

XPS Pensions Group plc

Final results for the year ended 31 March 2021

XPS Pensions Group plc (“XPS” or the “Group”), the Pensions Advisory and Administration business, is pleased to announce its full year results for the year ended 31 March 2021 (“FY 2021”).

Financial Highlights:

Continuing operations	FY 2021	FY 2020	Change YoY
Pensions Actuarial and Consulting Revenue	£60.7m	£58.8m	3%
Pensions Investment Consulting Revenue	£11.6m	£9.6m	21%
Total Advisory Revenue	£72.3m	£68.4m	6%
Pensions Administration Revenue	£46.8m	£42.9m	9%
Total Pensions Revenue	£119.1m	£111.3m	7%
SIP	£5.6m	£6.1m	(8%)
NPT	£3.2m	£2.4m	35%
Total Revenue	£127.9m	£119.8m	7%
Adj. EBITDA ⁽¹⁾	£32.0m	£30.4m	5%
Total profit before tax	£11.4m	£11.1m	3%
Basic EPS	4.4p	3.6p	22%
Adj. diluted EPS	9.8p	9.6p	2%
Full year dividend	6.7p	6.6p	2%

⁽¹⁾ Adjusted measures exclude the impact of acquisition related amortisation, share based payments, exceptional costs and the fair value adjustment to contingent consideration

- Total revenue growth of 7% driven by strong client demand across all Pensions divisions; organic growth of 6% YoY
 - Pensions Advisory growth of 6%, with each division growing – Actuarial & Consulting grew 3% and Investment Consulting by 21%
 - Pensions Administration grew by 9%
- Strong growth in NPT assets which passed through £1bn milestone during year
- Adjusted EBITDA⁽¹⁾ up 5% year on year broadly in line with revenue growth
- The Group did not take up any of the Government Covid-19 support loans nor did we furlough any of our staff
- High level of cash conversion maintained - operating cash-flow conversion of 113% leading to net debt/adjusted EBITDA⁽¹⁾ of 1.74x at 31 March 2021 (31 March 2020: 1.98x)
- Statutory profit before tax up 3% YoY
- Statutory basic EPS up 22% YoY
- Adjusted diluted EPS⁽¹⁾ of 9.8p is up 2% YoY
- Board proposes a final dividend of 4.4p bringing the total dividend for the year to 6.7p, up 2% YoY

Operational Highlights:

- Resilient response to Covid-19, with shift to home working implemented rapidly at the start of the year and strong client service maintained throughout
- Focus on staff wellbeing and mental health – winner of Gold award (overall winner) at the Business Culture awards and strong staff feedback / approval (94% agreeing XPS is a good place to work)
- Regulatory backdrop driving client demand, with GMP projects increasing as FY 2021 progressed and a strong pipeline developed for FY 2022. New Pensions Bill and associated regulatory changes should continue to drive demand
- New business wins in each division despite opportunities being suppressed by the pandemic with pipeline now growing. Favourable market backdrop - continued trend for first time outsourcing of administration
- New ‘post pandemic’ flexible approach to working developed, ‘My XPS, My Choice’, which has been warmly welcomed by staff and will be rolled out from 1 August 2021

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

“We are extremely pleased with the Group’s performance which was achieved against the backdrop of the pandemic, and all the challenges it created. Key to this was re-engineering business processes to support near 100% home working and we are enormously proud of how our staff rose to the challenge. Our focus throughout has been on their well-being and supporting their morale and mental health, as well as the well-being of our clients and other stakeholders. We did not make any redundancies as a result of the pandemic nor did we furlough any of our staff.

We have continued to adapt our working practices and invest in the business through the development of ‘My XPS My Choice’, a framework to provide more choice to our people about how they work going forward. We believe this will enhance our reputation as a great place to work, enabling us to continue to attract and retain talent in our business.”

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

“The performance during the year was pleasing, and I want to say a huge thank you to our staff for the resilience and resourcefulness they showed during the pandemic to ensure we continued to deliver strong client service throughout.

The outlook for the business is positive as we continue to invest in our people and services. In particular, we anticipate strong demand as we help clients address the challenging regulatory environment, including the pending overhaul of funding regulations, GMP equalisation and the consequences of the finalised CMA Review. Our growing new business pipeline also provides an opportunity for us to continue growing our market share.”

Outlook

The FY 2021 results demonstrate the resilience of our business, with a high proportion of our revenues being non-discretionary and recurring as they are received for essential services. As such, we remain well protected against scenarios in which the pandemic continues to disrupt economic activity.

Part of our strategy is to grow the services we provide to existing clients in response to regulatory and market changes where clients need support. At the current time, the volume of regulatory change is high across a variety of areas. A new Pensions Bill became law in early 2021 and is expected to lead to changes in the way that schemes are funded and regulated. This will impact each of our Advisory clients, and all will need support in due course. There are numerous other regulatory changes that we expect will lead to continued strong client demand, including working through GMP equalisation, which drives activity in both our Advisory and Administration businesses.

Another part of our strategy is to grow through gaining market share. After strong momentum at the end of FY 2020, new logo opportunities in the Pensions Actuarial & Consulting and Pensions Administration businesses slowed significantly during FY 2021 as processes were put on hold during the pandemic. This will impact the new business contribution to growth in the near-term - however we are seeing signs of the pipeline strengthening. New business opportunities in Pensions Investment Consulting have remained strong throughout, driven in part by the CMA Review remedies being implemented.

M&A is also a core part of our strategy. We have successfully integrated each of the three ‘bolt-on’ acquisitions we have done in recent years. We operate in a fragmented market, with a scalable platform and a strong infrastructure, and as such we are well placed to grow through further M&A.

Overall, the Group is well positioned to emerge from the pandemic and be able to take advantage of favourable end market dynamics and the busy regulatory backdrop for pensions. The Group is well placed to continue to deliver at least mid-single digit percentage organic growth in revenues over the medium term. The Group has traded in line with expectations in the first two months of the financial year.

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 08:30 a.m. (BST) via a Zoom webinar. Those analysts and investors wishing to attend are asked to contact Nick Hennis at Camarco on +44 (0)74 3210 4506 or at nick.hennis@camarco.co.uk.

-Ends-

For further information, contact:

XPS Pensions Group

Charlotte West +44 (0)20 3725 7024
Head of Corporate Communications

Liberum (Joint Broker) +44 (0)20 3100 2222
Richard Crawley

Robert Morton

Cameron Duncan

RBC Capital Markets (Joint Broker) +44 (0)20 7653 4000

James Agnew

Jonathan Hardy

Jamil Miah

Media Enquiries:

Camarco

Gordon Poole +44 (0)20 3757 4997

Nick Hennis +44 (0)74 3210 4506

Notes to Editors:

XPS Pensions Group plc is the largest pure pensions consultancy in the UK, specialising in pensions actuarial & consulting, pensions investment consulting and pensions administration. The XPS Pensions Group business combines expertise, insight and technology to address the needs of both pension trustees and sponsoring companies for over 1,500 pension schemes on an ongoing and project basis. These clients include 25 schemes with over £1bn of assets, and we undertake pensions administration for over 900,000 scheme members.

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 applicable law, regulation or stock exchange rules, the Group undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring after the date such statements are published.

CO-CHIEF EXECUTIVES' REVIEW

An unprecedented year

Our year began as the pandemic was unfolding and the country went into lockdown with all the associated uncertainty, so it is particularly pleasing to report a strong revenue performance, demonstrating the resilience of our business model and strong client base. Key to this was re-engineering the business processes to deliver with almost everyone working from home and we are enormously proud of how our staff rose to this challenge. Our focus throughout has been on their well-being – not only making sure they had the right technology to do their job but also on supporting their morale and mental health.

As the year rolled on, it became even more important to maintain momentum as many staff struggled with isolation and home schooling so our work with the Mental Health Foundation, and lots of initiatives aimed at creating a sense of togetherness, were critical to ensuring that our teams felt well looked after and that they continued to look after their clients successfully. Now there is a change of mood and a sense of excitement building as we look forward to society opening up again, and for us this is happening against both market and regulatory opportunities for the business.

To make sure we have a motivated and engaged workforce as we move into the next phase of our development, we are launching 'My XPS My Choice', a framework to let our people choose how they want to work going forward, whether in the office, at home or a hybrid. Our senior staff will have a responsibility to protect our social capital as we still need to engender teamwork, develop our junior staff and maintain our innovative culture but we want to offer choice and flexibility, measuring output not input and ensuring we are a modern 21st century employer.

We firmly believe that our culture translates directly into how we perform as a business so it was particularly satisfying to win not only the Best Business Culture Transformation Initiative at the Business Culture Awards 2020, but to also win the overall Gold Award for the entire event. External recognition of the importance we place on our culture and values was also reflected in the Gold award we won in the employee engagement category at the 2020 UK Employee Experience Awards.

A strong financial performance

Our results bear testament to the strength of our business. We provide essential services to clients and whilst we had to adapt to the challenges presented by the pandemic, we responded well. Total revenue increased 7% to £127.9 million (FY 2020: £119.8 million) driven by organic growth in all three pensions divisions along with the full year effect of the acquisitions of Royal London Corporate Pensions Services and Trigon Pensions.

Adjusted EBITDA increased 5% to £32.0 million and statutory profit before tax also increased 3% to £11.4 million. This is a pleasing outcome for the year, as it was delivered despite the challenges of Covid-19, which did impact on our efficiency in some areas of the business and also slowed some new business opportunities that we would otherwise have expected to see.

We saw growth in both of the consulting businesses that together make up our Advisory business. In Pensions Actuarial and Consulting, revenue was up 3% on last year at £60.7 million (FY 2020: £58.8 million), largely driven by new business won in 2020 coming on stream in H1 and growing activity on GMP equalisation in H2. In Pensions Investment and Consulting, strong growth reflected the excellent new business success we have been achieving for a sustained period of time, and also strong client demand for advice in volatile financial markets. Revenues increased by 21% to £11.6 million (FY 2020: £9.6 million). The expansion of this team is yielding results as we now have the scale to target bigger mandates, with a number of large mandates won in H2 that will help us to continue to grow in this area.

In Pensions Administration, revenue increased by 9% to £46.8 million (FY 2020: £42.9 million), underpinned by new contracts won prior to the pandemic coming on stream.

We also saw strong growth in National Pensions Trust ('NPT'), our defined contribution master trust. Assets under management grew by 69%, to over £1.0bn, with growth underpinned by transfers into the trust and annual contributions in respect of active members. We are continuing to invest in the NPT proposition and have a healthy pipeline of opportunities.

Our SIP business saw revenues decline by 8%, caused by the reduction in the bank base rate at the beginning of the pandemic, and the decline in economic activity over the year. However, the underlying performance of the business was good, with strong new business momentum in H2, and it is well placed to achieve organic growth in the coming year.

Regulation continues to drive change

Our clients are facing multiple changes in pension regulation and we will continue to work closely with them to help them comply with the evolving environment and protect the interests of their members. The most significant area of new regulation is the Pensions Schemes Act 2021 which will bring in new funding requirements and provide greater safeguards for defined benefit schemes. These regulations will increase the pressure on many scheme-sponsors and keep pensions high on the corporate agenda.

The outcome of the Competition and Markets (CMA) Review continues to drive opportunities in the area of fiduciary management oversight. During FY 2021, we won 32 new appointments to provide independent oversight of fiduciary appointments. These appointments are pleasing in their own right, and also because they build new relationships that potentially open up wider opportunities for the Group.

Another increasingly busy area is GMP equalisation, where recent court cases have given rise to the need to make adjustments to defined benefit schemes where historically men and women have not been treated equally. This is a highly technical area and we have developed market leading, pragmatic approaches that have both successfully delivered projects in FY 2021 and have generated a strong pipeline of work for the years ahead.

Market developments provide potential opportunity

There are still a number of pension schemes where the administration is provided by the sponsor through an 'in-house' team. In recent years there has been a trend to outsource the administration of these schemes to a specialist third party provider. This has been a strong driver of growth for the Pensions Administration division historically.

The pandemic made it harder still for small in-house teams to provide pensions administration which could potentially accelerate the outsourcing trend of recent years as scale becomes more important to control costs and provide access to technology.

The trend to consolidation and mergers within the industry continues and as one of the largest independent firms in the market, we are well placed to benefit from these market dynamics.

Delivering on our strategic priorities

Whilst we have seen some deferral of new business activity and discretionary projects as trustees and sponsors focused on dealing with the pandemic, we continued to make good progress on delivering our strategic priorities. Our ambition is to become the pre-eminent independent mid-tier pensions consulting firm and the XPS brand and footprint means we now offer a clearly differentiated alternative to the 'Big 3'.

We continue to broaden our services both in relation to defined benefit schemes, where we deployed our member profiling techniques to help clients understand the potential impact of Covid-19 on pension scheme longevity, and defined contribution schemes where we have developed a variety of new services aimed at supporting clients with the changing regulatory backdrop. Ongoing investment in our award winning software, Radar, yielded benefits for both clients and the business, gaining external recognition once again, winning 'Actuarial Software of the Year' for the second year running.

With the exception of the Investment Consulting division where we achieved a strong new business performance, winning new clients has been slower during the year due to the pandemic. Despite this, we have still achieved success where opportunities have arisen. In Pensions Administration, we were delighted to win the first time outsourcing of a £2bn+ defined benefit scheme from the IT sector, and we will take on this role early in our new financial year. In early 2021, we were appointed as Actuarial and Investment advisors to a £2.5bn+ defined benefit scheme in the hospitality sector. The market is beginning to open up again and our pipeline is strengthening - these wins and our prior track record give us confidence that we will continue to gain market share during the year ahead.

It was a strong year for NPT, with 69% year on year growth in assets to over £1bn, driven by transfers in, contributions and investment returns. This is another area of the business where we continue to invest in technology to develop a market leading platform for the future.

The two businesses we acquired in 2019, Trigon and Royal London Corporate Pensions Services, were successfully bedded in during the year and are now fully integrated and delivering positive returns. Further growth through M&A remains a strategic priority. We look for transactions that will be a good cultural fit, easy to integrate, and with a strategic upside. A good example of this is the Kier Pensions Unit in 2018, which boosted our presence

in the public sector administration market. This continues to open further opportunities for us, and we were delighted this year to win the all-Wales Police pensions administration contract.

People

We have assembled a strong and experienced management team that has served the business well during these uncertain times. We are grateful for their perseverance and commitment as the pressures of the year ebbed and flowed and for the resilience and flexibility of all our people - they deserve our heartfelt thanks.

In addition to Sophia Singleton who joined us as Head of Defined Contribution, a further key appointment during the year was the recruitment of our first Chief Information Officer, Jonathan Marchant, who joined us from Paypoint in May 2021. Jonathan will have a broad remit to drive all aspects of our technology agenda, from cyber-security to innovation in how we deliver services to clients.

This was the inaugural year for our Values in Practice Awards, celebrating people and teams who have gone above and beyond in the way they looked after each other and clients and truly embodied our values. One of the highlights of the year was reading through the more than 80 submissions nominating teams and individuals – it made us hugely proud to see so many examples of people truly rising to the challenges the pandemic had thrown at us. Presenting the awards to the winners was a hugely enjoyable and somewhat emotional moment for all involved.

Building a sustainable business

As our business grows, our ambition is to ensure that we do so in a responsible and sustainable way. We recognise that this is a journey and we are working on embedding principles of ESG and sustainability throughout XPS with a strong focus on collaboration and robust governance.

We have a strong societal purpose to help make pension schemes safe and secure for the members who will rely on them for financial security in later life. We continue to deploy innovative solutions and use of proprietary technology to achieve better outcomes for our clients and pension scheme members. We aim to be a good corporate citizen and participate in industry debates to shape better policies and more effective governance of our industry.

We also work very hard to protect and enhance the wellbeing of our employees, and this guides our decision-making. When the pandemic struck, our priority from the beginning was the safety and well-being of our colleagues, clients and other stakeholders. We worked hard to ensure we could support our clients whilst at the same time keeping our people in good spirits, well supported and with a strong feeling of inclusion and togetherness. We understood that everyone was facing challenges, but everyone's challenges were different.

We sent weekly voice messages to all staff providing a personal update about how things were. XPS produced bespoke videos on all aspects of working from home, on mindfulness, positivity, sleep and simple practical things to help; we put in place policies to support people. We did not furlough anyone, re-deploying staff where necessary. Colleagues who could not work because of Covid-19 – directly or indirectly because of looking after vulnerable dependents, or for childcare reasons – remained on full pay so they could concentrate on what they needed to do.

We created XPS communities around things we all love such as films, music, or exercise. To help during the depths of winter and lockdown 3, we even offered staff a 3-month Netflix subscription to help them through the dark nights at home.

In our annual staff survey, 94% of our people agreed that we are a good company to work for and, as mentioned above, in November we won the Business Culture Award Gold Award for our commitment and success in inclusive culture and values.

Our environmental journey continues - we have ambitious goals and are developing plans to make us carbon neutral in the future. The re-engineering of the business processes undertaken during the past year has given us a more sustainable foundation to take this forward.

We have established a Board Sustainability Committee that is responsible for the sustainability strategy and providing oversight of the Group's performance against the sustainability framework. The Sustainability Committee is chaired by Non-Executive Director Sarah Ing and further details of its composition and activities can be found on our website and on pages 16 to 20 of the annual report.

Outlook

The FY 2021 results demonstrate the resilience of our business, with a high proportion of our revenues being non-discretionary and recurring as they are received for essential services. As such, we remain well protected against scenarios in which the pandemic continues to disrupt economic activity.

Part of our strategy is to grow the services we provide to existing clients in response to regulatory and market changes where clients need support. At the current time, the volume of regulatory change is high across a variety of areas. A new Pensions Bill became law in early 2021 and is expected to lead to changes to the way that schemes are funded and regulated. This will impact each of our Advisory clients, and all will need support in due course. There are numerous other regulatory changes that we expect will lead to continued strong client demand, including working through GMP equalisation, which drives activity in both our Advisory and Administration businesses.

Another part of our strategy is to grow through gaining market share. After strong momentum at the end of FY 2020, new logo opportunities in the Pensions Actuarial & Consulting and Pensions Administration businesses slowed significantly during FY 2021 as processes were put on hold during the pandemic. This will impact the new business contribution to growth in the near-term - however we are seeing signs of the pipeline strengthening. New business opportunities in Pensions Investment Consulting have remained strong throughout, driven in part by the CMA Review remedies being implemented.

M&A is also a core part of our strategy. We have successfully integrated each of the three 'bolt-on' acquisitions we have done in recent years. We operate in a fragmented market, with a scalable platform and a strong infrastructure, and as such are well placed to grow through further M&A.

Overall, the Group is well positioned to emerge from the pandemic able to take advantage of favourable end market dynamics and the busy regulatory backdrop for pensions. The Group is well placed to continue to deliver at least mid-single digit percentage organic growth in revenues over the medium term. The Group has traded in line with expectations in the first two months of the financial year.

FINANCIAL REVIEW

It was another strong year of growth for the business as Group revenues grew 7% year on year with 6% organic growth year on year. Adjusted EBITDA grew 5% year on year translating into a 17% increase in adjusted operating cash-flow. Statutory profit before tax grew 3% year on year.

The business adapted well to remote working in response to the Covid-19 pandemic and the financial results are a testament to the hard work and dedication of all our colleagues as they continued to serve clients well and looked after each other. During what has been an incredibly challenging year for all, we are proud to have stood by our colleagues and continued to serve all our stakeholders. We did not furlough any staff or make any pandemic related redundancies and neither did we take up any other financial help on offer from Government, other than the automatic deferral of the VAT payment at the start of the pandemic which applied to all companies in the UK.

Significant accounting matters

Adjusted numbers

We continue to show “adjusted” numbers in our results to better reflect the underlying business performance. The “adjusted” numbers exclude exceptional and non-trading items such as the amortisation of acquired intangible assets as well as share-based payment costs. The exceptional and non-trading items are disclosed in the notes to the financial statements. This alternative performance measure may not be similar to those defined by other entities but help to explain the progress within the underlying business.

Group income statement

	FY 2021 £m	FY 2020 £m	Change %
Revenue			
Pensions Actuarial & Consulting	60.7	58.8	3%
Pensions Investment Consulting	11.6	9.6	21%
Total Advisory	72.3	68.4	6%
Pensions Administration	46.8	42.9	9%
SIP	5.6	6.1	(8%)
NPT	3.2	2.4	35%
Total Revenue	127.9	119.8	7%
Adj. EBITDA ⁽¹⁾	32.0	30.4	5%
Depreciation & Amortisation	(4.9)	(4.2)	(17%)
Adj. EBIT ⁽¹⁾	27.1	26.2	3%
Exceptional & non-trading items	(13.9)	(12.8)	(9%)
Net finance expense	(1.8)	(2.3)	22%
Profit before tax	11.4	11.1	3%
Income tax expense	(2.4)	(3.7)	34%
Profit after tax	9.0	7.4	22%

⁽¹⁾ Adjusted measures exclude the impact of exceptional and non-trading items: acquisition related amortisation, share based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence.

Revenue

Total Group revenues grew 7% year on year with all divisions apart from SIPP achieving year on year growth.

Pensions Actuarial and Consulting is the Group’s largest business. Despite the challenges of working from home as well as a lack of new business pitches in the first half of the year owing to the pandemic, the division achieved 3% year on year growth in revenues.

Pensions Investment Consulting had another strong year with a number of new client mandates as well as continued growth in FM oversight appointments following the CMA ruling in 2019. Revenues in this division grew 21% year on year.

Pensions Administration revenues grew 9% year on year with a number of new client wins coming on stream during the year. Pensions Administration accounted for 37% of the Group revenues (FY 2020: 36%).

SIP revenues were down 8% on prior year, primarily due to the reduction in the bank base rate. The National Pensions Trust ('NPT') business has performed well with revenue growing 35% year on year; with a faster-than-expected recovery in asset prices, as well as additional asset transfers; total assets under management are now over £1.0 billion.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 8% or £7.4 million year on year. The main drivers for the cost increases are an increase in headcount as the business grows (1,325 FTE v 1,203 last year), continued investment in IT (particularly cyber security), higher bonus cost in light of the strong financial performance and the full year impact of the two bolt-on acquisitions in FY 2020. This was partially offset by lower travel and entertainment costs.

As a result, the Group's adjusted EBITDA grew by 5% year on year. Adjusted EBITDA margin was 25%; (FY 2020: 25%). Statutory profit before tax grew by 3% year on year.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £13.9 million (FY 2020: £12.8 million). Amortisation of acquired intangible assets amounted to £6.6 million (FY 2020: £7.1 million). Share based payment charges were £4.9 million (FY 2020: £2.2 million) driven mainly by a higher expectation of vesting compared to the prior year. Exceptional costs arising as a result of the Covid-19 pandemic were £2.0 million (FY 2020: £0.3 million). £1.0 million of this was spent on providing IT equipment such as laptops, monitors etc. to all our staff, some of whom were entirely office based prior to the pandemic. The other £1.0 million is a non-cash charge for significantly higher than normal holiday pay accrual as the holiday cycle was disrupted by the pandemic and a higher than normal level of holiday was carried forward at the end of the holiday year in December 2020. The holiday pay accrual will unwind during FY 2022 and the resulting benefit will also be shown within exceptional items as a credit in FY 2022. Restructuring costs of £0.4 million (FY 2020: £1.9 million) were incurred on the integration of bolt on acquisitions completed in the prior year. The Group also incurred corporate transaction costs of £0.2 million (FY 2020: £0.9 million) in the year. This was partially offset by an exceptional credit of £0.4m in respect of the contingent consideration no longer payable for the Trigon acquisition.

Tax credit on the exceptional and non-trading items was £2.3 million (FY 2020: £0.1 million).

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

Net finance costs

Net finance costs for the year were £2.0 million (FY 2020: £2.4 million). The decrease reflected the lower net debt in the year, and the reduction in the bank base rate.

Taxation

A tax charge of £4.7 million (FY 2020: £3.8 million) was recognised on adjusted profits (before exceptional and non-trading items) which represents an effective tax rate of 19% (FY 2020: 16%). The Group also recognised a tax credit of £2.3 million (FY 2020: £0.1 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £2.4 million (FY 2020: £3.7 million). The tax credit on exceptional and non-trading items was only £0.1m in FY 2020 due to an increase in the enacted tax rate from 17% to 19% and the related revaluation of deferred tax liabilities on the Group's intangible assets. The increase in corporation tax expected in FY 2024 to 25% will drive an increase in tax charges in FY 2022, once the rate has been enacted as the deferred tax liabilities are revalued at the higher rate.

Our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 March 2021, we paid corporation tax of £3.3 million (FY 2020: £3.5 million); we collected employment taxes of £22.8 million (FY 2020: £19.7 million) and VAT of £20.2 million (FY 2020: £16.5 million). Additionally, we have paid £1.2 million (FY 2020: £1.1 million) in business rates. The total tax contribution of the Group was therefore £47.5 million (FY 2020: £40.8 million).

EPS

The Basic EPS for FY 2021 is 4.4p (FY 2020: 3.6p). The year on year increase is mainly due to the higher profits as well as a higher tax credit of £2.3m on exceptional and non-trading items in FY 2021.

Adjusted fully diluted EPS of 9.8p was delivered in FY 2021 (FY 2020: 9.6p), an increase of 2% year on year.

Dividend

A final dividend of 4.4p is being proposed by the Board (FY 2020: 4.3p). The final dividend, if approved, which amounts to £9.0m (FY 2020: £8.8m), will be paid on 23 September 2021 to those shareholders on the register on 27 August 2021.

Cash flow, capital expenditure and financing

Non-GAAP cash-flow	31 Mar 2021 £m	31 March 2020 £m
Operating		
Adjusted EBITDA	32.0	30.4
Change in net working capital	4.9	0.6
Other	(0.7)	(0.1)
Adjusted operating cash-flow	36.2	30.9
<i>OCF conversion</i>	<i>113%</i>	<i>102%</i>
Financing & tax		
Net finance expense	(2.1)	(1.8)
Taxes paid	(3.3)	(3.5)
(Repayment of) / Proceeds from new loans	(11.5)	13.3
Repayment of lease liabilities	(2.6)	(2.0)
Share related movements	(3.4)	0.3
Net cash-flow after financing	13.3	37.2
Investing		
Acquisition (net of disposals)	(0.2)	(7.1)
Capex	(2.9)	(3.4)
Restricted cash (NPT)	(0.5)	(0.3)
Net cash-flow after investing	9.7	26.4
Dividends paid	(13.4)	(13.4)
Exceptional items	(2.1)	(4.1)
Movement in cash	(5.8)	8.9
Net debt	50.4	56.1
Leverage	1.74x	1.98x

FY 2021 has been another year of strong cash performance for the Group. Adjusted operating cash flow increased by £5.3 million driven by a £1.6 million increase in EBITDA and a £4.3 million improvement in net working capital. Other items were an outflow of £0.7 million compared to an outflow of £0.1 million in FY 2020. Overall, this resulted in adjusted operating cash flow conversion of 113% compared to 102% in the prior year.

Taxes paid in the year were £0.9 million higher than the income statement charge due to the current year tax credit in relation to exceptional items in the year which is largely a deferred tax.

During the year, the Group repaid £11.5 million of the RCF. Capital expenditure in the year amounted to £2.9 million (FY 2020: £3.4 million) with £0.7 million spent on leasehold improvements and office fit-outs and the remaining £2.2 million on IT equipment and software enhancements.

After paying £13.4 million in dividends and £2.1 million of exceptional costs, the Group cash balance decreased by £5.8 million year on year to close at £8.6 million. The Group had drawn down £59 million of its £80 million RCF at 31 March 2021, resulting in a net debt of £50.4 million, a decrease of £5.7 million year on year.

The existing revolving credit facility (RCF) of £80 million matures in December 2022. In June 2020 an additional £10 million was agreed with the lending banks in order to provide the Group with greater financial flexibility to navigate the potential challenges posed by the Covid-19 crisis. This additional facility was not required and was exited in March 2021.

Going concern

Details on the Directors continuing to adopt the going concern basis in preparing the Financial Statements can be found in the Viability Statement in the Strategic Report in the Annual Report. The Directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Subsidiary undertakings

The subsidiary undertakings of the Group in the year are listed in note 34 in the Annual Report.

Snehal Shah
Chief Financial Officer

23 June 2021

Principal Risks and Uncertainties

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

Over the last year our risk management frameworks have been fundamental to enabling us to react effectively to the Covid-19 pandemic. The controls in place allowed us to support the pivot to higher numbers of staff working from home, whilst maintaining the protections in place to continue to serve our clients in a robust manner. These controls were reviewed throughout the year and have been enhanced to address the changes in the external threat environment such as the worldwide increase in phishing and ransomware attacks. Whilst parts of our supply chain were impacted we had sufficient resilience designed and in place to ensure we maintained our high levels of service to our clients and the members we support, whilst at the same time protecting our staff.

In addition to this we have continued to develop our overall risk management capabilities to improve our ability to detect, understand and manage our risks. Significant developments since the last report include:

- The appointment of a Head of Assurance who is responsible for co-ordinating the assurance activities within the Group (AAF, ISO etc.) and ensuring opportunities to enhance controls are effectively implemented.
- The re-appointment of PwC to support the internal audit programme, as agreed with the Audit and Risk Committee.
- The introduction of a new Third Party Assurance framework, which tiers suppliers and uses risk-based questionnaires to validate the appropriate controls frameworks are in place.
- The embedding of the Executive level Risk Management Committee to monitor existing risks, discuss new risks and agree prioritisation of mitigation activities.
- The expansion of the dedicated Information Security team, including the introduction of several additional technical security enhancements.
- The development of the Environmental Management System to manage our impact on the environment and support SECR and TCFD reporting.

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

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

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

- Political/ Economic/ Social - Risks created by the political, economic/ financial and social environment in which we operate, e.g. war, demographic trends, pandemics, Government influence on business, currency changes, market volatility, interest rates, liquidity.
- Competition - Risks of change on demand side of business due to changes in customer demands or competitors, likely to influence entire industry e.g. aggressive competitor pricing, consolidation trends, major technological innovation, substitute technologies. These changes may not directly affect the Group but could influence the entire industry.
- Legal and Regulatory - Risks associated with the criminal and civil judicial processes and contract law e.g. not identifying changes required by new legislation, increased litigation in a particular field, environmental impacts, industrial accidents.

The material risks and uncertainties which are either unique to the Group or apply to the pensions industry in which we operate are detailed below. They are not set out in any priority order, nor do they include all those associated with the Group. Specific risks that are material to XPS Group are:

Principal Risk	Description	Key Mitigations
Strategy	Risks linked to the assumptions of future development and size of pensions market used to develop the strategy or business model or business portfolio, e.g. poor data, group think, lack of diversity of opinions.	The Board approves and regularly reviews the Group's strategy in conjunction with budgets, targeting long term increases in shareholder value and ensuring robust independent challenge. Key decisions are assessed against risk appetites for key Group risks with a Risk Management framework in place to identify and escalate where strategic decisions may have unintended impacts.
Strategic Planning and Execution	Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications, poor management of change or projects.	The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates. Specific project management resources are used to deliver large scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations.
Financial performance	Risks relating to the failure to monitor and appropriately manage the financial performance of the Group on an ongoing basis which could lead to poor management decisions, higher costs and/or inaccurate external financial reporting	The Group has a highly qualified and experienced financial reporting team. There is an extensive financial controls framework in place and key controls are regularly reviewed by internal and external audits. The Group undertakes detailed bottom-up budgeting and reforecasting exercises with the final budget and reforecast approved by the Board. Management information is published on a regular basis and the Executive Committee reviews the financial performance of the Group at least monthly. The Board receives and scrutinises financial performance of the Group at each Board meeting.
Errors	Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly, not following peer review processes.	The Group recruitment process ensures only high calibre staff are recruited who are then supported by training programmes. Staff use standardised documented processes and checklists for key processes. Higher risk work is identified with peer review and additional signoff required, with regular quality audits to confirm processes are being followed correctly. Insurance arrangements are in place to limit the loss should an error occur, with root cause analysis used to identify where controls can be improved.
Theft and Fraud (Financial, Physical Assets)	Risks relating to the safeguarding of Group and Client financial and physical assets from malicious actors e.g. stealing physical assets, deliberate misrepresentation leading to fraud, theft from Group or Client bank accounts.	The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to preventing individuals from making fraudulent payments or transfers. These controls are supported with staff vetting, training and awareness and are regularly independently audited. Insurance arrangements are in place to protect against larger claims.
Information/ Cyber Security	Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. Unauthorised access or disclosure of staff or client information, denial of access to systems or data required, business continuity incidents caused by equipment breakdown/ fire/ flood.	The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This includes a range of technical controls, a dedicated Information Security Team, and a 24/ 7 Security Operations Centre. These are supported by regular independent audits and penetration tests. All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with regular training initiatives, e.g. Phishing Awareness.

		The Group has a range of Business Continuity capabilities in place to minimise impact of incidents impacting the Groups' data, facilities or systems. These include documented plans which are tested regularly.
Staff/ Human Resources	Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence, management capability.	The Group's recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer term incentives in place to aid retention. Regular key staff reviews ensure succession planning is kept up to date and remains appropriate. Staffing requirements are considered as part of strategy and budgeting process to ensure alignment with business plans.
Third Party Supplier/ Outsourcing	Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures, financial failure of supplier resulting in inability to deliver service.	The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party. The approvals and signing framework also ensure contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLA's and financial status. Where there is a reliance on a single supplier, contingency plans are in place to protect against failure.
Client Engagement	Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client, poorly presented or using out of date technologies, but not errors.	The Group client engagement process ensures that expectations are matched to Group capabilities. Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs. Client surveys are used to gather feedback and identify trends and insights.
Business Conduct and Reputation	Risks that could lead to a breach of acceptable conduct or ethics and/or impact the Group's brand, image or reputation, failure to ensure services are appropriate for client's needs, discrimination, poor response to a Cyber Incident or client complaint.	The Group's Mission, Vision and Values clearly set out the tone from the top, highlighting to all staff the conduct and ethics that are expected from them at all times. This is supported by a recruitment strategy that seeks professional, experienced and qualified staff who fit with Groups values. Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected. The Group has an Incident Management processes in place to ensure that it is able to effectively respond to significant events that could impact its brand or reputation, which is regularly tested.

Covid-19 (Coronavirus)

The outbreak of the Covid-19 virus significantly altered normal business operating conditions during 2020. The Group adapted its operations in order to keep staff safe and was able to continue client servicing without interruption. Our existing business continuity plans and technology infrastructure ensured a resilient response to the pandemic was possible. All staff have been subject to home working periods and throughout have maintained our client service and other obligations. The Executive Covid-19 Crisis Team was convened at the outset of the pandemic to oversee key decisions and continues to meet on a regular basis to agree and co-ordinate the mitigating actions required. Assessment of the potential impacts of Covid-19 on the Group's principal risks has been regularly completed, with oversight from the Risk Management Committee and input from the Audit and Risk Committee. Although the external conditions created significant challenges, our strong control environment and prompt management actions has resulted in resilient and stable residual risk positions across the organisation's risk profile. There is still uncertainty with regard to the medium- and long-term consequences of Covid-19, particularly with regard to the potential implications for markets and economies. The Group continues to review the external environment and monitor any potential horizon risks.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks are those listed above. The Directors do not believe there to be any additional emerging risks that are not already addressed within the principal risks and uncertainties section.

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

Paul Cuff

Co-chief Executive Officer

23 June 2021

Ben Bramhall

Co-chief Executive Officer

23 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF XPS PENSIONS GROUP PLC ON THE PRELIMINARY STATEMENT OF ANNUAL RESULTS

As the independent auditor of XPS Pensions Group plc we are required by UK Listing Rules to agree to the publication of the company's preliminary statement of annual results for the year ended 31 March 2021 which includes the Financial Highlights, the Operational Highlights, the Co-Chief Executives' Review, Financial Review, Principal Risks and Uncertainties, and summarised financial statements.

Use of our report

This report and our auditor's report on the company's financial statements are made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 and the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we have agreed to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for our auditor's report on the financial statements or this report, or for the opinions we have formed.

Responsibilities of directors and auditor

The directors of the company are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules. We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with the requirements of UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of the company is complete and we signed our auditor's report on 23 June 2021. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our auditor's report on the full financial statements contained the following information regarding key audit matters and how they were addressed by us in the audit, our application of materiality and the scope of our audit.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises the Parent Company, seven trading subsidiaries, all of which are considered to be significant components, and five intermediate holding companies all based in the United Kingdom, together with a Jersey based trust company controlled by the Parent Company, which contains the Group's Employee Benefit Trust. Full scope audits of all entities were carried out by the Group audit team given the statutory audit requirements for all components.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition		
The accounting policy for	The Group generates revenue from pension advisory,	We identified the Group's revenue streams and tested that the related revenue recognition policy is in

<p>revenue is disclosed in note 1 of the consolidated financial statements.</p> <p>The segmental information relating to Group revenue is disclosed in note 7 to the consolidated financial statements.</p>	<p>administration and investment consulting services as well as providing SSAS and SIPP services.</p> <p>Accounting standards require the identification of the separate performance obligations embedded in a contract, and the allocation of the transaction price to these performance obligations. Revenue is only recognised when performance obligations have been met. Identification of the separate performance obligations and price allocation is complex and involves judgement. There is a risk that incorrect revenue is recognised due to the judgements involved in the application of the applicable accounting standards.</p> <p>The significant revenue risk revolves around the existence and valuation of revenue residing within accrued income at the year-end for the Pensions, Advisory and Consulting streams.</p> <p>Billing occurs monthly, quarterly or, in the case of SSAS services, annually. Services may be billed in arrears, as in the case of pensions advisory work noted above, or in advance as is the case with SSAS revenue. The manual nature of the SSAS deferral creates a significant risk in the calculation of the deferred income element of this revenue.</p> <p>Whilst not considered part of the significant risk, completeness of revenue is considered, particularly where revenue is captured based on the timecard system. There is a risk that incomplete revenue is recorded within the accounting system.</p>	<p>accordance with the requirements of the applicable accounting standards.</p> <p>We reviewed revenue transactions to identify transactions which are outside the normal revenue cycle. We then agreed a sample of any such transactions to underlying documentation to gain an understanding of the transaction and check that the related revenue had been appropriately recognised.</p> <p>We tested a sample of revenue transactions for each material income stream by agreeing back to timecard data, invoice and receipt of payment to check the existence of revenue and that it was accurately recorded.</p> <p>We agreed a sample of accrued income to pre year-end timecard data to check existence of revenue. We tested the recoverability of a sample of accrued income through to its subsequent billing and cash receipt. For any unpaid items we considered the recoverability of these by reference to customers' payment trends historically.</p> <p>We tested deferred income on a sample basis by re-calculating deferrals based on invoice amounts and periods to which they relate, agreeing consistency of these periods year on year, agreeing these to supporting documentation and reviewing SSAS income for revenue deferrals not made.</p> <p>Where contracts exist, for a sample we have checked that revenue is being recognised in accordance with the terms of the contract as well as the requirements of applicable accounting standards.</p> <p>We tested the completeness of timecards recorded within the timecard system and the subsequent recognition of related revenue by reconciling the timecards recorded to the amounts billed and written off, agreeing any material exceptions noted to underlying support. In addition, completeness of timecards is addressed through our data analytics testing by identifying outliers for example missing employees.</p> <p>Key observations: Our testing did not identify any material misstatements in the amount of revenue recognised or issues with the revenue recognition policy and judgements made.</p>
---	--	--

<p>Going concern</p> <p>The accounting policy for going concern is disclosed in note 1 of the consolidated financial statements.</p>	<p>Due to the level of judgement applied by management in their going concern assessment as a result of the ongoing Covid-19 pandemic, we considered going concern to be a key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> - Assessing the Directors' going concern assessment and forecasts including the reasonableness of their assumptions applied and reverse stress case sensitivities using our knowledge of the business; - Assessing the reasonableness of the underlying forecast model against the Directors' historical forecast accuracy, including an assessment of the period to May 2021 actuals against budget; - Reviewing the terms and period of the Group's bank facility agreement and consideration of the sufficiency of the facility available; - Considering the Group's compliance with banking covenants and related headroom in light of the Directors' reverse stress test assessment; - Considering the options available to management to mitigate the impact of reverse stress test scenarios and whether such actions are within their control; and - Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure and the forecasts and reverse stress test assessment prepared by the Directors. <p>Key observations:</p> <p>Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.</p>
---	--	---

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	£568,000	£546,000	£240,000	£240,000
Basis for determining materiality	5% of profit before tax		42% of Group materiality	44% of Group materiality
Rationale for the benchmark applied	We determined profit before tax as our benchmark for materiality on the basis that profit before tax is a key performance indicator used by the market.		Capped at 42% (2020: 44%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	£404,000	£382,000	£168,000	£168,000
Basis for determining performance materiality	70% of overall materiality based on our knowledge of the Group and Parent Company, history of errors in previous periods and management's attitude to proposed adjustments			

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% to 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £6,500 to £540,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £23,000 (2020: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Procedures performed to agree to the preliminary statement of annual results

In order to agree to the publication of the preliminary statement of annual results of the company we:

- checked the accuracy of extraction of the financial information in the preliminary statement from the audited financial statements of the company;
- considered whether any "alternative performance measures" and associated narrative explanations may be misleading; and
- read the management commentary and considered whether it is in conflict with the information that we have obtained in the course of our audit.

Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
23 June 2021

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

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	Year ended 31 March 2021			Year ended 31 March 2020			
		Trading items	Non-trading and exceptional items	Total	Trading items	Non-trading and exceptional items	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3	127,931	–	127,931	119,753	–	119,753
Other operating income		–	421	421	–	–	–
Administrative expenses		(100,848)	(14,092)	(114,940)	(93,488)	(12,824)	(106,312)
Profit/(loss) from operating activities		27,083	(13,671)	13,412	26,265	(12,824)	13,441
Finance income	4	3	–	3	8	–	8
Finance costs	4	(1,857)	(188)	(2,045)	(2,378)	–	(2,378)
Profit/(loss) before tax		25,229	(13,859)	11,370	23,895	(12,824)	11,071
Income tax (expense)/credit	5	(4,741)	2,334	(2,407)	(3,812)	140	(3,672)
Profit/(loss) after tax and total comprehensive income/(loss) for the year		20,488	(11,525)	8,963	20,083	(12,684)	7,399
Memo							
EBITDA		32,011	(7,124)	24,887	30,430	(5,671)	24,759
Depreciation and amortisation		(4,928)	(6,547)	(11,475)	(4,165)	(7,153)	(11,318)
Profit/(loss) from operating activities		27,083	(13,671)	13,412	26,265	(12,824)	13,441
		Pence		Pence	Pence		Pence
Earnings per share attributable to the ordinary equity holders of the Company:		Adjusted		Adjusted	Adjusted		Pence
Basic earnings per share	7	10.0	–	4.4	9.9	–	3.6
Diluted earnings per share	7	9.8	–	4.3	9.6	–	3.6

Consolidated Statement of Financial Position

	Note	31 March 2021 £'000	31 March 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment		3,197	3,017
Right-of-use assets		12,228	12,965
Intangible assets		204,784	210,601
Deferred tax assets		767	669
Other financial assets		1,780	1,300
		222,756	228,552
Current assets			
Trade and other receivables		34,635	34,708
Cash and cash equivalents		8,623	14,432
		43,258	49,140
Total assets		266,014	277,692
Liabilities			
Non-current liabilities			
Loans and borrowings	6	58,876	70,186
Lease liabilities		9,612	10,269
Provisions for other liabilities and charges		1,678	1,550
Deferred income tax liabilities		16,390	17,561
		86,556	99,566
Current liabilities			
Lease liabilities		2,458	2,538
Provisions for other liabilities and charges		1,384	1,543
Trade and other payables		25,140	19,349
Current income tax liabilities		1,410	994
Deferred consideration		-	757
		30,392	25,181
Total liabilities		116,948	124,747
Net assets		149,066	152,945
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		103	102
Share premium		116,797	116,797
Merger relief reserve		48,687	48,687
Investment in own shares held in trust		(2,563)	(529)
Accumulated deficit		(13,958)	(12,112)
Total equity		149,066	152,945

Consolidated Statement of Changes in Equity

for the year ended 31 March 2021

	Share capital	Share premium	Merger relief reserve	Investment in own shares	Accumulated deficit	Total equity/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	102	116,795	48,687	(167)	(9,014)	156,403
Comprehensive income and total comprehensive income for the year	-	-	-	-	7,399	7,399
Contributions by and distributions to owners:						
Share capital issued	-	2	-	-	-	2
Dividends paid (note 8)	-	-	-	-	(13,412)	(13,412)
Shares purchased by Employee Benefit Trust for cash	-	-	-	(499)	-	(499)
Share-based payment expense – equity settled from Employee Benefit Trust	-	-	-	137	637	774
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	-	-	-	-	2,132	2,132
Deferred tax movement in respect of long-term incentives	-	-	-	-	146	146
Total contributions by and distributions to owners	-	2	-	(362)	(10,497)	(10,857)
Balance at 31 March 2020	102	116,797	48,687	(529)	(12,112)	152,945
Balance at 1 April 2020	102	116,797	48,687	(529)	(12,112)	152,945
Comprehensive income and total comprehensive income for the year	-	-	-	-	8,963	8,963
Contributions by and distributions to owners:						
Share capital issued	1	-	-	-	-	1
Dividends paid (note 8)	-	-	-	-	(13,480)	(13,480)
Dividend equivalents paid on exercised share options	-	-	-	-	(441)	(441)
Shares purchased by Employee Benefit Trust for cash	-	-	-	(3,170)	-	(3,170)
Share-based payment expense – equity settled from Employee Benefit Trust	-	-	-	1,136	(973)	163
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	-	-	-	-	4,082	4,082
Deferred tax movement in respect of long-term incentives	-	-	-	-	3	3
Total contributions by and distributions to owners	1	-	-	(2,034)	(10,809)	(12,842)
Balance at 31 March 2021	103	116,797	48,687	(2,563)	(13,958)	149,066

Consolidated Statement of Cash Flows

for the year ended 31 March 2021

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
	Note	
Cash flows from operating activities		
Profit for the year	8,963	7,399
<i>Adjustments for:</i>		
Depreciation	974	856
Depreciation of right-of-use assets	2,892	2,567
Amortisation	7,609	7,895
Finance income	4 (3)	(8)
Finance costs	4 2,045	2,378
Share-based payment expense	4,082	2,132
Other operating income	(421)	–
Income tax expense	5 2,407	3,672
	28,548	26,891
Increase in trade and other receivables	(36)	(1,100)
Increase in trade and other payables	6,040	1,284
Decrease in provisions	(373)	(78)
	34,179	26,997
Income tax paid	(3,304)	(3,539)
Net cash inflow from operating activities	30,875	23,458
Cash flows from investing activities		
Finance income received	4 3	8
Acquisition of subsidiaries, net of cash acquired	(336)	(7,544)
Disposal of healthcare business	104	427
Purchases of property, plant and equipment	(1,154)	(2,021)
Purchases of software	(1,743)	(1,377)
Increase in restricted cash balances – other financial assets	(480)	(300)
Net cash outflow from investing activities	(3,606)	(10,807)
Cash flows from financing activities		
Proceeds from the issue of share capital net of share issue costs	1	2
Proceeds from new loans net of capitalised costs	–	13,250
Repayment of loans	(11,500)	–
Payment relating to extension of loan facility	(188)	–
Sale of own shares	163	774
Purchase of ordinary shares by EBT	(3,170)	(499)
Interest paid	(1,562)	(1,630)
Lease interest paid	(335)	(197)
Payment of lease liabilities	(2,566)	(2,046)
Dividends paid to the holders of the parent	(13,480)	(13,412)
Dividend equivalents paid on exercise of share options	(441)	–
Net cash outflow from financing activities	(33,078)	(3,758)
Net (decrease)/increase in cash and cash equivalents	(5,809)	8,893
Cash and cash equivalents at start of year	14,432	5,539
Cash and cash equivalents at end of year	8,623	14,432

In the Consolidated Financial Statements for the year ended 31 March 2020, depreciation of right-of-use assets had been included within amortisation. The prior year column above has been restated to show this amount on a separate line.

Additionally, there have been prior year adjustments to provisions and trade and other receivables relating to an insurance reimbursement asset. The prior year movements for these categories have been restated to reflect this. This adjustment is within net assets in the Statement of Financial Position and there is no change in the previously reported total net assets or reserves.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2021

1 Accounting Basis

The financial information set out in this document does not constitute the Company's statutory accounts for the years ended 31 March 2021 or 31 March 2020. Statutory accounts for the year ended 31 March 2021, which were approved by the directors on 23 June 2021, and 31 March 2020 have been reported on by the Independent Auditors. The Independent Auditor's report on the Annual Report and Financial Statements for years ended 31 March 2021 or 31 March 2020 were unqualified, did not draw attention to a matter by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2021 will be delivered to the Registrar of Companies in due course and will be posted to shareholders shortly, and thereafter will be available from the Company's registered office at Phoenix House, 1 Station Hill, Reading, RG1 1NB and from the Company's website www.xpsgroup.com.

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, and International Financial Reporting Standards and Interpretations adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 March 2020. New standards, amendments and interpretations to existing standards effective for the first time for periods beginning on (or after) 1 April 2020, which have been adopted by the Group have not been listed, since they have no material impact on the financial statements.

2 Non-trading and exceptional items

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Corporate transaction costs ¹	(226)	(870)
Restructuring costs ²	(367)	(1,904)
Settlement of historical contractual dispute	–	(381)
Other exceptional costs ³	(2,028)	(336)
Exceptional items	(2,621)	(3,491)
Contingent consideration write back ⁴	421	–
Share-based payment costs ⁵	(4,924)	(2,180)
Amortisation of acquired intangibles ⁶	(6,547)	(7,153)
Exceptional finance costs ³	(188)	–
Non-trading items	(11,238)	(9,333)
Total before tax	(13,859)	(12,824)
Tax on adjusting items ⁷	2,334	140
Adjusting items after taxation	(11,525)	(12,684)

¹ Costs associated with aborted acquisitions of £226,000 (2020: £870,000 relating to acquisitions by the Group).

² Costs related to the integration of prior year acquisitions of £367,000 (2020: £1,904,000, which also included costs relating to exiting the IT transitional services agreement linked to the Punter Southall acquisition in January 2018).

³ Other exceptional costs of £2,028,000 were incurred as a result of one off impact of Covid-19 on the business. This includes an increase in holiday pay accrual due to higher carry forward of annual leave by employees of £966,000 (2020: £nil), one off costs incurred in enabling home working for all employees (mainly IT costs) of £966,000 (2020: £265,000), and dual running costs relating to a delayed office move of £96,000 (2020: £71,000). £188,000 of exceptional finance costs (2020: £nil) were incurred in renegotiating the covenants and additional £10 million RCF in light of the Covid-19 pandemic. The non-cash charge for the holiday pay accrual arose as the holiday cycle was disrupted by the pandemic and a higher than normal level of holiday was carried forward at the end of the holiday year in Dec 2020. It is expected that a significant proportion of the holiday pay accrual will reverse out in the year ending 31 March 2022, as the Group has changed its holiday policy in the year to align the holiday year with the accounting year and as a result there will be no cash outflow in respect of this charge. The reversal of the accrual in the next financial year will also be treated as an exceptional credit. Due to its one off nature, the size of the holiday pay accrual in the year ended 31 March 2021 as well as the corresponding reversal

in the next financial year, it is deemed appropriate to disclose the amount separately from the underlying business performance.

⁴ Contingent consideration revaluation credit of £421,000 relating to the reduction in the deferred cash-settled consideration for the Trigon acquisition (2020: £nil).

⁵ Share-based payment expenses are included in non-trading and exceptional costs as they are a significant non-cash cost which are excluded from the results for the purposes of measuring performance for PSP awards and dividend amounts. Additionally, the largely non-cash charges go directly to equity and so have a limited impact on the reserves of the Group. They are therefore shown as a non-trading item to give clarity to users of the accounts on the profit figures that dividends and PSP performance are based on.

⁶ During the year the Group incurred £6,547,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2020: £7,153,000).

⁷ The tax credit on non-trading and exceptional items of £2,334,000 (2020: £140,000) represents 17% (2020: 0%) of the non-trading and exceptional items incurred of £13,858,000 (2020: £12,824,000). This is different to the expected tax credit of 19% (2020: 19%), as not all non-trading and exceptional items are allowable for tax.

3 Operating segments

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

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Pensions Actuarial & Consulting	60,687	58,802
Pensions Administration	46,813	42,945
Pensions Investment Consulting	11,585	9,551
National Pension Trust ('NPT')	3,239	2,393
SIPP ¹	5,607	6,062
Total	<u>127,931</u>	<u>119,753</u>

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

4 Finance income and expense

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest income on bank deposits	3	8
Finance income	3	8
Interest expense on bank loans	1,171	1,746
Other costs of borrowing	317	315
Interest on leases	340	288
Other finance expense	29	29
Finance expenses – trading	1,857	2,378
Exceptional finance costs (note 2)	188	–
Finance expenses	2,045	2,378

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

5 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current tax expense		
Current year	3,785	3,687
Adjustment in respect of prior year	(112)	(549)
Total current tax expense	3,673	3,138
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(1,266)	534
Total income tax expense	2,407	3,672

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit for the year	8,963	7,399
Total tax expense	2,407	3,672
Profit before income tax	11,370	11,071
Tax using the UK corporation tax rate of 19% (2019: 19%)	2,160	2,103
Non-deductible expenses	1,002	225
Other operating income not taxable	(80)	-
Fixed asset differences	(85)	-
Adjustment in respect of prior periods	(112)	(549)
Amounts credited directly to equity or otherwise transferred	3	146
Excess relief on exercise of share options	(481)	(7)
Effect of tax rate change	-	1,754
Total tax expense	2,407	3,672

The standard rate of corporation tax in the UK was 19% (2020: 19%). Deferred tax assets and liabilities have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2021, which is not lower than 19% (2020: 19%). Deferred tax not recognised relates to finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2021 the total unrecognised deferred tax asset in respect of these losses was approximately £1.2m (2020: £1.2m).

The Chancellor has confirmed an increase in corporation tax from 19% to 25% in the March 2021 budget. This is to take effect from 1 April 2023. As this rate was substantively enacted post year end, no adjustment has been made to the deferred tax values in these financial statements. This will however affect deferred tax rates in future years.

6 Loans and borrowings

	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years (non-current) £'000	Sub-total £'000	Total £'000
31 March 2021					
Drawn Revolving Credit Facility	—	59,000	—	59,000	59,000
Capitalised debt arrangement fees	—	(124)	—	(124)	(124)
Sub-total	—	58,876	—	58,876	58,876
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	—	—	—	(186)
Total	(186)	58,876	—	58,876	58,690

	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years (non-current) £'000	Sub-total £'000	Total £'000
31 March 2020					
Drawn Revolving Credit Facility	—	—	70,500	70,500	70,500
Capitalised debt arrangement fees	—	(186)	(128)	(314)	(314)
Sub-total	—	(186)	70,372	70,186	70,186
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	—	—	—	(186)
Total	(186)	(186)	70,372	70,186	70,000

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

Terms and debt repayment schedule

31 March 2021	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility – A	38,000	GBP	1.5% above LIBOR	2022
Revolving Credit Facility – B	21,000	GBP	1.5% above LIBOR	2022

31 March 2020	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility – A	38,000	GBP	1.75% above LIBOR	2022
Revolving Credit Facility – B	32,500	GBP	1.75% above LIBOR	2022

At 31 March 2021, the Group had drawn down £59,000,000 (2020: £70,500,000) of its £80,000,000 Revolving Credit Facility. The Revolving Credit Facility available to the Group was increased by £10,000,000 to £90,000,000 in June 2020 due to uncertainties arising from the Covid-19 pandemic, this additional £10,000,000 was not required and was therefore cancelled in March 2021.

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

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

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

The Group is in the early stages of discussions on refinancing, as the current facility ends in December 2022. It is expected that this process will be completed by the next balance sheet date, and so the new facility will be based on a replacement rate for LIBOR. It is not yet known what that rate will be.

7 Earnings per share

	31 March	31 March
	2021	2020
	£'000	£'000
Profit for the year	8,963	7,399

	'000	'000
Weighted average number of ordinary shares in issue	204,392	203,301
Diluted weighted average number of ordinary shares	209,850	208,219
Basic earnings per share (pence)	4.4	3.6
Diluted earnings per share (pence)	4.3	3.6

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

Share awards were made to the Executive Board members and key management personnel in each year since the year ending 31 March 2017, these are subject to certain conditions, and each tranche of awards vest 3 years after the award date. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in the years ending 31 March 2018 and 2019, these will vest in the years ending 31 March 2021 and 2022 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	Total	Total
	31 March	31 March
	2021	2020
	£'000	£'000
Adjusted profit after tax (note 6)	20,488	20,083
Adjusted earnings per share (pence)	10.0	9.9
Diluted adjusted earnings per share (pence)	9.8	9.6

8 Dividends

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

	31 March 2021 £'000	31 March 2020 £'000
Final dividend for the year ended 31 March 2020: 4.3p per share (2019: 4.3p per share)	8,795	8,738
Interim dividend for the year ended 31 March 2021: 2.3p (2020: 2.3p) per ordinary share was paid during the year	4,685	4,674
	13,480	13,412

The recommended final dividend payable in respect of the year ended 31 March 2021 is £9,025,000 or 4.4p per share (2020: £8,800,000).

The proposed dividend has not been accrued as a liability as at 31 March 2021 as it is subject to approval at the Annual General Meeting.

	31 March 2021 £'000	31 March 2020 £'000
Proposed final dividend for year ended 31 March 2021	9,025	8,835

The Trustee of the Xafinity Employee Benefit Trust has waived its entitlement to dividends.

The Company statement of changes in equity shows that the Company has positive reserves of £12,555,000. Therefore there are sufficient distributable reserves in XPS Pensions Group plc in order to pay the proposed final dividend.

9 Cautionary statement

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 applicable law, regulation or stock exchange rules, 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.