27 June 2019

**XPS Pensions Group plc**

Final results for the year ended 31 March 2019

**Creating a platform for longer term growth and success**

XPS Pensions Group plc ("XPS" or the "Group"), the pensions actuarial, investment consulting and administration business, is pleased to announce its full year results for the year ended 31 March 2019.

**Financial Highlights:**

| **Continuing operations** | **FY 2019** | **FY 2018 Restated[(1)]** | **Change YoY** | **FY 2018 (pro-forma) [(2)]** |
|---|---|---|---|---|
| Administration | £37.5m | £13.7m | 174% | £32.7m |
| Investment | £8.1m | £4.9m | 65% | £7.0m |
| Pensions | £56.8m | £37.7m | 51% | £58.1m |
| SSAS/SIPP | £6.1m | £5.4m | 13% | £5.4m |
| NPT | £1.4m | £1.0m | 40% | £1.0m |
| **Total Revenue** | **£109.9m** | **£62.7m** | **75%** | **£104.2m** |
| Adj. EBITDA[(3)] | £27.4m | £18.1m | 51% | |
| Total profit before tax | £11.4m | £3.3m | 245% | |
| Basic EPS | 5.1p | 1.5p | 240% | |
| **Adj. diluted EPS** | **9.8p** | **8.3p** | **18%** | |
| Full year dividend | 6.6p | 6.3p | 5% | |

(1) 2018 restated for the disposal of the Healthcare business on 1 October 2018 and adoption of IFRS 15 - Revenue from contracts with customers
(2) Pro-forma for 2018 shows revenue as if the acquisition of the Punter Southall businesses had completed on 1 April 2017
(3) Adjusted measures exclude the impact of acquisition related amortisation, share based payments, exceptional costs and the fair value adjustment to contingent consideration

- Total revenue growth of over 75% driven by full year of the acquired Punter Southall businesses and up 5% on a pro-forma basis for the year
- 51% growth in adjusted EBITDA driven by the acquisition as well as organic growth
- High levels of cash conversion maintained, operating cash-flow conversion of 85%
- Statutory profit before tax up 245% despite £9.7m of exceptional and non-trading costs
- Double-digit growth in adjusted diluted EPS at 9.8p up 18% YoY
- Board proposes a final dividend of 4.3p bringing the total dividend for the year to 6.6p up 5% YoY

**Operational Highlights:**

- Launch of XPS brand has enabled the Group's industry profile to increase throughout the year, culminating in recognition through the winning of key industry awards in May 2019
- Successful integration of the Punter Southall businesses has been driven by strong cultural alignment with increasing cross selling
- Continued high level of client retention, and increasing new business momentum as the year progressed including landmark new client wins
- Exit from Transitional Services Agreement ("TSA") with Punter Southall Group largely complete and creation of strong, scalable platform for growth. Senior recruitment likely to drive further growth
- Two bolt-on acquisitions (October 2018, May 2019) completed providing access to wider strategic opportunities

**Ben Bramhall, Co-CEO of XPS Pensions Group, commented:**

*"The past year was our first full year as XPS and it was a very busy and enjoyable one. We have integrated the Punter Southall businesses successfully, building a strong scalable platform for future growth and landmark new business wins along the way. At the same time, our clients have increasingly seen the benefits of the merger through the broader range of technology and solutions we can now offer. To be recognised by our industry as 'Actuarial Consulting Firm of the Year' and 'Administration Firm of the Year' is a strong endorsement of the impact that XPS is making, and I would like to thank all of our people for their enthusiastic contribution that has helped us to achieve this."*

**Paul Cuff, Co-CEO of XPS Pensions Group, commented:**

*"We continue to operate in a market where there is strong demand for our services. With the Pensions Regulator changing the rules on how defined benefit schemes are funded and the way risk should be managed, there is much for us to do. The industry as a whole has yet to get to grips with GMP equalisation, which will require a lot of work to resolve. The broader market backdrop is favourable, with a continued pipeline of first time outsourcing opportunities for our Administration business, the continued fallout of the CMA review benefitting our Investment business, and the impact of distracting corporate activity at competitors creating opportunities in our Pensions business. We look forward to the future with optimism."*

**Outlook**

The Board is pleased with the progress made in 2019, with the integration of the Punter Southall businesses now largely complete, and an enhanced platform for organic and inorganic growth created.

The Board expects total revenue growth for the Group of mid-single digit percentage in 2020 with Pensions broadly flat and other divisions showing good year on year growth. Exiting the discounted TSA early and bolstering central functions will benefit the Group operationally but will cause a c£2m per annum step up in the cost base. In combination, the change in the mix of business and the one off increase in central costs is expected to temporarily impact the growth in profits for the next twelve months. The Group has traded in line with these expectations in the first two months of this financial year.

**Analyst and Investor Presentation**

A presentation will be held for equity analysts and investors today at 9:30 a.m. (BST) at Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT. Those analysts wishing to attend are asked to contact Nick Hennis at Camarco on +44 (0)20 3781 8330 or at nick.hennis@camarco.co.uk.

**-Ends-**

**For further information, contact:**


| | |
|---|---|
| **XPS Pensions Group**<br>Charlotte West<br><br>Head of Corporate Communications | +44 (0) 203 725 7024 |
| **Liberum (Joint Broker)**<br>Richard Crawley<br>Robert Morton | +44 (0) 203 100 2000 |

**RBC Capital Markets (Joint Broker)** +44 (0) 20 7653 4000
James Agnew
Jonny Hardy
Jamil Miah

**Camarco** +44 (0) 20 3757 4980
Nick Hennis
Ed Gascoigne-Pees

**Notes to Editors**

XPS Pensions Group plc is a UK specialist in pensions actuarial, investment consulting and administration, providing a wide range of services to over 1,200 pension scheme clients. The XPS Pensions Group combines expertise, insight and technology to address the needs of both pension trustees and sponsoring companies. The Group has 1,000+ employees, of which approximately 90 per cent are client facing, with 15 offices providing the Group with access to staff, expertise and clients across the UK.

**Forward Looking Statements**

This announcement may include statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by the Listing Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date such statements are published.

# CO-CHIEF EXECUTIVES' REVIEW

***Moving our business forward together***

**Our 2019 financial year was busy and hugely rewarding.**

2019 was a transformative year. It was our first full year following the acquisition of the Punter Southall pensions businesses, and our focus was on creating a strong platform for the future.
We rebranded, we invested heavily in our culture, we invested in infrastructure to become a bigger firm, and we continued to innovate and develop new technology. We stayed very close to our clients throughout, and we also won a number of sizeable new mandates.

Our year culminated with validation of the new position of XPS in the market with us winning both 'Third Party Administration firm of the Year' and 'Actuarial & Pension Consulting firm of the Year at the UK Pension Awards in May 2019. We are hugely proud of achieving the 'double' of the two main awards in our market at the end of our first full year, and it leaves us extremely well set up for the future.

***Strong performance***

The integration of the former Xafinity and Punter Southall pensions businesses has gone seamlessly in terms of impact on clients and staff, and the effort we put into bringing together the businesses has set us up extremely well for the future. As the largest pure UK pensions firm, we occupy a very interesting place in our market, with a well understood brand and positioning.

Against that backdrop the performance of the business has been credible, and strengthened as the year progressed. This validated the rationale for the merger, and clients have a great deal of confidence in our ability to deliver for them into the future.

A theme over the year was an increasing new business momentum, as market curiosity about our merger evolved into confidence. In the second half of 2019, we won new mandates across all of our lines of business.

*Administration*

Our Administration team had a very strong year.

A key part of our strategy is to win new business where large pension schemes outsource their pension scheme administration for the first time. In line with this strategy, in August we opened a new office, having taken on the administration of a FTSE 100 company's in house pension schemes and associated staff. This follows the model we adopted in Chelmsford, Bristol and Newcastle, whereby we provide services back to an initial outsourcing client, and then also look to grow our business by taking on new clients. The team in the new office has already won three new clients, which is testament to the strength of the team we have taken on there.

The acquisition in October of the Kier Pensions Unit added a public sector capability to our market-leading private sector administration business, opening up new opportunities for XPS. From its office in Middlesbrough, the Kier team provides pensions administration support to around half of the UK's police forces, as well as to other private and public sector clients. The acquisition went well, with 100% of the clients novating to XPS and the team have had new business success in the six months since.

We have secured a strong run of new business wins in recent months. These will add more than 40,000 members to the total that we administer, which will comfortably exceed 900,000 members during the course of this calendar year.

*Investment*

Our Investment Consulting business unit also had a strong year. There was significant work in relation to integrating two different business models into one coherent XPS Investment team.

In investment, we hired a number of senior members of the team, including a new Chief Investment Officer responsible for growing the depth of our offering and driving our intellectual capital forward. We have used this to increase profile in the market. This has proved successful and we won some very large pieces of work that neither the legacy Punter Southall or Xafinity businesses were likely to have won on their own.

Growth also came as a result of the CMA review, and we see further potential as the implications of that reverberate around the industry.

*Pensions*

Our Pensions business produced a creditable performance, despite being the area of our Group most affected by integration activity. Merging the two largest parts of the legacy firms required us to implement a new management structure, and align processes in a wide range of areas across client delivery, our use of technology (including introducing 'Radar' to legacy Punter Southall consultants), and our approach to risk management. We also introduced a new employee grading structure across the business. We have also invested in new training programs for staff, helping us to exploit our new position in the market. The integration is now complete, and we are well placed to increase revenue next year.

We announced the acquisition of the Royal London Corporate Pensions business on 1 May, and this transaction completed on 31 May 2019. The Royal London team are experts at serving small defined benefit schemes, and this acquisition means we can offer market leading solutions for schemes anywhere from £1million to £multi-billions in size.

We were pleased to achieve some landmark wins during the year, and we strengthened our team with some excellent new recruits. We are increasingly finding that talented people working at some of our larger competitors are finding the XPS journey a more exciting one to come and join.

***Positive external market trends***

The regulatory and market backdrop continues to be very favourable for our business.
Pensions continue to be near the top of the agenda for many sponsoring employers faced with challenging deficits in defined benefit schemes. The echoes of BHS, Carillion and Tata Steel continue to reverberate, and there is a need to address poor outcomes for pension scheme members in the event of corporate failure. In its Annual Funding Statement for defined benefit pension schemes published in March 2019, the Pensions Regulator set out its expectations of good governance, and was prescriptive in terms of actions pension scheme trustees need to take in a number of areas. Although many of our larger clients already complied to some degree with the new guidance, many others need support to meet the standards expected by the regulator. Later in the year the regulator plans to publish a consultation document on new funding regulations, and we expect these to follow the more prescriptive approach seen in the Funding Statement.

Another change that will generate a lot of activity is GMP (guaranteed minimum pension) equalisation, concerning the equal treatment of men and women following a High Court ruling involving the Lloyds Banking Group defined benefit pension scheme. A significant amount of work will be required across the pensions industry to comply with this judgement.

The two changes outlined above are arguably two of the biggest regulatory developments in the industry for many years, and the industry as a whole is likely to benefit from supporting pension schemes in implementing the changes in response to these developments. Neither has had a material impact on our trading to date, but we expect them to in the future, and we have invested in technology and solutions (particularly 'Radar', which we have continued to evolve) to be at the forefront in these areas.

The fallout from the CMA review of investment consulting and fiduciary management continues to affect our industry. Our fiduciary management oversight service has gained good traction in the market, and we expect more reviews of fiduciary management appointments as the implications of the 2018 CMA review into investment consulting come into practice. The reputational impact on some of our larger competitors continues to work through the industry, and we have undoubtedly benefited from being completely free of conflicts or historic issues in this area.

In administration, we see continued growth from the ongoing trend for companies to outsource scheme administration to third party specialists. Within the private sector there remains a significant number of pension schemes that continue to be administered in-house and with pensions administration becoming ever more complex, the material costs associated with maintaining systems and an increase in member demands for excellence in online access, we expect a large number of schemes to make the decision to outsource in the coming years.

More widely in the market, we are seeing evidence of some disruption as a consequence of corporate activity, and have hired a number of very experienced senior staff to add capability in strategically important areas of the Group.

Winning the awards for Third-Party Administrator of the Year and Actuarial/Pensions Consultancy of the Year is a huge boost against this backdrop. We expect that the profile and reputation this gives will help with everything we are trying to achieve.

***Clear strategy for organic and inorganic growth***

The market drivers outlined above present significant opportunities to capitalise on the growing demand for our services. In addition to continuing to work closely with our clients to support them through the regulatory changes and evolving pensions landscape, a core part of our strategy is to pursue further bolt-on acquisitions.

Kier and Royal London are great examples of us acquiring small businesses to enhance what we do through broadening our horizons into new areas or capabilities, and/or adding scale. In time, the strong platform we have created with XPS gives us scope to consider larger M&A opportunities.

***Strengthened team***

As we have exited the Transitional Services Agreement (TSA) with the Punter Southall Group, which provided core services e.g. HR, IT and Finance, we have made several important hires to bolster the Group's central functions, creating a scalable platform for growth as an independent company. We have recruited a number of very capable people into our finance and HR functions, as well as a General Counsel, Zoe Adlam, and a new Head of Risk. The TSA remains in place for IT, but we have already added staff in that function and expect to exit during the summer.

As announced previously, Mike Ainslie will leave XPS at the end of June, following the audit of this year's figures. We wish to thank Mike for his significant contribution to the Group, including his invaluable work in the listing of Xafinity and the large transaction to establish XPS. We are delighted to have recruited Snehal Shah, who joined XPS in May. Snehal will take over from Mike as CFO. He brings a wealth of experience of public company financing, reporting and investor relations, and will play a key role in the next phase of XPS' growth.

There have also been changes to the roles of several members of our senior team. Having overseen a very successful year in our Investment practice, Patrick McCoy has assumed the leadership of our new Advisory function, spanning our Investment and Pensions practices, to drive growth in these complementary areas. In his new role of Chief Operating Officer, Jonathan Bernstein will oversee HR, IT and resourcing across the Group. Richard Thomas, previously the joint head of our administration business, has taken on the role of Corporate Strategy Director, providing leadership on M&A opportunities and corporate strategy more generally.

***Empowering culture***

We worked hard to ensure a smooth integration between the Punter Southall pensions business and Xafinity, and to establish solid cultural, as well as operational, foundations. We were acutely aware that the combined organisation would thrive only if we aligned the cultures of the two businesses. While there were differences, the legacy businesses had a great deal in common, which we knew from both having previously worked at Punter Southall.

Developing and embedding the new Group's purpose, mission and values was a priority, and something we spent a great deal of time on. We took a lot of soundings from around the Group about what people think about working at XPS, held working groups and interviews with staff, and undertook a desk-top review of how we present ourselves internally and externally. This culminated in a Group-wide roll out of our Purpose, Mission and Values in January 2019. As part of this, we visited all 15 of our offices, and spoke personally about what the values mean to us, and we gave people the opportunity to ask questions and reflect on what the values mean to them. There was a unanimously positive reaction. Our values are genuinely embedded throughout everything we do, and we talk about them a lot in recruitment, and in our new business activities with clients and prospects.
It was gratifying that in our annual staff survey undertaken in September, 85% of people said they consider XPS to be a good company to work for, with only 2% disagreeing. This is a very high score, particularly given how hard we had asked our staff to work on integration and changing the way they do things.

***Working responsibly***

Doing the right thing is extremely important to us. We have established a very strong framework with our values, and are proud to behave with the utmost integrity. We have a new Corporate Responsibility (CR) policy and processes, and are heartened by how many staff have volunteered to help.

During the year we also established an Equality, Inclusion and Diversity Working Group, drawn from right across the firm. Both of us sit on this Group, and it is an effective channel for ideas from the firm about how we can improve our diversity (on gender, but much more widely too). We have implemented a number of new policies and initiatives based on feedback and ideas from this Group. We have empowered this Group to introduce change.

***Outlook***

We wish to express our gratitude to all of our colleagues, who have achieved a huge amount during the last year to give XPS a strong platform from which to grow organically and inorganically. The Board expects total revenue growth for the Group of mid-single digit percentage in 2020 with Pensions broadly flat and other divisions showing good year on year growth. Exiting the discounted TSA early and bolstering central functions will benefit the Group operationally but will cause a c£2m per annum step up in the cost base. In combination the change in the mix of business and the one off increase in central costs is expected to temporarily impact the growth in profits for the next 12 months.

The Group has traded in line with these expectations in the first two months of this financial year.

# FINANCIAL REVIEW

**A year of consolidation**

The financial results for 2019 include, for the first time, a full year of the acquired Punter Southall (PS) businesses as well as five months of the administration business bought from Kier. We sold our Healthcare business in the year and the results of that business are therefore excluded from the results of our operating activities.

During the year we were busy integrating the PS businesses. This required us to scale up our central functions to appropriately support a business of twice the size. We accelerated the integration timetable so that, by year end, for the majority of the activities, we have been able to come off the Transitional Services Agreement, an arrangement that provided support from Punter Southall Group, which was put in place at the time of the acquisition to cover the period to 11 January 2020. This made sense for the business as it enables us to run the business as one and to use common processes across our wide range of support functions including Legal, Compliance, Finance, HR and IT.

**UNDERLYING BUSINESS**

The table below shows the revenue by business line. The 2019 results are compared to the actual 2018 results which only included PS businesses for the period 11 January 2018 (acquisition) to 31 March 2018. The "pro-forma" column provides a comparison on a like for like basis as if we had owned the PS businesses for the full year in 2018:

| **Revenue** | **2019 £'m** | **2018 £'m** | **2018 Pro-forma £'m** | **2019 to 2018 pro-forma change %** |
|---|---|---|---|---|
| Pensions | 56.8 | 37.6 | 58.1 | (2%) |
| Administration | 37.5 | 13.7 | 32.7 | 15% |
| Investment | 8.1 | 5.0 | 7.0 | 16% |
| SSAS/SIPP | 6.1 | 5.4 | 5.4 | 13% |
| NPT | 1.4 | 1.0 | 1.0 | 40% |
| **Total Revenue** | **109.9** | **62.7** | **104.2** | **5%** |

The Pensions business, being our largest business, was the business most affected by the integration activities and that combined with a lack of large scale projects meant that, on a pro-forma basis, the business slipped back by 2% compared to the previous year. No large clients were lost and indeed several new clients were won, particularly in the final quarter, which gives good optimism for 2020. We also expect to see the volume of project work increase again.

Outside of the pensions business, the remainder of the firm's activities all saw a year of strong growth.

The Administration business grew by 15% buoyed by the full year impact of a large first time outsourcing project completed during 2018 and continued underlying growth. In addition, £2.2m of revenue was added from the Kier acquired business which accounts for circa 7% of the 15% growth.

The Investment business continued to grow with a number of new wins in the period including the mandate for a £1bn client which would have been outside the reach of the old Xafinity or PS businesses.

The SSAS/SIPP business also grew by 13% benefitting from rate increases and NPT grew by 40% with assets now at £464m.

**M&A ACTIVITY**

**Kier pensions administration acquisition**

The business and assets were purchased for £3.5m, funded out of operating cash flow. The acquisition created intangible assets of £3.1m, which will be amortised over 10 years.

The operating results of the acquired business are included in the income statement for the period 1 November 2018 to 31 March 2019 and amount to revenue of £2.2m and profit before tax of £0.7m.

**Healthcare sale**

The Healthcare business was sold to Punter Southall Group for £1.2m on 30 September 2018. The gain on the sale of the business was £1.2m and has been recognised in the income statement within "profit on discontinued operations".

The profit before tax from the Healthcare business activities in the period from the start of the financial year to the time of sale amounted to £0.2m which arose from revenue of £0.4m and expenses of £0.2m. This also appears in the income statement under "profit from discontinued operations". In the full year to 31 March 2018 the Healthcare business had revenue of £1.0m, and profit of £0.7m.

The table below shows the impact of the acquisition and disposal on our results:

| **Financial Highlights** | **Revenue** | **Revenue** | **Revenue** | **Profit before tax** | **Profit before tax** | **Profit after tax** | **Profit/(Loss) after tax** |
|---|---|---|---|---|---|---|---|
| | **2019 £'m** | **2018 £'m** | **% Growth** | **2019 £'m** | **2018 £'m** | **2019 £'m** | **2018 £'m** |
| XPS | 107.7 | 62.7 | 71.8 | 10.7 | 3.3 | 9.8 | 2.2 |
| Kier post acquisition | 2.2 | - | - | 0.7 | - | 0.6 | - |
| Total continuing operations | 109.9 | 62.7 | 75.3% | 11.4 | 3.3 | 10.4 | 2.2 |
| Healthcare pre disposal (2018 = 12 months) | 0.4 | 1.0 | N/A | 0.2 | 0.7 | 0.1 | 0.5 |
| Healthcare gain on disposal | - | - | - | 1.2 | - | 1.0 | - |
| **Total including discontinued operations [1]** | **110.3** | **63.7** | 73.2% | **12.8** | **4** | **11.5** | **2.7** |

*[1] Discontinued operations here excludes the HR Trustees business, disposed of in January 2018, from the 2018 results. As it is not included here this table does not tie directly back to the statement of comprehensive income in the financial statements.*

**EXCEPTIONAL ITEMS**

The acquisition of the Kier Pensions Unit and Healthcare disposal required us to incur fees of £0.7m for advisors and other related costs. We incurred £3.1m of one-off costs in relation to the integration of the Punter Southall pensions business, through a mixture of restructuring and dual-running costs. In 2018 there were exceptional costs of £4.4m, of which £3.7m related to acquisition-related costs of the PS transaction.

## EARNINGS PER SHARE

The Basic EPS for 2019 is 5.7p (2018: 7.7p).

Adjusted EPS in 2019 is 9.8p (2018: 8.3p) an increase of 18%. The reconciliation of the profit used in the adjusted EPS to the statutory profit measure can be found in note 2 to the financial statements. Adjusted profit excludes exceptional costs and non-cash costs such as share-based payment costs, acquired intangible amortisation and fair value adjustments to contingent consideration, so gives a better view of underlying performance.

## DIVIDEND

A final dividend of 4.3p is being proposed by the Board (2018: 4.2p).

The final dividend, if approved, which amounts to £8.8m (2018: £8.8m), will be paid on 26 September 2019 to those shareholders on the register on 30 August 2019.

## CASHFLOW AND CASH POSITION

At 31 March 2019, the Group had £5.5m (2018: £9.4m) of cash balances and generated £15.5m (2018: £10.5m) of cash from its operating activities. This, combined with an £80m committed financing facility until December 2022, of which £57.3m is drawn at year end, mean the Group is well placed to meet future working capital cash requirements.

The Group had net cash outflows from financing activities of £11.4m driven almost entirely by the dividends paid of £13.2m (2018: inflow of £84m caused by £66.9m proceeds from the issue of share capital relating to the Punter Southall acquisition, the drawdown of new bank facilities of £41.1m, the repayment of bank borrowings of £19.3m and associated finance costs of £0.8m, less dividends paid in the year of £3.8m).

The Group had net cash out flows from investing activities of £8.0m (2018: £89.9m). This arose from £4.9m in respect of payments relating to the Kier transaction and the prior year Punter Southall Holdings Limited acquisition, £2.5m related to the purchase of software and tangible assets, and a £1m increase in other cash balances. (2018: £88.9m in respect of the acquisition of Punter Southall Holdings Limited and its subsidiaries, and £1m for purchase of software).

## FINANCING

The existing committed loan facility from HSBC and Bank of Ireland, totalling £80m, remains in place. At year-end the facility was £57.3m drawn (2018: £55.8m). Outside of further M&A activity we expect that balance to reduce during 2020. The facility matures in December 2022 and along with the healthy cash conversion from the business we are well placed to cover our working capital needs going forward.

Net interest and financing costs totalled £1.6m (2018: £1.5m). Net debt at year end stood at £51.7m with net debt to pro-forma adjusted EBITDA of 1.79x (the pro-forma measure is calculated by taking the Kier acquisition impact for a full year).

The margin on the facility is now 1.75% (previously 1.50%) over LIBOR.

## GOING CONCERN

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

## CAPITAL EXPENDITURE

Capital expenditure remains low and for 2019 was £2.6m (2018: £1.3m), again driven by software purchases and development and investment in facilities and IT related tangible assets

## STATEMENT OF FINANCIAL POSITION

At 31 March 2018 the Group had net assets of £156.46m (31 March 2018: £153.4m). The increase is principally driven by the acquisition of the Kier Pensions Unit, the generation of profit after tax in the period of £11.5m net of an interim dividend paid of £4.7m.

## SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Group in the year are listed in note 38 in the Annual Report.

## SIGNIFICANT ACCOUNTING MATTERS

IFRS15
Revenue from contracts with customers was adopted in the financial statements with an effective date of 1 April 2018. Following a review in the previous year, the Group had identified that this standard would impact fixed fees, particularly those relating to the triennial valuation exercises carried out for clients. Details of the impact of the implementation of this standard can be found in the Annual Report.

IFRS 9
Financial Instruments was also adopted into the financial statements this year with an effective date of 1 April 2018. The impact of this standard on the group is immaterial, as the Group's current policies and processes were largely in line with this new standard already. The main difference for the Group has been to include a consideration of the expected credit loss (ECL) on debtor balances when reviewing provisions required by the Group.

IFRS 16
We completed a review of our activities to consider the impact of IFRS 16 Leases on reported performance of the Group. This standard requires that all building leases are reclassified from operating leases to finance leases. This will mean that while the overall profit impact for the Group is immaterial, EBITDA for the group will increase by over £2m due to the removal of rent charges from the Statement of Comprehensive Income and the inclusion of additional depreciation and interest charges for the new finance leases. The Group will see an increase in its non-current assets of £6.6m at 31 March 2020, offset with an increase in lease liabilities of £6.7m.

ADJUSTED NUMBERS
We continue to show "adjusted" numbers in our results. The "adjusted" concept ignores exceptional items, the amortisation of acquisition intangible assets as well as share-based payment costs. The figure is key to defining our dividend policy. The amounts are clearly disclosed in note 2 of the financial statements. This alternative performance measure may not be similar to those defined by other entities.

**Mike Ainslie**
**Chief Financial Officer**

26 June 2019

# PRINCIPAL RISKS AND UNCERTAINTIES

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

We have continued to develop the risk management capabilities within the Group, including the recruitment of a new Head of Risk who has worked with senior management to combine the best practices from the legacy businesses and introduce a new unified risk framework. This new framework provides clarity on governance as well as processes for ongoing risk assessment, reporting, monitoring and review.

The Group has also formalised its three lines of defence model which supports the promotion of effective risk management and prevents risk taking that exceeds the businesses appetite.
The Board, with the support of the Audit & Risk Committee, have identified the principal key risks that may impact the Group's ability to achieve its objectives, agreeing individual risk appetites for each of these, as well as the key controls.

**The Principal Risks**

| Principal Risk | Description | Key Mitigations |
|---|---|---|
| Strategy | Risks linked to the assumptions of future development and size of pensions market used to develop the strategy or business model or business portfolio, e.g. poor data, group think, lack of diversity of opinions. | The Board approves and regularly reviews the Group's strategy in conjunction with budgets, targeting long term increases in shareholder value and ensuring robust independent challenge.<br><br>Key decisions are assessed against risk appetites for key Group risks with a Risk Management framework in place to identify and escalate where strategic decisions may have unintended impacts. |
| Strategic Planning and Execution | Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications, poor management of change or projects. | The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates.<br><br>Specific project management resources are used to deliver large scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations. |
| Errors | Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly, not following peer review processes. | The Group recruitment process ensures only high calibre staff are recruited who are then supported by training programmes, standardised documented processes and checklists for key processes.<br>Higher risk work is identified with peer review and additional signoff required, with regular quality audits to confirm processes are being followed correctly.<br>Insurance arrangements are in place to limit the loss should an error occur, with root cause analysis used to identify where controls can be improved. |

| | | |
|---|---|---|
| Theft and Fraud (Financial, Physical Assets) | Risks relating to the safeguarding of Group and Client financial and physical assets from malicious actors e.g. stealing physical assets, deliberate misrepresentation leading to fraud, theft from Group or Client bank accounts. | The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to preventing individuals from making fraudulent payments or transfers.<br>These controls are supported with staff training and awareness and are regularly independently audited.<br>Insurance arrangements are in place to protect against larger claims. |
| Information/ Cyber Security | Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. Unauthorised access or disclosure of staff or client information, denial of access to systems or data required, business continuity incidents caused by equipment breakdown/ fire/ flood. | The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This is supported by a range of state of the art technical controls, which are independently validated via audit and penetration tests.<br>All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with regular training initiatives, e.g. Phishing Awareness.<br>The Group has a range of Business Continuity capabilities in place to minimise impact of incidents impacting the Groups' data, facilities or systems. These include documented plans which are tested regularly. |
| Staff/ Human Resources | Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence, management capability. | The Groups recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer term incentives in place to aid retention.<br>Regular key staff reviews ensure succession planning is kept up to date and remains appropriate.<br>Staffing requirements are considered as part of strategy and budgeting process to ensure alignment with business plans. |
| Third Party Supplier/ Outsourcing | Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures, financial failure of supplier resulting in inability to deliver service. | The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party.<br>The approvals and signing framework also ensures contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLA's and financial status.<br>Where there is a reliance on a single supplier contingency plans are in place to protect against failure. |

| | | |
|---|---|---|
| Client Engagement | Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client, poorly presented or using out of date technologies, but not errors. | The Group client engagement process ensures that expectations are matched to Group capabilities. Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs. Client surveys are used to gather feedback and identify trends and insights. |
| Political Economic and Social | Risks created by the political, economic/ financial and social environment in which we operate, e.g. war, demographic trends, Government influence on business, Currency Changes, Market Volatility, interest rates, liquidity, XPS share price. | The Board regularly reviews the Group's strategy, taking into account potential short term and longer term changes to the business environment. They are supported by Group functions (e.g. Compliance) as well as business level technical teams who provide specialist advice on proposed changes and their potential impacts.<br>The Group actively encourages staff membership of professional bodies and will lobby on key issues. |
| Competition | Risks of change on demand side of business due to changes in customer demands or competitors, likely to influence entire industry e.g. Aggressive Competitor Pricing, Consolidation trends, Major technological innovation, substitute technologies. Changes may not directly affect Group but could influence entire industry. | The Board regularly reviews the Group's strategy, considering and taking into account changes in the competitive landscape such as trends and new entrants. This includes regularly reviewing the pensions market and requesting feedback from clients and advisors.<br>Product innovation is a key part of the Group's core Strategy. |
| Legal and Regulatory | Risks associated with the criminal and civil judicial processes and contract law, e.g. Not identifying changes required by changes to legislation, liabilities created by contract commitments, increased litigation in a particular field, environmental impacts, and industrial accidents. | The Group Compliance and Legal functions, as well as business level technical teams, support the business with specialist expertise on new and existing requirements. This is supported by regular staff training, with awareness initiatives are in place for new development. Expert teams are in place to manage specialist risks, e.g. H&S.<br>The Approvals and Signing framework ensures that the correctly authorised individuals are involved in the approval and sign off on non-standard contracts, with appropriate insurance cover in place. |
| Business Conduct and Reputation | Risks that could lead to a breach of acceptable conduct or ethics and/or impact the Group's brand, image or reputation, e.g. Inadvertent use of Child Labour in supply chain, Failure to ensure services are appropriate for client's needs, Discrimination, Poor Response to a Cyber Incident. | The Group's Mission, Vision and Values clearly set out the tone from the top, highlighting to all staff the conduct and ethics that are expected of them at all times. This is supported by a recruitment strategy that seeks professional, experienced and qualified staff who fit with Groups values.<br>Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected.<br>The Group has an Incident Management processes in place to ensure that it is able to effectively respond to significant events that could impact its brand or reputation, which is regularly tested. |

The Directors confirm that they have carried out a robust assessment of the principal risks facing the

Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks are those listed above.

The Directors confirm in the Directors' Responsibility Statement in the Annual Report that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. This Report has been approved by the Board and signed by order of the Board:

**Paul Cuff**
Co-Chief Executive Officer
26 June 2019

**Ben Bramhall**
Co-Chief Executive Officer
26 June 2019

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2019

| | Note | **Year ended 31 March 2019 £'000** | Year ended 31 March 2018 Restated £'000 |
|---|---|---|---|
| Revenue | 5 | **109,890** | 62,667 |
| Other operating income | | **6,459** | 472 |
| Administrative expenses | | **(103,436)** | (58,423) |
| **Profit from operations** | | **12,913** | 4,716 |
| Finance income | 6 | **17** | 23 |
| Finance expenses | 6 | **(1,564)** | (1,473) |
| **Profit before tax** | | **11, 366** | 3,266 |
| Income tax expense | 7 | **(995)** | (1,049) |
| **Profit and total comprehensive income from continuing operations for the year** | | **10,371** | 2,217 |
| Profit on discontinued operations, net of tax | 8 | **1,137** | 9,384 |
| **Profit after tax** | | **11,508** | 11,601 |
| | | **Pence** | Pence |
| **Earnings/(loss) per share attributable to the ordinary equity holders of the Company:** | | | |
| **Profit:** | | | |
| Basic earnings per share | 10 | **5.7** | 7.7 |
| Diluted earnings per share | 10 | **5.6** | 7.5 |
| Adjusted basic earnings per share | 10 | **10.0** | 9.4 |
| Adjusted diluted earnings per share | 10 | **9.9** | 9.1 |
| **Profit from continuing operations:** | | | |
| Basic earnings per share | 10 | **5.1** | 1.5 |
| Diluted earnings per share | 10 | **5.0** | 1.4 |
| Adjusted basic earnings per share | 10 | **9.9** | 8.6 |
| Adjusted diluted earnings per share | 10 | **9.8** | 8.3 |

# Consolidated Statement of Financial Position

as at 31 March 2019

| | Note | **31 March 2019 £'000** | 31 March 2018 Restated £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,104** | 1,017 |
| Intangible assets | | **208,218** | 215,692 |
| Deferred tax assets | | **840** | 774 |
| Other financial assets | | **1,000** | - |
| | | **212,162** | 217,483 |
| **Current assets** | | | |
| Trade and other receivables | | **33,075** | 28,762 |
| Cash and cash equivalents | | **5,539** | 9,404 |
| | | **38,614** | 38,166 |
| **Total assets** | | **250,776** | 255,649 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 9 | **56,962** | 55,072 |
| Deferred income tax liabilities | | **16,370** | 17,942 |
| | | **73,332** | 73,014 |
| **Current liabilities** | | | |
| Loans and borrowings | 9 | **49** | 27 |
| Provisions for other liabilities and charges | | **2,033** | 1,459 |
| Trade and other payables | | **17,414** | 17,682 |
| Current income tax liabilities | | **1,393** | 1,757 |
| Deferred consideration | | **152** | 8,332 |
| | | **21,041** | 29,257 |
| **Total liabilities** | | **94,373** | 102,271 |
| **NET ASSETS** | | **156,403** | 153,378 |
| **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 | | **(167)** | (465) |
| Accumulated deficit | | **(9,014)** | (11,728) |
| **Total equity** | | **156,403** | 153,378 |

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

| | Share capital £'000 | Share premium £'000 | Investment in own shares £'000 | Merger relief reserve £’000 | Accumulate d 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: IFRS15 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 year (as restated) | – | – | – | – | 11,601 | 11,601 |
| 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 | – | – | – | – | (3,822) | (3,822) |
| Share-based payment expense - IFRS2 charge in respect of long-term incentives | – | – | – | – | 1,051 | 1,051 |
| Deferred tax movement in respect of long-term incentives | – | – | – | – | 24 | 24 |
| Total contributions by and distributions to owners | 34 | 66,824 | – | 48,687 | (2,747) | 112,798 |
| Balance at 31 March 2018 (as restated) | 102 | 116,782 | (465) | 48,687 | (11,728) | 153,378 |
| Balance at 1 April 2018 (as restated) | 102 | 116,782 | (465) | 48,687 | (11,728) | 153,378 |
| Comprehensive income and total comprehensive income for the year | – | – | – | – | 11, 508 | 11,508 |
| Contributions by and distributions to owners | | | | | | |
| Share capital issued | – | 13 | – | – | – | 13 |
| Dividends paid | – | – | – | – | (13,206) | (13,206) |
| Share-based payment expense – equity settled from employee benefit trust | – | – | 298 | – | 1,701 | 1,999 |
| Share-based payment expense - IFRS2 charge in respect of long-term incentives | – | – | – | – | 2,859 | 2,859 |
| Deferred tax movement in respect of long-term incentives | – | – | – | – | (148) | (148) |
| Total contributions by and distributions to owners | – | 13 | 298 | – | (8,794) | (8,483) |
| **Balance at 31 March 2019** | 102 | 116,795 | (167) | 48,687 | (9,014) | 156,403 |

# Consolidated Statement of Cash Flows

for the year ended 31 March 2019

| | Note | **Year ended 31 March 2019 £'000** | Year ended 31 March 2018 Restated £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **11,508** | 11,601 |
| *Adjustments for:* | | | |
| Depreciation | | **841** | 577 |
| Amortisation | | **12,302** | 5,299 |
| Finance income | 6 | **(17)** | (23) |
| Finance costs | 6 | **1,564** | 1,473 |
| Gain on sale of discontinued operations, net of tax | 8 | **(1,164)** | (8,160) |
| Share-based payment expense | | **2,859** | 1,051 |
| Other operating income | | **(6,459)** | (472) |
| Income tax expense | 7 | **1,262** | 1,336 |
| | | **22,696** | 12,682 |
| (Increase)/Decrease in trade and other receivables | | **(3,698)** | 2,276 |
| Increase/(decrease) in trade and other payables | | **64** | (4,232) |
| Increase in provisions | | **387** | 390 |
| | | **19,449** | 11,116 |
| Income tax paid | | **(3,941)** | (628) |
| **Net cash inflow from operating activities** | | **15,508** | 10,488 |
| | | | |
| **Cash flows from investing activities** | | | |
| Finance income received | 6 | **17** | 23 |
| Acquisition of a subsidiary, net of cash acquired | 3 | **(4,925)** | (88,886) |
| Disposal of discontinued operations | 8 | **550** | 262 |
| Purchases of property, plant and equipment | | **(1,928)** | (241) |
| Purchases of software | | **(715)** | (1,103) |
| Increase in other cash balances | | **(1,000)** | - |
| **Net cash outflow from investing activities** | | **(8,001)** | (89,945) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital net of share issue costs | | **13** | 66,858 |
| Proceeds from new loans net of capitalised costs | | **1,500** | 41,070 |
| Repayment of loans | | **-** | (19,250) |
| Sale of own shares | | **1,999** | - |
| Interest paid | | **(1,644)** | (841) |
| Payment of finance lease liabilities | | **(34)** | (34) |
| Dividends paid to the holders of the parent | | **(13,206)** | (3,822) |
| **Net cash outflow from financing activities** | | **(11,372)** | 83,981 |
| Net (decrease)/increase in cash and cash equivalents | | **(3,865)** | 4,524 |
| Cash and cash equivalents at start of the year | | **9,404** | 4,880 |
| **Cash and cash equivalents at end of year** | | **5,539** | 9,404 |

# Notes to Consolidated Financial Information

for the year ended 31 March 2019

## 1 Accounting Basis

The financial information set out in this document does not constitute the Company's statutory accounts for the years ended 31 March 2019 or 31 March 2018. Statutory accounts for the year ended 31 March 2019, which were approved by the directors on 26 June 2019, and 31 March 2018 have been reported on by the Independent Auditors. The Independent Auditor's report on the Annual Report and Financial Statements for years ended 31 March 2019 or 31 March 2018 were unqualified, did not draw attention to a matter by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2019 will be delivered to the Registrar of Companies in due course and will be posted to shareholders shortly, and thereafter will be available from the Company's registered office at Phoenix House, 1 Station Hill, Reading, RG1 1NB and from the Company's website www.xpsgroup.com

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, and International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the 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 April 2018. New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 March 2019 are IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*. Other new standards, amendments and interpretations to existing standards, which have been adopted by the Group have not been listed, since they have no material impact on the financial statements.

## 2 Adjusted operating profit and adjusted profit after tax from continuing operations

| | Note | **Year ended 31 March 2019 £'000** | Year ended 31 March Restated 2018 £'000 |
|---|---|---|---|
| Profit from operating activities | | **12,913** | 4,716 |
| Adjustments to administrative expenses | | | |
| Exceptional costs | 4 | **3,858** | 4,373 |
| Share-based payment cost | | **3,987** | 3,614 |
| Amortisation of acquired intangible assets | | **11,730** | 4,773 |
| | | **19,575** | 12,760 |
| Other operating income | | **(6,459)** | (472) |
| **Adjusted operating profit** | | **26,029** | 17,004 |
| Finance income | 6 | **17** | 23 |
| Finance costs | 6 | **(1,564)** | (1,473) |
| Add back unamortised loan arrangement fees written-off as part of re-financing exercises | 6 | **-** | 220 |
| Add back unwinding of discount on contingent consideration | 6 | **(196)** | 195 |
| **Adjusted profit before tax, amortisation of acquired intangible assets, share-based payment costs, fair value adjustment of contingent consideration and exceptional costs** | | **24,286** | 15,969 |
| Tax | | **(995)** | (1,049) |
| **Adjustments to tax** | | | |
| Tax on exceptional costs | | **(674)** | (427) |
| Tax on share-based payment costs | | **(456)** | (651) |
| Tax on written-off loan arrangement fees | | **-** | (42) |
| Deferred tax related to acquired intangibles | | **(2,100)** | (834) |
| **Adjusted profit after tax from continuing operations** | | **20,061** | 12,966 |

Earnings have been adjusted for the tax impact of the adjusting items set out in note 2 by applying the statutory tax rate of 19%.

Adjusted profit after tax from continuing operation is a key measure used by the Board when reviewing the performance of the Group. It excludes all significant non-cash transactions, and aids understanding of the underlying performance of the Group.

**3 Business combinations during the period**

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 on completion of £3.2m, and deferred cash consideration of £0.3m, paid in January 2019, once certain conditions had been met. 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 Middlesbrough 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 the administration business. The deal provides 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.

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** |
|---|---|---|---|
| Customer relationships | - | 3,105 | 3,105 |
| Deferred tax liability | - | (528) | (528) |
| Total net assets | - | 2,577 | 2,577 |

*Fair value of consideration paid*

| | **£'000** |
|---|---|
| Cash | **3,500** |
| Total consideration | **3,500** |
| Goodwill | **923** |

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 on the Kier Pensions Unit acquisition is not deductible for tax purposes.

Since the acquisition date, the Kier Pensions Unit has contributed £2,211,000 to group revenues and £733,000 to group profit before tax. If the acquisition had occurred on 1 April 2018, group revenue would have been £113,136,686 and group profit before tax would have been £13,707,235.

*Acquisition expenses*

Costs relating to the acquisition of the Kier Pensions Unit totalled £225,000 and are included within exceptional costs.

## 4 Exceptional costs

| | **Year ended 31 March 2019 £'000** | Year ended 31 March 2018 £'000 |
|---|---|---|
| Acquisition related costs | **587** | 3,683 |
| Disposal related costs (note 8) | **137** | - |
| Restructuring costs | **3,134** | 228 |
| Exceptional bonus settled from EBT in cash | **-** | 462 |
| Total | **3,858** | 4,373 |

The restructuring costs above have arisen from integration activities relating to the Punter Southall acquisition in January 2018.

## 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 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 2019 £'000** | Year ended 31 March 2018 Restated £'000 |
|---|---|---|
| Pensions | **56,735** | 37,689 |
| Administration | **37,492** | 13,673 |
| Investment | **8,121** | 4,921 |
| National Pension Trust | **1,444** | 957 |
| SSAS and SIPP | **6,098** | 5,427 |
| Total – Continuing operations | **109,890** | 62,667 |
| | | |
| Discontinued operations | **423** | 3,091 |
| Total | **110,313** | 65,758 |

## 6 Finance income and expense

| | **Year ended 31 March 2019 £'000** | Year ended 31 March 2018 £'000 |
|---|---|---|
| Interest income on bank deposits | **17** | 23 |
| **Finance income** | **17** | 23 |
| Interest expense on bank loans | **1,422** | 802 |
| Other costs of borrowing | **286** | 192 |
| Amortisation of loan arrangement fees written-off as part of re-financing exercises | **-** | 220 |
| Interest on finance leases | **7** | 12 |
| Other finance expense | **45** | 52 |
| Unwinding of discount on contingent consideration | **(196)** | 195 |
| **Finance expenses** | **1,564** | 1,473 |

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

## 7 Income tax expense

### *Recognised in the statement of comprehensive income*

| | **Year ended 31 March 2019 £'000** | Year ended 31 March 2018 Restated £'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | **3,942** | 2,851 |
| Adjustment in respect of prior year | **(366)** | 16 |
| **Total current tax expense** | **3,576** | 2,867 |
| **Deferred tax credit** | | |
| Origination and reversal of temporary differences | **(2,314)** | (1,531) |
| **Total income tax expense** | **1,262** | 1,336 |

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 Restated £'000 |
|---|---|---|
| Continuing and discontinued operations: | | |
| Income tax expense from continuing operations | **995** | 1,049 |
| Income tax expense from discontinued operation (note 8) | **267** | 287 |
| | **1,262** | 1,336 |

| | Year ended 31 March 2019 £'000 | Year ended 31 March 2018 Restated £'000 |
|---|---|---|
| **Profit for the year** | **11,508** | 11,601 |
| Total tax expense | **1,262** | 1,336 |
| Profit before income tax | **12,770** | 12,937 |
| Tax using the UK corporation tax rate of 19% (2018: 19%) | **2,426** | 2,458 |
| Non-deductible expenses | **703** | 378 |
| Gain on disposal not allowable | **-** | (1,550) |
| Gain on revaluation not allowable | **(1,227)** | - |
| Fixed asset differences | **17** | 17 |
| Adjustment in respect of prior periods | **(366)** | 16 |
| Amounts (charged)/credited directly to equity or otherwise transferred | **(148)** | 24 |
| Excess relief on exercise of share options | **(134)** | - |
| Effect of tax rate change | **(9)** | (7) |
| **Total tax expense** | **1,262** | 1,336 |

The standard rate of Corporation tax in the UK was 19% (2018: 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 2019, which is not lower than 17% (2018: 17%). Deferred tax not recognised relates to finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2019 the total unrecognised deferred tax asset in respect of these losses was approximately £1.2m (2018: £1.2m).

## 8 Discontinued Operations

On 11 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. A further amount of consideration was agreed in respect of working capital adjustments.

On 30 September 2018, the Group disposed of its Healthcare business, which is the only operation presented as discontinued in the year to 31 March 2019.

| Result of discontinued operations | **Year ended 31 March 2019 £'000** | *Year ended 31 March 2018 £'000* |
|---|---|---|
| Cash consideration received | **550** | *262* |
| Deferred cash consideration | **614** | - |
| Other consideration received | **-** | *8,480* |
| Total consideration received | **1,164** | *8,742* |

| | | |
|---|---|---|
| Net assets disposed (other than cash) | | |
| Trade and other receivables | - | *(600)* |
| Trade and other payables | - | *18* |

| | | |
|---|---|---|
| | - | *(582)* |
| Pre-tax gain on disposal of discontinued operation | **1,164** | *8,160* |

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

| Result of discontinued operations | **Year ended 31 March 2019** | *Year ended 31 March 2018 Restated* |
|---|---|---|
| | **£'000** | *£'000* |
| Revenue | **423** | *3,091* |
| Expenses | **(183)** | *(1,580)* |
| Profit before tax | **240** | *1,511* |
| Gain from selling discontinued operations | **1,164** | *8,160* |
| Tax expense | **(267)** | *(287)* |
| Profit for the year | **1,137** | *9,384* |

| **Earnings per share from discontinued operations** | **Year ended 31 March 2019** | *Year ended 31 March 2018 Restated* |
|---|---|---|
| | **£** | *£* |
| Basic earnings per share | **0.01** | *0.06* |
| Diluted earnings per share | **0.01** | *0.06* |

**Statement of cash flows**

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

| | **Year ended 31 March 2019** | *Year ended 31 March 2018 Restated* |
|---|---|---|
| | **£'000** | *£'000* |
| Operating activities | **323** | *2,689* |
| Net cash from discontinued operations | **323** | *2,689* |

| | **Year ended 31 March 2019** | Year ended 31 March 2018 Restated |
|---|---|---|
| Adjusted profit before tax from discontinued operations: | **£’000** | £’000 |
| Profit and adjusted profit from operating activities in discontinued operations | **240** | 1,511 |
| **Adjusted profit before tax** | **240** | 1,511 |
| Tax | **(46)** | (287) |
| **Adjusted profit after tax** | **194** | 1,224 |

## 9 Loans and borrowings

| **31 March 2019** | **Due within 1 year (current) £'000** | **Due between 1 and 2 years £'000** | **Due after 2 years £'000** | **Sub-total (non current) £'000** | **Total £'000** |
|---|---|---|---|---|---|
| Drawn Revolving Credit Facility | — | — | 57,250 | 57,250 | **57,250** |
| Capitalised debt arrangement fees | — | (186) | (314) | (500) | **(500)** |
| Finance lease | 49 | 51 | 161 | 212 | **261** |
| **Sub-total** | **49** | **(135)** | **57,097** | **56,962** | **57,011** |
| Capitalised debt arrangement fees shown as current assets on balance sheet | (186) | — | — | — | **(186)** |
| **Total** | **(137)** | **(135)** | **57,097** | **56,962** | **56,825** |

| 31 March 2018 | 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 |
|---|---|---|---|---|---|
| Revolving Credit Facility | — | — | 55,750 | 55,750 | 55,750 |
| Capitalised Senior debt arrangement fees | — | (186) | (500) | (686) | (686) |
| Finance lease | 27 | 8 | — | 8 | 35 |
| *Sub-total* | 27 | (178) | 55,250 | 55,072 | 55,099 |
| Capitalised debt arrangement fees shown as current assets on balance sheet | (186) | — | — | — | (186) |
| Total | (159) | (178) | 55,250 | 55,072 | 54,913 |

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

### *Terms and debt repayment schedule*

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

| 31 March 2018 | Amount £'000 | Currency | Nominal interest rate | Year of maturity |
|---|---|---|---|---|
| Revolving Credit Facility – A | *38,000* | *GBP* | *1.25% above LIBOR* | *2022* |
| Revolving Credit Facility – B | *17,750* | *GBP* | *1.25% above LIBOR* | *2022* |

At 31 March 2019 the Group had drawn down £57,250,000 (2018: £55,750,000) of its £80,000,000 revolving credit facility.

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

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

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

## 10 Earnings per share

| | **Continuing operations 31 March 2019 £'000** | **Discontinued operations 31 March 2019 £'000** | **Total 31 March 2019 £'000** | Continuing operations 31 March 2018 Restated £'000 | Discontinued operations 31 March 2018 Restated £'000 | Total 31 March 2018 Restated £'000 |
|---|---|---|---|---|---|---|
| Profit for the year | **10,371** | **1,137** | **11,508** | 2,217 | 9,384 | 11,601 |
| | **'000** | **'000** | **'000** | '000 | '000 | '000 |
| Weighted average number of ordinary shares in issue | **203,167** | **203,167** | **203,167** | 150,649 | 150,649 | 150,649 |
| Diluted weighted average number of ordinary shares | **205,221** | **205,221** | **205,221** | 155,414 | 155,414 | 155,414 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Basic earnings per share (pence) | **5.1** | **0.6** | **5.7** | 1.5 | 6.2 | 7.7 |
| Diluted earnings per share (pence) | **5.0** | **0.6** | **5.6** | 1.4 | 6.1 | 7.5 |

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Share awards were made to the executive board members and key management personnel in 2017, 2018, and 2019, these are subject to certain conditions, and vest in 2020 and 2021. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in 2017 and 2018, these will vest in 2020 and 2021 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

***Adjusted earnings per share***

| | **Continuing operations 31 March 2019 £'000** | **Discontinued operations 31 March 2019 £'000** | **Total 31 March 2019 £'000** | Continuing operations 31 March 2018 Restated £'000 | Discontinued operations 31 March 2018 Restated £'000 | Total 31 March 2018 Restated £'000 |
|---|---|---|---|---|---|---|
| Adjusted profit after tax (notes 2, 8) | **20,061** | **194** | **20,255** | 12,966 | 1,224 | 14,190 |
| Adjusted earnings per share (pence) | **9.9** | **0.1** | **10.0** | 8.6 | 0.8 | 9.4 |
| Diluted adjusted earnings per share (pence) | **9.8** | **0.1** | **9.9** | 8.3 | 0.8 | 9.1 |

## 11 Dividends

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

| | **31 March 2019 £'000** | 31 March 2018 £'000 |
|---|---|---|
| Final dividend for the year ended 31 March 2018: 4.2p per share (2017: 0.73p per share) | **8,533** | **986** |
| Interim dividend for the year ended 31 March 2019: 2.3p (2018: 2.1p) per ordinary share was paid during the year | **4,673** | **2,836** |
| | **13,206** | **3,822** |

The recommended final dividend payable in respect of the year ended 31 March 2019 is £8.8m or 4.3p per share (2018: £8.5m).

The proposed dividend has not been accrued as a liability as at 31 March 2019 as it is subject to approval at the Annual General Meeting.

| | **31 March 2019 £'000** | 31 March 2018 £'000 |
|---|---|---|
| Proposed final dividend for year ended 31 March 2019 | **8,767** | 8,484 |

The Company statement of changes in equity shows that the Company has positive reserves of £1,704,000. There are sufficient distributable reserves in subsidiary companies which will be passed up to XPS Pensions Group plc in order to pay the proposed final dividend.

## 12 Post balance sheet events

On 31 May 2019, the Group acquired RL Corporate Pension Services Limited (RLCPS) from The Royal London Mutual Insurance Society Limited, for total consideration of £4.8 million in cash upon completion. RLCPS provides pensions actuarial, consulting and administration services to 150 smaller defined benefit pensions schemes, covering 8,000 scheme members. The acquisition will strengthen XPS's presence in the market for provision of full services to smaller defined benefit 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. On acquisition RLCPS held trade receivables with a book value of £285,917 representing contractual receivables of £305,373. The group is still assessing the debtor book and is not yet in a position to accurately assess the final level of uncollectable contractual cash flows.

The book value of the net assets acquired is as follows:

| | £'000 |
|---|---|
| Receivables | 354 |
| Cash | 251 |
| Payables | (84) |
| **Total** | **521** |

### Fair value of consideration paid

| | £'000 |
|---|---|
| Cash | 4,800 |

Goodwill and intangibles therefore amount to £4,279,000. This figure is pending a full purchase price allocation exercise, 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.

### 13 Cautionary statement

XPS Pensions Group plc has made forward-looking statements in this press release, including statements about the market for and benefits of its products and services; financial results; product development plans; the potential benefits of business relationships with third parties and business strategies. These statements about future events are subject to risks and uncertainties that could cause XPS Pensions Group plc’s actual results to differ materially from those that might be inferred from the forward-looking statements, XPS Pensions Group plc can make no assurance that any forward-looking statements will prove correct.