399
Average fees per scheme (£'k)	N/A	26	34	43
No. of members	N/A	164,942	561,971	632,579
Average fees per member (£)	N/A	24	24	27
No. of staff	84	93	410	479
New wins (>£40k Annual revenue)	N/A	N/A	3	2
Losses (>£40k Annual revenue)	N/A	N/A	(1)	0

Investment

Revenue from the Investment business was £3.8m (H1 2018: £2.1m). The large increase represents the addition of the Punter Southall business. The Investment business serves 226 clients and during the period the number of clients remained largely flat.

The CMA review has proposed remedies to make the investment consulting and fiduciary management market more competitive. These remedies open up significant opportunities for our Investment business.

	31.03.17	30.09.17	31.03.18	30.09.18
Investment				
No. of fee earners[5]	22	25	39	43
Average charge-out rate[6]	289	301	307	320
No. of clients[7]	129	126	227	226
Recurring revenue[8]	67%	71%	75%	73%
New wins (>£40k Annual revenue)	N/A	N/A	3	4
Losses (>£40k Annual revenue)	N/A	N/A	(1)	0

5 Number of fee earners definition: headcount of the relevant departments within the business at the end of the reporting period
6 Average charge-out rate definition: sum of charge-out rates for all staff in the relevant departments, divided by total staff (excluding support staff)
7 Number of clients (Investment) definition: this is the number of clients in the 6 month period where annual income exceeds £1,000
8 Recurring revenue definition: revenue from customers who have a regular revenue stream. The revenue is either earned from the same customer every month, or in some cases every quarter

Other

Other includes the SSAS/SIPP business and NPT, our defined contribution Mastertrust solution.

Revenue from these businesses grew by 23% to £3.6m (H1 2018: £3.0m). The SSAS/SIPP business continues to add new clients and now has 3,734 clients. NPT assets grew 40% to £410m (H1 2018: £292m). We expect both businesses to continue to grow.

On 18 September 2018 we announced the sale of the Healthcare business and the transaction completed on 30 September 2018. As a result the revenues and expenses of the Healthcare business have been presented as discontinued operations separately in the current and prior year Consolidated Statement of Comprehensive Income. The transaction gave rise to a profit on disposal of £1.2m.

	31.03.17	30.09.17	31.03.18	30.09.18
SSAS/SIPP				
No. of schemes – Total	3,355	3,471	3,625	3,734
No. of schemes – SSAS	1,229	1,204	1,181	1,136
No. of schemes – SIPP	2,126	2,267	2,444	2,598
£ per scheme (£) – Total	897	740	789	806
£ per scheme (£) – SSAS	1,127	1,210	1,106	1,187
£ per scheme (£) – SIPP	333	392	416	372
No. of staff	61	61	63	65
NPT				
Value of assets (£'m)	234	292	337	410
Average charge per £ of asset (bp)	30	33	32	35

Integration of the Punter Southall business

The acquisition of the Punter Southall business completed on 11 January 2018 and integration of the two businesses has continued, on plan, throughout the period.

On the business side, the new branding of XPS Pensions was unveiled in May 2018 in what was an important step in the strategy to become the pre-eminent pensions consultancy firm in the UK, dedicated to challenging the industry for the good of pensions schemes and their members. The business has put in place common technical and research teams and combined the prospecting, marketing and bid support teams of the two organisations. A new operating model has been implemented with clear reporting lines within Pensions, Investment Consulting and Administration and a common approach to grading, remuneration and values.

The support functions for the Punter Southall businesses are being provided by Punter Southall Group for a two year period post acquisition. Despite these services being provided under the TSA at a discounted price, XPS has decided to accelerate the process of "coming off" the TSA for several functions to take earlier day to day control of all aspects of the combined business. As a result the Risk, Legal and Compliance, Finance and HR functions will be transferred off the TSA by the end of the 2019 financial year, some 9 months ahead of the end of the TSA. While this brings forward some additional costs, the benefit of running these aspects of the business on a combined, uniform platform are significant in terms of risk management, control and future planning. Detailed plans are in place for each of the functions to achieve independence from the TSA.

Cash flow

The Group maintained a strong cash position of £7.7m as at 30 September 2018 (31 March 2018: £9.4m). Notable cash outflows during the period included the 2018 final dividend of £8.5m, capital expenditure of £1.2m and a net cash outflow in relation to the Punter Southall acquisition of £1.4m.

EPS

The Company's EPS for H1 2019 was 0.2p (H1 2018: 2.9p). On an adjusted diluted basis from continuing operations the EPS was 4.2p (H1 2018: 3.9p).

Dividend

An interim dividend of 2.3p per share (H1 2018: 2.1p) will be paid on 7 February 2019 to those shareholders on the Company's register as at 11 January 2019.

Principal risks and uncertainties affecting the business

The principal risks and uncertainties affecting the Group's business activities remain those detailed within the Principal Risks and Uncertainties section of the Annual Report and Accounts for the year ended 31 March 2018, namely: Staff Retention; Reputation; Data loss and security breach; Errors; Competition & Client retention; crime, external events, market, economic and political.

Outlook

During H1 2019 a significant amount of time was spent on valuable integration activities relating to the Punter Southall acquisition which have left the Group well positioned for the future, but which suppressed revenue growth in H1. With new business wins coming on stream in H2 2019, integration well progressed, and with a favourable market backdrop, the Board looks forward to H2 with confidence that revenue growth rates will increase towards long-term expectations and is confident that full year profit figures will be broadly in line with expectations.

Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 September 2018

	Note	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited Restated £'000
Revenue	5,1	**52,208**	24,530
Other operating income	11	**321**	–
Administrative expenses		**(52,431)**	(20,353)
Profit from operating activities		**98**	4,177
Finance income		**14**	21
Finance costs		**(1,215)**	(418)
(Loss)/profit before tax		**(1,103)**	3,780
Income tax credit/(expense)	9	**174**	(842)
(Loss)/profit and total comprehensive (loss)/income for the period		**(929)**	2,938
Profit on discontinued operation, net of tax	4	**1,354**	955
Profit after tax		**425**	3,893

		Pence	Pence
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:			
Profit or loss:			
Basic earnings per share	12	**0.2**	2.9
Diluted earnings per share	12	**0.2**	2.8
Adjusted basic earnings per share	12	**4.4**	4.7
Adjusted diluted earnings per share	12	**4.3**	4.6
Profit or loss from continuing operations:			
Basic (loss)/earnings per share	12	**(0.5)**	2.2
Diluted (loss)/earnings per share	12	**(0.5)**	2.1
Adjusted basic earnings per share	12	**4.3**	4.0
Adjusted diluted earnings per share	12	**4.2**	3.9

Condensed Consolidated Statement of Financial Position
as at 30 September 2018

	Note	30 September 2018 Unaudited £'000	31 March 2018 Audited Restated £'000
Assets			
Non-current assets			
Property, plant and equipment		**1,801**	1,017
Intangible assets		**207,497**	215,692
Deferred tax assets		**1,175**	774
		210,473	217,483
Current assets			
Trade and other receivables		**27,766**	28,763
Cash and cash equivalents		**7,713**	9,404
		35,479	38,167
Total assets		**245,952**	255,650
Equity and liabilities			
Equity attributable to owners of the Parent			
Share capital		**102**	102
Share premium		**116,795**	116,782
Merger relief reserve		**48,687**	48,687
Investment in own shares held in trust		**(175)**	(465)
Accumulated deficit		**(16,874)**	(11,728)
Total equity		**148,535**	153,378
Liabilities			
Non-current liabilities			
Loans and borrowings	10	**55,157**	55,072
Deferred income tax liabilities		**16,419**	17,942
		71,576	73,014
Current liabilities			
Loans and borrowings	10	**23**	27
Provisions for other liabilities and charges		**1,494**	1,459
Trade and other payables		**15,551**	17,682
Current income tax liabilities		**1,790**	1,758
Deferred consideration		**6,983**	8,332
		25,841	29,258
Total liabilities		**97,417**	102,272
Total equity and liabilities		**245,952**	255,650

Condensed Consolidated Statement of Changes in Equity

for the period ended 30 September 2018

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Merger relief reserve £'000	Accumulated deficit £'000	Total equity/ (deficit) £'000
Balance at 1 April 2017 (as previously stated)	68	49,958	(465)	–	(20,612)	28,949
Prior year adjustment: IFRS 15 Revenue from contracts with customers (see Note 1)	–	–	–	–	30	30
Balance at 1 April 2017 (as restated)	68	49,958	(465)	–	(20,582)	28,979
Comprehensive income and total comprehensive income for the period (as restated)	–	–	–	–	3,893	3,893
Contributions by and distributions to owners						
Dividends paid	–	–	–	–	(986)	(986)
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	–	–	–	–	319	319
Deferred tax movement in respect of long-term incentives	–	–	–		8	8
Unaudited balance at 30 September 2017	68	49,958	(465)	–	(17,348)	32,213
Comprehensive profit and total comprehensive profit for the period (as restated)	–	–	–	–	7,708	7,708
Contributions by and distributions to owners						
Share capital issued	34	69,979	–	48,687	–	118,700
Share issue costs	–	(3,155)	–	–	–	(3,155)
Dividends paid	–	–	–	–	(2,836)	(2,836)
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	–	–	–	–	724	724
Deferred tax movement in respect of long-term incentives	–	–	–	–	24	24
Total contributions by and distributions to owners	34	66,824	–	48,687	(2,088)	113,457
Balance at 31 March 2018	102	116,782	(465)	48,687	(11,728)	153,378
Balance at 1 April 2018	102	116,782	(465)	48,687	(11,728)	153,378
Comprehensive income and total comprehensive income for the period	–	–	–	–	425	425
Share capital issued	–	13	–	–	–	13
Shares sold by employee benefit trust for cash	–	–	290	–	1,709	1,999
Dividends paid	–	–	–	–	(8,533)	(8,533)
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	–	–	–	–	1,277	1,277
Deferred tax movement in respect of long-term incentives	–	–	–	–	(24)	(24)
Total contributions by and distributions to owners	–	13	290	–	(5,571)	(5,268)
Unaudited balance at 30 September 2018	**102**	**116,795**	**(175)**	**48,687**	**(16,874)**	**148,535**

Condensed Consolidated Statement of Cash Flows
for the period ended 30 September 2018

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited Restated £'000
Cash flows from operating activities		
Profit for the period	**425**	3,893
Adjustments for:		
Depreciation	**353**	288
Amortisation	**8,330**	1,916
Finance income	**(14)**	(21)
Finance costs	**1,215**	418
Gain on sale of discontinued operations, net of tax	**(1,164)**	–
Share-based payment expense	**1,277**	321
Other operating income	**(321)**	–
Income tax expense	**(129)**	1,066
	9,972	7,881
Decrease in trade and other receivables	**2,158**	28
Decrease in trade and other payables	**(2,314)**	(1,209)
Increase in provisions	**35**	61
	9,851	6,761
Income tax (paid)/received	**(1,799)**	596
Net cash inflow from operating activities	**8,052**	7,357
Cash flows from investing activities		
Finance income received	**14**	21
Acquisition of a subsidiary, net of cash acquired (Note 11)	**(1,425)**	–
Purchases of property, plant and equipment	**(1,137)**	(118)
Purchases of software	**(134)**	(761)
Net cash outflow from investing activities	**(2,682)**	(858)
Cash flows from financing activities		
Proceeds from the issue of share capital	**13**	–
Repayment of loans	**–**	(4,250)
Sale of own shares	**1,999**	–
Interest paid	**(523)**	(467)
Payment of finance lease liabilities	**(17)**	(10)
Dividends paid to the holders of the Parent	**(8,533)**	(986)
Net cash outflow from financing activities	**(7,061)**	(5,713)
Net increase in cash and cash equivalents	**(1,691)**	786
Cash and cash equivalents at start of the period/year	**9,404**	4,880
Cash and cash equivalents at end of period/year	**7,713**	5,666

Notes to the Condensed Consolidated Financial Statements

for the period ended 30 September 2018

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 Condensed Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation and statement of compliance with IFRS

The annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS – IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

After making enquiries, the Directors have formed a judgment, at the time of approving the half-yearly financial results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months. For this reason the Directors continue to adopt the going concern basis in preparing the Condensed Set of Financial Statements.

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Annual Consolidated Financial Statements for the year ended 31 March 2018, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, and will be adopted in the 2018/19 Annual Financial Statements. The new standard impacting the Group that will be adopted in the Annual Financial Statements for the year ended 31 March 2019, and which has given rise to changes in the Group's accounting policies is IFRS 15 *Revenue from Contracts with Customers*. IFRS 9 *Financial Instruments* was also adopted from 1 April 2018, however as stated in the Annual Report and Accounts for the year ended 31 March 2018 this has not had a material impact on the Financial Statements.

Details of the impact IFRS 15 *Revenue from Contracts with Customers* has had is given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next Annual Financial Statements are not expected to 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.

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee. It has impacted the Group in the following ways:

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

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

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

The impact of adopting IFRS 15 on a fully retrospective basis was to increase net assets at 1 April 2017 by £30,000 as shown in the Statement of Changes in Equity for the 6 months to 30 September 2017, and to increase net assets at 30 September 2017 by £72,000. Net profit for the 6 months to 30 September 2017 therefore increased by £42,000. This is analysed as follows:

- increase to revenue of £52,000; and
- decrease to tax expense of £10,000.

1 Accounting policies continued

Had the Group continued to report in accordance with IAS 18 Revenue for the 6 months ended 30 September 2018, it would have reported the following amounts in these financial statements:

	As reported under IFRS 15 £'000	Effect £'000	As would have been reported £'000
Revenue	52,625	376	52,249
Tax expense	(129)	(71)	(58)
Profit for the period	424	305	120
Contract assets/Accrued Income (included in trade and other receivables)	9,978	891	9,087
Contract liabilities/Deferred Income (included in trade and other payables)	(2,325)	(758)	(1,567)
Total equity	148,535	133	148,402

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

Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments 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 have been no material revisions to the nature and amount of estimates of amounts reported in prior periods except where the implementation of IFRS 15 discussed above requires a different approach to the accounting previously applied. Significant estimates and judgments that have been required for the implementation of this new standard are:
- estimating the standalone selling price for triennial valuation work included in fixed fee contracts for the purposes of allocating the transaction price on a relative stand-alone basis to the performance obligations identified.
- assessing the appropriate time period over which to recognise the revenue for the triennial valuation work.

Functional and presentation currency

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

New standards and interpretations not yet adopted

IFRS 16 Leases

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

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

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

The Group has entered into a number of long-term leases in respect of land and buildings. The Group has assessed the leases under IFRS 16 and expects an impact as the right of use assets and lease liabilities will come onto the Consolidated Statement of Financial Position for the first time in respect of its current operating leases. The Group expects that IFRS 16 will have an impact on the financial statements of the Group, as the long-term rental in respect of land and buildings will no longer be charged through administrative expenses – instead the right of use asset will be capitalised, and depreciated over the life of the lease. At the same time, an interest expense will also be recognised to unwind the discount on the lease liability. The overall impact on profit after tax is not expected to be significant, however the Group's overall administrative expenses will fall, offset with an increase in finance costs. To see the volume of operating leases please see Note 33 to the Group's Consolidated Financial Statements for the year ended 31 March 2018 for more information.

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

Notes to the Condensed Consolidated Financial Statements continued
for the period ended 30 September 2018

2 Financial information

The financial information in this report was formally approved by the Board of Directors on 28 November 2018. The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts prepared under IFRSs for the year ended 31 March 2018 for XPS Pensions Group plc have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information in respect of the period ended 30 September 2018 is unaudited but has been reviewed by the Group's auditor. Their report is included at the end of this document. The financial information in respect of the period ended 30 September 2017 was unaudited but was reviewed by the Group's auditor.

3 Adjusted operating profit and adjusted profit after tax from continuing operations

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited Restated £'000
Profit from operating activities	**98**	4,177
Adjustments to administrative expenses		
Exceptional costs (Note 6)	**933**	462
Share-based payment cost	**2,640**	683
Amortisation of acquired intangible assets	**3,229**	1,680
Amortisation of Punter Southall brand	**4,815**	–
	11,617	2,825
Other operating income	**(321)**	–
Adjusted operating profit	**11,394**	7,002
Finance income	**14**	21
Finance costs	**(1,215)**	(418)
Add back unwinding of discount on contingent consideration	**397**	–
Adjusted profit before tax, amortisation of acquired intangible assets, share-based payment costs and exceptional costs	**10,590**	6,605
Tax	**174**	(842)
Adjustments to tax		
Tax on exceptional costs	**(160)**	–
Tax on share-based payment costs equity settled from EBT	**(436)**	(106)
Deferred tax related to acquired intangibles	**(1,513)**	(309)
Adjusted profit after tax from continuing operations	**8,655**	5,348

4 Discontinued operations

In January 2018, the Group sold its 100% interest in HR Trustees Limited as part of a larger deal with the Punter Southall Group, for an agreed consideration of £8.5m.

On 30 September 2018, the Group disposed of its Healthcare segment, which is the only operation presented as discontinued operations in the period to 30 September 2018.

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Cash consideration accrued	**550**	–
Deferred cash consideration	**614**	–
Total consideration received	**1,164**	–
Net assets disposed (other than cash)		
Trade and other receivables	**–**	–
Trade and other payables	**–**	–
Pre-tax gain on disposal of discontinued operations	**1,164**	–

4 Discontinued operations continued

The post-tax gain on disposal of discontinued operations was determined as follows:

Result of discontinued operations	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Revenue	417	2,114
Expenses other than finance costs	(182)	(935)
Profit before tax	235	1,179
Tax expense	(45)	(224)
Gain from selling discontinued operations after tax	1,164	–
Profit for the year	1,354	955

Earnings per share from discontinued operations

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Basic earnings per share	0.01	0.01
Diluted earnings per share	0.01	0.01

Statement of cash flows

The Statement of Cash Flows includes the following amounts relating to discontinued operations:

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Operating activities	228	1,503
Net cash from discontinued operations	228	1,503

Adjusted profit before tax from discontinued operations:	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Profit and adjusted profit from operating activities in discontinued operations:	235	1,179
Adjusted profit before tax	235	1,179
Tax	(45)	(224)
Adjusted profit after tax	190	955

5 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 several operating segments based on geographical location and revenue streams, but 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.

5 Operating segments continued

Operating segments

Revenue from external customers	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited Restated £'000
Pensions	27,756	15,432
Administration	16,973	3,972
Investment	3,793	2,127
The National Pension Trust	677	431
SSAS and SIPP	3,009	2,568
Total – Continuing operations	52,208	24,530
Discontinued operations:		
HR Trustees	–	1,338
Healthcare	417	776
Total – Discontinued operations	417	2,114
Total	52,625	26,644

The table below provides a disaggregation of revenue from contracts with customers that gives context to the timing of the Group's revenue streams.

For the 6 months ended 30 September 2018:

Timing of transfer of services	Pensions £'000	Administration £'000	Investment £'000	All other segments £'000	Total £'000
Triennial valuations – Over time of the estimated period of delivery	376	–	–	–	376
Over time	27,380	16,973	3,793	3,686	51,832
	27,756	16,973	3,793	3,686	52,208
Included in Discontinued operations	–	–	–	417	417
Total	**27,756**	**16,973**	**3,793**	**4,103**	**52,625**

For the 6 months ended 30 September 2017:

Timing of transfer of services	Pensions £'000	Administration £'000	Investment £'000	All other segments £'000	Total £'000
Triennial valuations – Over time of the estimated period of delivery	52	–	–	–	52
Over time	15,380	3,972	2,127	2,999	24,478
	15,432	3,972	2,127	2,999	24,530
Included in Discontinued operations	–	–	–	2,114	2,114
Total	15,432	3,972	2,127	5,113	26,644

6 Exceptional costs

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Acquisition related costs	65	–
Disposal related costs	114	–
Integration costs	754	–
Exceptional bonus settled from EBT in cash	–	462
Total	933	462

7 Share-based payment costs

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Performance share plan awards and SAYE schemes	**1,277**	319
Social security cost on Performance share plans and SAYE schemes	**145**	47
Share-based payments	**1,422**	366
Accrued bonus to be settled from EBT	**1,070**	317
Social Security cost on accrued bonus to be settled from EBT	**148**	–
Total	**2,640**	683

8 Amortisation

As part of the Punter Southall acquisition in January 2018, the Group acquired the rights to use the Punter Southall brand for an agreed period (up to a maximum of two years). In the year to March 2018, the intangible brand asset was amortised assuming a useful life of 2 years. During the period, the Group successfully rebranded all Punter Southall services. As a result, the Punter Southall brand intangible asset was fully amortised in the period. This resulted in an amortisation charge of £4.8m relating to the Punter Southall brand in the period (£0.6m in the year to 31 March 2018). Had the amortisation of the brand not been accelerated, the charge in the period would have been £1.4m, so the impact of the change in useful life has led to an increased amortisation charge in the period of £3.4m. Deferred tax relating to the intangible asset of £0.9m was credited to the accounts in the same period (£0.1m in the year to 31 March 2018).

9 Taxation

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Continuing and discontinued operations:		
Income tax (credit)/expense from continuing operations	**(174)**	842
Income tax expense from discontinued operation (excluding gain on sale) (Note 4)	**45**	224
	(129)	1,066

	Period ended 30 September 2018 Unaudited £'000	Period ended 30 September 2017 Unaudited £'000
Current tax	**1,820**	1,430
Deferred tax	**(1,949)**	(364)
Total tax (credit)/expense for the period	**(129)**	1,066

10 Loans and borrowings

At 31 March 2018 and 30 September 2018, the Group held a drawn revolving credit facility of £55,750,000.

At 31 March 2018 and 30 September 2018, the Group had access to a further undrawn rolling facility loan in the amount of £24,250,000. The related fees for access to the facility are included in the Consolidated Statement of Comprehensive Income.

Total debt was £55.2m (March 2018: £55.1m).

11 Deferred consideration

	Balance at 1 April 2018 Audited £'000	Cash paid £'000	Fair value adjustment £'000	Unwinding of discount £'000	Period ended 30 September 2018 Unaudited £'000
Contingently issuable ordinary shares	6,655	–	(321)	397	**6,731**
Deferred cash consideration	1,677	(1,425)	–	–	**252**
	8,332	(1,425)	(321)	397	**6,983**

11 Deferred consideration continued

Financial assets and financial liabilities measured at fair value in the Statement of Financial Position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group only has one Level 3 financial liability being the contingent consideration.

The Group's finance team perform valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer.

The valuation techniques used for instruments categorised in Level 3 are described below.

The fair value of deferred consideration related to the acquisition of the Punter Southall Holdings Group on 11 January 2018 was based on the expected revenues earned by the entire business in the 12 months to 31 March 2019.

The discount rate used is based on the IRR calculated for the acquired companies.

Management has recalculated the fair value of the deferred consideration at the end of the accounting period, and the movement in fair value has been put through profit or loss.

For Level 3 equity investments classified at fair value through OCI the Group uses a discounted cash flow model to determine fair value as at the reporting date. This approach requires the use of assumptions about certain unobservable inputs. Significant unobservable inputs as at 30 September 2018 include a target group revenue figure and discount rate. The growth rate in revenue and the discount rate are not interrelated.

A reasonably possible change in the growth rate of group revenue of +/- 1.0% would result in:

- An increase in carrying value of £2,713,000 (+1.0%)
- A decrease in the carrying value of £3,631,000 (-1.0%)

A reasonably possible change in the growth rate of the discount rate of +/- 1.0% would result in:

- A decrease in carrying value of £43,000 (+1.0%)
- An increase in the carrying value of £43,000 (-1.0%)

12 Earnings per share

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited Restated £'000
(Loss)/Profit for the period – continuing operations	**(929)**	2,938
Profit for the period – discontinued operations	**1,354**	955
Profit for the period – Total	**425**	3,893
	'000	'000
Weighted average number of shares in issue	**203,129**	135,059
Effects of:		
Outstanding share options	**2,266**	1,856
Diluted weighted average number of ordinary shares	**205,395**	136,915
	pence	pence
Basic (loss)/earnings per share (pence) – continuing operations	**(0.5)**	2.2
Basic earnings per share (pence) – discontinued operations	**0.7**	0.7
Basic earnings per share (pence) – total	**0.2**	2.9
Diluted (loss)/earnings per share (pence) – continuing operations	**(0.5)**	2.1
Diluted earnings per share (pence) – discontinued operations	**0.7**	0.7
Diluted earnings per share (pence) – total	**0.2**	2.8

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.

12 Earnings per share continued

Adjusted earnings per share

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited Restated £'000
Adjusted profit after tax – continuing operations (Note 3)	**8,655**	5,348
Adjusted profit after tax – discontinued operations (Note 4)	**190**	955
Adjusted profit after tax – total	**8,845**	6, 303
Adjusted basic earnings per share (pence) – continuing operations	**4.3**	4.0
Adjusted basic earnings per share (pence) – discontinued operations	**0.1**	0.7
Adjusted basic earnings per share (pence) – total	**4.4**	4.7
Diluted adjusted earnings per share (pence) – continuing operations	**4.2**	3.9
Diluted adjusted earnings per share (pence) – discontinued operations	**0.1**	0.7
Diluted adjusted earnings per share (pence) – total	**4.3**	4.6

13 Dividends

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

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
Final dividend for the year ended 31 March 2018: 4.2p per share (2017: 0.73p)	**8,533**	986

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
Proposed interim dividend for the year ended 31 March 2019 of 2.3p (2018: 2.1p)	**4,700**	2,836

The final dividend for 2017/18 was paid on 27 September 2018. The final dividend has been reflected in the Statement of Changes in Equity.

The proposed interim dividend was approved by the Board on 27 November 2018 and has not been included as a liability at 30 September 2018.

14 Related party transactions

Key management emoluments during the year

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
Emoluments	**1,148**	741
Share-based payments	**171**	149
Company contributions to money purchase pension plans	**15**	15
Social security costs	**228**	73
	1,562	978

Non-Executive emoluments during the year

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
Emoluments	**160**	130
Social security costs	**20**	16
	180	146

14 Related party transactions continued

Services provided to related parties during the year

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
PSFM Limited	36	–
PSFM SIPP Limited	1	–
Punter Southall Group Limited	10	–
Punter Southall Analytics Limited	12	–
Punter Southall Defined Contribution Consulting Limited	17	–
	76	–

During the period the Group provided services of £76,014 (2017: £Nil) to other related parties. These transactions were included in turnover.

All companies listed above are part of the Punter Southall Group Limited group with key management common to XPS Pensions Group.

Services received from related parties during the year

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
Punter Southall Group Limited	2,209	–
Punter Southall Health and Protection Limited	3	–
CAMRADATA Analytical Services Limited	15	–
Independent Transition Management Limited	1	–
	2,228	–

During the period the Group paid administration costs of £2,228,166 (2017: £Nil) to other related parties. These transactions were included in administrative expenses.

All companies listed above are part of the Punter Southall Group.

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

	30 September 2018 Unaudited £'000	30 September 2017 Unaudited £'000
PSFM Limited	14	–
Punter Southall Group Limited	(617)	–
PS Independent Trustees Limited	2	–
Punter Southall Defined Contribution Consulting Limited	7	–
CAMRADATA Analytical Services Limited	(23)	–
	(617)	–

All companies listed above are part of the Punter Southall Group.

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

15 Post balance sheet events

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

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed. No trade receivables were included in the acquisition of the Kier Pensions Unit.

A full purchase price allocation exercise is yet to be completed, however, it is expected that some goodwill will be recognised. This goodwill represents items, such as the assembled workforce, which do not qualify for recognition as assets.

The goodwill that will arise on the Kier Pensions Unit acquisition will not be deductible for tax purposes.

The deferred cash consideration is payable contingent on the value of customer contracts novated to the Group. There are two payment dates for the deferred cash consideration – the first is in May 2019, and the second is in November 2019. A maximum of £0.3m will be payable as deferred cash consideration.

If the acquisition had occurred on 1 April 2018, group revenue would have been in the range of £53.6m and £54.6m, and profit before tax would have been in the range of £0.4m and £0.7m. The range in values reflects uncertainties regarding client novation numbers.

Costs relating to the acquisition of the Kier Pensions Unit totalled £65,000.

Responsibility Statement

We confirm that to the best of our knowledge:

a) the Condensed Set of Financial Statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of the important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report and Note 14 includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the Board,

Mike Ainslie
Chief Financial Officer

Independent Review Report to XPS Pensions Group plc

Introduction
We have been engaged by the Company to review the Condensed Set of Financial Statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed Set of Financial Statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the Annual Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The Condensed Set of Financial Statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the Condensed Set of Financial Statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the Condensed Set of Financial Statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
Reading
United Kingdom

Date: 28 November 2018

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

XPS Pensions Group

Head office
1 Station Hill
Reading
Berkshire
RG1 1NB

T: 0118 918 5000
www.xpsgroup.com

Designed and produced by emperor
Visit us at emperor.works