28 June 2018

XPS Pensions Group plc

Final results for the year ended 31 March 2018

Transformative year driven by significant acquisition and profitable growth

XPS Pensions Group plc ("XPS" or the "Company"), the pensions actuarial, consulting and administration business, is pleased to announce its full year results for the year ended 31 March 2018.

Financial Highlights:

	FY 2018	FY 2017	% change
Total Revenue (1)	£66.0m	£52.0m	27
Revenue (2)	£64.0m	£49.5m	29
Total Pre-tax profit (1)	£5.0m	(£13.2m)	N/A
Pre-tax profit (2)	£4.2m	(£14.1m)	N/A
Basic earnings per share	7.9p	-12.5p	N/A
Adjusted (3) diluted earnings per share	9.3p	8.0p	16
Full year Dividend	6.3p	0.73p	863

- Total Revenue for FY18 increased by 27% to £66.0m compared with the prior year (2017: £52.0m)
- Xafinity business traded well with strong H2 performance giving FY18 annual growth of 4.4% (4), continuing a trend of an increasing growth rate (H1: 1.8%, H2: 6.5%)
- Total Pre-tax profit increased to £5.0m (FY17: loss of £13.2m)
- Basic earnings per share of 7.9p (FY17: -12.5p)
- Adjusted diluted earnings per share grew by 16% to 9.3p (FY17: 8.0p)
- Final dividend of 4.2p per share recommended by the Board (FY17: 0.73p) giving a full year dividend of 6.3p (FY17: 0.73p)

(1) This includes the operating results arising from the business acquired from the Punter Southall Group for the period 11 January 2018 to 31 March 2018 and amounts to revenue of £12.9m, and profit before tax of £3.4m as well as the operating results (Revenue of £2.0m and profit before tax of £0.8m) for the HR Trustees business up to 11 January 2018 when it was sold to the Punter Southall Group
The FY17 comparative figures include the HR Trustees business for 12 months.

(2) Revenue and Pre-tax profit exclude the operating results of the HR Trustees business as they are not part of the continuing operations.

(3) Adjusted numbers exclude exceptional items, share based payment costs, amortisation of acquired intangibles and other operating income.

(4) This figure is calculated by excluding post-acquisition revenue from the Punter Southall acquisition, excluding HR Trustees revenue, and allowing for a one-off adjustment arising from an historic billing arrangement.

Operational Highlights:

- Completed the transformational acquisition of the actuarial consulting, pensions administration and investment consulting businesses of Punter Southall Group Limited ("PS Group") for £159 million in January 2018. The acquisition created the largest 'purely pensions' consulting and administration firm in the UK.
- Xafinity's HR Trustees business, which had a conflict of interest with the wider Group, was sold to PS Group as part of the deal.
- The Company announced on 17 May 2018 that it was rebranding, changing its name from 'Xafinity plc' to 'XPS Pensions Group plc'.
- The integration is proceeding well, and the firm has had success in winning new business quickly following the completion of the acquisition, building on momentum from earlier in the year. The Company has added a total of 14 more annuity client wins in the year ended 31 March 2018.
- Continued success with differentiated client offerings, including strong performance from the member options Centre of Excellence and 41% growth of the assets within National Pension Trust.
- Introduction of Radar technology to over 60 clients since beginning of financial year improving client service and increasing client proactivity.
- XPS Administration won the independently assessed 'Third Party Administrator of the Year' award for third year in a row, coming top in every category assessed. This was the fourth win in five years.
- The Group remains well placed to be part of the solution in a market where clients face significant challenges, for example following this year's Carillion, BHS and Tata Steel headlines on pensions issues, and against a backdrop of Regulatory change including a recent Government White Paper and an ongoing CMA investigation into the investment consultancy sector.

- Performance since 31 March 2018 has remained in line with the Board's expectations and the revenue associated with recent contract wins is expected to feed through into the next financial year

Update on the acquisition of Punter Southall Holdings Limited

The complementary nature of the acquisition has enabled XPS to combine the best technological, administration and technical aspects of the two businesses to provide clients with a broader service offering. This increased scale and breadth has provided XPS with the perfect platform from which to challenge the "Big 3" global consultancies, and the Company is already seeing the benefits from being invited to more tenders.

The integration of the two businesses is progressing very well, with the cultural alignment of the people at Xafinity and Punter Southall being key to this initial success. The acquisition means that XPS is now uniquely positioned to take advantage of the current market conditions and offer a truly differentiated service to clients.

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

"The Company's financial performance in the 12 months to 31 March 2018 has been very pleasing, with revenues experiencing an encouraging rise at an increasing rate, driven both by organic growth and the completion of the acquisition in January 2018. The cultural alignment of the two businesses, and the shared mantra of putting the client first, has been critical to the success of the integration process over the past few months. We continue to invest heavily in our people and technology as part of this process, including the introduction of market-leading offerings like "Radar" and National Pension Trust to a now significantly enlarged client base.

"We continue to be driven by a genuine desire to make a difference in the pensions industry through improving funding and risk management in DB schemes and giving members better outcomes in the world of Freedom and Choice. As part of this commitment, we continue to fully support the ongoing CMA investigation into the investment consultancy industry, and how this can serve to benefit pension schemes and trustees."

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

"This year has been truly transformational for the Company, encompassing a major acquisition and an exciting rebranding. I would like to welcome all the staff who joined XPS Pensions Group in January following the completion of the acquisition. Both myself and Ben have a personal connection with Punter Southall Group having started our careers there as actuaries, and we know that the like-minded individuals that have joined the Company will only serve to further strengthen the service we can offer to our clients.

"The past year has seen XPS take a significant step towards our goal of becoming the clear differentiated alternative to the Big Three in the pensions consultancy sector. Our breadth of offering and technological expertise is ensuring that we are being invited to more tenders, creating a strong pipeline of new business as shown by our 14 new annuity client wins during 2018. The outlook for the Company is very healthy with the market presenting several new growth opportunities which we are uniquely placed to take advantage of."

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 9:30 a.m. (BST) at Andaz Liverpool Street Hotel, 40 Liverpool St, London EC2M 7QN. 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-

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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 1,000 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 roughly 900 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.

CHAIRMAN'S STATEMENT

A transformative and successful year

This year has been both transformative and successful for XPS Pensions Group (XPS). In our first full year as a publicly listed Company, we have completed the significant acquisition of the actuarial consulting, pensions administration and investment consulting businesses of the Punter Southall Group (PSG).

Overview

The success of the acquisition and the ongoing integration of the business has also led to the re-branding of the Company from Xafinity to XPS Pensions Group, reflecting the huge strides we have made in our strategy towards becoming the pre-eminent pensions consultancy firm in the UK.

As ever, the high quality of the team at XPS has been central to the continued success of the Group, underpinning the market leading and innovative level of service that we provide to our clients, and I would like to thank everyone for their ongoing hard work as the Company continues to grow and strengthen.

Results

The Company has performed in line with expectations for the year ended 31 March 2018, delivering strong revenue growth and an impressive stream of new client wins. All this has been achieved while ensuring the smooth integration of the Punter Southall pensions businesses.

Revenue from continuing operations was £63.97m (2017: £49.49m). Profit before tax from continuing operations was £4.2m (2017: Loss before tax of £14.1m). Basic earnings per share was 7.9p (2017: Loss per share of -12.5p)

Dividend

The Board is proposing a final dividend of 4.2p (2017: 0.73p). The interim dividend was 2.1p (2017: Nil). This payment to shareholders is in line with our stated strategy of pursuing a progressive dividend policy that is subject to financial discipline and future Group results. The Board expects to retain sufficient capital to fund ongoing operating requirements, an appropriate level of dividend cover and funds to invest in the Group's long-term growth.

The final dividend will be payable on 27 September 2018 to shareholders on the register at 31 August 2018, subject to shareholder approval.

Strategy

The Group is committed to its continued and sustainable growth by focusing on its core areas of business and investing in our staff, technology and client services. This ongoing commitment ensures that XPS continues to provide an agile, high quality and market leading service that puts client satisfaction at the heart of the business. As part of our focus on our key business areas, we divested our HR Trustee business which is non-core to the Group. XPS is focused on continuing to build its market share in the pensions advisory sphere both organically and through acquisition.

Outlook

XPS has enjoyed substantial progress over the course of the last 12 months through the successful implementation of our strategic vision, leading to growth in our core markets and a sustained pipeline of new business wins. The integration of the combined Group continues at a healthy pace, whilst the business is already beginning to see material benefits from the acquisition through our expanded client offering and increased new business opportunities.

The Group performance since 31 March 2018 has remained in line with expectations, and the Board remains confident about the future growth of the Company during the upcoming financial year.

XPS has become the largest pure play pension consulting and administration firm in the UK. We have deep experience and benefits of scale to draw on, and I look forward to working with my colleagues to build on the momentum generated over the past year as we continue to innovate, invest in, and expand our client offering. Against this background, the outlook for the Company throughout 2018 looks promising.

Tom Cross Brown
Chairman
27 June 2018

CO-CHIEF EXECUTIVE OFFICER'S REVIEW

A complementary acquisition

We have created the largest pure pensions and consulting firm in the UK.

In line with our strategy of growth through market consolidation, in January Xafinity completed the acquisition of the actuarial consulting, pensions administration and investment consulting businesses of the Punter Southall Group (PSG) ("the merger"). This has created the largest purely pensions firm in the UK, renamed the XPS Pensions Group in May 2018.

Our businesses are extremely complementary. The merger has enabled us to combine Xafinity's strengths in the application of technology and our breadth of service offering on the consulting side with Punter Southall's expertise in administration, and technical and thought leadership. As a result our clients can now access the best of what each business brings to the merger, as well as our existing range of products and services. This means we are better able to service our clients and meet their needs.

More significantly, the merger will provide us with additional opportunities. Being positioned as the biggest purely pensions consulting firm outside the "Big 3" global consultancies of Mercer, Willis Towers Watson and Aon Hewitt is the perfect place for us to be at this stage of our journey. Our increased size means we expect to be invited to more tenders, which we are well placed to win, as we aim to offer superior service at better value than our larger rivals particularly for medium sized pension schemes. It also enables us to continue to make material investments in our products, people and technology. However, at the same time, as a purely UK focused pensions company, we remain nimble and agile and able to react very quickly to changes in government policy or regulation that affect our market.

Finally, the merger also increases the stability of our business as it reduces our dependence on our largest clients.

The merger and the rationale behind it have been well received and understood by the market and intermediaries. We both visited all of our offices in the few weeks after the announcement of the merger, and the reaction here has also been extremely positive. Indeed, a team from both companies conducted a pitch against two of the Big 3 firms (among others) during the merger process with the pitch happening only two days after the transaction completed. We were delighted to win the appointment, taking a large scheme directly from a 'Big 3' incumbent, having articulated our story to the client. The appointment covers all three key areas of our business (actuarial, investment and administration) and got us off to a flying start, and we have continued to have new business success since.

Integrating our businesses

The integration of the businesses is going well. Cultural alignment is critical to success, and having both started our careers at Punter Southall and worked there for a combined 15 years, we have a deep insight into the culture of both businesses, and strong relationships with both senior management teams. Both businesses have long-standing client relationships, based on a culture of putting clients first. Both provide a positive working environment with an emphasis on training and development. All bar one of our offices are in different cities and will continue to operate autonomously, with the exception being London where we will merge offices. We now have a spread across 14 different cities right across the UK, which is important in a market where clients often value local advisors.

We are in the process of refreshing our values to reflect the combined business, and are providing lots of training to bring our people together. We have finalised and are implementing a plan to replace over the next two years the Transitional Services Agreement with PSG, which provides core services e.g. HR, IT and some finance functions) to the businesses we have acquired. We have also implemented a common employee grading structure across the two businesses. We are pleased with our progress to date, and are working to align all our processes and services across our business divisions.

At a management level, we have made three significant hires, Patrick McCoy as Head of Investment, with a view to exploiting the market opportunity represented by the CMA review into the investment consulting industry, Wayne Segers as Head of Transaction Services, who will grow corporate and transaction advisory services, and Dave Hodges, as Head of National Pension Trust.

We have also formed an Executive Committee, which Patrick and Wayne sit on along with David Watkins and Richard Thomas, the two heads of the administration business, Mike Ainslie (CFO), Jonathan Bernstein (Head of Pensions), John Batting, Executive Director from Punter Southall, and ourselves. The committee members have a strong breadth of experience, and we are well positioned to identify opportunities across the business.

Financial and operational performance

Our financial performance during the year has been in line with our expectations. We have seen substantial underlying Xafinity revenue* growth of 4.4% during the year, due mainly to a number of new business wins in the final quarter of last year and the first half of this year which have now come on-stream, benefitting our underlying performance. During the year, we have maintained this momentum, and revenue from new clients remains healthy.

As part of the merger process, we sold our HR trustee business during the year as this represented a conflict of interest with the rest of our client base, as we would not be able to provide other services to our HR trustee clients. We wish our former colleagues every success in the future.

*Xafinity revenue is calculated by excluding HR Trustees revenue, excluding post-acquisition Punter Southall pensions business revenue, and allowing for a one-off adjustment arising from an historic billing arrangement.

Our markets

Our markets are in a state of significant flux. The Competition and Markets Authority (CMA) review, which is due to present its final findings in the coming months, presents significant commercial opportunities for us. We welcome the review as we do not believe the market is functioning properly. We are supportive of the CMA opinions expressed to date, and are absolutely committed to providing the services that the market needs. As a result of the review there is potential for the Big 3 to lose market share. With our increased scale, and with a growing capability in investment consulting, we are very capable of picking up new mandates.

Another material development is the UK Government's White Paper, which was published in March 2018 and proposes some quite significant changes to the governance of defined benefit pension schemes. The White Paper challenges the advisory industry to improve outcomes for defined benefit pension schemes and members of defined contribution schemes, in the context of several recent high-profile controversial cases including BHS, Carillion and Tata Steel. Our clients face great challenges, but we are constantly striving to provide better consultancy, better technology and better insights to help our clients avoid becoming the next headline. We also have anti-scamming solutions in place to protect individual pension scheme members.

Generally, our industry has been slow to react to the changes in the market and is still struggling to explain the changes introduced in 2014 on Freedom and Choice. We see that as a great opportunity for us to offer new solutions.

Our strategy

As before, our strategy aims to achieve growth, focusing purely on the UK pensions market. We believe clients need better solutions so we are investing in our people and technology to deliver those solutions and grow our market share. Our six strategic priorities focus on the areas we believe present the greatest opportunities.

Our 6 strategic priorities for growth:

- Growth through defined benefit de-risking
- Growth through winning new clients
- Growth through administration outsourcing
- Growth through investment consulting
- Growth through the National Pension Trust
- Growth through mergers & acquisitions

Investment consultancy is a new focus area for us and one we think presents a great opportunity, particularly in light of the CMA review.

While we will continue to consider further consolidation opportunities that could accelerate our growth as they arise, our current focus is on completing the integration and making a success of the merger.

Our people

We want XPS to be the best place for people to work and we spend a lot of time communicating internally, engaging with our colleagues and providing development opportunities. We carry out employee surveys every year and make changes to reflect the feedback we receive. This year, for example, we introduced changes to maternity pay and implemented a grading system for employees to help them understand their progression path through the business, following employee feedback. We also set up a working group to look at initiatives around gender and inclusion across the organisation and ways to improve diversity.

We support a number of charities including ‘Tax Help for Older People, and our employees across our offices are encouraged to participate in community and social events.

This year has been transformational for the company, and we recognise the additional pressure that the merger put on all our employees during the year. We are extremely grateful for the support and extra effort our employees have shown, and would like to thank them all for their loyalty and dedication.

Outlook

We are extremely excited about the prospects for the combined XPS Pensions Group and are committed to its long-term success. As the largest pure play pensions consultancy in the UK, XPS is perfectly positioned to exploit current market dynamics and to meet evolving client needs. Our increased size and expertise mean we can provide better and truly differentiated solutions for our clients.

While we have made considerable progress already, there is more to do to complete the integration process and we will be working hard in the coming months to ensure the businesses are fully aligned.

To sum up, we believe we are in the right place at the right time to take advantage of the opportunities in our market place and to continue to grow and thrive as a business.

Across our offices our employees are excited about the future. We intend to build on this momentum to continue to grow XPS.

Paul Cuff
Co-Chief Executive Officer
27 June 2017

Ben Bramhall
Co-Chief Executive Officer
27 June 2017

FINANCIAL REVIEW

A year of continued growth

The financial results for 2018 show continued growth in the underlying business but are dominated by the acquisition of the actuarial, administration and investment consulting businesses from Punter Southall Group (PSG). The deal completed on 11 January 2018. As part of the deal the Xafinity independent trustee business (HR Trustees Ltd or "HRT") was sold to PSG. The impact on our results is as follows.

PS acquisition

The business was purchased for £158.7m made up of cash of £92.9m, funded partly by the issue of 41.2m shares to the market raising £70.0m gross proceeds, issuing 25.8m completion shares, contingent and deferred consideration valued at £8.6m and the sale of HR Trustees valued at £8.5m.The acquisition created intangible assets of £161.3m, £70.5m of which will be amortised over 2-20 years.

The operating results of the acquired businesses are included in the income statement for the period 11 January 2018 to 31 March 2018 and amount to revenue of £12.8m, expenses of £9.4m and profit before tax of £3.4m

HR Trustees sale

As part of the acquisition HRT was sold to PS for £8.5m. The gain on the sale of the business was £8.2m and has been recognised in the income statement within profit on discontinued operations.

The profit before tax from the HRT business activities in the period from the start of the financial year to the time of sale on 11 January 2018 amounted to £0.8m which arose from Revenue of £2.0m and expenses of £1.2m. This also appears in the income statement under "profit from discontinued operations". In the full year to 31 March 2017 the HRT business had revenue of £2.5m, expenses of £1.6m and profit of £0.9m.

The table overleaf shows the impact of this on our results:

Financial Highlights	Revenue	Revenue	Revenue	Profit before tax	Profit/(loss) before tax	Profit after tax	Profit/(Loss) after tax
	2018 £'m	**2017 £'m**	**% Growth**	**2018 £'m**	**2017 £'m**	**2018 £'m**	**2017 £'m**
Xafinity continuing business	51.5	49.3	4.4%	1.2	(14.3)	0.6	(13.7)
PS post acquisition	12.9	-	-	3.4	-	2.8	-
Other one-off adjustment	(0.4)	0.2	-	(0.4)	0.2	(0.4)	0.2
Total continuing operations	64.0	49.5	29.2%	4.2	(14.1)	3.0	(13.5)
HRT pre-disposal (2017 = 12 months)	2.0	2.5	(18.16%)	0.8	0.9	0.7	0.7
HRT gain on disposal	-	-	-	-	-	8.1	-
Total including discontinued operations	**66.0**	**52.0**	26.9%	**5.0**	**(13.2)**	**11.8**	**(12.8)**

Financing

To fund the acquisition a new offer of the company's shares were offered at a price of £1.70 which was oversubscribed for and raised gross proceeds of £70m. The existing loan facility with HSBC was revised and became a two bank committed facility with Bank of Ireland, totalling £80m. £55.8m was drawn immediately and we expect that balance to be repaid gradually through cash generated from operations. The facility matures in December 2022 and along with the healthy c
ash conversion from the business we are well placed to cover our working capital needs going forward.

Net interest and financing costs totalled £1.5m (2017: £8.6m). The significant reduction came from using the IPO proceeds to pay down debt. Net debt at year end stood at £45.7m with net debt to pro-forma adjusted EBITDA of 1.47x (the pro-forma measure is calculated by taking the PS acquisition impact for a full year rather than since 11 January 2018).

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

Exceptional items

The fundraising, loan refinancing and acquisition/disposal required us to incur fees of £7.8m for advisors and other costs. £3.2m has been set off against the share premium account, £0.9m has been held on the balance sheet to be amortised over the life of the loan facility, and the remaining £3.7m was expensed through the income statement and treated as an exceptional item. In 2017 there were IPO related fees amounting to £1.9m which were also treated as exceptional and share issue costs of £1.3m.

Underlying business

The period post acquisition resulted in the rapid integration of business activities in certain areas and as a result the comparison of the business on a year-on-year basis is less straightforward. There was also a one-off adjustment of £0.4m, arising from an historic billing arrangement.

We can see, however, that the underlying, continuing Xafinity business built on the good momentum seen at the half year with revenue growth for the full year of 4.4% up from 0.5% a year ago and 1.8% for the first half of the year. The second half of the year saw 10 new wins, to go with the 4 new wins in the first half, which will combine to further accelerate growth in future periods.

Integration costs are low at £0.1m, in this year's accounts. More are expected in 2019 and 2020 as the support units take over the operations currently provided under the Transitional Services Agreement with Punter Southall Group which runs to 11 January 2020.

Earnings per share

The EPS for 2018 is 7.9p (2017: EPS of -12.5p).

Adjusted EPS in 2018 is 9.6p (2017: 8.1p) an increase of 19%. The reconciliation of the profit used in the adjusted EPS to the statutory profit measure can be found in note 3. Adjusted profit excludes exceptional and non-cash costs such 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 4.2p is being proposed by the Board. (2017: 0.73p covering the period from IPO (16 February 2017) to 31 March 2017).

The final dividend, if approved, which amounts to £8.5m (2017: £1m), will be paid on 27 September 2018 to those shareholders on the register on 31 August 2018.

Future reporting

Going forward the business will report numbers with a split of revenue between actuarial, administration, investment consulting and other (comprised of the SIP business, NPT and Healthcare). Expenses will be provided on a combined basis.

The 2018 numbers presented on this basis including the revenue from discontinued operations is:

Revenue	**2018 £'m**	**2017 £'m**
Pensions	37.9	31.5
Administration	13.7	7.3
Investment	4.9	4.0
Other	9.5	9.2
Total Revenue	**66.0**	**52.0**

Significant accounting matters

We completed a review of our activities to look at the impact of IFRS15 on revenue recognition. The focus of the review was on our fixed fees received, particularly as they relate to the triennial valuation exercises carried out for clients. The result of our review was that the implementation of the policy, which occurred on 1 April 2018 is not expected to have a material effect on our results going forward.

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 latter two items are non-cash related and are also key to defining our dividend policy. The amounts are clearly disclosed in note 3.

Capital expenditure

Capital expenditure remains low and for 2018 was £1.3m (2017: £1.2m), again driven by software purchases and development.

Cash flow and cash position

At 31 March 2018 the Group had £9.4m (2017: £4.9m) cash balances and generated £10.5m (2017: £11.4m) of cash from its operating activities. These, combined with an £80m committed financing facility until December 2022, of which £55.75m is currently drawndown, mean the Group is well placed to meet future working capital cash requirements.

The Group had net cash inflows from financing activities of £84m (2017: outflow of £8.1m) which was as a result of £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 £89.9m (2017: 1.2m) which included £88.9m in respect of the acquisition of Punter Southall Holdings Limited and its subsidiaries. The remaining investing activities mainly related to the purchase of software and tangible assets.

Statement of Financial Position

At 31 March 2018 the Group had net assets of £153.6m (31 March 2017: £29.0m). The increase is principally driven by the acquisition of Punter Southall Holdings Limited and its subsidiaries as detailed above, the generation of profit after tax in the period of £11.8m net of an interim dividend paid of £2.8m.

Going concern

Details on the Directors continuing to adopt the going concern basis can be found in note 1.

Mike Ainslie
Chief Financial Officer

27 June 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The Group laid out the principal risks affecting it in the IPO prospectus and the prospectus that accompanies the fund raising for the Punter Southall pensions businesses acquisition which completed 11 January 2018. The risks are grouped here under 7 main headings along with mitigating controls.

Principal Risk	Description	Mitigation
Staff retention	The Group is dependent on the continued services of its senior management team and key employees for the growth and success of the business. The loss of, or inability to recruit key personnel could have a material adverse effect on the Group's business, results of operations and financial condition.	The Group offers attractive compensation packages that are regularly benchmarked. The Group also has a graduate recruitment scheme that takes on recent graduates and trains them and supports them through professional exams. Training and development are provided for all staff with regular opportunities for discussion about career progression. A performance share plan and sharesave scheme are in place. Succession planning is reviewed by the Nominations Committee.
Reputation	The Group may suffer damage to its reputation which could materially and adversely affect the Group's results of operations.	Quality control standards and processes are maintained throughout the operational activity of the Group. Staff and client surveys are carried out on a regular basis, with the Board reviewing the consolidated feedback. The executive management and wider senior management team constantly demonstrate high standards of professional behaviours which permeate throughout the organisation.
Data loss/security breach	The loss or unintended disclosure of sensitive personal data could damage the Group's reputation and materially and adversely affect the Group's results of operations. The Group's information technology systems may be affected by failures and breaches of security, which could materially and adversely affect the Group's results of operations.	Procedures and processes are in place to safeguard against unintended data breaches and IT security standards are regularly reviewed and penetration testing performed regularly. Appropriate Professional Indemnity Insurance arrangements are in place to cover the business activity of the Group along with product, public and employers liability cover and other insurances necessary for a corporate Group. The levels of cover are reviewed annually.
Errors	The Group may be materially adversely affected by mistakes and misconduct by its personnel, including non-compliance with regulatory procedures or by any errors or omissions in any work undertaken previously by the Group.	The Group sets high standards of professional performance and trains employees appropriately for their area of operation. Policies and procedures are in place to cover these operations. Quality control processes are also in place. Insurance arrangements exist to limit the loss should an error lead to a claim.
Competition/ client retention	The Group's principal market, being the professional services market to UK pension arrangements, is competitive. The Group's future success depends on its ability to continue to perform and maintain its client contracts. If the Group is unable to provide services under its client contracts, if the Group has disputes with its clients over the services provided or to be provided under the Group's contracts, or if the services to be provided under the	The Group reviews the competitive landscape on a regular basis. As described above the Group has arrangements in place to ensure the highest professional standards are achieved in providing services to our clients. These services are provided at prices that provide a fair reward for the work done and which are competitively priced. The Group strives to maintain deep relationships with its clients which is manifested in the number of

	Group's contracts are more demanding than anticipated, the Group's results of operations could be materially adversely affected.	clients that have been with the Group for more than 20 years.
Regulatory change/ compliance	The Group is subject to regulation and benefits from regulatory approvals. The Group may fail, or be held to have failed, to comply with regulations. In addition, such regulations and approvals may change, making compliance more onerous. The Group's clients operate in an evolving regulatory environment.	The Group has a Compliance department that reviews the adherence to regulatory requirements and monitors changes in those requirements. The risk arising from regulatory change is generally viewed as an opportunity to provide more services to our clients.
Crime/ external events/ market, economic, political	The Group may be susceptible to crime which could materially and adversely affect its results of operations. The Group's operations could be adversely affected by external events and amounts recoverable under its insurance policies may be limited. The Group may be subject to litigation or regulatory claims and its insurance arrangements may not be adequate to protect the Group. Certain parts of the Group's business may be adversely affected by economic, political and market factors that are beyond the Group's control.	The Group takes a structured approach to Risk management and identifies and manages risks. Appropriate Professional Indemnity Insurance arrangements are in place to cover the business activity of the Group along with product, public and employers liability cover and other insurances necessary for a corporate group. The levels of cover are reviewed annually.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2018

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Revenue	**63,965**	49,490
Other operating income	**472**	-
Administrative expenses	**(58,765)**	(54,931)
Profit/(loss) from operating activities	**5,672**	(5,441)
Finance income	**23**	475
Finance costs	**(1,473)**	(9,121)
Profit/(loss) before tax	**4,222**	(14,087)
Income tax (expense)/credit	**(1,230)**	558
Profit/(loss) and total comprehensive income/(loss) for the year	**2,992**	(13,529)
Profit on discontinued operation, net of tax	**8,836**	738
Profit/(loss) after tax	**11,828**	(12,791)
	Pence	Pence
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:		
Profit or loss:		
Basic earnings/(loss) per share	**7.9**	(12.5)
Diluted earnings/(loss) per share	**7.6**	(12.4)
Adjusted basic earnings per share	**9.6**	8.1
Adjusted diluted earnings per share	**9.3**	8.0
Profit or loss from continuing operations:		
Basic earnings/(loss) per share	**2.0**	(13.2)
Diluted earnings/(loss) per share	**1.9**	(13.1)
Adjusted basic earnings per share	**9.2**	7.3
Adjusted diluted earnings per share	**8.9**	7.2

Consolidated Statement of Financial Position

as at 31 March 2018

	31 March 2018 £'000	31 March 2017 £'000
Assets		
Non-current assets		
Property, plant and equipment	**1,017**	1,342
Intangible assets	**215,692**	58,595
Deferred tax assets	**774**	36
	217,483	59,973
Current assets		
Trade and other receivables	**27,964**	12,320
Current income tax asset	**-**	597
Cash and cash equivalents	**9,404**	4,880
	37,368	17,797
Total assets	**254,851**	77,770
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	**102**	68
Share premium	**116,782**	49,958
Merger relief reserve	**48,687**	-
Investment in own shares held in trust	**(465)**	(465)
Accumulated deficit	**(11,531)**	(20,612)
Total equity	**153,575**	28,949
Liabilities		
Non-current liabilities		
Loans and borrowings	**55,072**	32,829
Deferred income tax liabilities	**17,942**	6,542
	73,014	39,371
Current liabilities		
Loans and borrowings	**27**	22
Provisions for other liabilities and charges	**1,459**	1,069
Trade and other payables	**16,641**	8,359
Current income tax liabilities	**1,803**	-
Deferred consideration	**8,332**	-
	28,262	9,450
Total liabilities	**101,276**	48,821
Total equity and liabilities	**254,851**	77,770

Consolidated Statement of Changes in Equity

for the year ended 31 March 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 2016	40	–	(2,717)	–	(18,669)	(21,346)
Comprehensive income and total comprehensive income for the year	–	–	–	–	(12,791)	(12,791)
Contributions by and distributions to owners						
Bonus issue of shares	10	–	–	–	(10)	–
Share capital issued	18	51,267	–	–	–	51,285
Share issue costs	–	(1,309)	–	–	–	(1,309)
Shares sold by employee benefit trust for cash	–	–	86	–	519	605
Share-based payment expense - equity settled from employee benefit trust	–	–	2,166	–	10,310	12,476
Share-based payment expense - IFRS2 charge in respect of long-term incentives	–	–	–	–	29	29
Total contributions by and distributions to owners	28	49,958	2,252	–	10,848	63,086
Balance at 31 March 2017	68	49,958	(465)	–	(20,612)	28,949
Balance at 1 April 2017	68	49,958	(465)	–	(20,612)	28,949
Comprehensive loss and total comprehensive loss for the year	–	–	–	–	11,828	11,828
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	102	116,782	(465)	48,687	(11,531)	153,575

Consolidated Statement of Cash Flows

for the year ended 31 March 2018

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash flows from operating activities		
Profit/(loss) for the year	**11,828**	(12,791)
Adjustments for:		
Depreciation	**577**	631
Amortisation	**5,299**	4,077
Finance income	**(23)**	(475)
Finance costs	**1,473**	9,121
Gain on sale of discontinued operations, net of tax	**(8,160)**	-
Share-based payment expense	**1,051**	12,505
Other operating income	**(472)**	-
Income tax expense/(credit)	**1,388**	(373)
	12,961	12,695
Decrease/(Increase) in trade and other receivables	**2,654**	(458)
Decrease in trade and other payables	**(4,889)**	(189)
Increase in provisions	**390**	678
	11,116	12,726
Income tax paid	**(628)**	(1,327)
Net cash inflow from operating activities	**10,488**	11,399
Cash flows from investing activities		
Finance income received	**23**	11
Acquisition of a subsidiary, net of cash acquired	**(88,886)**	-
Disposal of discontinued operations	**262**	-
Purchases of property, plant and equipment	**(241)**	(444)
Purchases of software	**(1,103)**	(732)
Net cash outflow from investing activities	**(89,945)**	(1,165)
Cash flows from financing activities		
Proceeds from the issue of share capital net of share issue costs	**66,858**	49,976
Proceeds from new loans net of capitalised costs	**41,070**	–
Repayment of financial derivative	**-**	(504)
Repayment of loans	**(19,250)**	(53,261)
Sale of own shares	**-**	605
Interest paid	**(841)**	(4,876)
Payment of finance lease liabilities	**(34)**	(34)
Dividends paid to the holders of the parent	**(3,822)**	–
Net cash inflow/(outflow) from financing activities	**83,981**	(8,094)
Net increase in cash and cash equivalents	**4,524**	2,140
Cash and cash equivalents at start of the year	**4,880**	2,740
Cash and cash equivalents at end of year	**9,404**	4,880

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

1 Accounting policies

XPS Pensions Group plc (the "Company") is a public limited company incorporated in the UK. On 16 May 2018 Xafinity plc changed its name to XPS Pensions Group plc. The principal activity of the Group is employee benefit consultancy and related business services. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

This financial information has been 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. The Consolidated Financial Statements have been prepared under the going concern basis.

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

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 for the years ended 31 March 2018 and 31 March 2017, but is derived from those accounts. The statutory accounts for the year ended 31 March 2017 have been delivered to the Registrar of Companies and those for the year ended 31 March 2018 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their report was unqualified, did not contain references to any matters to which the auditors drew attention by way of emphasis and did not contain a statement under Section 498 of the Companies Act 2006 for the year ended 31 March 2018 or 31 March 2017.

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

Functional and presentation currency

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

Measurement convention

The financial information is prepared on the historical cost basis except for the measurement of certain financial instruments.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all 3 of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether defacto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial information presents the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Derivative financial instruments

Derivatives have previously been to hedge the Group's exposure to fair value interest rate risk. The hedged item is remeasured to take into account the gain or loss attributable to the hedged risk with the gains or losses arising recognised in profit or loss. This offsets the gain or loss arising on the hedging instrument which is measured at fair value through profit or loss.

Third party valuations are used to fair value the Group's derivatives.

Property, plant and equipment

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

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

- Office equipment 3 to 10 years
- Leasehold improvements 5 years
- Fixtures and fittings 3 to 10 years

Going concern

Accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the Financial Statements. The Directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2010' which requires the reasons for this decision to be explained.

The Directors have prepared cash flow forecasts for a period including 12 months from the date of approval of these Financial Statements which show that during that period the Group is expected to generate sufficient cash from its operations to settle its liabilities as they fall due without the requirement for additional borrowings. Therefore the Directors conclude that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

Intangible assets and goodwill

Goodwill represents amounts arising on acquisition, being the difference between the cost of the acquisition and the net fair value of the identifiable assets and liabilities acquired on a business combination. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing and is not amortised. It is tested annually for impairment.

Externally acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired software is valued based on replacement cost valuations where identifiable or at cost less accumulated amortisation and impairment. Internally produced software is valued at cost less accumulated amortisation and impairment.

Customer relationships are valued based on the net present value of the excess earnings generated by the revenue streams over their estimated useful lives.

Brands valuation is based on net present value of estimated royalty returns.

Amortisation is charged to profit and loss in the statement of comprehensive income over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life, such as goodwill, are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Estimated useful lives are as follows:

- Goodwill Indefinite life
- Customer relationships (excluding Punter Southall Holdings Actuarial CGU) 10 years, reducing balance method

- Customer relationships (Punter Southall Holdings Actuarial CGU) — 20 years, reducing balance method
- Brands (excluding Punter Southall Holdings) — 10 years, straight line method
- Brands (Punter Southall Holdings) — 2 years, straight line method
- Software — 3 to 4 years, straight line method

Contingent consideration

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

Impairment of non-financial assets

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

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Fair value through profit or loss

This category comprises out-of-the-money derivatives (see "Financial assets" for in-the-money derivatives). The out-of-the-money derivatives are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment and are included in non-current assets as their maturity is greater than 12 months after the end of the reporting period.

Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. Provisions for impairment are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The impairment recorded is the difference between the carrying value of the receivables and the estimated future cash flows discounted where appropriate. Any impairment required is recorded in the statement of comprehensive income within administrative expenses.

Cash and cash equivalents comprise cash balances and call deposits.

Financial liabilities

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

Fair value through profit or loss

This category comprises out-of-the-money derivatives (see "Financial assets" for in-the-money derivatives). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. The group has a contingent consideration liability relating to the acquisition of Punter Southall. This is included in cost at its acquisition date fair value and is classified as a financial liability, re-measured at fair value subsequently through profit or loss.

Other financial liabilities

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

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

Provisions

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

Dilapidations provisions relate to the estimated cost to put leased premises back to the required condition expected under the terms of the lease. These include provisions for wear and tear along with provisions where leasehold improvements have been made that would require reinstatement back to the original status on exit. These are uncertain in timing as leases may be terminated early or extended. To the extent that exits of premises are expected within 12 months of the end of the year they are shown as current.

Professional indemnity provisions relate to complaints against the Group. The amount provided is based on management's best estimate of the likely liability and is capped to the excess on the Group's professional indemnity insurance on a case by case basis where covered and settled on a net basis.

Social security costs provisions represent estimates of the Group's national insurance contributions liability on the cost of the Group's Performance Share Plan.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Employee Benefit Trust (EBT)

As the Group is deemed to have control of its EBT, it is treated as a subsidiary and consolidated for the purposes of the Consolidated Financial Statements. The EBT's investment in the Group's shares is deducted from equity in the consolidated statement of financial position as if it were treasury shares. Consideration paid (or received) for the purchase (or sale) of these shares is recognised directly in equity. The cost of shares held is presented as a separate reserve (the "investment in own shares"). Any excess of the consideration received on the sale of these shares over the weighted average cost of the shares sold is credited to retained earnings.

The equity-settled share-based payment expense represents the amount of share awards made by the Employee Benefit Trust on behalf of the Company as instructed by the Company. Proceeds from the subsequent sale of the share awards were transferred to employees via payroll on their behalf the values being based on the share price at IPO.

EBT equity settled awards, which vest immediately on issue, are measured at the fair value of the shares issued on the date of the award, representing the bid price of the shares, the share based payment expense is charged to the consolidated statement of comprehensive income.

Dividends

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

Revenue

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

Amounts recognised as revenue but not yet billed are reflected in the statement of financial position as accrued income. Amounts billed in advance of work performed are deferred in the statement of financial position as deferred income.

Revenue in respect of time and materials contracts is recognised as the services are performed. Revenue relating to fixed fee contracts is recognised evenly over the contract period. Commission income is recognised on renewal of scheme membership.

Expenses

Exceptional costs

Exceptional costs are items which due to their size, incidence and non-recurring nature have been classified separately in order to draw them to the attention of the reader of the Financial Statements and, in management's judgement, to show more accurately the underlying profits of the Group. Such items are included within the statement of comprehensive income caption to which they relate, and are separately disclosed in the notes to the Financial Statements.

Operating lease payments

Payments made under operating leases are recognised in profit and loss in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and are spread over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign exchange policy

Transactions entered into by Group entities in a currency other than the functional currency (GBP) are recorded at the rates ruling when the transactions occur.

Any exchange rate differences are recognised immediately through the statement of comprehensive income.

Net finance costs

Net finance costs comprise interest payable, interest receivable on own funds, foreign exchange gains and losses and costs directly related to the raising of loans.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Share-based payment costs - Performance Share Plan

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from the executive directors and key management personnel in consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted:

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any service and non-market performance vesting conditions (for example, profitability and remaining a director for a specified period of time);

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

Discontinued operations

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquire exclusively with a view to resale, that has been disposed of, has been abandoned, or that meets the criteria to be classified as held for sale. Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss in the statement of comprehensive income except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2018, and therefore have not been applied in preparing XPS Pension Group's Financial Statements.

- IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all 3 aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Company plans to adopt the new standard on the required effective date. The Company expects no significant impact on its balance sheet and equity.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company plans to adopt the new standard on the required effective date. The Company has performed an assessment of IFRS 15, and has elected to apply a full retrospective application for the annual period commencing 1 April 2018.

The main revenue stream impacted by the introduction of IFRS15 relates to triennial valuations of pensions. Historically, the revenue from a customer contract has been released evenly throughout the life of the contract. Under IFRS 15, the company will need to separate the triennial valuations from the contract, and account for this element over the period of time that the work on the triennial valuation is done. Because of the number of customers and the different dates of the triennial valuations, the overall impact of this change to the timing of revenue recognised in total is not material. In the PSHL Group, there are significant implementation fees and costs which have been recognised at the start of the contract - following a review of process in line with IFRS 15, it is considered that this accounting treatment remains consistent with the new standard and so no adjustment is required.

- 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 (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., 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 be also required to remeasure the lease liability upon the occurrence of certain events (e.g., 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 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 a material impact on the financial statements of the Group, however the Group are currently assessing the impact. 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.

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair values of intangible assets

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

Application of the goodwill impairment test requires judgment, including the identification of cash generating units, assignment of assets and liabilities to such units, assignment of goodwill to such units and determination of the fair value of a unit. The fair value of each cash generating unit or asset is estimated using the income approach, on a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur and determination of our weighted average cost of capital.

Revenue recognition

Dependent upon the income stream and nature of the engagement, revenue is recognised on either a time costs incurred, fixed fee or rateably over the period of providing the service basis.

Revenue is billed on a monthly, quarterly or, in the case of SSAS and SIPP services, on an annual basis. Services may be billed in arrears, as in the case of pensions advisory work, or in advance as is the case with SSAS and SIPP revenues. As a result of such arrangements, critical accounting judgements are made in determining the timing of revenue recognition.

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Throughout the current and prior periods the directors consider that the IAS 12 recognition criteria have been satisfied.

Provisions

Dilapidations provisions have been made for properties which the Group currently lease based upon the cost to make good the property in accordance with lease terms where applicable. Provisions are made for claims in respect of complaints against the Group. The amount provided is based on management's best estimate of the likely liability. The cost to the business is capped to the excess on the Group's professional indemnity insurance in respect of each individual claim.

Useful lives of intangible assets

Intangible assets are amortised over their estimated useful lives with the charge recorded in administrative expenses. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

Business combinations

The Directors determine and allocate the purchase price of an acquired business to the assets acquired and liabilities assumed as of the business combination date. The purchase price allocation process requires the use of significant estimates and assumptions, including the estimated fair value of the acquired intangible assets.

While the Directors use their best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the date of acquisition, our estimates and assumptions are inherently uncertain and subject to refinement. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected Cash flows from customer relationships and brands; and
- discount rates

Exceptional costs

Exceptional costs are recognised to the extent that they meet the definition outlined in the accounting policy above. This requires a certain amount of judgement that is applied consistently by management.

Contingent consideration

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

2 Business combinations during the period

On 11 January 2018 the Group acquired 100% of the voting equity instruments of Punter Southall Holdings Limited, and its subsidiary companies PS Administration Holdings Limited, PS Administration Limited, Punter Southall Investment Consulting Limited, and Punter Southall Limited (together, "the PSH Group"). The acquired companies' principal activities are actuarial consulting, pensions administration and investment consulting. The rationale for the acquisition was to create a new leading mid-market player in the provision of actuarial, investment advisory and administration services, with the potential to challenge and more effectively compete with the global consultancies.

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**
Brand right-of-use	**-**	5,408	**5,408**
Customer relationships	-	65,082	**65,082**
Property, Plant & Equipment	12	(1)	**11**
Deferred Tax Asset	151	(151)	**-**
Receivables	20,603	(1,843)	**18,760**
Payables	(15,099)	1,968	**(13,131)**
Cash	4,160	(136)	**4,024**
Deferred tax liability	-	(12,259)	**(12,259)**
Total net assets	9,827	58,068	**67,895**

Fair value of consideration paid

	£'000
Cash	**92,910**
Consideration shares	**48,699**
Sale of HR Trustees business (note 9)	**8,480**
Contingently issuable ordinary shares	**6,932**
Deferred cash consideration	**1,677**
Total consideration	**158,698**
Goodwill (note 11)	**90,803**

In accordance with IFRS 3 Business Combinations, the consideration paid in shares is based on the share price at the date on which the company obtained control of the PSH Group. The share premium amount is booked to the Merger Relief Reserve within the consolidated statement of financial position.

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 PSH Group acquisition is not deductible for tax purposes.

As part of the acquisition of PSH Group, XPS Pensions Group has been granted the right to use the "Punter Southall" brand on a royalty-free basis for a period of up to two years post acquisition.

Since the acquisition date, the PSHL Group has contributed £12,835,000 to group revenues and £2,774,000 to group profit after tax. If the acquisition had occurred on 1 April 2017, group revenue would have been £107,618,000 and group profit after tax for the period would have been £17,944,000.

Contingent consideration

The contingent consideration comprises up to 6,134,969 shares in the Group, payable to the vendors depending on the revenue performance of the combined Group over the 12 months to 31 March 2019. Based on the transaction date share price of £1.89, the maximum fair value of the earn-out shares is £11.6m. The fair value of the consideration of £6,932,000 has been determined by incorporating Group revenue forecasts through IRR cash flows.

The contingent shares which will be issued depend on the revenue outcome for the year ending 31st March 2019. The revenue must meet a minimum target before any shares are issued, and the shares issued will then be issued on a pro-rata basis up to a maximum of 6,134,969 shares.

At year end the contingent consideration was revalued using the year end share price. The discount was also unwound for the period since acquisition.

Deferred cash consideration

Deferred cash consideration of £1,677,000 relates to the fair value of acquired working capital and cash over and above the estimated amounts as set out in the Share Purchase Agreement as to be included within the upfront consideration. This will be paid in July 2018.

The net cash outflow in respect of acquisition comprised:

	£'000
Cash paid	**92,910**
Net cash acquired	**(4,024)**
Total cash outflow in respect of acquisition	**88,886**

Acquisition expenses

Costs relating to the acquisition of the PSHL Group totalled £3,683,000, and are included within exceptional costs.

3 Adjusted profit after tax from continuing operations

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit/(loss) from operating activities	**5,672**	(5,441)
Adjustments to administrative expenses		
Exceptional costs	**4,373**	2,959
Share-based payment cost	**3,614**	14,253
Amortisation of acquired intangible assets	**4,773**	3,716
Depreciation of tangible assets	**577**	628
Amortisation of software	**526**	361
	13,863	21,917
Other operating income	**(472)**	-
Adjusted EBITDA – Earnings before interest, tax, depreciation and amortisation, share-based payment costs, fair value adjustment of contingent consideration and exceptional costs	**19,063**	16,476
Depreciation of tangible assets	**(577)**	(628)
Amortisation of software	**(526)**	(361)
Finance income	**23**	475
Finance costs	**(1,473)**	(9,121)
Add back unamortised loan arrangement fees written-off as part of re-financing exercises	**220**	2,892
Add back unwinding of discount on contingent consideration	**195**	-
Adjusted profit before tax, amortisation of acquired intangible assets, share-based payment costs, fair value adjustment of contingent consideration and exceptional costs	**16,925**	9,733
Tax	**(1,230)**	558
Adjustments to tax		
Tax on exceptional costs	**(427)**	(192)
Tax on share-based payment costs equity settled from EBT	**(651)**	(2,863)
Tax on written-off loan arrangement fees	**(42)**	(579)
Less deferred tax not recognised	**-**	1,477
Deferred tax related to acquired intangibles	**(834)**	(648)
Adjusted profit after tax from continuing operations	**13,741**	7,486

Earnings have been adjusted for the tax impact of the adjusting items set out in note 3 by applying the statutory tax rate of 19%. Unrecognised deferred tax in respect of unutilised non-trading losses carried forward have been adjusted for as these would have been relieved had the adjusting items not occurred.

4 Exceptional costs

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Acquisition related costs	**3,683**	-
IPO costs	**-**	1,939
Professional indemnity related claim	**-**	500
Restructuring costs	**228**	520
Exceptional bonus settled from EBT in cash	**462**	-
Total	**4,373**	2,959

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.

Following the acquisition of the PSH Group, the Group has decided to split out the Pensions, Administration and Investment operating segments into three separate segments (previously these were included as one), to align reporting with the way the business is analysed internally.

Operating segments

Revenue from external customers	**Year ended 31 March 2018**	Year ended 31 March 2017
Pensions	**37,927**	31,550
Administration	**13,673**	7,286
Investment	**4,963**	3,972
National Pension Trust	**957**	682
SSAS and SIPP	**5,427**	4,967
Healthcare	**1,018**	1,033
Total - Continuing operations	**63,965**	49,490
HR Trustees – Discontinued operation	**2,073**	2,548
Total	**66,038**	52,038

6 Administrative expenses

Included in the operating profit/(loss) for the year are the following:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Expenses by nature		
Staff costs	**35,419**	37,886
Depreciation and amortisation	**5,876**	4,705
Operating lease costs	**870**	938
Premises costs (excluding rent under operating leases)	**1,374**	818
Exceptional costs	**4,373**	2,959
Other general business costs	**10,853**	7,625
Total	**58,765**	54,931

7 Finance income and expense

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Interest income on bank deposits	**23**	11
Income on interest rate swap valuation	**-**	464
Finance income	**23**	475
Interest expense on bank loans	**802**	4,509
Other costs of borrowing	**192**	806
Amortisation of loan arrangement fees written-off as part of re-financing exercises	**220**	2,892
Interest on finance leases	**12**	16
Other finance expense	**52**	32
Expense on interest rate swap valuation	**-**	866
Unwinding of discount on contingent consideration	**195**	-
Finance expenses	**1,473**	9,121

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

8 Income tax expense/(credit)

Recognised in the statement of comprehensive income

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Current tax expense		
Current year	**2,903**	(19)
Income tax payable by the EBT	**-**	353
Adjustment in respect of prior year	**16**	(30)
Total current tax expense	**2,919**	304
Deferred tax credit		
Origination and reversal of temporary differences	**(1,531)**	(677)
Total income tax expense/(credit)	**1,388**	(373)

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Continuing and discontinued operations:		
Income tax expense/(credit) from continuing operations	**1,230**	(558)
Income tax expense from discontinued operation (excluding gain on sale) (note 9)	**158**	185
	1,388	(373)

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit/(Loss) for the year	**11,828**	(12,791)
Total tax expense/(credit)	**1,388**	(373)
Profit/(loss) before income tax	**13,216**	(13,164)
Tax using the UK corporation tax rate of 19% (2017: 20%)	**2,511**	(2,633)
Non-deductible expenses	**378**	409
Gain on disposal not allowable	**(1,550)**	-
Deferred tax not recognised	**-**	1,477
Fixed asset differences	**17**	(29)
Income tax payable by the EBT	**-**	353
Adjustment in respect of prior periods	**16**	(30)
Amounts (charged)/credited directly to equity or otherwise transferred	**24**	-
Effect of tax rate change	**(8)**	80
Total tax expense/(credit)	**1,388**	(373)

The standard rate of Corporation tax in the UK was 19% (2017: 20%). 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 2018, which is not lower than 17% (2017: 17%).The deferred tax not recognised relates to finance expense losses in the previous year and their future recoverability is uncertain. At 31 March 2018 the total unrecognised deferred tax asset in respect of these losses was approximately £1.2m (2017: £1.5m).

9 Discontinued Operations

On 11 January 2018, the Group sold its 100% interest in HR Trustees Limited, as part of the deal with the Punter Southall Group for an agreed consideration of £8.5m which is based on an agreed multiple of normalised EBITDA.

Result of discontinued operations	**Year ended 31 March 2018 £'000**	*Year ended 31 March 2017 £'000*
Cash consideration received	**262**	-
Other consideration received (note 2)	**8,480**	-
Total consideration received	**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	**8,160**	-

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

Result of discontinued operations	**Year ended 31 March 2018 £'000**	*Year ended 31 March 2017 £'000*
Revenue to 11 January 2018 (2017 year ended 31 March 2017)	**2,073**	*2,548*
Expenses to 11 January 2018 (2017 year ended 31 March 2017)	**(1,239)**	*(1,625)*
Profit before tax	**834**	*923*
Tax expense	**(158)**	*(185)*
Gain from selling discontinued operations after tax	**8,160**	-
Profit for the year	**8,836**	*738*

Earnings per share from discontinued operations	**Year ended 31 March 2018 £**	*Year ended 31 March 2017 £*
Basic earnings per share	**0.06**	*0.01*
Diluted earnings per share	**0.06**	*0.01*

Statement of cash flows

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

	Year ended 31 March 2018 £'000	*Year ended 31 March 2017 £'000*
Operating activities	**741**	*1,157*
Net cash from discontinued operations	**741**	*1,157*

Adjusted profit before tax from discontinued operations:	**Year ended 31 March 2018 £'000**	Year ended 31 March 2017 £'000
Profit/(loss) from operating activities in discontinued operations	**834**	923
Adjustments to administrative expenses		
Exceptional costs	**-**	61
Depreciation of tangible assets	**2**	3
	2	64
Adjusted EBITDA – Earnings before interest, tax, depreciation and amortisation, share-based payment costs, fair value adjustment of contingent consideration and exceptional costs	**836**	987
Adjustments to administrative expenses		
Depreciation of tangible assets	**(2)**	(3)
Adjusted profit before tax, amortisation of acquired intangible assets, share-based payment costs and exceptional costs	**834**	984
Tax	**(158)**	(185)
Adjustments to tax		
Tax on exceptional costs	**-**	(12)
Adjusted profit after tax	**676**	787

10 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2017	1,028	636	894	2,558
Acquired through business combinations	-	-	11	11
Additions	34	190	17	241
Disposals	(2)	(193)	(1)	(196)
Balance at 31 March 2018	**1,060**	**633**	**921**	**2,614**
Accumulated depreciation				
Balance at 1 April 2017	498	324	394	1,216
Depreciation charge for the year	209	186	182	577
Disposals	(2)	(193)	(1)	(196)
Balance at 31 March 2018	**705**	**317**	**575**	**1,597**
Net book value				
Balance at 31 March 2017	530	312	500	1,342
Balance at 31 March 2018	355	316	346	1,017

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2016	896	1,190	943	3,029

Additions	132	187	125	444
Disposals	-	(741)	(174)	(915)
Balance at 31 March 2017	1,028	636	894	2,558
Accumulated depreciation				
Balance at 1 April 2016	309	785	406	1,500
Depreciation charge for the year	189	280	162	631
Disposals	-	(741)	(174)	(915)
Balance at 31 March 2017	498	324	394	1,216
Net book value				
Balance at 1 April 2016	587	405	537	1,529
Balance at 31 March 2017	530	312	500	1,342

The net book value of property, plant and equipment includes the following amounts held under finance lease: Office equipment: £22,000 (2017: £42,000). The depreciation charged in the year relating to these assets was £20,000 (2017: £20,000).

11 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2017	24,782	49,898	628	1,463	76,771
Acquired through business combinations	90,803	65,082	5,408	–	161,293
Additions	–	–	–	1,103	1,103
Disposals	–	–	–	(318)	(318)
Balance at 31 March 2018	**115,585**	**114,980**	**6,036**	**2,248**	**238,849**
Accumulated amortisation					
Balance at 1 April 2017	–	17,447	258	471	18,176
Amortisation for the year	–	4,118	655	526	5,299
Disposals	–	–	–	(318)	(318)
Balance at 31 March 2018	**–**	**21,565**	**913**	**679**	**23,157**
Net book value					
Balance at 1 April 2017	24,782	32,451	370	992	58,595
Balance at 31 March 2018	**115,585**	**93,415**	**5,123**	**1,569**	**215,692**

	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2016	24,782	49,898	628	1,008	76,316
Additions	–	–	–	732	732
Disposal	-	-	-	(277)	(277)
Balance at 31 March 2017	24,782	49,898	628	1,463	76,771
Accumulated amortisation					
Balance at 1 April 2016	–	13,794	195	387	14,376
Amortisation for the year	–	3,653	63	361	4,077
Disposals	-	-	-	(277)	(277)
Balance at 31 March 2017	–	17,447	258	471	18,176
Net book value					
Balance at 1 April 2016	24,782	36,104	433	621	61,940
Balance at 31 March 2017	24,782	32,451	370	992	58,595

At 31 March 2018, the remaining amortisation period for Customer relationships assets held at the start of the year was 6 years. The customer relationship asset acquired as part of the purchase of the PSHL Group of companies for the actuarial CGU will be amortised over 20 years, and for the administrative CGU over 10 years.

Impairment test

Goodwill represents the excess of the consideration over the fair value of the net assets acquired on the purchase of the subsidiary companies. In accordance with IFRS, this balance is not amortised and is subject to annual impairment reviews. Goodwill has been allocated to its cash generating units which comprises Xafinity Consulting Limited, Xafinity SIPP Services Limited, Xafinity Pensions Consulting Limited and their subsidiaries (CGU 1); Punter Southall Holdings Limited, PS Administration Holdings Limited, PS Administration Limited, Punter Southall Investment Consulting Limited, Punter Southall Limited (CGU 2); and PS Administration Holdings Limited, PS Administration Limited (CGU 3).

The cash generating unit at each year/period end was assessed on the basis of value in use using the following assumptions, which reflect past experience of the Group:

	2018			2017
	CGU 1	**CGU 2**	**CGU 3**	CGU 1
Discount rate pre-tax	**15%**	**12%**	**37%**	15%

Terminal value after period 8	**2.0%**	**2.0%**	**2.0%**	2.0%
Period on which detailed forecasts are based	**3 years**	**3 years**	**3 years**	3 years
Growth rate during detailed forecast period (average)	**5.3%**	**5.2%**	**47.3%**	5.5%
Growth rate applied beyond approved forecast period to year 8	**6.0%**	**4.4%**	**4.4%**	5.0%

The growth rate beyond the forecast period is based on a blend of average growth rates experienced by the Group and management's assessment of industry and macro-economic outlooks. Such forecast rates have been accurate in the past. Therefore the Directors believe they can be used.

The growth rate in CGU 3 of 47.3% is made up of revenue growth of 12.2% over the 3 year period and operating costs savings due to synergies of being part of the enlarged group.

Goodwill allocated to cash generating units:	**2018** **£'000**	2017 £'000
Goodwill – Xafinity Consulting Limited, Xafinity SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries (CGU 1)	**24,782**	24,782
Goodwill - PS Administration Holdings Limited, PS Administration Limited (CGU 3)	**11,564**	-
Goodwill - Punter Southall Holdings Limited, PS Administration Holdings Limited, PS Administration Limited, Punter Southall Investment Consulting Limited, Punter Southall Limited: (CGU 2)	**79,239**	-
	115,585	24,782

On 11 January 2018 the Group acquired 100% of the voting equity instruments of Punter Southall Holdings Limited, and its subsidiary entities PS Administration Holdings Limited, PS Administration Limited, Punter Southall Investment Consulting Limited, and Punter Southall Limited. Further details relating to this acquisition can be found in note 2.

On review, the Directors are satisfied that no impairment has taken place throughout the historical financial period.

Sensitivity analysis of assumptions

No sensitivity analysis has been performed on the Xafinity CGU business unit on the basis that there were no reasonably foreseeable changes in the above assumptions which would result in the recoverable amount falling below the carrying amount. Due to close proximity of the value in use calculation of the Punter Southall actuarial and administration CGUs to their acquisition, the headroom is not significant and therefore relatively small changes to any of the assumptions above would result in such headroom being reduced to zero.

12 Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Trade receivables	**16,382**	6,468
Less: provision for impairment of trade receivables	**(293)**	(229)
Net trade receivables	**16,089**	6,239
Accrued income	**9,498**	4,071
Total financial assets other than cash and cash equivalents classified as loans and receivables	**25,587**	10,310
Prepayments	**1,967**	1,902
Other receivables includes £186,000 (2017: £53,000) of capitalised loan arrangement fees	**410**	108
Total trade and other receivables	**27,964**	12,320

The carrying value of trade and other receivables classified as loans and receivables approximates to fair value.

13 Loans and borrowings

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 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**

31 March 2017	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
Senior Debt (secured)	—	—	15,000	15,000	15,000
Revolving Credit Facility	—	—	18,000	18,000	18,000
Capitalised Senior debt arrangement fees	—	(53)	(155)	(208)	(208)
Finance lease	22	28	9	37	59
Sub-total	22	(25)	32,854	32,829	32,851
Capitalised debt arrangement fees shown as current assets on balance sheet	(53)	—	—	—	(53)
Total	(31)	(25)	32,854	32,829	32,798

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

Terms and debt repayment schedule

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**

31 March 2017	Amount £'000	Currency	Nominal interest rate	Year of maturity
Senior Debt B	*15,000*	*GBP*	*1.75% above LIBOR*	*2022*
Revolving Credit Facility	*18,000*	*GBP*	*1.75% above LIBOR*	*2022*

At 31 March 2018 the Group held senior debt of £nil (2017: £15,000,000) and a drawn revolving credit facility of £55,750,000 (2017: £18,000,000).

At 31 March 2018 the Group had access to a further undrawn rolling facility loan in the amount of £24,250,000 (2017: £5,000,000). 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 Xafinity (Reading) Limited, Xafinity Consulting (Reading) Limited, Xafinity Consulting Limited (and its subsidiaries), Xafinity Pension Consulting Limited (and its subsidiaries), Xafinity SIPP Services Limited, and Punter Southall Holdings Limited (and its subsidiaries).

14 Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Trade payables	**963**	1,821
Accrued expenses	**8,105**	3,294
Interest payable	**138**	80
Total financial liabilities excluding loans and borrowings, classified as financial liabilities less amortised cost	**9,206**	5,195
Other payables – tax and social security payments	**2,415**	636
Other payables – VAT	**2,913**	1,072
Deferred income	**1,428**	1,207
Other payables	**679**	249
Total trade and other payables	**16,641**	8,359

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

15 Earnings per share

	Continuing operations 31 March 2018 £'000	**Discontinued operations 31 March 2018 £'000**	**Total 31 March 2018 £'000**	Continuing operations 31 March 2017 £'000	Discontinued operations 31 March 2017 £'000	Total 31 March 2017 £'000
Profit/(loss) for the year	**2,992**	**8,836**	**11,828**	(13,529)	738	(12,791)
	'000	**'000**	**'000**	'000	'000	'000
Weighted average number of ordinary shares in issue	**150,649**	**150,649**	**150,649**	102,510	102,510	102,510
Diluted weighted average number of ordinary shares	**155,414**	**155,414**	**155,414**	103,406	103,406	103,406
Basic earnings/(loss) per share (pence)	**2.0**	**5.9**	**7.9**	(13.2)	0.7	(12.5)
Diluted earnings/(loss) per share (pence)	**1.9**	**5.7**	**7.6**	(13.1)	0.7	(12.4)

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.

895,680 shares have been awarded to the executive board members and vest in 2020 subject to certain conditions. 1,838,776 shares were awarded during the year to key management personnel and vest in 2020 subject to certain conditions. A further 1,533,742 shares were awarded in January 2018 to key personnel within the acquired PS companies. These vest in 2021. Dividend yield shares relating to the above awards totaling 149,387 will also be awarded upon vesting of the main awards in 2020 and 2021 respectively. A further 200,355 shares have been issued under a SAYE share scheme, which will vest in 2020. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	Continuing operations 31 March 2018 £'000	**Discontinued operations 31 March 2018 £'000**	**Total 31 March 2018 £'000**	Continuing operations 31 March 2017 £'000	Discontinued operations 31 March 2017 £'000	Total 31 March 2017 £'000
Adjusted profit after tax (notes 2, 9)	**13,741**	**676**	**14,417**	7,486	787	8,273
Adjusted earnings per share (pence)	**9.2**	**0.4**	**9.6**	7.3	0.8	8.1
Diluted adjusted earnings per share (pence)	**8.9**	**0.4**	**9.3**	7.2	0.8	8.0

16 Dividends

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

	31 March 2018 £'000	31 March 2017 £'000
Final dividend for the year ended 31 March 2017: 0.73p per share (2016: Nil)	**986**	—
Interim dividend for the year ended 31 March 2018: 2.1p (2017: Nil) per ordinary share was paid during the year	**2,836**	—
	3,822	—

The recommended final dividend payable in respect of the year ended 31 March 2018 is £8.5m or 4.2p per share (2017: £1m).

The proposed dividend has not been accrued as a liability as at 31 March 2018 as it is subject to approval at the Annual General Meeting.

	31 March 2018 £'000	31 March 2017 £'000
Proposed final dividend for year ended 31 March 2018	**8,484**	1,000

The Company statement of changes in equity shows that the Company has positive reserves of £890,000. There are sufficient distributable reserves in subsidiary companies to pass up to XPS Pensions Group plc in order to pay the proposed final dividend.

Prior to declaring the payment of the interim dividend made on 8 February 2018, the board prepared interim accounts to 30 November 2017 for the parent company which showed that distributable reserves of £3,048,000 were available and sufficient to enable the payment of the dividend. However, due to an administrative oversight those interim accounts were not filed with the Register of Companies as required by S838(6) Companies Act 2006 and, as a result, the interim dividend paid is deemed an unlawful distribution. On becoming aware of this situation the board has taken steps to rectify this position as follows:

a) the interim accounts prepared, confirming sufficient distributable reserves were available at the time the dividend was declared by the board, have now been filed with the Registrar of Companies satisfying the requirements of S838(6) Companies Act 2006, and

b) at the forthcoming Annual General Meeting on 13th September shareholders will be asked to pass a special resolution:

- ratifying and confirming the payment of the unlawful dividend;

- releasing shareholders from claims by the company in relation to the unlawful dividend and directing the company to enter into a deed poll in respect of the same;

- providing that if the release is treated as a distribution that it be justified by reference to the profits at the time the unlawful dividend to which it relates was declared; and

- releases past and present directors from claims in relation to the unlawful dividend and directs the company to enter into a deed of release in respect of the same.

The directors have no reason to believe that the above resolution will not be passed at the Annual General Meeting and therefore have accounted for the interim dividend as a legal distribution in these financial statements.