23 June 2022

XPS Pensions Group plc

Another year of strong and resilient growth

Final results for the year ended 31 March 2022

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 2022 ("FY 2022").

Financial Highlights:

Continuing operations	**FY 2022**	**FY 2021**	**Change YoY**
Pensions Actuarial and Consulting	£63.7m	£60.7m	5%
Pensions Investment Consulting	£13.7m	£11.6m	18%
Total Advisory	£77.4m	£72.3m	7%
Pensions Administration	£50.8m	£46.8m	9%
SIP	£6.1m	£5.6m	9%
NPT	£4.3m	£3.2m	34%
Total Group Revenue	**£138.6m**	**£127.9m**	**8%**
Adj. EBITDA(1)	£34.1m	£32.0m	7%
Profit before tax	£16.9m	£11.4m	48%
Basic EPS	4.6p	4.4p	5%
Adj. diluted EPS(1)	**10.2p**	**9.8p**	**4%**
Full year dividend	7.2p	6.7p	7%

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

- Strong performance across the Group with highest level of YoY organic growth since listing:
  - Total Group Revenue up 8% to £138.6 million, driven by higher levels of client activity
  - Adjusted EBITDA(1) up 7% YoY, broadly in line with revenue growth
- Advisory revenue growth of 7%:
  - Robust growth in Pensions Actuarial & Consulting with strong levels of client demand and GMP equalisation projects gaining momentum (+5% YoY)
  - Strong double digit growth in Pensions Investment Consulting revenues (+18% YoY)
- Pensions Administration revenue grew 9% YoY driven by new client wins and ongoing project work
- SIP revenues up 9% with strong underlying sales
- NPT revenues up 34% YoY with AUM now over £1.3 billion
- Strong balance sheet supported by highly cash generative platform - operating cash-flow conversion of 96%
- Net debt/adjusted EBITDA(1) of 1.74x at 31 March 2022 (31 March 2021: 1.74x) – notwithstanding the SIP acquisition as well as capital investment in the business
- Statutory profit before tax up 48% YoY
- Adjusted diluted EPS(1) up 4% YoY to 10.2p
- Final Dividend of 4.8p resulting in total dividends for the year of 7.2p; following two years where we have prudently held our dividend, we are raising by 7% reflecting our confidence in the Group's prospects

Operational Highlights:

- Significant new client wins including being appointed pensions advisory partner by BT Group plc
- Partnership announced with abrdn plc to launch a UK DB master trust
- Acquisition of Michael J Field Consulting Actuaries to expand our SIP business
- Investment in developing our proprietary administration platform to drive operational efficiencies in the future
- Developed our services including member analytics, GMP, trustee governance / secretarial services, risk transfer
- Winner of Actuarial Consulting Firm of the Year and Investment Consulting Firm of the Year at the Professional Pensions UK Pensions Awards 2021
- Strong client survey results with 93% of clients 'satisfied' or better
- Excellent staff survey results with 95% of staff agreeing or strongly agreeing that XPS is a good place to work
- We became carbon neutral and continued to be a signatory to the Stewardship Code for our investment advice

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

"We are pleased with the Group's performance, achieving another year of strong and resilient growth across all divisions. We had a busy year, continuing to innovate and develop new services for our clients in a range of areas as well as investing in our technology and people. We completed the acquisition of Michael J Field Consulting Actuaries and welcomed new colleagues to the Group as well as announcing our DB master trust partnership with abrdn.

During the year we passed the five year anniversary of listing on the London Stock Exchange, and it is good to reflect on just how far we have come as a business over that period: more than doubling revenues, adjusted EBITDA and our client base. Throughout that time, we have had continuing objectives to be a great place to work and to provide outstanding service to our clients, and we are very proud of the terrific results of our staff and client surveys which show that in the eyes of our people and our clients we are succeeding well in this regard.

Our continued investment in our people and services is paying off both in terms of industry recognition and the new clients we have won this year, such as BT Group and many more significant wins with whom we are very pleased to be supporting.

Our clear strategic vision for the Group is to continue our strong growth trajectory across all four of our strategic pillars to become the pre-eminent independent firm in our industry."

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

"Sustainability is hugely important to us, our employees and our clients and we are proud of the progress made this year in a range of areas, including going carbon neutral across our entire value chain during the year and the strong progress made on our diversity and inclusion agenda.

We would like to thank all our colleagues for how well they have looked after each other and our clients during the year, particularly with the pandemic at times still making life difficult. We are very proud of them. We have implemented a new flexible working framework called My XPS My Choice which has been warmly welcomed by our people who continue to work hard in supporting our clients with best in class advice and service."

Outlook

The FY 2022 results demonstrate the continued resilience and predictability 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 protected against the impact of the wider global political and economic situation.

We expect the demand for our services to remain high as we help our clients navigate the complex and evolving regulatory backdrop. We have continued to develop service lines to meet client needs, including in the areas of scheme governance and in risk transfer where we have invested in our team. Recent client wins and a strong pipeline of opportunities will support further growth in the coming year.

We remain mindful of the current inflationary backdrop but remain confident in our business model to be able to minimise the impact of inflationary pressures on profits whilst still maintaining investment in our market leading products, platform, and people. Many of our contracts have mechanisms by which our fees automatically increase in line with inflation, and we will maintain a focus on overall efficiency and a disciplined approach to pricing our services.

The Group has made a good start to the new financial year, and we remain confident in delivering against market expectations for the current year.

Analyst and Investor Presentation

A presentation will be held for equity analysts and investors today at 09:30 a.m. (BST) via a Zoom webinar. Those analysts and investors wishing to attend are asked to contact Rosie Driscoll at Camarco at XPSgroup@camarco.co.uk.

-Ends-

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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 47 schemes with over £1bn of assets, and we undertake pensions administration for over 950,000 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.

The release, publication, transmission or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published, transmitted or distributed should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction.

CO-CHIEF EXECUTIVES' REVIEW

Five years as a publicly traded company – five years of growth

The increase in revenue this year to £139 million represents a significant 2.7x increase in the size of our business and the highest level of year on year organic growth since our public listing in 2017.We were appointed pensions advisory partner by BT Group plc, the UK's largest corporate pension scheme; we developed our partnership with abrdn plc to launch a UK defined benefit (DB) master trust; we became carbon neutral across the entire value chain; we acquired Michael J Field Consulting Actuaries – the year under review is not short of significant corporate milestones.

There was another major achievement during the year though, one that was neither strategic, financial nor operational: February 2022 marked the five-year anniversary of our admission to the premium segment of the London Stock Exchange. As with all anniversaries, this provides an opportunity to reflect on how far we have come since listing.

On admission, we became the UK's only publicly listed pensions actuarial, consulting and administration company. We still are today. What has changed is the scale and breadth of our business. In 2017, the Group had 450 employees, generated revenues, and adjusted EBITDA of £52 million and £17.5 million respectively and had a client base of c. 400. Five years on, XPS employs 1,500 people, is reporting annual revenues and adjusted EBITDA of £138.6 million and £34.1 million respectively and has more than doubled the number of clients to over 1,500. Furthermore, our client base now includes the likes of BT Group, evidence that, after a period of investment, XPS has the platform and profile to attract and service the largest mandates.

In our 2017 Annual Report, we stated that being publicly owned would give "us access to capital to pursue our strategic vision of becoming the pre-eminent mid-tier firm, whether through acquisitions or other forms of investment". In line with this, growth over the last five years has been generated both via acquisition, most notably through the Punter Southall merger in 2018, and organically. This year's c. 8% increase in organic revenues is the highest level of organic growth we have reported since listing. Our programme of investing for the future is delivering, and this year's adjusted diluted EPS is 52% above that when we listed.

As with the previous 12 months, growth in FY 2022 was achieved against the backdrop of the pandemic. This is testimony to the strength of our end markets, which are largely independent of the economic cycle, and the resilience of our business model, which revolves around the provision of essential non-discretionary services to pension scheme sponsors and trustees. Strong end markets, resilient business models, innovative solutions, and proprietary technology are not enough though. The results we are reporting today would not have been possible without the commitment, support, and professionalism of our people, all of whom work tirelessly to deliver better outcomes for our clients and pension scheme members. This is our societal purpose: helping to make pension schemes safe and secure for the members so that they can rely on them for financial security in later life. It is because of our people that we can achieve this.

Financial performance: highest organic revenue growth since listing

With total Group revenues up 8.4% to £138.6 million (FY 2021: £127.9 million), the year ended 31 March 2022 saw us maintain our track record of reporting at least mid-single digit revenue growth every year since our listing in 2017.

Within Advisory (Pensions Actuarial and Consulting and Pensions Investment Consulting), revenues grew 7.1% to £77.4 million, while Administration revenues were up 8.5% to £50.8 million.

Pensions Actuarial and Consulting grew revenues 4.9% to £63.7 million (FY 2021: £60.7 million) thanks to further GMP equalisation work and new client mandates, including Mitchells & Butlers and Michelin, as well as BT.

New client wins and continued demand for support and advice from our existing customer base drove an 18.1% increase in revenues in Pensions Investment Consulting to £13.7 million (FY 2021: £11.6 million). The division continues to benefit from the CMA review into the way that some of the biggest firms in our market recommended their own fiduciary management products to their clients, the outcome of which has been a requirement for independent advice and oversight to be obtained from firms like ours. This has created wide-ranging opportunities which we continue to capitalise on. We are also seeing increased demand for ESG-aligned investment advice and expect this to gather pace in the years ahead.

Pensions Administration revenues grew 8.5% to £50.8 million (FY 2021: £46.8 million), helped by new client wins. We see significant scope to secure further outsourcing mandates and so we continue to invest in and develop the platform.

Momentum at National Pension Trust (NPT), our defined contribution (DC) master trust, continues to build with assets under management growing 22% to over £1.3 billion. As with last year, growth was driven by transfers into the trust and by annual contributions from active members. We see exciting opportunities for NPT, which delivers bespoke solutions for clients via a common platform. In terms of investment returns, NPT's default investment strategy was the year's top performer in the master trust universe.

The number of clients in our SIP division grew during the year driving a 9% growth in revenues. The recent Michael J Field acquisition strengthens our SIP platform and is expected to help drive organic growth in the years ahead.

Almost all of this year's 8% revenue growth was generated organically – our highest rate of organic growth in the five years since we listed. This record growth rate underpins our belief that, following a capital-intensive period, the benefits of the investments we have made are increasingly driving financial performance. For example, our programme of investing in people, technology and acquisitions has historically resulted in revenue growth outpacing earnings. Now that we have a scalable and highly cash-generative platform in place that wins major mandates, we have significantly narrowed the historical revenue/earnings gap this year and in future expect it to improve further. Adjusted EBITDA for the year increased 7% to £34.1 million (FY 2021: £32.0 million), while statutory profit before tax rose 48% to £16.9 million (FY 2021: £11.4 million) and adjusted diluted EPS rose 4% to 10.2p (FY 2021: 9.8p).

As with previous years, the strong financial performance we are reporting today is a reflection of the structurally driven end markets in which we operate and the four-pillared strategy we are implementing.

During the year we made significant investments in technology, particularly in our administration business. We acquired proprietary technology that we will develop during FY 2023 and deploy in the years beyond. The focus of this investment is to continually improve client service and drive efficiency in our business. We are also focused on developing online portals that will improve the experience of members of our pension scheme clients.

Counter-cyclical and growing markets

Our market is the provision of consulting and administration services to DB pension schemes, the liabilities of which run off over many decades. In the DC space, we also provide administration and consulting services, alongside our own master trust solution. The fee market in which we operate is large at over £2 billion and growing at a rate of between 3% and 4% per annum. Growth comes from the expansion of services to existing clients, either in response to regulatory change or through cross-selling, net new client wins and inflation-linked fees.

Whether small changes in, for example, tax rules or more fundamental changes such as a new funding regime for DB schemes, clients require bespoke advice and guidance on how change affects them. Periods of significant regulatory upheaval are therefore drivers of market growth. Today, in response to corporate scandals, such as BHS and Carillion, more regulatory change is taking place or is in the pipeline than at any time in the past 20 years. Pension schemes have risen up the corporate agenda and with them the need for the specialist and non-discretionary services XPS Group provides. A glance at current regulatory drivers highlights the level of change at play:

- the Pension Schemes Act 2021 – focuses on how corporates finance their arrangements and how schemes are treated following M&A;
- New Funding Code (expected end of 2022) – will impact how pension schemes are funded;
- GMP equalisation – November 2020's ruling that companies must correct the unequal treatment of men and women in relation to a small (but overlooked) part of 80s/90s pension schemes continues to generate work that will take years to complete;
- Single Code of Practice (upcoming) – will likely increase trustees' governance requirements;
- Task Force on Climate-related Financial Disclosures (TCFD) – pension schemes are having to satisfy new requirements focused on improving the quality of governance and reporting in respect of climate-related risks and opportunities; and
- CMA Review – continues to provide tailwinds via the independent advice recommendation.

The ever-changing regulatory landscape not only increases the scope of advice and services we provide to our existing clients, it also generates opportunities to win outsourcing mandates from internally administered schemes. Regulation is making pension administration more and more complex for in-house teams, so too are cyber security and GDPR.

Outsourcing, which involves the transfer of schemes and teams to businesses like XPS, provides a solution. We are a recognised leader in this area – at XPS, we estimate we have executed around half of all administration outsourcings in the last decade.

Regulatory change, particularly with regards to governance arrangements, is also driving growth in the DC market. XPS Group helps in two ways: we work with trustees to improve governance through our growing DC consulting practice; and we offer a solution via NPT, our own consolidation vehicle.

Progress across our four strategic pillars

It is one thing to operate in a large, long dated, and growing market, but another to maximise the opportunity. We strive to achieve this by implementing a strategy that is centred around four key pillars:

Regulatory change as a driver of activity: by leveraging our expertise, we offer clients bespoke advice and support whenever there is regulatory change. We are doing this in the GMP equalisation space. Here our market-leading, proportionate, and pragmatic approach won mandates from a number of large schemes during the year, both from our own clients and from those of other firms. As well as growing our revenues, winning work such as this generates cross-selling opportunities.

Growth through expanding services: the year under review saw us add to our offering. We have added Member Analytics, which analyses demographics and behaviours and how these can best be served, and Covid-19 Analytics, which provides market-leading analysis on the long-term impact of the pandemic. In addition, we formally established a Trustee Governance offering, which takes on pension scheme governance and management, and won competitively tendered new appointments in the market. In addition, we are now providing DC consulting services to a growing number of clients, and we continue to invest in additional functionality in our Radar risk analysis software. We have also added two senior hires to our growing risk transfer practice, which is an area of the market that we expect to grow significantly.

In March 2022, we announced a strategic alliance with abrdn plc to launch a UK DB master trust in Q2 2022. The master trust is believed to be the first developed and launched jointly by an independent pensions consultancy and a leading global asset manager. It will deliver a one-stop-shop solution covering all the services required to run small and medium-sized legacy DB pension schemes and is expected to generate cost savings and improve governance and member benefit security.

Growing market share: Based on full year revenues of £138.6 million, XPS Group's market share stands at 6-7%. Considerable room remains for further growth. Maintaining a healthy pipeline of business opportunities across all service lines is key and our "Market Force" initiative generated multiple new business leads from the large pension schemes targeted. Several of these were converted during the year in both Advisory and Pensions Administration.

Growth through M&A: the market in which we operate is fragmented. Significant scope remains to grow market share via acquisition. We have a long track record of successfully integrating new businesses, including Punter Southall in 2018 and the smaller bolt-on acquisitions of Kier Pensions Unit, Trigon and Royal London Corporate Pension Services that followed. All of these were executed with high employee and client retention. We are constantly evaluating businesses that match our key investment criteria, including cultural alignment, capability enhancement and cross-selling opportunities. One such business was acquired in the second half of the year – Michael J Field Consulting Actuaries, a specialist SIPP and SSAS provider that complements our existing capabilities and expands the reach of our offering to a wider base of clients and financial advisers.

Delivering for our people

XPS is only as good as its people. Our societal purpose helps us attract, inspire, and retain talent. So too does our corporate culture: employee centric; inclusive; friendly; and meritocratic. We do not, however, take the above for granted. Our people deliver for us. We must deliver for them. In line with this, we constantly strive to ensure our working arrangements and practices are embedded with a high level of flexibility, inclusivity, and care. Our aim is to ensure all our people feel they belong at XPS and that they have the opportunity to progress on merit. The launch of our flexible working model, My XPS, My Choice, during the year is one example of the importance we place on looking after our people. So too is our annual employee survey, the results of which were highly encouraging with 95% of respondents agreeing that XPS is a good place to work, an improvement on the previous year's 94%.

The year also saw us train over 50 members of staff as Mental Health Allies to provide confidential in-house counselling; sign up to independent counselling service, Unum; host a wide variety of team events, societies and fundraisers, as well as women and LGBT+ networks; celebrate Black History Month; and hold our second Values in Practice Awards, which recognises people and teams who have gone above and beyond.

We value all our people, and thank them for delivering yet another successful year. We would like to personally thank Jonathan Bernstein who, after holding various roles within the Group, most recently as Chief Operating Officer, retired during the year. The Board and management team thank Jonathan for his valuable contribution to the XPS journey and we wish him a long, healthy, and happy retirement. Jonathan's responsibilities have been reallocated among existing management as well as to our first ever Chief Information Officer (CIO), Jon Marchant. Jon, who has over 20 years' experience, most recently as CIO at PayPoint, has been appointed to drive our tech strategy forward. As we announced following year end, Tom Cross Brown will retire as the Group's Chairman following the AGM in September 2022. On behalf of the Board, we would like to thank Tom for his commitment and contribution since his appointment as Chairman in January 2017. Tom has seen XPS through a transformational period and we wish him well for his retirement. We look forward to working with the new Chair when appointed.

Growing sustainably

As one of the leading pensions consultancies in the UK, XPS is in a strong position to promote sustainable/responsible business practices across its customer as well as its supplier base – the £140 billion or so of assets under XPS investment advisory provide substantial collective purchasing power to drive positive change.

While our investment consulting business delivers market-leading ESG-aligned investment advice, it is important that XPS leads by example. During the year we became carbon neutral following the purchase of UN-approved carbon credits. As well as Scope 1 and 2 emissions from our own activities, these cover Scope 3 emissions produced by suppliers when serving XPS.

Achieving carbon neutrality through the purchase of carbon credits does not represent the sum of our ambitions. It is one step of a journey. The next is to reduce our direct carbon footprint.

Outlook

The FY 2022 results demonstrate the continued resilience and predictability 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 protected against the impact of the wider global political and economic situation.

We expect the demand for our services to remain high as we help our clients navigate the complex and evolving regulatory backdrop. We have continued to develop service lines to meet client needs, including in the areas of scheme governance and in risk transfer where we have invested in our team. Recent client wins and a strong pipeline of opportunities will support further growth in the coming year.

We remain mindful of the current inflationary backdrop but remain confident in our business model to be able to minimise the impact of inflationary pressures on profits whilst still maintaining investment in our market leading products, platform, and people. Many of our contracts have mechanisms by which our fees automatically increase in line with inflation, and we will maintain a focus on overall efficiency and a disciplined approach to pricing our services.

The Group has made a good start to the new financial year, and we remain confident in delivering against market expectations for the current year.

FINANCIAL REVIEW

The business has performed very well with revenues growing 8% year on year, nearly all of which was organic. The revenue growth has been delivered efficiently, with total staff cost growth now below revenue growth. We have continued to invest in areas such as risk transfer and member analytics and made capital investment in developing our own administration platform which will further enhance our operational gearing in the future.

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. These alternative performance measures may not be similar to those defined by other entities but help to explain the progress within the underlying business.

Group income statement

	FY 2022 £m	FY 2021 £m	Change %
Revenue			
Pensions Actuarial & Consulting	**63.7**	60.7	5%
Pensions Investment Consulting	**13.7**	11.6	18%
Total Advisory	**77.4**	72.3	7%
Pensions Administration	**50.8**	46.8	9%
SIP	**6.1**	5.6	9%
NPT	**4.3**	3.2	34%
Total revenue	**138.6**	127.9	8%
Adj. EBITDA[1]	**34.1**	32.0	7%
Depreciation & amortisation	**(5.3)**	(4.9)	(8%)
Adj. EBIT[1]	**28.8**	27.1	6%
Exceptional & non-trading items	**(9.8)**	(13.9)	29%
Net finance expense	**(2.1)**	(1.8)	(17%)
Profit before tax	**16.9**	11.4	48%
Income tax expense	**(7.5)**	(2.4)	(213%)
Profit after tax	**9.4**	9.0	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 2 for details of exceptional and non-trading items.

Revenue

Total Group revenues grew 8% year on year with all divisions achieving year on year growth.

Pensions Actuarial and Consulting is the Group's largest business. The division achieved 5% year on year growth in revenues, due to high client activity levels driven by continued regulatory changes as well as further new business wins for the Group.

Pensions Investment Consulting had another strong year with a number of new client mandates as well as continued growth in fiduciary management oversight appointments following the CMA ruling in 2019. Revenues in this division grew 18% year on year.

Pensions Administration revenues grew 9% year on year with a number of new client wins coming on stream during the year, and increased levels of project work. Pensions Administration accounted for 37% of the Group revenues (FY 2021: 37%).

SIP revenues were up 9% on prior year, as strong underlying sales helped offset the impact of the bank base rate reduction in the first half of the year, while the recent base rate increases will have a positive impact on revenues looking forward. The acquisition of the trade and assets of Michael J Field Consulting Actuaries ("Michael J Field") completed in February 2022, and we are pleased that the integration of the business is progressing well.

The National Pension Trust (NPT) business has performed well with revenue growing 34% 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 £1.3 billion.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 9% or £9.0 million year on year. The main drivers for the cost increases are an increase in headcount as the business grows (1,442 FTE v 1,325 last year), continued investment in IT (particularly cyber security), and higher bonus cost in light of the strong financial performance.

As a result, the Group's adjusted EBITDA grew by 7% year on year. Adjusted EBITDA margin was 25% (FY 2021: 25%). Statutory profit before tax grew by 48% year on year.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £9.8 million (FY 2021: £13.9 million). Amortisation of acquired intangible assets amounted to £6.6 million (FY 2021: £6.5 million). Share-based payment charges were £3.9 million (FY 2021: £4.9 million). An exceptional credit in the year of £1.0 million was due to the unwinding of an exceptional holiday pay accrual made in the prior year. The Group also incurred corporate transaction costs of £0.3 million (FY 2021: £0.2 million) in the year.

Tax on the exceptional and non-trading items was £2.5 million (FY 2021: credit of £2.3 million). The large increase is due to the revaluation of deferred tax liabilities as a consequence of the increase in corporation tax from 1 April 2023 to 25%.

See note 6 to the financial statements for further information on the items detailed above.

Net finance costs

Net finance costs for the year were £2.1 million (FY 2021: £2.0 million).

Taxation

A tax charge of £5.0 million (FY 2021: £4.7 million) was recognised on adjusted profits (before exceptional and non-trading items) which represents an effective tax rate of 19% (FY 2021: 19%). The Group also recognised a tax charge of £2.5 million (FY 2021: credit of £2.3 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £7.5 million (FY 2021: £2.4 million). As previously disclosed, the increase in corporation tax in FY 2024 to 25% has driven an increase in tax charges in the year now that 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 2022, we paid corporation tax of £3.9 million (FY 2021: £3.3 million); we collected employment taxes of £22.5 million (FY 2021: £22.8 million) and VAT of £21.3 million (FY 2021: £20.2 million). Additionally, we have paid £1.2 million (FY 2021: £1.2 million) in business rates. The total tax contribution of the Group was therefore £48.9 million (FY 2021: £47.5 million).

EPS

The basic EPS for FY 2022 is 4.6p (FY 2021: 4.4p). The higher profit before tax is largely offset by the increase in tax due to the future rate change.

Adjusted fully diluted EPS of 10.2p was delivered in FY 2022 (FY 2021: 9.8p), an increase of 4% year on year.

Dividend

A final dividend of 4.8p is being proposed by the Board (FY 2021: 4.4p). The final dividend, if approved, which amounts to £9.7 million (FY 2021: £9.0 million), will be paid on 22 September 2022 to those shareholders on the register on 26 August 2022.

Cash flow, capital expenditure and financing

Non-GAAP cash flow	**31 March 2022 £m**	31 March 2021 £m
Operating		
Adjusted EBITDA	**34.1**	32.0
Change in net working capital	**(0.7)**	4.4
Other	**(0.6)**	(0.7)
Adjusted operating cash flow	**32.8**	35.7
OCF conversion	***96%***	*112%*
Financing & tax		
Net finance expense	**(1.5)**	(2.1)
Taxes paid	**(3.9)**	(3.3)
Proceeds from/(repayment of) new loans	**3.9**	(11.5)
Repayment of lease liabilities	**(2.7)**	(2.6)
Share-related movements	**(3.3)**	(3.4)
Net cash flow after financing	**25.3**	12.8
Investing		
Acquisition (net of disposals)	**(1.5)**	(0.2)
Capex	**(7.9)**	(2.4)
Restricted cash (NPT)	**—**	(0.5)
Net cash flow after investing	**15.9**	9.7
Dividends paid	**(14.1)**	(13.4)
Exceptional items	**(0.3)**	(2.1)
Movement in cash	**1.5**	(5.8)
Net debt	**54.6**	50.4
Leverage	**1.74x**	1.74x

FY 2022 has been another year of strong cash performance for the Group. Adjusted operating cash flow decreased by £2.9 million driven by a £2.1 million increase in EBITDA offset by a £5.1 million reduction in net working capital. Other items were an outflow of £0.6 million compared to an outflow of £0.7 million in FY 2021. Overall, this resulted in adjusted operating cash flow conversion of 96% compared to 112% in the prior year.

Taxes paid in the year were £3.6 million lower than the income statement charge as the current year tax charge includes a large tax charge in deferred tax due to the future rate increase.

During the year, the Group drew down £5.0 million of the RCF. A new facility was negotiated in the year, for four years from October 2022 at a margin above SONIA. The new facility is for £100 million, with an accordion of a further £50 million.

Capital expenditure in the year amounted to £7.9 million (FY 2021: £2.4 million) with £0.8 million spent on leasehold improvements and office fitouts and the remaining £7.1 million on software development, enhancements to our platforms, cyber security, and other IT equipment.

After paying £14.1 million in dividends and £0.3 million of exceptional costs, the Group cash balance increased by £1.5 million year on year to close at £10.1 million. The Group had drawn down £64 million of its £100 million RCF at 31 March 2022, resulting in a net debt of £54.6 million, an increase of £4.2 million year on year.

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 35 in the Annual Report.

Snehal Shah
Chief Financial Officer
22nd June 2022

Principal Risks and Uncertainties

Robust and effective Risk Management ensures the Group is able to deliver successful outcomes for our customers, supporting delivery of consistent financial results. The frameworks in place allow the Group to clearly understand its risk profile and adapt to new threats and opportunities in an agile way, supporting further growth. These frameworks also provide the information needed to ensure the appropriate skills, expertise and internal controls are in place and maintained to manage risks on an ongoing basis.

Over the year the Group has looked to improve its risk management capabilities and enhance its ability to identify, evaluate and monitor its principal risks. This has included supporting our ability to address the challenges presented by the ongoing Covid-19 pandemic and other changes to the external threat environment such as the continuing increases in phishing and ransomware attacks.

Significant enhancements to the risk management framework since the last report include:

- the development of our existing assurance frameworks in place to ensure they continue to provide independent validation of key controls and their effectiveness. This included the move to the new AAF 01/20 framework, expanding the scope of our ISO 27001 certification and the introduction of annual Cyber Essentials Plus certification;
- completing the integration of our Environmental Management System into existing risk frameworks, supporting compliance with regulatory obligations such as TCFD and enabling the Group to gain ISO 14001 certification;
- the development of the Executive level Risk Management Committee, including the expansion of attendees to include the CFO and new CIO;
- the expansion of the dedicated Information Security team, including the introduction of several additional technical security enhancements; and
- the development of the third party assurance framework, to ensure that supply chain risks are managed and operational resilience plans are in place and effective.

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 exceeds the Group's appetite.

The Board, with the support of the Audit and Risk Committee, has 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, inflation, interest rates and liquidity;
- competition - risks of change on the demand side of the business due to changes in customer demands or competitors, likely to influence entire industry, e.g., aggressive competitor pricing, consolidation trends, major technological innovation and substitute technologies. These changes may not directly affect the Group but could influence the entire industry; and
- 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 and 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:

Strategy

Stable

Description	*Key mitigations*	*Rationale for change*
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 or 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.	Stable

Strategic planning and execution

Improving

Description	*Key mitigations*	*Rationale for change*
Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications or 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.	XPS has recruited Jon Marchant in the new role of Chief Information Officer. The CIO is instrumental in driving and co-ordinating technology development. This has included the introduction of a single Development and Delivery team that co-ordinates and delivers business initiatives across the Group.

Financial performance

Improving

Description	*Key mitigations*	*Rationale for change*
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 tested 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 the financial performance of the Group at each Board meeting.	The Group has progressively improved it's budgeting and forecasting frameworks. These improvements are evidenced through consistent delivery of financial results in line with or ahead of market consensus.

Errors		
Stable		
Description	***Key mitigations***	***Rationale for change***
Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly or 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 sign-off 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.	Stable

Theft and fraud (financial and physical assets)		
Improving		
Description	***Key mitigations***	***Rationale for change***
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 or 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.	Recent audits of key controls have identified areas that can be improved, and these recommendations have been actioned to further enhance frameworks. Whilst we continue to see attempts to impersonate pension scheme members, controls are identifying and preventing these.

Information/cyber security		
Improving		
Description	***Key mitigations***	***Rationale for change***
Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. unauthorised access to or disclosure of staff or client information, denial of access to systems or data required or 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 Group's data, facilities or systems. These include documented plans which are tested regularly.	Whilst the external cyber threat level continues to increase, the Group's capabilities to deal with these have been significantly enhanced. This includes the expansion of the Information Security team and additional protective technologies, with independent assurance provided through Cyber Essentials Plus certification. New DRaaS and BaaS capabilities give the Group strengthened capabilities to deal with ransomware attacks.

Staff/human resources		
Stable		
Description	***Key mitigations***	***Rationale for change***
Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence and 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 the strategy and budgeting process to ensure alignment with business plans.	Stable

Third party supplier/outsourcing		
Stable		
Description	***Key mitigations***	***Rationale for change***
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 or 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 SLAs and financial status. Where there is a reliance on a single supplier, contingency plans are in place to protect against failure.	Stable

Client engagement		
Stable		
Description	***Key mitigations***	***Rationale for change***
Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client or poorly presented or uses 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.	Stable

Business conduct and reputation		
Stable		
Description	***Key mitigations***	***Rationale for change***
Risks that could lead to a breach of acceptable conduct or ethics, impacting the Group's brand, image or reputation. Failure to ensure services are appropriate for client's needs, any discrimination, or a 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 the Group's 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 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.	Stable

Covid-19 (Coronavirus)

The Covid-19 pandemic continued to impact normal business operating conditions during 2021. The business continuity and technology infrastructure put in place at the initial outbreak in 2020 continued to keep staff safe and support continued client servicing without interruption. All staff have been subject to home working periods and throughout have maintained our client service and other obligations. Assessment of the potential impacts of Covid-19 on the Group 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 proactive management actions have resulted in resilient and stable residual risk positions across the Group'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.

Geopolitical risk

The Group has assessed the risk of the current geopolitical situation. The Group does not have any clients in Russia, or business relations with Russian owned firms. Therefore, there is no significant risk to the Group as a result of the current climate.

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks are those listed above.

The Directors confirm in the Directors' Responsibility Statement on page 95 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
22 June 2022

Ben Bramhall
Co-Chief Executive Officer
22 June 2022

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 2022 which includes the Financial Highlights, the Operational Highlights, Outlook, the Co-Chief Executives' Review, Financial Review, Principal Risks and Uncertainties, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Selected Notes to the Consolidated 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 22 June 2022. 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, nine trading subsidiaries and five intermediate holding companies which are 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.

The intermediate holding companies were not considered significant components, but were subject to full scope statutory audits to materiality thresholds below group materiality.
Three of the nine trading subsidiaries were considered to be significant components for the purpose of the Group opinion and full scope audits were carried out by the Group audit team. We performed testing of the consolidation and related consolidation adjustments posted in preparation of the Group financial statements.

For five of the remaining subsidiaries, which were considered to be non-significant components, we performed full scope audit procedures for Group purposes, all performed to materiality thresholds below Group materiality. For the smallest subsidiary which was acquired in the period, a desktop review has been performed, as the balances are not material to the Group.

All Group audit work and subsidiary procedures were performed by the Group audit team.

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 revenue is disclosed in note 1 of the consolidated financial statements. The segmental information relating to Group revenue is disclosed in note 8 to the consolidated financial statements.	The key audit matter is the significant risk of fraudulent overstatement or understatement of accrued income at the year-end. This risk is specific to revenue from pension advisory and investment consulting services. There is a risk that incorrect revenue is recognised due to the judgements involved in the application of the applicable accounting standards, in this case specifically being the valuation of accrued income at year end.	To consider the risk of over or understatement of accrued income and the associated revenues, we analysed fluctuations in recorded production levels based on the timesheet system against the amounts recognised as revenue in the month to calculate a recovery rate on the time recorded in the month. Using data analytics we then isolated outliers in the data around the year-end, investigating identified outliers for evidence of fraudulent manipulation of revenues around the year-end. We also performed a series of data quality tests, in order to validate the timesheet data in the system that underlies the recognition of accrued income, and therefore revenue, and tested the underlying IT controls over the finance system and timesheet system. We tested IT controls in order to place reliance on the data within the finance and timesheet systems. We tested accrued income, by selecting a sample of accrued income transactions, agreeing back to contract with the customer, underlying timesheet data, invoice, and subsequent receipt of payment. We tested management's fee analysis control which operated throughout the year, which is designed to

		identify any material error in revenue. Using data analytics we identified outliers in the journals population for testing journals that were posted to revenue and accrued income, reviewing any postings outside of the group’s expected revenue journal postings. For such items identified we agreed journals to supporting documentation. **Key observations:** Based on the procedures undertaken, we consider that revenue arising from pension advisory and investment consulting services has been recognised appropriately.

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**	
	2022	2021	2022	2021
Materiality	£900,000	£568,000	£360,000	£240,000
Basis for determining materiality	3% of EBITDA	5% of profit before tax	40% of Group materiality	42% of Group materiality
Rationale for the benchmark applied	EBITDA is considered to be the benchmark that is of the most interest of all the users of the financial statements based on investor and stakeholder expectations.	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.	40% of Group materiality given the assessment of the components aggregation risk.	42% of Group materiality given the assessment of the components aggregation risk.
Performance materiality	£650,000	£404,000	£252,000	£168,000
	72%	71%	70%	70%

Basis for determining performance materiality	These thresholds are based on our knowledge of the Group and Parent Company, control environment over financial reporting, 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 71% and 73% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £200,000 to £675,000, with aggregation risk considered. 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 £40,000 (2021:£23,000). 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*
22 June 2022

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2022

		Year ended 31 March 2022			Year ended 31 March 2021		
		Trading items	**Non-trading and exceptional items**	**Total**	Trading items	Non-trading and exceptional items	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	4	**138,622**	**–**	**138,622**	127,931	–	127,931
Other operating income		**–**	**–**	**–**	–	421	421
Operating expenses		**(109,826)**	**(9,808)**	**(119,634)**	(100,848)	(14,092)	(114,940)
Profit/(loss) from operating activities		**28,796**	**(9,808)**	**18,988**	27,083	(13,671)	13,412
Finance income	5	**–**	**–**	**–**	3	–	3
Finance costs	5	**(2,047)**	**–**	**(2,047)**	(1,857)	(188)	(2,045)
Profit/(loss) before tax		**26,749**	**(9,808)**	**16,941**	25,229	(13,859)	11,370
Income tax (expense)/credit	6	**(4,988)**	**(2,530)**	**(7,518)**	(4,741)	2,334	(2,407)
Profit/(loss) after tax and total comprehensive income/(loss) for the year		**21,761**	**(12,338)**	**9,423**	20,488	(11,525)	8,963
Memo							
EBITDA		**34,139**	**(3,229)**	**30,910**	32,011	(7,124)	24,887
Depreciation and amortisation		**(5,343)**	**(6,579)**	**(11,922)**	(4,928)	(6,547)	(11,475)
Profit/(loss) from operating activities		**28,796**	**(9,808)**	**18,988**	27,083	(13,671)	13,412

		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	**10.7**	**–**	**4.6**	10.0	**–**	4.4
Diluted earnings per share	8	**10.2**	**–**	**4.4**	9.8	**–**	4.3

Consolidated Statement of Financial Position

as at 31 March 2022

	Note	**31 March 2022 £'000**	31 March 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment		**3,187**	3,197
Right-of-use assets		**10,927**	12,228
Intangible assets		**206,800**	204,784
Deferred tax assets		**1,099**	767
Other financial assets		**1,814**	1,780
		223,827	222,756
Current assets			
Trade and other receivables		**38,776**	34,635
Cash and cash equivalents		**10,150**	8,623
		48,926	43,258
Total assets		**272,753**	266,014
Liabilities			
Non-current liabilities			
Loans and borrowings	7	**63,309**	58,876
Lease liabilities		**8,935**	9,612
Provisions for other liabilities and charges		**1,781**	1,678
Deferred income tax liabilities		**20,065**	16,390
		94,090	86,556
Current liabilities			
Lease liabilities		**2,745**	3,094
Provisions for other liabilities and charges		**1,236**	1,384
Trade and other payables		**27,275**	24,504
Current income tax liabilities		**2,207**	1,410
Deferred consideration		**765**	–
		34,228	30,392
Total liabilities		**128,318**	116,948
Net assets		**144,435**	149,066
Equity and liabilities			
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		**(4,157)**	(2,563)
Accumulated deficit		**(17,002)**	(13,958)
Total equity		**144,435**	149,066

Consolidated Statement of Changes in Equity

for the year ended 31 March 2022

	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 year	–	–	–	–	8,963	8,963
Contributions by and distributions to owners:						
Share capital issued	1	–	–	–	–	1
Dividends paid (note 36)	–	–	–	–	(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
Balance at 1 April 2021	103	116,797	48,687	(2,563)	(13,958)	149,066
Comprehensive income and total comprehensive income for the year	–	–	–	–	9,423	9,423
Contributions by and distributions to owners:						
Share capital issued	–	7	–	–	–	7
Dividends paid	–	–	–	–	(13,831)	(13,831)
Dividend equivalents paid on exercised share options	–	–	–	–	(268)	(268)
Shares purchased by Employee Benefit Trust for cash	–	–	–	(3,324)	–	(3,324)
Share-based payment expense – equity settled from Employee Benefit Trust	–	–	–	1,730	(1,704)	26
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	–	–	–	–	3,343	3,343
Deferred tax movement in respect of long-term incentives	–	–	–	–	(7)	(7)
Total contributions by and distributions to owners	–	7	–	(1,594)	(12,467)	(14,054)
Balance at 31 March 2022	103	116,804	48,687	(4,157)	(17,002)	144,435

Consolidated Statement of Cash Flows

for the year ended 31 March 2022

	Note	**Year ended 31 March 2022 £'000**	Year ended 31 March 2021 [1] £'000
Cash flows from operating activities			
Profit for the year		**9,423**	8,963
Adjustments for:			
Depreciation		**842**	974
Depreciation of right-of-use assets		**3,046**	2,892
Amortisation		**8,034**	7,609
Finance income	5	–	(3)
Finance costs	5	**2,047**	2,045
Share-based payment expense		**3,343**	4,082
Other operating income		–	(421)
Income tax expense	6	**7,518**	2,407
		34,253	28,548
Increase in trade and other receivables		**(3,982)**	(36)
Increase in trade and other payables		**2,315**	5,453
Decrease in provisions		**(65)**	(373)
		32,521	33,592
Income tax paid		**(3,862)**	(3,304)
Net cash inflow from operating activities		**28,659**	30,288
Cash flows from investing activities			
Finance income received	5	–	3
Acquisition of other intangible assets		**(1,469)**	(336)
Disposal of healthcare business		–	104
Purchases of property, plant and equipment		**(1,050)**	(1,348)
Purchases of software		**(6,820)**	(1,419)
Increase in restricted cash balances – other financial assets		**(34)**	(480)
Net cash outflow from investing activities		**(9,373)**	(3,476)
Cash flows from financing activities			
Proceeds from the issue of share capital net of share issue costs		**7**	1
Proceeds from loans net of capitalised costs		**5,895**	–
Repayment of loans		**(2,000)**	(11,500)
Payment relating to extension of loan facility		–	(188)
Sale of own shares		**26**	163
Purchase of ordinary shares by EBT		**(3,324)**	(3,170)
Interest paid		**(1,222)**	(1,562)
Lease interest paid		**(299)**	(283)
Payment of lease liabilities		**(2,743)**	(2,161)
Dividends paid to the holders of the parent		**(13,831)**	(13,480)
Dividend equivalents paid on exercise of share options		**(268)**	(441)
Net cash outflow from financing activities		**(17,759)**	(32,621)
Net increase/(decrease) in cash and cash equivalents		**1,527**	(5,809)
Cash and cash equivalents at start of year		**8,623**	14,432
Cash and cash equivalents at end of year		**10,150**	8,623

[1] Purchases of property, plant and equipment and software of £0.1 million in investing activities and lease payments of £0.5 million in financing activities previously incorrectly presented as a movement within trade and other payables (which impacts operating cashflows), have been reclassified as the amounts were unpaid at the year end (net of amounts unpaid at the previous year end). A corresponding adjustment has been made to working capital movements. This change has no overall impact on the total movement in cash and cash equivalents in the year; it is just a reclassification of the movement.

Selected notes to the Consolidated Financial Statements

for the year ended 31 March 2022

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 2022 or 31 March 2021. Statutory accounts for the year ended 31 March 2022, which were approved by the directors on 22 June 2022, and 31 March 2021 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 2022 and 31 March 2021 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 2022 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 statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies and are available from the Company's registered office and from the Company's website.

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, and UK adopted International Financial Reporting. There were no changes to accounting policies on adoption of UK 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 2021. New standards, amendments, and interpretations to existing standards effective for the first time for periods beginning on (or after) 1 April 2021, 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 2022 £'000	Year ended 31 March 2021 £'000
Corporate transaction costs [1]	**(320)**	(226)
Restructuring costs	–	(367)
Other exceptional costs [2]	**966**	(2,028)
Exceptional items	**646**	(2,621)
Contingent consideration write back	–	421
Share-based payment costs [3]	**(3,875)**	(4,924)
Amortisation of acquired intangibles [4]	**(6,579)**	(6,547)
Exceptional finance costs	–	(188)
Non-trading items	**(10,454)**	(11,238)
Total before tax	**(9,808)**	(13,859)
Tax on adjusting items [5]	**(2,530)**	2,334
Adjusting items after taxation	**(12,338)**	(11,525)

[1] Costs associated with acquisitions and potential acquisitions of £320,000 (2021: £226,000).

[2] Other exceptional credit of £966,000 relates to the reversal of the prior year increase in exceptional holiday pay accrual. The one-off non-cash holiday pay accrual in the year ended 31 March 2021 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 December 2020. Prior to the pandemic the holiday pay accrual had been stable. In the year ending 31 March 2022 the Group changed its holiday year to align with its accounting year, and as a result there was no cash outflow as a result of the charge in the year ended 31 March 2021. Due to its one off nature and the size of the holiday pay accrual in the prior year, as well as the corresponding reversal in the year ending 31 March 2022, it was deemed appropriate to disclose the amount separately from the underlying business performance. The year ended 31 March 2021 also included one-off costs to enable staff to work from home, dual running costs for a

delayed office move, and exceptional finance costs relating to renegotiations on the revolving credit facility – all as a direct result of the Covid-19 pandemic.

[3] 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 related credits 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.

[4] During the year the Group incurred £6,579,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2021: £6,547,000).

[5] The tax charge on non-trading items of £2,530,000 (2021: credit of £2,334,000) represents 26% (2021: 17%) of the non-trading items incurred of £9,808,000 (2021: £13,859,000). This is different to the expected tax credit of 19% (2021: 19%), as various adjustments are made to tax including for deferred tax, and the exclusion of amounts not allowable for tax. The tax on non-trading and exceptional items is a tax charge in the year ended 31 March 2022 instead of a tax credit, because of the tax rate increase from 19% to 25% from 1 April 2023. As a result, the Group re-valued the deferred tax position, and the deferred tax charge in the year (£4.3 million) is mainly due to the revaluation of deferred tax on acquired intangible assets.

3 Business combinations during the period

On 1 February 2022, the Group acquired the business of the Michael J Field Group, and 100% of the share capital of MJF Pension Trustees Limited and MJF SSAS Trustees Limited from Michael Jeffrey Field, for total consideration of £1.5 million in cash upon completion, and £0.8 million contingent cash consideration. The business acquired undertakes the provision of administration, operator and actuarial consulting services to SIPP and SSAS pensions, their trustees, operators and customers.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	**Adjustment £'000**	**Fair value £'000**
Trade and other receivables	69	–	**69**
Trade and other payables	(797)	–	**(797)**
Customer relationships	–	1,964	**1,964**
Deferred tax	–	(477)	**(477)**
Total net assets	(728)	1,487	**759**

Fair value of consideration paid

	£'000
Cash	**1,469**
Contingent cash	**765**
Total consideration	**2,234**
Goodwill	**1,475**

Contingent consideration

The value of the contingent cash consideration for the M J Field acquisition in the contract is up to a maximum of £1.5 million, based of revenue and cost targets being met in the 12 months following the acquisition. The value attributed to the contingent consideration included in consideration has been determined using Group forecasts. The contingent consideration is payable in February 2023.

In this acquisition, the main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entities and the expected growth in the business generated by new customers, which do not qualify for separate recognition.

The goodwill arising from the above acquisition is not deductible for tax purposes.

Since the acquisition date, the Michael J Field business has contributed £313,000 to group revenues and £77,000 to group profit before tax.

If this acquisition had occurred on 1 April 2021, group revenue would have been £140,605,000 and group profit before tax for the year would have been £17,063,000.

Acquisition expenses

Costs relating to the above acquisition totalled £294,000 and are included within exceptional costs.

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.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Pensions Actuarial & Consulting	**63,724**	60,687
Pensions Administration	**50,786**	46,813
Pensions Investment Consulting	**13,678**	11,585
National Pension Trust ('NPT')	**4,353**	3,239
SIP [1]	**6,081**	5,607
Total	**138,622**	127,931

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

5 Finance income and expense

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest income on bank deposits	–	3
Finance income	–	3
Interest expense on bank loans	**1,108**	1,171
Other costs of borrowing	**602**	317
Interest on leases	**291**	340
Other finance expense	**46**	29
Finance expenses – trading	**2,047**	1,857
Exceptional finance costs	–	188
Finance expenses	**2,047**	2,045

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

6 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax expense		
Current year	**4,864**	3,785
Adjustment in respect of prior year	**(205)**	(112)
Total current tax expense	**4,659**	3,673
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(1,399)**	(1,266)
Effect of tax rate changes	**4,258**	–
Total income tax expense	**7,518**	2,407

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit for the year	**9,423**	8,963
Total tax expense	**7,518**	2,407
Profit before income tax	**16,941**	11,370
Tax using the UK corporation tax rate of 19% (2021: 19%)	**3,219**	2,160
Non-deductible expenses	**648**	1,002
Other operating income not taxable	–	(80)
Fixed asset differences	**(55)**	(85)
Adjustment in respect of prior periods	**(205)**	(112)
Amounts credited directly to equity or otherwise transferred	**(7)**	3
Excess relief on exercise of share options	**(340)**	(481)
Effect of tax rate change	**4,258**	–
Total tax expense	**7,518**	2,407

The standard rate of corporation tax in the UK was 19% (2021: 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 2022, which is not lower than 19% (2021: 19%). Deferred tax not recognised relates to £6 million of finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2022 the total unrecognised deferred tax asset in respect of these losses was approximately £1.1 million (2021: £1.2million).

An increase in corporation tax from 19% to 25%, taking effect from 1 April 2023 has been substantively enacted. As a result, the deferred tax values in these financial statements have been updated to reflect this.

7 Loans and borrowings

31 March 2022	**Due within 1 year (current) £'000**	**Due between 1 and 2 years £'000**	**Due after 2 years £'000**	**Sub-total (non-current) £'000**	**Total £'000**
Drawn Revolving Credit Facility	—	—	64,000	64,000	**64,000**
Capitalised debt arrangement fees	—	(276)	(415)	(691)	**(691)**
Sub-total	**—**	**(276)**	63,585	**63,309**	**63,309**
Capitalised debt arrangement fees shown as current assets on balance sheet	(276)	—	—	—	**(276)**
Total	**(276)**	**(276)**	63,585	**63,309**	**63,033**

31 March 2021	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years £'000	Sub-total (non-current) £'000	Total £'000
Drawn Revolving Credit Facility	—	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

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

Terms and debt repayment schedule

31 March 2022	**Amount £'000**	**Currency**	**Nominal interest rate**	**Year of maturity**
Revolving Credit Facility	**64,000**	**GBP**	**1.65% above SONIA**	**2025**

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*

At 31 March 2022 the Group had drawn down £64,000,000 (2021: £59,000,000) of its £100,000,000 (2021: £80,000,000) Revolving Credit Facility. 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 which started in October 2021. Interest is calculated at a margin above SONIA, subject to a net leverage test. This refinancing completes the Group's transition to alternative benchmark rates from LIBOR, and the Group has no residual LIBOR exposures.

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), XPS 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.

8 Earnings per share

	31 March 2022 £'000	31 March 2021 £'000
Profit for the year	**9,423**	8,963

	'000	'000
Weighted average number of ordinary shares in issue	**203,742**	204,392
Diluted weighted average number of ordinary shares	**212,519**	209,850
Basic earnings per share (pence)	**4.6**	4.4
Diluted earnings per share (pence)	**4.4**	4.3

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.

Reconciliation of weighted average ordinary shares in issue to diluted weighted average ordinary shares:

	Year ended 31 March 2022 ’000	Year ended 31 March 2021 ’000
Weighted average number of ordinary shares in issue	**203,742**	204,392
Dilutive impact of share options vested up to exercise date	**329**	271
Dilutive impact of PSP and DSP options not yet vested	**5,954**	3,420
Dilutive impact of dividend yield shares for PSP and DSP options	**803**	358
Dilutive impact of SAYE options not yet vested	**1,691**	1,409
Diluted weighted average number of ordinary shares	**212,519**	209,850

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 2019, 2020 and 2022, these will vest in the years ending 31 March 2022, 2023 and 2025 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	Total 31 March 2022 £’000	Total 31 March 2021 £’000
Adjusted profit after tax	**21,761**	20,488
Adjusted earnings per share (pence)	**10.7**	10.0
Diluted adjusted earnings per share (pence)	**10.2**	9.8

9 Dividends

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

	31 March 2022 £’000	31 March 2021 £’000
Final dividend for the year ended 31 March 2021: 4.4p per share (2020: 4.3p per share)	**8,948**	8,795
Interim dividend for the year ended 31 March 2022: 2.4p (2021: 2.3p) per ordinary share was paid during the year	**4,883**	4,685
	13,831	13,480

The recommended final dividend payable in respect of the year ended 31 March 2022 is £9,696,000 or 4.8p per share (2021: £9,025,000).

The proposed dividend has not been accrued as a liability as at 31 March 2022 as it is subject to approval at the Annual General Meeting.

	31 March 2022 £’000	31 March 2021 £’000
Proposed final dividend for year ended 31 March 2022	**9,696**	9,025

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 £28,073,000. Therefore, there are sufficient distributable reserves in XPS Pensions Group plc in order to pay the proposed final dividend.