25 November 2021

XPS Pensions Group plc

Unaudited interim results for the half year ended 30 September 2021

Strong revenue growth, and a sustainable future

Financial highlights:

Half year ended 30 September	**2021**	**2020**	**YoY**
Pensions Actuarial and Consulting	£30.9m	£29.0m	7%
Pensions Investment Consulting	£6.8m	£5.4m	26%
Total Advisory	**£37.7m**	**£34.4m**	**10%**
Pensions Administration	£24.7m	£22.7m	9%
SIP	£2.8m	£2.9m	(3%)
NPT	£2.1m	£1.4m	50%
Total Group revenue	**£67.3m**	**£61.4m**	**10%**
Adjusted EBITDA[1]	£15.5m	£14.7m	5%
Profit before tax	£7.1m	£2.8m	154%
Basic EPS	0.7p	1.0p	(30%)
Adjusted diluted EPS	**4.5p**	**4.3p**	**5%**
Net debt	£55.3m	£51.3m	(8%)
Interim dividend	2.4p	2.3p	4%

(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. See note 3 for further details.

- High levels of client activity and new business wins drove 10% organic growth in Group revenues to £67.3 million
- Advisory revenue growth of 10% comprised:
    - Fourth consecutive half year of YoY growth in Pensions Actuarial and Consulting revenues (+7% YoY)
    - Continued strong double digit growth in Investment Consulting revenues (+26% YoY)
- Pensions Administration revenue growth of 9% YoY driven by new client wins coming on stream and project work
- SIP revenues down 3% YoY as expected due to the bank base rate reductions but underlying SIP sales have grown
- NPT assets under management (AUM) up 49% YoY to c.£1.2 billion and combined with recovery in asset prices driving 50% YoY increase in revenues
- Investment in headcount and increases in certain central costs mean adjusted EBITDA of £15.5 million is up 5% YoY
- Statutory profit before tax of £7.1m is up 154%, reflecting both the revenue growth as well as an exceptional credit and lower non-trading items during the period (£4.9 million; 2020: £8.5 million)
- Net debt/adjusted EBITDA of 1.87x as at 30 September 2021 (2020: 1.78x)
- New RCF of £100 million on a four-year term in place to support growth
- Interim dividend of 2.4 pence (2020: 2.3 pence) per share declared by the Board up 4% YoY

Operational highlights:

- Strong revenue growth, driven by high client demand due to the combination of favourable regulatory backdrop and GMP equalisation projects starting to progress
- 'New logo' wins across all business lines including winning large new clients to provide specialist GMP equalisation support
- Landmark new win in corporate advisory sector during October 2021, appointed to advise BT Group plc
- Strong brand, enhanced by industry awards - 'Pensions Actuarial Consulting Firm of the Year' and 'Investment Consulting Firm of the Year'
- New business pipeline has now fully recovered with 'Market Force' initiative continuing to create opportunities – both our industry awards and high-profile wins have created a strong tailwind for the group
- Additional resource brought on board to meet high client demand and deliver growth, with continued investment to capitalise on client opportunities
- Strong focus on ESG within the business continued, notable milestones achieved:
    - Became signatory to the FRC's Stewardship Code in the period
    - Achieved full carbon neutrality (Scope 1, 2 and 3 emissions) in November 2021

Outlook

We are pleased with our results for the first half, and we anticipate that full year results will be in-line with the Board's expectations. We anticipate that the current high levels of client activity will continue, and we are delighted that not only has our new business pipeline returned to pre-pandemic levels but that we are also winning high profile clients. We remain confident of the medium and longer term opportunities for the group.

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

"We are pleased with the performance of the Group in the first half of the year. We kept innovating and developing our solutions, to assist clients against a backdrop of regulatory change in wide ranging areas. Client activity levels were high, and this combined with bringing some new client wins on board contributed to strong growth in Group revenues, all of which was organic.

As the half year progressed, we saw our new business pipeline strengthen and the level of new business activity has now fully recovered. We are delighted to have won a number of new clients over the period, and the partnership agreement we recently signed with BT Group plc on its pensions strategy is very exciting. Credentials like this, when combined with the industry awards we have recently won, make us optimistic about our ability to continue to win new clients.

At XPS, ESG is high on our agenda. We have a sustainable business model, in which we play an important societal role in supporting the provision of long-term financial security for millions of people. We are proud to announce that we have further demonstrated our commitment to the ESG agenda by becoming a net carbon neutral business with immediate effect – offsetting our Scope 1, 2 and 3 emissions. Whilst this has been achieved largely through supporting UN approved renewable energy projects, we are actively implementing practical ways in which we permanently reduce our overall carbon footprint.

We remain very excited about the role we play in supporting our clients and future opportunities which lie ahead. Our people are at the heart of our business and we would like to thank all of our employees for the excellent ways in which they continue to support our clients and each other."

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 9:30 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)20 3781 8330 or at nick.hennis@camarco.co.uk.

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Notes to Editors:

XPS Pensions Group plc is the one of the largest pure pensions consultancy in the UK, specialising in pensions actuarial & consulting, 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 more than 40 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 the Listing Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward looking statements to reflect events or developments occurring after the date such statements are published.

Co-CHIEF EXECUTIVES' REVIEW

We are pleased with the revenue growth of 10% achieved by the Group, which is entirely organic, and reflects the positive momentum we are carrying. Continued regulatory changes coupled with our client centric solutions have meant a high demand for our services. In particular, our forward order book on GMP equalisation work which is strong, and work in this area is expected to deliver revenue of over £4.5 million for the Group in this financial year alone. Our new business pipeline is as busy if not more so than it was pre-pandemic.

In order to deliver this growth and meet client demand, we have recruited more people, and we will continue to do so. The market for high quality people is very competitive, but as an employee centric organisation that wins awards for its culture, we are well placed to attract the people we need. In the first half, staff costs have grown in line with revenue in each of our core business units. However, some central costs, notably relating to professional indemnity insurance and investments in IT and cyber security have grown at a higher rate, which mean that the growth in our profit in the period is marginally below the growth in our revenue. We are actively investing in projects that will make us more efficient in our delivery, and we see other long term savings emerging over time as we adapt to new flexible working models that require reduced office space.

A purpose led and sustainable business

At XPS, our core purpose is to shape and support sustainable workplace pension schemes, and to ensure that the valuable benefits that members of those schemes build up are secure. All of us need long term financial security in our later life, and we are here to play our part in making that a reality for the members of schemes we advise and administer. As such, we meet a very important societal need. We are delivering on this well – during the first half we won both 'Pensions Actuarial Consulting Firm of the Year' and 'Investment Consulting Firm of the Year' at the UK Pensions Awards.

At the same time, we are also a sustainable business in terms of our culture and our governance. We are employee centric, and actively work to build and maintain a culture that is diverse and inclusive. We are recognised for this; last year we won the overall Gold Award at the UK Business Culture Awards. Our governance standards are high; we have strong control frameworks throughout our business, and we help clients to design and implement their own too. In September, we were proud to announce that our Investment Consulting business became a recognised signatory to the FRC's UK Stewardship Code. More widely, we actively support pension scheme trustees to progress their ESG agenda, assisting them in investing billions of pounds in sustainable investments.

The final piece of this ESG jigsaw as it relates to us directly is the impact we have on our environment. We have all been watching COP26 on our television screens in recent weeks, as world leaders seek to find solutions to the climate crisis that threatens the future of all of us. It seems increasingly unlikely that individuals and governments on their own will solve the challenges faced, and the business community needs to step up and do all we can. That is why we are delighted to be able to say that XPS Pensions Group became a net carbon neutral business, with effect from November 2021.

We have achieved this through a program of investing in high quality, UN approved carbon offset schemes. We have invested to offset not just our own Scope 1 and Scope 2 emissions, but also our Scope 3 emissions. Crucially, we have calculated our emissions based on our carbon footprint pre-pandemic, to ensure we cover our 'normal' emissions rather than the reduced level during lockdowns.

This is not the end of the journey for us, and we recognise carbon offsets are only part of the solution. We are working to reduce our carbon footprint through a range of initiatives, and we will actively encourage our suppliers to do the same. However, we are proud of what we have been able to achieve.

The market opportunity for XPS

We operate in a highly visible, large, long dated market. We provide consulting and administration services to defined benefit schemes, whose liabilities will run off over many decades. We also provide administration and consulting services, and our own master trust solution, in the defined contribution space, which is growing and evolving.

Delivering on our strategy

Our strategy has four key pillars. We comment on each below:

<u>Regulatory change as a driver for activity</u>

A core part of our business model is that regulatory or financial market changes that affect our clients generally mean that clients need our support to adjust to the changing environment. Currently, there is a higher volume of regulatory change working through our industry than at any time in the last 15 years.

For example, we are working with clients on GMP equalisation, and saw this make a positive contribution to H1 revenue. It will take the industry many years to implement the necessary changes and our pragmatic approach to this highly technical and complex topic has been appreciated by clients. We are also supporting clients adapt to the requirements of the Pension Schemes Act 2021 which are starting to come into effect. This Act includes enhanced powers for the Pensions Regulator which will put pensions higher up the corporate agenda, the introduction of TCFD requirements to larger schemes and additional requirements for Trustees to help protect members from pension scams. Looking ahead, a new Single Code of Practice is expected to be published in 2022 which will likely further increase the governance requirements on Trustees, together with a new Funding Code which will impact the way that pension schemes are funded. These are all areas on which clients will need our support.

There is also regulatory change in the defined contribution market. Our clients typically face a decision to improve the governance of their arrangements, or to move to a consolidator. We are well placed to provide support on whichever route is chosen, through our growing defined contribution consulting practice, or through our own consolidation vehicle, National Pension Trust (NPT). NPT had a strong half year, with assets increasing by 49% year on year to over £1.2bn.

<u>Growth through expanding services</u>

The second strategic pillar is to expand what we do for existing clients. We have had a busy half year in this regard. For example, we are now providing Defined Contribution consulting services to an increasing number of clients.

We are investing in our Trustee secretarial services and recently appointed a Head of Trustee and Governance Services to drive this forward. We also continue to invest in our risk transfer offering with additional functionality within our Radar actuarial software, and we are very pleased to have made a strategic hire in this area to bolster our growth who will join us next year. This new hire joins us from a senior role at arguably the market-leading firm in this space.

<u>Growing market share</u>

The third pillar of our strategy is growing market share by winning 'new logo' clients. During the pandemic, we saw our new business pipeline reduce, as client churn across the industry reduced. We are pleased that this effect is over, and our new business pipeline has fully recovered with good opportunities across all our service lines. We are increasingly seeing our 'market force' initiative, which targets large pension schemes in our market, producing opportunities.

We had some very pleasing new business wins in the first half. In Advisory (comprising Pension Actuarial and Pension Investment Consulting) and Pension Administration we won numerous new appointments on large schemes. We also generated significant traction with our offering on GMP equalisation. We have developed a market leading approach in this area, and during the half year we won appointments on a number of large schemes to carry out this work, including new clients. Winning this work is positive in its own right and importantly it also opens up wider cross-sell opportunities with our new client.

Finally, we were particularly pleased to announce recently that we have won a contract to provide wide ranging support to BT Group plc on its ongoing pensions strategy. This is a prestigious appointment, with BT being the sponsor of multiple pension schemes, including the largest private sector pension scheme in the UK. It is a landmark win for us and provides real validation of the market position of our Company as a highly credible provider on the biggest opportunities.

<u>Growth through M&A</u>

We continue to see opportunities in the fourth area of our strategy, which is to grow through M&A. Our approach to growth through M&A remains disciplined with focus on strong cultural alignment, enhancing capabilities and cross sell opportunities.

Outlook

We are pleased with our results for the first half, and we anticipate that full year results will be in-line with the Board's expectations. We anticipate that the current high levels of client activity will continue, and we are delighted that not only has our new business pipeline returned to pre-pandemic levels but that we are also winning high profile clients. We remain confident of the medium and longer term opportunities for the group.

Financial Review

Half year ended 30 September	2021	2020	Change YoY
Revenue	£67.3m	£61.4m	10%
Adj. Administration expenses[(1)]	(£51.8m)	(£46.7m)	(11%)
Adj. EBITDA[1]	**£15.5m**	**£14.7m**	**5%**
Adj. Depreciation & amortisation[(1)]	(£2.7m)	(£2.4m)	(13%)
Adj. operating profit [(1)]	**£12.8m**	**£12.3m**	**4%**
Exceptional and non-trading items	(£4.9m)	(£8.3m)	41%
Operating profit	**£7.9m**	**£4.0m**	**98%**
Net finance expense (underlying)	(£0.8m)	(£1.0m)	20%
Net finance expense (exceptional)	-	(£0.2m)	n/a
Profit before tax	**£7.1m**	**£2.8m**	**154%**
Tax	(£5.8m)	(£0.7m)	(729%)
Profit after tax	**£1.3m**	**£2.1m**	**(38%)**
Basic EPS	0.7p	1.0p	(30%)
Adj. diluted EPS	**4.5p**	**4.3p**	**5%**
Interim dividend	2.4p	2.3p	4%

(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.

Group revenue

Total Group revenue for the six months ended 30 September 2021 was up 10% year on year to £67.3 million (2020: £61.4 million). Within that:

Pension Actuarial and Consulting

Continuing regulatory changes have driven high client activity, with a growing contribution from GMP equalisation. This has driven a 7% YoY increase in revenues to £30.9 million (2020: £29.0 million). The new business pipeline within Pensions Actuarial and Consulting has recovered to the pre-pandemic level and we have had a number of high profile wins which will contribute to growth in H2 and beyond.

Pension Investment Consulting

It has been a very successful half year in terms of new business wins which, combined with new business wins from H2 of FY21, has helped revenues grow 26% YoY to £6.8 million (2020: £5.4 million). We have continued to bolster the team and the number of fee earners were up to 83 from 68 a year ago. Average revenue per fee earner has increased 10% year on year.

Pension Administration

Revenues have grown 9% year on year to £24.7 million (2020: £22.7 million) on the back of significant new client wins as well as demand for GMP equalisation work. Number of members under administration are c.950,000 and average fee per member has grown 8% year on year.

SIP

Reduction in the Bank base rate compared to a year ago is the cause of a modest 3% fall in revenues to £2.8 million (2020: £2.9 million). Underlying SIP sales have grown and the number of SIPP schemes at 30 September 2021 is up 10%.

NPT

AUM is up to £1.22 billion (2020: £0.8 billion); a 49% increase year on year driving a 50% increase in revenues to £2.1 million (2020: £1.4 million).

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 11% or £5.1 million year on year. Factors contributing to the cost growth include higher number of employees from ongoing recruitment, higher bonus accrual commensurate with trading performance, higher IT security costs and higher PI insurance costs.

Adjusted EBITDA

Adjusted EBITDA of £15.5 million is up 5% YoY (2020: £14.7 million).

Exceptional and non-trading items

During the half year ended 30 September 2021 the Group incurred the following exceptional and non-trading charges:

- Amortisation of acquired intangibles of £3.3 million (2020: £3.3 million);
- Share based payment charge of £2.3 million (2020: £3.9 million);
- Covid-19 related exceptional credit of £0.8 million (2020: cost of £1.0 million) resulting from the unwinding of the exceptional holiday pay accrual at the end of FY 2021 of £0.9 million due to a change in holiday policy in the prior year; and
- Corporate transaction costs of £0.1 million (2020: £nil)

Net finance expenses

Net finance expense (underlying) of £0.8 million was £0.2 million lower than the prior year, largely due to a lower interest rate margin payable in the period owing to a lower average net debt.

Taxation

Tax charge on adjusted profit before tax for the half year was £2.4 million (2020: £2.2 million) equating to an effective corporation tax rate of 19.7% (2020:19.7%).

The tax charge on statutory profits was £5.8 million (2020: £0.8 million). This increase is largely due to the impact of the increase in corporation tax rate from 19% to 25% from April 2023. This led to a re-valuation of the Group's deferred tax liabilities on acquired intangible assets, the impact of which was £4.4 million. The liability is not expected to crystalise and will unwind in line with the related amortisation expense.

Basic EPS

Basic EPS in the half year ended 30 September 2021 was 0.7p vs 1.0p in the half year ended 30 September 2020 largely due to the impact of the increase in deferred tax liability on acquired intangibles resulting from the enacted increase in statutory corporation tax rates to 25% from April 2023.

Adjusted fully diluted EPS

Adjusted fully diluted EPS in the half year ended 30 September 2021 was 4.5p (2020: 4.3p).

Dividend

An interim dividend of 2.4p has been declared by the Board (2020: 2.3p). The interim dividend amounting to £4.9 million (2020: £4.7 million), will be paid on 3 February 2022 to those shareholders on the register on 7 January 2022.

Cash-flow, capital expenditure and net debt

The Group generated £8.3 million from operating activities. After £0.7 million on capital expenditure; paying £8.9 million dividend; £0.7 million of interest, £1.3 million of lease liabilities; £0.3 million dividend equivalents on vesting of employee share schemes; £1.3 million on repurchasing own shares partially offset by £2.0 million drawdown of committed facility, the net decrease in cash was £2.9 million at 30 September 2021.

At 30 September 2021 net debt (as defined for RCF covenants and therefore excluding IFRS 16) was £55.3 million (2020: £51.3 million). The leverage ratio for financing covenants was 1.87x (2020: 1.78x). The prior year had benefitted from the automatic deferral of VAT owing to the pandemic as well as other favourable working capital movements. At 30 September 2021, the Group had £19.0 million of undrawn committed facility.

In October 2021, the Group agreed terms with HSBC UK, National Westminster Bank Plc, Bank of Ireland and Citi on a new £100 million revolving credit facility and accordion of £50 million for a term of four years. This new RCF replaces the previous £80 million facility which was due to expire in December 2022.

Principal risks and uncertainties affecting the business

The principal risks and uncertainties affecting the Group's business activities remain those detailed within the Principal Risks and Uncertainties section of the Annual Report and Accounts for the year ended 31 March 2021 (pages 30-33).

Condensed Consolidated Statement of Comprehensive Income

for the period ended 30 September 2021

		6 month period ended 30 September 2021			6 month period ended 30 September 2020		
		Trading items	**Non-trading and exceptional items**	**Total**	Trading items	Non-trading and exceptional items	Total
		Unaudited	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	4	**67,335**	**–**	**67,335**	61,401	–	61,401
Administrative expenses		**(54,556)**	**(4,854)**	**(59,410)**	(49,092)	(8,290)	(57,382)
Profit/(loss) from operating activities		**12,779**	**(4,854)**	**7,925**	12,309	(8,290)	4,019
Finance costs		**(797)**	**–**	**(797)**	(1,016)	(162)	(1,178)
Profit/(loss) before tax		**11,982**	**(4,854)**	**7,128**	11,293	(8,452)	2,841
Income tax (expense)/credit		**(2,361)**	**(3,440)**	**(5,801)**	(2,222)	1,440	(782)
Profit/(loss) after tax and total comprehensive income for the period		**9,621**	**(8,294)**	**1,327**	9,071	(7,012)	2,059
Memo							
EBITDA		**15,512**	**(1,581)**	**13,931**	14,682	(5,016)	9,666
Depreciation and amortisation		**(2,733)**	**(3,273)**	**(6,006)**	(2,373)	(3,274)	(5,647)
Profit/(loss) from operating activities		**12,779**	**(4,854)**	**7,925**	12,309	(8,290)	4,019

		Pence		**Pence**	Pence		Pence
Earnings per share attributable to the ordinary equity holders of the Company:		**Adjusted**			Adjusted		
Profit or loss:							
Basic earnings per share	8	**4.7**		**0.7**	4.4		1.0
Diluted earnings per share	8	**4.5**		**0.6**	4.3		1.0

Condensed Consolidated Statement of Financial Position

as at 30 September 2021

	Note	**30 September 2021 Unaudited £'000**	31 March 2021 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**3,046**	3,197
Right-of-use assets		**10,880**	12,228
Intangible assets		**201,215**	204,784
Deferred tax assets		**1,016**	767
Other financial assets		**1,814**	1,780
		217,971	222,756
Current assets			
Trade and other receivables		**34,762**	34,635
Cash and cash equivalents		**5,687**	8,623
		40,449	43,258
Total assets		**258,420**	266,014
Liabilities			
Non-current liabilities			
Loans and borrowings	5	**60,969**	58,876
Lease liabilities	6	**8,829**	9,612
Provisions for other liabilities and charges		**2,069**	1,678
Deferred income tax liabilities		**20,181**	16,390
		92,048	86,556
Current liabilities			
Lease liabilities	6	**2,238**	2,458
Provisions for other liabilities and charges		**1,183**	1,384
Trade and other payables		**18,906**	25,140
Current income tax liabilities		**2,144**	1,410
		24,471	30,392
Total liabilities		**116,519**	116,948
Net assets		**141,901**	149,066
Equity			
Equity attributable to owners of the parent			
Share capital		**103**	103
Share premium		**116,804**	116,797
Merger relief reserve		**48,687**	48,687
Investment in own shares held in trust		**(2,305)**	(2,563)
Accumulated deficit		**(21,388)**	(13,958)
Total equity		**141,901**	**149,066**

Condensed Consolidated Statement of Changes in Equity

for the period ended 30 September 2021

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Investment in own shares £'000	Accumulated deficit £'000	Total equity/ (deficit) £'000
Balance at 1 April 2020	102	116,797	48,687	(529)	(12,112)	152,945
Comprehensive income and total comprehensive income for the period	–	–	–	–	2,059	2,059
Contributions by and distributions to owners						
Share capital issued	1	–	–	–	–	1
Dividends paid	–	–	–	–	(8,795)	(8,795)
Dividend equivalents paid on exercised share options	–	–	–	–	(221)	(221)
Share-based payment expense – equity settled from employee benefit trust	–	–	–	30	133	163
Share-based payment expense – IFRS2 charge in respect of long-term incentives	–	–	–	–	3,101	3,101
Deferred tax movement in respect of long-term incentives	–	–	–	–	91	91
Total contributions by and distributions to owners	1	–	–	30	(5,691)	(5,660)
Unaudited balance at 30 September 2020	**103**	**116,797**	**48,687**	**(499)**	**(15,744)**	**149,344**
Comprehensive income and total comprehensive income for the period	–	–	–	–	6,904	6,904
Contributions by and distributions to owners						
Dividends paid	–	–	–	–	(4,685)	(4,685)
Dividend equivalents paid on exercised share options	–	–	–	–	(220)	(220)
Shares purchased by employee benefit trust for cash	–	–	–	(3,170)	–	(3,170)
Share-based payment expense - equity settled from employee benefit trust	–	–	–	1,106	(1,106)	–
Share-based payment expense – IFRS2 charge in respect of long-term incentives	–	–	–	–	981	981
Deferred tax movement in respect of long-term incentives	–	–	–	–	(88)	(88)
Total contributions by and distributions to owners	–	–	–	(2,064)	(5,118)	(7,182)
Balance at 31 March 2021	**103**	**116,797**	**48,687**	**(2,563)**	**(13,958)**	**149,066**
Balance at 1 April 2021	**103**	**116,797**	**48,687**	**(2,563)**	**(13,958)**	**149,066**
Comprehensive income and total comprehensive income for the period	–	–	–	–	1,327	1,327
Contributions by and distributions to owners						
Share capital issued	–	7	–	–	–	7
Dividends paid	–	–	–	–	(8,948)	(8,948)
Dividend equivalents paid on exercised share options	–	–	–	–	(268)	(268)
Shares purchased by employee benefit trust for cash	–	–	–	(1,352)	–	(1,352)
Share-based payment expense – equity settled from employee benefit trust	–	–	–	1,610	(1,605)	5
Share-based payment expense – IFRS2 charge in respect of long-term incentives	–	–	–	–	1,939	1,939
Deferred tax movement in respect of long-term incentives	–	–	–	–	125	125
Total contributions by and distributions to owners	–	7	–	258	(8,757)	(8,492)
Unaudited balance at 30 September 2021	**103**	**116,804**	**48,687**	**(2,305)**	**(21,388)**	**141,901**

Condensed Consolidated Statement of Cash Flows

for the period ended 30 September 2021

	Note	**Period ended 30 September 2021 Unaudited £'000**	Period ended 30 September 2020 Unaudited £'000
Cash flows from operating activities			
Profit for the period		**1,327**	2,059
Adjustments for:			
Depreciation		**427**	447
Depreciation of right-of-use assets		**1,621**	1,421
Amortisation		**3,958**	3,779
Finance costs		**797**	1,178
Share-based payment expense		**1,939**	3,101
Income tax expense		**5,801**	782
		15,870	12,767
(Increase)/decrease in trade and other receivables		**(129)**	144
(Decrease)/increase in trade and other payables		**(6,231)**	4,728
Increase in provisions		**190**	138
		9,700	17,777
Income tax paid		**(1,400)**	(994)
Net cash inflow from operating activities		**8,300**	16,783
Cash flows from investing activities			
Payment received in relation to 2018 disposal of healthcare business		–	104
Purchases of property, plant and equipment		**(276)**	(126)
Purchases of software		**(388)**	(334)
Increase in restricted cash balances – other financial assets		**(34)**	(480)
Net cash outflow from investing activities		**(698)**	(836)
Cash flows from financing activities			
Proceeds from the issue of share capital		**7**	1
Proceeds from new loans	5	**2,000**	–
Repayment of loans		–	(10,500)
Payment relating to extension of loan facility		–	(161)
(Repurchase)/sale of own shares		**(1,348)**	163
Interest paid		**(539)**	(999)
Lease interest paid		**(136)**	(163)
Payment of lease liabilities		**(1,306)**	(1,044)
Dividends paid to the holders of the parent		**(8,948)**	(8,795)
Dividend equivalents paid on vesting of share options		**(268)**	(221)
Net cash outflow from financing activities		**(10,538)**	(21,719)
Net decrease in cash and cash equivalents		**(2,936)**	(5,772)
Cash and cash equivalents at start of the period		**8,623**	14,432
Cash and cash equivalents at end of period		**5.687**	8,660

Notes to the Condensed Consolidated Financial Statements

for the period ended 30 September 2021

1 Accounting policies

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

Basis of preparation and statement of compliance with IFRS

The annual financial statements are prepared in accordance with UK adopted International Financial Reporting Standards. These condensed financial statements have been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting'. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the latest audited financial statements, for the year ended 31 March 2021.

The accounting policies adopted in the preparation of the interim condensed consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual consolidated Financial Statements for the year ended 31 March 2021, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2021, and will be adopted in the 2021/22 annual financial statements.

New and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Going concern

Accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the interim Financial Statements. The Directors have taken notice of the Financial Reporting Council guidance 'Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks' which requires the reasons for this decision to be explained.

The Directors have prepared cash flow forecasts for a period including 12 months from the date of approval of these interim 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. In light of the Covid-19 pandemic in the UK, the Directors undertook an additional assessment of the Group's ability to operate for the foreseeable future. This involved modelling a worst case scenario (a sudden and sustained decrease in revenue of 10%, being the assumption that customers stop a significant amount of discretionary spending), which was considered by the Directors to be prudent. Alongside the potential downturn in revenue, mitigating cost-saving actions were identified to reduce any potential impact on the Group. Additionally, actions which the Group could have taken to protect the cash balance were identified, if the situation required them. These actions included reducing capital expenditure to exclude non-essential spend and reducing or freezing discretionary cost items. The worst case scenarios modelled by the Directors indicated that the Group was well placed to weather the continued impact of the pandemic and has sufficient liquidity to continue to operate and to discharge its liabilities as they fall due within the foreseeable future. For the period to 31 March 2023, the Directors have modelled a scenario at which the banking covenants would be broken, which is the point at which going concern would be threatened. The headroom between this scenario and current performance, and the budget, is significant and a decrease of this magnitude is considered to be unlikely.

The Group's current revolving credit facility is due to end in December 2022. The Directors have agreed a new facility in October 2021 for £100 million with an accordion of £50 million, which runs for 4 years from October 2021.

The Directors have reviewed the historical accuracy of the Group's budgeting and forecasting. The Group's financial performance in the year ended 31 March 2021 was in line with the budget demonstrating the robustness of the Group's budgeting and forecasting which underpins the going concern assessment.

1 Accounting policies (continued)

The Directors, after reviewing the Group's budget and longer term forecast models, including the worst case scenario discussed above, conclude that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing these interim Financial Statements.

Non-trading and exceptional items

To assist in understanding its underlying performance, the Group has defined the following items of pre-tax income and expense as non-trading and exceptional items as they either reflect items which are exceptional in nature or size or are associated with the amortisation of acquired intangibles and share based payments. Items treated as non-trading and exceptional include:

- corporate transaction and restructuring costs;
- amortisation of acquired intangibles;
- changes in the fair value of contingent consideration;
- share-based payments;
- profits or losses on disposal of assets or businesses; and
- the related tax effect of these items.

Any other non-recurring items are considered individually for classification as non-trading or exceptional by virtue of their nature or size.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The non-trading and exceptional items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 3.

Critical accounting estimates and judgments

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

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

Functional and presentation currency

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

New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2021, and therefore have not been applied in preparing XPS Pensions Group's financial statements. These new standards are not expected to have a material impact on the Group's consolidated financial statements.

2 Financial information

The financial information in this report was formally approved by the Board of Directors on 24 November 2021. The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts prepared under IFRSs for the year ended 31 March 2021 for XPS Pensions Group plc have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information in respect of the period ended 30 September 2021 is unaudited but has been reviewed by the Group's auditor. Their report is included at the end of this document. The financial information in respect of the period ended 30 September 2020 was unaudited but was reviewed by the Group's auditor.

3 Non-trading and exceptional items

	Period ended 30 September 2021 Unaudited £'000	Period ended 30 September 2020 Unaudited £'000
Corporate transaction costs [1]	**(111)**	–
Restructuring costs	**–**	(229)
Other exceptional credit/(costs) [2]	**810**	(919)
Exceptional finance costs	**–**	(162)
Exceptional items	**699**	(1,310)
Share-based payment costs [3]	**(2,280)**	(3,868)
Amortisation of acquired intangible assets [4]	**(3,273)**	(3,274)
Non-trading items	**(5,553)**	(7,142)
Total before tax	**(4,854)**	(8,452)
Tax on adjusting items [5]	**(3,440)**	1,440
Non-trading and exceptional items after taxation	**(8,294)**	(7,012)

[1] Costs associated with M&A activity (H1 2020/21 £nil).

[2] Other exceptional credit includes the release of an exceptional holiday pay accrual which arose in the year ended 31 March 2021 due to the impact of Covid-19 on the business and a change in holiday policy in the prior year (H1 2020/21: Exceptional costs of £0.9 million).

[3] Share-based payment expenses are included in non-trading and exceptional costs as they are significant non-cash costs which are excluded from the results for the purposes of measuring performance for PSP awards and dividend amounts.

[4] During H1 2021/22 the Group incurred £3.3 million of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (H1 2020/21: £3.3 million).

[5] The tax charge on non-trading items of £3.4 million (H1 2020/21: credit of £1.4 million) represents a charge of 71% (H1 2020/21: credit of 17%) on the non-trading items incurred of £4.9 million (H1 2020/21 £8.5 million). This is different to the expected tax credit of 19% (H1 2020/21 19%), as there has been a £4.4 million charge to deferred tax as a result of the increase to corporation tax announced in the March 2021 budget to 25% from 1 April 2023. This is due to the large value of intangible assets being amortised in the future. Additionally various adjustments are made to tax including for deferred tax and the exclusion of amounts not allowable for tax.

4 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.

Revenue from external customers	**Period ended 30 September 2021 Unaudited £'000**	Period ended 30 September 2020 Unaudited £'000
Pensions Actuarial and Consulting	**30,885**	28,978
Pensions Administration	**24,722**	22,754
Pensions Investment Consulting	**6,834**	5,423
National Pension Trust (NPT)	**2,084**	1,396
SIP [1]	**2,810**	2,850
Total	**67,335**	61,401

[1] Self Invested Pensions (SIP) business, incorporating both SIPP and SSAS products.

5 Loans and borrowings

At 30 September 2021, the Group had drawn down £61 million (31 March 2021: £59 million) of its £80 million revolving credit facility.

The current Revolving Credit Facility matures in December 2022. On 12 October 2021, the Group entered into a new Revolving Facility Agreement for £100 million with an accordion of £50 million. This facility has a 4 year term starting in October 2021. Interest is calculated at a margin above SONIA, subject to a net leverage test.

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

Total debt was £61.0 million (31 March 2021: £58.9 million).

6 Lease liabilities

The aging of the lease commitments are shown in the table below.

	Period ended 30 September 2021 Unaudited £'000	Period ended 31 March 2021 Audited £'000
Up to 1 year	**2,238**	2,458
Between 1 and 2 years	**2,068**	1,947
Between 2 and 5 years	**3,772**	4,137
More than 5 years	**2,989**	3,528
Total	**11,067**	12,070

7 Financial Instruments

The fair values and the carrying values of financial assets and liabilities are the same.

The Group has no financial instruments measured at fair value through profit or loss.

8 Earnings per share

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000
Profit for the period	**1,327**	2,059
Weighted average number of shares:	**'000**	'000
Weighted average number of shares in issue	**203,838**	204,564
Effects of:		
Outstanding share options	**8,881**	5,848
Diluted weighted average number of ordinary shares	**212,719**	210,412
Basic earnings per share (pence)	**0.7**	1.0
Diluted earnings per share (pence)	**0.6**	1.0

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.

Adjusted earnings per share

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000
Adjusted profit after tax	**9,621**	9,071
Adjusted basic earnings per share (pence)	**4.7**	4.4
Diluted adjusted earnings per share (pence) – total	**4.5**	4.3

The adjusted profit after tax is the trading profit after tax, and excludes the exceptional and non-trading items disclosed in note 3.

9 Dividends

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

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000
Final dividend for the year ended 31 March 2021: 4.4p per share (2020: 4.3p)	**8,948**	8,795

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000
Proposed interim dividend for the year ending 31 March 2022 of 2.4p (2021: 2.3p)	**4,924**	4,708

The final dividend for 2020/21 was paid on 23 September 2021. The final dividend has been reflected in the Statement of Changes in Equity.

The proposed interim dividend was approved by the Board on 24 November 2021 and has not been included as a liability at 30 September 2021.

10 Related party transactions

Key management emoluments during the year

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000
Emoluments	**473**	464
Share-based payments	**332**	674
Company contributions to money purchase pension plans	**15**	15
Social security costs	**85**	97
	905	1,250

Directors' bonuses are not included in the emoluments figure at 30 September 2021 or 30 September 2020 as the bonus amount is dependent on full year results and are also at the discretion of the Remuneration Committee.

Non-executive emoluments during the year

	30 September 2021 Unaudited £'000	30 September 2020 Unaudited £'000
Emoluments	**165**	162
Social security costs	**20**	20
	185	182

11 Post balance sheet events

Since the balance sheet date, the Group has spent £2.8 million on acquisition of IT assets.

Responsibility Statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' and provide a true and fair view as required by DTR 4.2.10;
b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of the important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the Board,

Snehal Shah
Chief Financial Officer
24 November 2021

INDEPENDENT REVIEW REPORT TO XPS PENSIONS GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, ''Interim Financial Reporting''.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

BDO LLP
Chartered Accountants
London
United Kingdom

Date: 24 November 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).