25 June 2020

XPS Pensions Group plc

Final results for the year ended 31 March 2020

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 2020 ("FY 2020").

Financial Highlights:

Continuing operations	**FY 2020 Incl. IFRS 16**	**FY 2020 Pre IFRS 16**	**FY 2019**	**Change YoY Pre IFRS 16**
Pensions Actuarial and Consulting	£58.8m	£58.8m	£56.8m	4%
Pensions Administration	£42.9m	£42.9m	£37.5m	14%
Pensions Investment Consulting	£9.6m	£9.6m	£8.1m	19%
Total Pensions Revenue	**£111.3m**	**£111.3m**	**£102.4m**	**9%**
SIPP	£6.1m	£6.1m	£6.1m	0%
NPT	£2.4m	£2.4m	£1.4m	71%
Total Revenue	**£119.8m**	**£119.8m**	**£109.9m**	**9%**
Adj. EBITDA(1)	£30.4m	£27.9m	£27.4m	2%
Total profit before tax	£11.1m	£11.4m	£11.4m	0%
Basic EPS	3.6p	3.8p	5.1p	(25%)
Adj. diluted EPS	**9.6p**	**9.8p**	**9.8p**	**0%**
Full year dividend	6.6p	6.6p	6.6p	0%

(1) Adjusted measures exclude the impact of acquisition related amortisation, share based payments, exceptional costs and the fair value adjustment to contingent consideration
(2) Pre IFRS 16

- Total revenue growth of 9% driven by significant new client wins as well as the impact of bolt-on acquisitions; organic growth of 5% YoY
- Pensions Actuarial and Consulting returned to growth in H2 (+1% YoY) and delivered full year revenues up 4% YoY
- Adjusted EBITDA(1,2) up 2% year on year with costs of operating independently of the discounted TSA and higher employee numbers partially offsetting the benefits of 9% revenue growth
- High levels of cash conversion achieved, operating cash-flow conversion of 103% leading to net debt/adjusted EBITDA(1,2) of 1.98x at 31 March 2020
- Statutory profit before tax(2) flat on prior year
- Statutory basic EPS down 25% owing to an increase in the enacted corporation tax rate leading to a re-valuation of deferred tax liabilities on acquired intangible assets
- Adjusted diluted EPS(1,2) at 9.8p is flat YoY
- Board proposes a final dividend of 4.3p bringing the total dividend for the year to 6.6p, flat YoY

Operational Highlights:

- Good new business momentum including landmark new client wins in Pensions Actuarial and Consulting
- Resourcing issues in the Pensions Actuarial and Consulting business addressed throughout the year, with this division returning to growth in H2
- Two bolt-on acquisitions (Royal London in May 2019, Trigon in October 2019) completed providing access to wider strategic opportunities
- Complete exit from the discounted TSA achieved, with IT separation being successfully completed in H2 – creates a strong, scalable platform for growth
- National Pension Trust achieved Authorisation in new regulatory regime
- Strong staff approval (86% of staff consider XPS a good place to work, only 2% disagree)
- Strong client approval (94% satisfied with XPS)
- Brand boosted by winning key industry awards throughout the year – Actuarial Consulting Firm of the Year and Administration Firm of the Year at UK Pension awards, winner of best Administrator

in key independent market survey (5th time in 6 years) and Actuarial Software of the Year winner (Radar)
- Resilient response to COVID-19 crisis – adapted to almost entirely working from home successfully, continued to serve clients well across all divisions

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

"The past year was a pleasing one in terms of delivering on our strategy. The Pensions Actuarial and Consulting business returned to growth, and achieved new client wins over the year on some large and prestigious accounts which show the strength of the XPS proposition in the market. In Administration, to win the important 'Firm of the Year' in the independent Professional Pensions market survey, for the fifth time in six years, was a terrific achievement, and we are carrying real momentum in this area. In Investment Consulting, we continue to see strong growth as people value high quality independent advice as the industry deals with the fallout of the CMA review."

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

"Against this backdrop of good Group performance, we were also pleased with our two acquisitions which have already bedded into the Group very well. In Edinburgh, the Royal London team have boosted our capability in serving small schemes, and in Bristol our acquisition of Trigon has enabled us to expand the services received by their clients. In both cities we have increased our presence to circa 70 staff, creating real critical mass in important markets. Finally, I want to say a huge thank you to all of our dedicated staff who have reacted to the COVID-19 crisis with remarkable fortitude, and who have continued to serve our clients to an extremely high standard throughout. We are very proud of them."

Outlook

The Group's business remains resilient despite the COVID-19 pandemic with a high proportion of our revenues being non-discretionary and received for essential services, with a high degree of visibility. In the short term, we expect demand for additional services to continue as pension trustees seek advice and support throughout the COVID-19 crisis, and the Group has traded well in the first two months of the financial year. However, the uncertain environment caused by COVID-19 has the potential to give rise to headwinds as the financial year progresses, as discretionary projects may be deferred as trustees and corporates focus solely on their response to the crisis and essential regulatory tasks.

Part of our strategy is growth through gaining market share. New business opportunities involving Pensions Actuarial & Consulting have slowed significantly as processes have been put on hold during the crisis which will impact near-term growth. There is also a direct negative impact within our SIPP and NPT divisions as a result of the reduction in central bank interest rates and in asset values respectively.

Nevertheless, the Group is well placed to emerge from the crisis in a good position to take advantage of favourable end market dynamics and the regulatory backdrop for pensions, with a still more robust operating model and strong staff and client support that has been enhanced by how we have handled the crisis to date.

There is inherent uncertainty arising from COVID-19 in providing accurate guidance. Based on the information currently available, the Board expects the Group to deliver low to mid-single digit percentage growth in revenues. The Board expects profitable growth in the core pensions businesses, offset by the effect of the reductions in revenue caused by a lower NPT asset value and the impact of lower bank base rates in the SIPP business.

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.

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

Forward Looking Statements

This announcement may include statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by 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

A robust year, delivering on our strategy

2020 was a year of pleasing growth. Our respected and growing reputation led to us winning appointments with large and high-profile schemes, which was further cemented by being recognised as both 'Actuarial Firm of the Year' and 'Administration Firm of the Year' at the UK Pensions Awards. For the fifth time in six years our Pensions Administration business ranked top of the annual Professional Pensions Survey of service users across the market. These awards are a source of great pride as they are testament to the quality of work delivered by the XPS team and invaluable in opening up new opportunities for the Group.

Towards the end of the year, we faced the challenge of adapting quickly to support our staff and clients in the new 'locked down' environment resulting from the COVID-19 crisis. Our staff have responded brilliantly to the challenges this presented, and we discuss in more detail our response and the potential impacts on the outlook for the Group below.

Good performance across the Group

Our Pensions Actuarial and Consulting business had a solid year of growth, with revenues growing by 4% to £58.8m following what had been a challenging prior year in relation to resourcing and our go-to-market approach. At the beginning of April 2019, we appointed Patrick McCoy to oversee bringing the advisory practice back to growth. Due to the actions taken during the year, we are pleased to report that the Pensions Actuarial and Consulting business returned to growth in H2.

Actions taken during the year included increasing our capacity through the recruitment of new colleagues and streamlining our operations. The creation of a new 'Pensions Solutions' team also improved the way we generate more commercially focussed content and proactively take 'value add' discretionary services to clients. We were also delighted to win work with some fantastic new clients, including larger pension schemes previously served by the 'Big 3' providers through competitive tender processes - a powerful endorsement of our strategy to be the preeminent independent challenger firm.

Our Pensions Investment Consulting business saw strong growth, with revenues reaching £9.6m (2019: £8.1m). We now have real critical mass in this area, and continue to benefit from the growing need for fiduciary management oversight arising from the CMA review. We won several such assignments, and expect further opportunities as deadlines for mandatory reviews and re-tenders approach.

Our Pensions Administration services business performed strongly during the year, with a 47,000 increase in members under administration on the back of some strong new client wins, many of which were transitioned to XPS in the second half. We anticipate continued growth, notably from first time outsourcings of some large schemes and transfers from some competitors who have struggled with service standards in this area.

A number of projects in the area of GMP rectification were held back across the market as a whole by delays from HMRC in providing critical information. This also impacted the progress our clients could make in the area of GMP equalisation. Delays with HMRC continue, however we expect these projects to start progressing gradually during the course of our 2020/21 financial year.

Our National Pensions Trust (NPT) is one of only 38 regulated master trusts under the new authorisation regime introduced by the Pensions Regulator with the aim of materially reducing the number of trusts in the market (from over 85) and ensuring those remaining are of high quality. Having guided NPT through the authorisation process and overseen excellent growth in assets under management, Dave Hodges is retiring, and we thank him for his excellent stewardship. He leaves the NPT in a strong shape, and we will continue to invest in this growing part of the market.

We are pleased with the progress of our SIPP/SSAS business, which performed solidly against a backdrop in which activity in the SIPP market was affected by Brexit uncertainty, particularly in relation to property transactions.

Favourable market trends

We are approaching potentially the largest overhaul of pension funding regulations in more than a decade, as the government and the Pensions Regulator work to increase protection for members of defined benefits pension schemes in the wake of controversies at companies such as BHS and Carillion. As trustees navigate the implications of regulatory change, we will continue to work closely with our clients to help them comply with new requirements and better protect the interests of their members, and foresee ongoing activity in this area.

A notable development in defined benefit schemes is the trend for trustees to transfer assets and liabilities to pension insurers. Last year was a record year for bulk annuity transactions, which rose to £40bn, an increase of 100% over the preceding two years. We can add a lot of value for clients as a broker in these transactions and are investing in our capability. The majority of transactions are 'buy-ins', where only part of the scheme is transferred, so the residual scheme continues to need the wider services of the type we offer.

Another significant issue faced by the majority of pension schemes relates to the resolution of GMP equalisation. As mentioned above, delays to receiving records from HMRC have slowed activity across the industry, but once the information is released there will be a significant amount of work in this area.

Progress against our strategy

Our internal initiatives and positive external market trends helped the performance of the Pensions Actuarial and Consulting business to improve as the year progressed, and we were pleased to see that this business returned to growth in H2. Client retention remained strong and we won some pleasing new mandates in H2 in this business, including some large schemes and against our toughest competition. The strong organic growth in Pensions Administration was pleasing, especially as with the step up in activity we maintained our high service standards for clients, and Pensions Investment Consulting had another strong year.

Our organic growth was complemented by the completion of two bolt-on acquisitions.

In May 2019 we acquired Royal London Corporate Pensions Services, a provider of consulting and administration services to defined benefit clients. This doubled our presence in the city of Edinburgh.

We also doubled our headcount in Bristol at the end of 2019 with the acquisition of Trigon Professional Services, an owner-managed business providing actuarial, administration, consultancy and investment advisory services. Around 40 people transferred to XPS, and we have already been able to introduce XPS' wider services to Trigon clients, including actuarial services that Trigon previously outsourced.

Our primary focus remains driving organic growth against a market backdrop that presents a great deal of opportunity. We continue to scan the horizon for M&A opportunities, where these would be a strategic addition to our capabilities and align culturally with our organisation.

Satisfied stakeholders

Client retention remained high during the year. In a wide-ranging survey of clients we undertook earlier in the year, 94% expressed satisfaction with XPS, with around 80% saying they were 'very satisfied' or 'delighted' with our work, which is highly gratifying.

Our annual staff survey was also a source of positive feedback, with 86% of colleagues positively agreeing that XPS is a good place to work. Last year was the first full year following the introduction of our new corporate values. Having worked hard to embed these throughout the business, it is great to see our values being lived every day. We recently introduced the XPS Values in Practice (VIP) programme, new annual awards for people and teams to keep up the momentum around our values and culture, a key focus for the Group.

Strengthened team

We have enhanced the strength of our teams across the business through a combination of internal promotions and the recruitment of high calibre talent from outside the organisation, including from Big 3 companies in our sector. Ben Gold was promoted to head our Investment Consulting practice, taking over from Patrick McCoy when he moved to the new role of Head of Advisory (spanning both the pensions and investment businesses). External hires included new heads of investment consulting in our Manchester and Edinburgh offices, and a very experienced consultant to develop our bulk annuity advice offering. We are also pleased to welcome Sophia Singleton, our new head of Defined Contribution consulting, who joins XPS from Aon.

COVID-19 response

From the beginning of the COVID-19 crisis which started to emerge in the final months of our financial year, ensuring the health and safety of our employees has been our top priority, and alongside that there has also been a strong focus on ensuring we can continue to provide high quality services to our clients.

During February, we established a dedicated COVID-19 response team, comprising senior leaders from all business divisions and central functions. This group oversaw a transition to a model of almost entirely remote working, with processes re-engineered and IT systems upgraded to enable this. This operating model was tested and developed before the full lockdown, and was put into full effect immediately after the lockdown was implemented by the Government.

Following the transition to a remote working model, over 98% of our 1,203 FTE employees have been working effectively entirely at home, with only a small number of staff still attending offices for essential tasks such as receiving post.

In Pensions Administration, the business unit that required the most significant changes in its operating model, the business continued to perform well. Our Service Level Agreements for client tasks remained high, and all pension payrolls continued, with clients and pension scheme members providing positive feedback on our continuing high service levels.

In Pensions Actuarial & Consulting and Investment Consulting, demand for our core services remained strong as we supported clients navigating their way through very challenging times for pension schemes. We delivered this advice effectively through remote working and via online meetings.

A significant focus for management throughout this time has been the mental health and wellbeing of our staff. We have put in place a number of initiatives in this regard, keeping people connected formally and informally, and we have provided additional online support and training. We have also supported staff with regular updates of reassurance from the executive management team which are cascaded throughout the business.

We would like to thank our staff for their resilience, and we are very proud of the ‘can do’ attitude our staff have shown in looking after each other and our clients very well at this highly unusual time.

Stable and resilient business

We continue to see attractive opportunities for growth in consulting as large schemes gain confidence in appointing mid-tier advisors, and in administration where service standards in the industry are variable and the outsourcing trend continues.

In terms of the potential impact of COVID-19, the Group’s underlying business remains resilient. A significant proportion of our revenues are non-discretionary and received for essential services, with a high degree of visibility.

In the short-term, we expect demand for our discretionary services to continue as pension trustees seek advice and support throughout the COVID-19 crisis. This is particularly the case in the Pensions Investment Consulting division where we advise clients on asset allocation decisions. However, some short-term project revenues might decline as trustees and corporates focus solely on COVID-19 and essential regulatory tasks, deferring other discretionary projects until the country recovers from the COVID-19 crisis.

We expect new business opportunities to slow as processes are put on hold. Whilst we have seen some processes proceed, with pitch meetings being held by video conference, volumes are significantly lower than normal in the Pensions Actuarial & Consulting business. We also expect an increased number of schemes to enter the PPF as a result of the wider economic downturn in the UK.

The Group's strong financial position, coupled with our well-established market position, means it remains well positioned to weather the present crisis and to continue driving growth and market share gains over the medium term, against a favourable competitive and regulatory backdrop.

FINANCIAL REVIEW

It was another strong year of growth for the business, delivering 9% year on year growth in revenues and a 23% increase in adjusted operating cash-flow (excluding the impact of IFRS 16). Furthermore, the year saw completion of the integration of the acquired Punter Southall (PS) businesses early in the year and we are now off the Transitional Services Agreement (TSA) for all support functions which has created a strong, scalable platform for growth. We also completed two bolt on acquisitions in the year – RL Corporate Pensions Services Limited and Trigon Professional Services Limited which contributed to growth as well as expanding the reach and capability of the business and we have had a number of significant new client wins across the Group and have the right level of resources in place to continue growing the business.

Significant accounting matters

IFRS 16

The Group has adopted IFRS 16 from 1 April 2019 but has adopted the modified retrospective transition method and not restated the FY 2019 comparatives. IFRS 16 has no impact on the overall cash position of the Group. It does, however, have an impact on the way that assets and liabilities and the income statement are presented for the Group and the classification of cash flows. For more information on the impact of IFRS 16 see note 1.

Adjusted numbers

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

Group income statement

	FY 2020 £m As reported	IFRS 16 adj. £m	FY 2020 £m Pre IFRS 16	FY 2019 £m	Change % Pre IFRS 16
Revenue					
Pensions Actuarial & Consulting	58.8		58.8	56.8	4%
Pensions Administration	42.9		42.9	37.5	14%
Pensions Investment Consulting	9.6		9.6	8.1	19%
Total Pensions Revenue	**111.3**		**111.3**	**102.4**	**9%**
SIPP	6.1		6.1	6.1	-
NPT	2.4		2.4	1.4	71%
Total Revenue	**119.8**		**119.8**	**109.9**	**9%**
Adj. EBITDA (1)	**30.4**	**(2.5)**	**27.9**	**27.4**	**2%**
Depreciation & Amortisation	(4.2)	2.5	(1.7)	(1.4)	21%
Adj. EBIT (1)	**26.2**	**-**	**26.2**	**26.0**	**1%**
Exceptional & non-trading items	(12.8)		(12.8)	(12.9)	1%
Profit before interest & tax	**13.4**	**-**	**13.4**	**13.1**	**2%**
Net finance expense	(2.3)	0.3	(2.0)	(1.7)	(18%)
Profit before tax	**11.1**	**0.3**	**11.4**	**11.4**	**-**
Income tax expense	(3.7)	(0.1)	(3.8)	(1.0)	n/a
Profit after tax	**7.4**	**0.2**	**7.6**	**10.4**	**(27%)**

(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.

(2) The Group has adopted IFRS 16 – Leases from 1 April 2019 and not restated the prior year comparatives permitted under the modified retrospective transition method.

Revenue

Total Group revenues grew 9% year on year with the bolt on acquisitions of RL Corporate Pensions Services Limited on 31 May 2019 and Trigon Professional Services Limited on 31 October 2019 contributing 4% of the growth.

Pensions Actuarial and Consulting is the Group's largest business. Excluding the impact of the bolt on acquisitions, the division's revenues were modestly down 0.7% year on year, however delivered 1% year on year growth in the second half of the year.

Pensions Administration revenues grew 14% year on year with a number of new client wins coming on stream during the year as well as the two bolt-on acquisitions. Excluding the acquisitions, revenues grew 11% year on year. Pensions Administration accounted for 36% of the Group revenues (FY 2019: 34%).

Pensions Investment had another strong year with a number of new client mandates. The majority of the 19% year on year growth was from existing or new client wins. The Trigon acquisition contributed 2% of the revenue growth.

SIPP revenues were flat year on year impacted by lower new SIPP sales due to Brexit uncertainty and reduced commission on bank deposits due to cash withdrawals from Metro Bank. NPT revenues grew 71% with assets under management growing by £185m in the year.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 11% or £9.4 million year on year. Excluding the impact of the bolt on acquisitions, costs grew by 8% or £6.4 million year on year. In FY 2019, the Group was operating under the PS TSA which was heavily discounted. c. £2 million of the step up in the cost base is as a result of operating independently of the TSA. The other main reasons for the cost increases are higher number of employees (1,141 vs 1,088) excluding the acquisitions and higher IT infrastructure costs following the migration off the TSA and on boarding new clients particularly in the Pensions Administration division.

As a result, Group's adjusted EBITDA grew by 2% year on year. Normalising for the £2m discount in the TSA in the prior year, adjusted EBITDA margin was 23%; flat YoY.

Bolt on acquisitions

RL Corporate Pensions Services Limited

The Group acquired the entire issued share capital of RL Corporate Pension Services Limited (RLCPS) from The Royal London Mutual Insurance Society Limited (Royal London) for a cash consideration of £4.8 million.

The acquisition created intangible assets of £3.0 million, which will be amortised over 10 years.

The operating results of the acquired business are included in the income statement for the period 1 June 2019 to 31 March 2020 and amount to revenue of £3.1 million and contribution of £1.1 million.

Trigon Professional Services Limited

On 31 October 2019, the Group acquired 100% of the share capital of Trigon Professional Services Limited from Trigon Pensions Holdings Limited for a total consideration of £3.9 million, comprising of £2.8 million in cash upon completion, and contingent cash consideration of up to £1.1 million (currently recorded at £0.8 million in the Statement of Financial Position).

The acquisition created intangible assets of £2.2 million, which will be amortised over 10 years.

The operating results of the acquired business are included in the income statement for the period 1 November 2019 to 31 March 2020 and amount to revenue of £1.0 million and contribution of £0.1 million.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £12.8 million (FY 2019: £12.9 million). Amortisation of acquired intangible assets amounted to £7.1 million (FY 2019: £11.7 million). Share based payment charges were £2.2 million (FY 2019: £4.0 million). Restructuring costs of £1.9 million (FY 2019: £3.1 million), corporate transaction costs of £0.9 million (FY 2019: £0.7 million) and other exceptional costs of £0.7 million (FY 2019: £6.6 million credit) were also incurred in the year.

Tax credit on the exceptional and non-trading items was £0.1 million (FY 2019: £3.2 million).

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

Net finance costs

Net finance costs (pre IFRS 16) for the year were £2.0 million (FY 2019: £1.7 million). The increase reflected the higher net debt in the year.

Taxation

A tax charge of £3.8 million (FY 2019: £4.2 million) was recognised on adjusted profits (before exceptional and non-trading items and the impact of IFRS 16) which represents an effective tax rate of 16% (FY 2019: 17%). The Group also recognised a tax credit of £0.1 million (FY 2019: £4.2 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £3.7 million (FY 2019: £1.0 million).

Our businesses generate considerable tax revenue for the Government in the UK. For the year ended 31 March 2020, we paid corporation tax of £3.5million (FY 2019: £3.9 million); we collected employment taxes of £19.7 million (FY 2019: £15.1 million) and VAT of £16.5 million (FY 2019: £15.8 million). Additionally, we have paid £1.1 million (FY 2019: £1.0 million) in business rates. The total tax contribution of the Group was therefore £40.8 million (FY 2019: £35.8 million).

EPS

The Basic EPS for FY 2020 is 3.6p (FY 2019: 5.7p). The year on year decline is mainly due to a £3.2m tax credit on exceptional and non-trading items in FY 2019 which reduced the overall tax charge to £1.0 million. The tax credit is only £0.1m in FY 2020 due to an increase in the enacted tax rate from 17% to 19% and the related revaluation of deferred tax liabilities on the Group's intangible assets.

Adjusted fully diluted EPS of 9.8p (excluding the impact of IFRS16) was delivered in FY 2020 (FY 2019: 9.8p).

Dividend

A final dividend of 4.3p is being proposed by the Board (FY 2019: 4.3p). The final dividend, if approved, which amounts to £8.8m (FY 2019: £8.8m), will be paid on 24 September 2020 to those shareholders on the register on 28 August 2020.

Cash flow, capital expenditure and financing

Non-GAAP cash-flow	31 Mar 2020 Incl. IFRS 16 £m	31 Mar 2020 Excl. IFRS 16 £m	31 March 2019 Excl. IFRS 16 £m
Operating			
Adjusted EBITDA	30.4	27.9	27.4
Change in net working capital	0.6	0.9	(3.2)
Other	(0.1)	(0.1)	(0.9)
Adjusted operating cash-flow	**30.9**	**28.7**	**23.3**
OCF conversion	*102%*	*103%*	*85%*
Financing & tax			
Net finance expense	(1.8)	(1.6)	(1.7)
Taxes paid	(3.5)	(3.5)	(3.9)
Proceeds from new loans (net of repayments)	13.3	13.3	1.5
Repayment of lease liabilities	(2.0)	-	-
Proceeds from issue of shares	0.3	0.3	2.0
Net cash-flow after financing	**37.2**	**37.2**	**21.2**
Investing			
Acquisition (net of cash acquired)	(7.5)	(7.5)	(4.9)
Disposals	0.4	0.4	0.6
Capex	(3.4)	(3.4)	(2.6)
Restricted cash (NPT)	(0.3)	(0.3)	(1.0)
Net cash-flow after investing	**26.4**	**26.4**	**13.3**
Dividends paid	(13.4)	(13.4)	(13.2)
Exceptional items	(4.1)	(4.1)	(4.0)
Movement in cash	**8.9**	**8.9**	**(3.9)**
Net debt	56.1	56.1	51.7
Leverage	1.98x	1.98x	1.79x

Cash-flow including the impact of IFRS 16 shows that operating cash flow increased by £7.6 million year on year primarily driven by higher EBITDA resulting from the adoption of IFRS 16 and a positive swing in the working capital. Other components that differ from the Pre-IFRS 16 cash flow are the net finance expense which includes £0.2 million of lease finance expense and repayment of lease liabilities of £2.0 million.

The like for like cash flow is pre IFRS 16. This shows the adjusted operating cash flow increased by £5.4 million driven by a £0.5 million increase in EBITDA and a £4.1 million increase in net working capital. Other items were an outflow of £0.1 million compared to an outflow of £0.9 million in FY 2019. Overall, this resulted in adjusted operating cash flow conversion of 103% compared to 85% in the prior year.

Net finance expense paid in the year was lower than the income statement charge largely due to accrued interest for the fourth quarter being payable in June. Taxes paid in the year were £0.4 million lower due to a current year tax credit in relation to the prior year.

During the year, the Group drew down £13.3 million of the RCF. A total of £7.6 million was paid in the year for the acquisitions of RL Corporate Pension Services Limited and Trigon Professional Services Limited. Capital expenditure in the year amounted to £3.4 million (FY 2019: £2.6 million) with £1.5 million spent on leasehold improvements and office fit-outs and the remaining £1.9 million on IT equipment and software enhancements.

After paying £13.4 million in dividends and £4.1 million of exceptional costs, the Group cash balance increased by £8.9 million year on year to close at £14.4 million. The Group had drawn down £70.5 million of its £80 million RCF at 31 March 2020, resulting in a net debt of £56.1 million, an increase of £4.4 million year on year, driven primarily by the £7.5 million spent on the two bolt on acquisitions net of cash acquired.

The existing revolving credit facility (RCF) of £80 million with HSBC and Bank of Ireland matures in December 2022. In addition, the Group has agreed an amendment to its revolving credit facility with its lending banks, which provides the Group with greater financial flexibility and increased liquidity in the form of an additional RCF of £10 million available for a period of 12 months from June 2020 to navigate the potential challenges posed by the COVID-19 crisis.

Going concern

Details on the Directors continuing to adopt the going concern basis in preparing the Financial Statements can be found in the Viability Statement in the Directors' Report in the Annual Report. 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 36 in the Annual Report.

Snehal Shah
Chief Financial Officer

24 June 2020

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

- The re-organisation of risk resources across the Group into a single Group level function, supporting all businesses.
- The roll-out of standard risk reports for the business, highlighting risks outside of appetite and action plans underway to manage.
- The introduction of an Executive level Risk Management Committee to monitor risks and the effectiveness of the overall Risk Management Framework.
- The formalisation of root cause analysis techniques to review incidents, agree and implement control enhancements and ensure that lessons learnt are considered across the Group.
- The creation of a dedicated Information Security team, including a 24/7 Security Operations Centre capability.
- Enhancements in the frameworks used to manage key risks, i.e. Information Security, Business Continuity and Third Party Assurance.

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

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

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

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

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

Principal Risk	**Description**	**Key Mitigations**
Strategy	Risks linked to the assumptions of future development and size of pensions market used to develop the strategy or business model or business portfolio, e.g. poor data, group think, lack of diversity of opinions.	The Board approves and regularly reviews the Group's strategy in conjunction with budgets, targeting long term increases in shareholder value and ensuring robust independent challenge. Key decisions are assessed against risk appetites for key Group risks with a Risk Management framework in place to identify and escalate where strategic decisions may have unintended impacts.

Strategic Planning and Execution	Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications, poor management of change or projects.	The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates. Specific project management resources are used to deliver large scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations.
Errors	Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly, not following peer review processes.	The Group recruitment process ensures only high calibre staff are recruited who are then supported by training programmes, standardised documented processes and checklists for key processes. Higher risk work is identified with peer review and additional signoff required, with regular quality audits to confirm processes are being followed correctly. Insurance arrangements are in place to limit the loss should an error occur, with root cause analysis used to identify where controls can be improved.
Theft and Fraud (Financial, Physical Assets)	Risks relating to the safeguarding of Group and Client financial and physical assets from malicious actors e.g. stealing physical assets, deliberate misrepresentation leading to fraud, theft from Group or Client bank accounts.	The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to preventing individuals from making fraudulent payments or transfers. These controls are supported with staff training and awareness and are regularly independently audited. Insurance arrangements are in place to protect against larger claims.
Information/ Cyber Security	Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. Unauthorised access or disclosure of staff or client information, denial of access to systems or data required, business continuity incidents caused by equipment breakdown/ fire/ flood.	The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This includes a range of technical controls, a dedicated Information Security Team, and a 24/ 7 Security Operations Centre. These are supported by regular independent audits and penetration tests. All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with regular training initiatives, e.g. Phishing Awareness. The Group has a range of Business Continuity capabilities in place to minimise impact of incidents impacting the Groups' data, facilities or systems. These include documented plans which are tested regularly.
Staff/ Human Resources	Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence, management capability.	The Group's recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer term incentives in place to aid retention. Regular key staff reviews ensure succession planning is kept up to date and remains appropriate. Staffing requirements are considered as part of strategy and budgeting process to ensure alignment with business plans.

Third Party Supplier/ Outsourcing	Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures, financial failure of supplier resulting in inability to deliver service.	The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party. The approvals and signing framework also ensures contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLA's and financial status. Where there is a reliance on a single supplier, contingency plans are in place to protect against failure.
Client Engagement	Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client, poorly presented or using out of date technologies, but not errors.	The Group client engagement process ensures that expectations are matched to Group capabilities. Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs. Client surveys are used to gather feedback and identify trends and insights.
Strategic Planning and Execution	Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications, poor management of change or projects.	The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates. Specific project management resources are used to deliver large scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations.

Pandemic Risk - COVID 19 - This is an emerging risk that the Group is exposed to due to the potential interruption of operations because of the absence of significant numbers of staff or falls in general economic activity. The Group's operational resilience has been retained during the current epidemic, utilising its existing Business Continuity framework to rapidly roll out the ability for staff to work from home. To date the Group has not identified any significant impact on staff or activity levels and is managing this emerging risk and its impact via the COVID-19 Response Team; comprising senior leaders from all business divisions and central functions.

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

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

Paul Cuff
Co-Chief Executive Officer
24 June 2020

Ben Bramhall
Co-Chief Executive Officer
24 June 2020

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 2020 which includes the financial and operational highlights, the Co-Chief Executives' Review, Financial Review, Principal Risks and Uncertainties, and summarised financial statement.

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 24 June 2020. 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.

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 we addressed the key audit matter in the audit
Revenue recognition	
The Group generates revenue from pension advisory, administration and investment consulting services as well as providing independent trustee, SSAS and SIPP services.	We identified the Group's revenue streams and tested that the related revenue recognition policy is in accordance with IFRS 15.
IFRS 15 requires the identification of the separate performance obligations embedded in a contract, and the allocation of the transaction price to these performance obligations. Revenue is only recognised when performance obligations have been met. Identification of the separate performance obligations and price allocation is complex and involves judgement. Refer to Note 1 (Accounting Policies) in the financial statements for the revenue recognition policy.	We utilised our IT audit specialists to assist in our review of revenue transactions and to identity transactions which did not appear to arise from standard billing arrangements. We then agreed a sample of any such transactions to underlying documentation to gain an understanding of the transaction and check that the related revenue had been appropriately recognised.

Risks over revenue recognition include:

- Inherent fraud risk in respect of overstatement of revenue and accrued income and the understatement of deferred revenue;
- Incorrect deferral of revenue on SSAS services;
- Recoverability of accrued income in respect of pension advisory services;
- Completeness of production captured within the timecard system and subsequently recorded in the accounting system.
- Incorrect revenue recognised under IFRS 15 due to the judgements involved in the application of the standard.

We tested a sample of revenue transactions for each material income stream by agreeing back to timecard data, invoice, confirmation of approval to bill by project managers and receipt of payment to check the existence of revenue and that it was accurately recorded.

We tested the recoverability of a sample of accrued income through to its subsequent billing and cash receipt. For any unpaid items we considered the recoverability of these by reference to customers' payment trends historically.

We tested deferred income on a sample basis by re-calculating deferrals based on invoice amounts and periods to which they relate and reviewing SSAS income for revenue deferrals not made.

Where contracts exist, for a sample we have checked that revenue is being recognised in accordance with the terms of the contract as well as the requirements of applicable accounting standards.

We tested the completeness of timecards recorded within the timecard system and the subsequent recognition of related revenue by reconciling the timecards recorded to the amounts billed and written off, agreeing exceptions noted to underlying support.

Key Observations

Our testing did not identify any material misstatements in the amount of revenue recognised or issues with the revenue recognition policy and judgements made.

Going concern and impairment considerations relating to Coronavirus

During the course of the audit and finalisation of the financial statements, the potential impact of Coronavirus has become apparent. As a result, management (including the Board and Audit Committee) invested a significant amount of time to consider the implications to the Group. Refer to Note 1 (Accounting Policies) in the financial statements for the going concern consideration.

Management considered implications for the Group's going concern assessment, impairment of intangibles and appropriate disclosure in the

In relation to going concern we reviewed management's reverse stress test scenarios and the options available to management in order to mitigate the impacts. We challenged management on the key assumptions by considering the reasonableness of the inputs and by sensitising the outcomes included in the scenarios. These key assumptions include the impact on revenue, EBITDA and debt collection. We also confirmed management's mitigating actions are within their control. We reviewed post

Annual Report and financial statements. No impairment of assets was considered necessary. Due to the level of judgement applied by management in performing their assessments this was considered to be an area of focus for our audit.	year-end cash collection to determine whether there had been any impact and reviewed post year-end management information to consider if revenues had been negatively impacted. We agreed to signed supporting documentation that bank covenants have been relaxed and reviewed forecasts to consider whether covenants are expected to be breached. We also confirmed that additional facilities have been granted. We considered the potential impact on the balance sheet, specifically around intangibles and right of use assets. This included a full impairment review for intangible assets which used the reforecast figures to consider the impact of Coronavirus. We reviewed the disclosures in the financial statements in relation to the potential impacts of the Coronavirus for consistency with the management's assessment.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, 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 follows:

	Group	Parent Company
Overall materiality	£546,000 (2019: £615,000)	£240,000 (2019: £240,000)
How we determined it	Materiality was based on 5% of profit before tax (2019: based on 5% of profit before tax excluding accelerated amortisation of £4.8m for the Punter Southall brand). £546,000 was calculated based on the original figures provided during the audit. We recalculated final materiality based on the adjusted numbers and have decided	Materiality for the Parent Company's financial statements capped at 44% (2019: 39%) of Group materiality.

	to retain the lower materiality amount.	
Rationale for benchmark applied	We determined profit before tax as our benchmark for materiality on the basis that profit before tax is a key performance indicator used by the market.	We considered an asset based measure to best reflect the nature of the Parent Company which acts as a Parent Holding Company for the Group.

Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels varying from 1% to 91% of Group materiality.

Performance materiality was set at £382,000 (2019: £430,000) for the Group, representing 70% (2019: 70%) of materiality. 70% of materiality was selected as there have historically been a low number of audit adjustments, a limited number of balances are subject to estimation and based on our assessment of the overall control environment. The same percentage was applied to each component materiality including the Parent Company.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22,000 (2019: £25,000), being 4% (2019: 4%) of Group materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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 at the Group level. The scope of the audit was tailored to ensure that specific testing was performed over the Key Audit Matters described above.

Capability of the audit to detect irregularities, including fraud

Whilst the directors have ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, IFRSs as adopted by the European Union, the Financial Conduct Authority's regulations and the Listing Rules.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;

- enquiries of management, Head of Risk, department Heads, the Board and the Audit Committee;
- enquiries of the legal team and compliance department including the Head of Compliance and Money Laundering Reporting Officer;
- review of minutes of board meetings throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.

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.

Simon Brooker (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 June 2020

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

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

		Year ended 31 March 2020			Year ended 31 March 2019		
		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	**119,753**	**–**	**119,753**	109,890	–	109,890
Other operating income		**–**	**–**	**–**	–	6,459	6,459
Administrative expenses		**(93,488)**	**(12,824)**	**(106,312)**	(83,861)	(19,575)	(103,436)
Profit/(loss) from operating activities		**26,265**	**(12,824)**	**13,441**	26,029	(13,116)	12,913
Finance income	5	**8**	**–**	**8**	17	–	17
Finance costs	5	**(2,378)**	**–**	**(2,378)**	(1,760)	196	(1,564)
Profit/(loss) before tax		**23,895**	**(12,824)**	**11,071**	24,286	(12,920)	11,366
Income tax (expense)/credit	6	**(3,812)**	**140**	**(3,672)**	(4,225)	3,230	(995)
Profit/(loss) and total comprehensive income/(loss) for the year from continuing operations		**20,083**	**(12,684)**	**7,399**	20,061	(9,690)	10,371
Profit on discontinued operation, net of tax		**–**	**–**	–	1,137	–	1,137
Profit/(loss) after tax		**20,083**	**(12,684)**	**7,399**	21,198	(9,690)	11,508
Memo							
EBITDA		**30,430**	**(5,671)**	**24,759**	27,442	(1,386)	26,056
Depreciation and amortisation		**(4,165)**	**(7,153)**	**(11,318)**	(1,413)	(11,730)	(13,143)
Profit/(loss) from operating activities		**26,265**	**(12,824)**	**13,441**	26,029	(13,116)	12,913

				Pence			Pence
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:							
Profit or loss:							
Basic earnings per share	9	**9.9**	**–**	**3.6**	10.0	–	5.7
Diluted earnings per share	9	**9.6**	**–**	**3.6**	9.9	–	5.6
Profit or loss from continuing operations:							
Basic earnings per share	9	**9.9**	**–**	**3.6**	9.9	–	5.1
Diluted earnings per share	9	**9.6**	**–**	**3.6**	9.8	–	5.0

Consolidated Statement of Financial Position

as at 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment		**3,017**	2,104
Right-of-use assets	8	**12,965**	-
Intangible assets		**210,601**	208,218
Deferred tax assets		**669**	840
Other financial assets		**1,300**	1,000
		228,552	212,162
Current assets			
Trade and other receivables		**34,358**	33,075
Cash and cash equivalents		**14,432**	5,539
		48,790	38,614
Total assets		**277,342**	250,776
Liabilities			
Non-current liabilities			
Loans and borrowings	7	**70,186**	56,962
Lease liabilities	8	**10,269**	-
Deferred income tax liabilities		**17,561**	16,370
		98,016	73,332
Current liabilities			
Loans and borrowings	7	**-**	49
Lease liabilities	8	**2,538**	-
Provisions for other liabilities and charges		**2,743**	2,033
Trade and other payables		**19,349**	17,414
Current income tax liabilities		**994**	1,393
Deferred consideration		**757**	152
		26,381	21,041
Total liabilities		**124,397**	94,373
Net assets		**152,945**	156,403
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		**102**	102
Share premium		**116,797**	116,795
Merger relief reserve		**48,687**	48,687
Investment in own shares held in trust		**(529)**	(167)
Accumulated deficit		**(12,112)**	(9,014)
Total equity		**152,945**	156,403

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Merger relief reserve £'000	Accumulated deficit £'000	Total equity/ (deficit) £'000
Balance at 1 April 2018 (as restated for IFRS 15)	102	116,782	(465)	48,687	(11,728)	153,378
Comprehensive income and total comprehensive income for the year	–	–	–	–	11,508	11,508
Contributions by and distributions to owners						
Share capital issued	–	13	–	–	–	13
Dividends paid (note 10)	–	–	–	–	(13,206)	(13,206)
Share-based payment expense – equity settled from employee benefit trust	–	–	298	–	1,701	1,999
Share-based payment expense - IFRS2 charge in respect of long-term incentives	–	–	–	–	2,859	2,859
Deferred tax movement in respect of long-term incentives	–	–	–	–	(148)	(148)
Total contributions by and distributions to owners	–	13	298	–	(8,794)	(8,483)
Balance at 31 March 2019	102	116,795	(167)	48,687	(9,014)	156,403
Balance at 1 April 2019	102	116,795	(167)	48,687	(9,014)	156,403
Comprehensive income and total comprehensive income for the year	–	–	–	–	7,399	7,399
Contributions by and distributions to owners						
Share capital issued	–	2	–	–	–	2
Dividends paid (note 10)	–	–	–	–	(13,412)	(13,412)
Shares purchased by employee benefit trust for cash	–	–	(499)	–	–	(499)
Share-based payment expense – equity settled from employee benefit trust	–	–	137	–	637	774
Share-based payment expense - IFRS2 charge in respect of long-term incentives	–	–	–	–	2,132	2,132
Deferred tax movement in respect of long-term incentives	–	–	–	–	146	146
Total contributions by and distributions to owners	–	2	(362)	–	(10,497)	(10,857)
Balance at 31 March 2020	102	116,797	(529)	48,687	(12,112)	152,945

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

	Note	**Year ended 31 March 2020 £'000**	Year ended 31 March 2019 £'000
Cash flows from operating activities			
Profit for the year		**7,399**	11,508
Adjustments for:			
Depreciation		**856**	841
Amortisation		**10,462**	12,302
Finance income	5	**(8)**	(17)
Finance costs	5	**2,378**	1,564
Gain on sale of discontinued operations before tax		**-**	(1,164)
Share-based payment expense		**2,132**	2,859
Other operating income		**-**	(6,459)
Income tax expense	6	**3,672**	1,262
		26,891	22,696
Increase in trade and other receivables		**(750)**	(3,698)
Increase in trade and other payables		**1,284**	64
(Decrease)/increase in provisions		**(428)**	387
		26,997	19,449
Income tax paid		**(3,539)**	(3,941)
Net cash inflow from operating activities		**23,458**	15,508
Cash flows from investing activities			
Finance income received	5	**8**	17
Acquisition of subsidiaries, net of cash acquired		**(7,544)**	(4,925)
Disposal of discontinued operations		**427**	550
Purchases of property, plant and equipment		**(2,021)**	(1,928)
Purchases of software		**(1,377)**	(715)
Increase in restricted cash balances – other financial assets		**(300)**	(1,000)
Net cash outflow from investing activities		**(10,807)**	(8,001)
Cash flows from financing activities			
Proceeds from the issue of share capital net of share issue costs		**2**	13
Proceeds from new loans net of capitalised costs		**13,250**	1,500
Sale of own shares		**774**	1,999
Purchase of ordinary shares by EBT		**(499)**	-
Interest paid		**(1,630)**	(1,644)
Lease interest paid		**(197)**	-
Payment of lease liabilities (2019: finance lease only)		**(2,046)**	(34)
Dividends paid to the holders of the parent		**(13,412)**	(13,206)
Net cash outflow from financing activities		**(3,758)**	(11,372)
Net increase/(decrease) in cash and cash equivalents		**8,893**	(3,865)
Cash and cash equivalents at start of the year		**5,539**	9,404
Cash and cash equivalents at end of year		**14,432**	5,539

Notes to Consolidated Financial Information

for the year ended 31 March 2020

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 2020 or 31 March 2019. Statutory accounts for the year ended 31 March 2020, which were approved by the directors on 24 June 2020, and 31 March 2019 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 2020 or 31 March 2019 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 2020 will be delivered to the Registrar of Companies in due course and will be posted to shareholders shortly, and thereafter will be available from the Company's registered office at Phoenix House, 1 Station Hill, Reading, RG1 1NB and from the Company's website www.xpsgroup.com

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, and International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 March 2019, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 April 2019. The new standard impacting the Group which has been adopted in the annual financial statements for the year ended 31 March 2020 is IFRS 16 *Leases*. Other new standards, amendments and interpretations to existing standards, which have been adopted by the Group have not been listed, since they have no material impact on the financial statements.

IFRS 16 Leases is a new standard which has been adopted in the annual Financial Statements for the year ended 31 March 2020. It has given rise to changes in the Group's accounting policies. IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease, which were previously issued by the IFRS Interpretations Committee.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

(a) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

• Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and

• Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some classes of leases for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee company's incremental borrowing rate as at 1 April 2019. The lessee company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 2.60%.

The office space right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, rent-free periods and an adjustment for costs of removal and restoring.

A section of one of the Group's offices was sub-leased – under IFRS 16 this sub-lease is treated as a lease receivable. The sub-leased element is excluded from the asset value of that office.

The right-of-use assets will be depreciated over the life of the lease, this is between 1 and 10 years. The right of use assets are included in the Non-current Assets in the Statement of Financial Position. The lease liabilities are shown separately in the Statement of Financial Position. At interim, the right-of-use assets were included within Property, Plant and Equipment, however for the Financial Statements as at 31 March 2020, these have been presented in their own category, to keep the assets distinct from other assets not held under a lease.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 April 2019:

	Adjustments	**31 March 2019 As originally presented £'000**	**IFRS 16 £'000**	**1 April 2019 £'000**
Assets				
Office equipment	(a)	1,126	(252)	**874**
Right-of-use assets	(b)	-	9,488	**9,488**
Prepayments	(c)	3,744	(378)	**3,366**
Lease receivable	(d)	-	43	**43**
Liabilities				
Accrued expenses	(e)	7,474	(505)	**6,969**
Dilapidation provision	(f)	517	493	**1,010**
Loans and borrowings	(g)	57,011	(261)	**56,750**
Lease liabilities	(h)	-	9,174	**9,174**

(a) Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by £261,000 and accumulated depreciation by £9,000 for a net adjustment of £252,000.

(b) The adjustment to right-of-use assets is as follows:

	£'000
Adjustment noted in (a) – finance type leases	**252**
Operating type leases	**9,236**
Right-of-use assets	**9,488**

(c) Prepayments was adjusted for office rental expenses paid in advance. These amounts were included in the calculation of the right-of-use assets.

(d) The lease receivable balance relates to a sub-lease for one of the Group's offices.

(e) Accrued expenses were adjustments for rent-free periods contained within the leases for several of the Group's office buildings. Upon implementation of IFRS 16 these amounts were included in the calculation of the right-of-use assets.

(f) Dilapidations provision was adjusted to hold the full provision required for each office. Previously, the provision had been charged monthly to administrative expenses over the life of the lease.

(g) Loans and borrowings were adjusted to reclassify leases previously classified as finance type to lease liabilities.

(h) The following table reconciles the minimum lease commitments disclosed in the Group's 31 March 2019 annual financial statements to the amount of lease liabilities recognised on 1 April 2019:

	1 April 2019
	£'000
Minimum operating lease commitment at 31 March 2019	**4,554**
Less: short-term leases not recognised under IFRS 16	**(90)**
Plus: effect of extension options reasonably certain to be exercised	**5,907**
Undiscounted lease payments	**10,371**
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	**(1,458)**
Lease liabilities for leases classified as operating type under IAS 17	**8,913**
Plus: leases previously classified as finance type under IAS 17	**261**
Lease liabilities recognised at 1 April 2019	**9,174**

Included in profit or loss for the period are £2,567,000 of amortisation of right-of-use assets and £288,000 of finance expense on lease liabilities. Short-term leases included in profit or loss for the period amounted to £162,000.

(b) Significant Accounting Policies subsequent to Transition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

• Leases of low value assets; and

• Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

• amounts expected to be payable under any residual value guarantee;

• the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;

• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;

• initial direct costs incurred; and

• the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

2 Non-trading and exceptional items

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Corporate transaction costs [1]	**(870)**	(724)
Restructuring costs [2]	**(1,904)**	(3,134)
Settlement of historical contractual dispute [3]	**(381)**	-
Other exceptional costs [4]	**(336)**	-
Exceptional items	**(3,491)**	(3,858)
Contingent consideration write back [5]	**-**	6,459
Share-based payment costs [6]	**(2,180)**	(3,987)
Amortisation of acquired intangibles [7]	**(7,153)**	(11,730)
Exceptional finance costs [8]	**-**	196
Non-trading items	**(9,333)**	(9,062)
Total before tax	**(12,824)**	(12,920)
Tax on adjusting items [9]	**140**	3,230
Adjusting items after taxation	**(12,684)**	(9,690)

1 Costs associated with the acquisitions of the Punter Southall companies, the Kier pensions administration unit, Royal London and Trigon acquisitions and other deal related fees £870,000 (2019: £587,000), and costs relating to the disposal of the Healthcare business £nil (2019: £137,000).

2 Restructuring costs linked to the integration of the Xafinity and Punter Southall businesses, following the acquisition of Punter Southall Holdings Limited and its subsidiaries in January 2018, and the integration of the Royal London and Trigon businesses (2019: £3,134,000).

3 The Group agreed to pay £381,000 to a supplier in relation to an historic contractual dispute (2019: £nil).

4 Other exceptional costs includes costs relating to the impact of Covid-19 on the business (2019: £nil).

5 Contingent consideration revaluation relating to the share-based consideration for the Punter Southall acquisition.

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

7 During the year the Group incurred £7,153,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2019: £11,730,000) The charge was significantly higher in the prior year due to an accelerated charge for brands acquired as part of the Punter Southall acquisition.

8 The unwinding of discount on contingent consideration relates to the share-based consideration for the Punter Southall acquisition - £nil (2019: £196,000).

9 The tax credit on non-trading items of £0.1m (2019: £3.2m) represents 0% (2019: 25%) of the non-trading items incurred of £12.8m (2019: £12.9m). This is different to the expected tax credit of 19% (2019: 19%), as various adjustments are made to tax including for deferred tax (including the change in the enacted rate), and the exclusion of amounts not allowable for tax.

3 Business combinations during the period

On 31 May 2019, the Group acquired 100% of the share capital of RL corporate Pension Services Limited (RLCPS) from The Royal London Mutual Insurance Society Limited, for total consideration of £4.8 million in cash upon completion. RLCPS provides pensions actuarial, consulting and administration services to 150 smaller defined benefit pension schemes, covering 8,000 scheme members. The acquisition strengthens XPS's presence in the market for provision of full services to smaller defined benefit pension schemes. The entity was renamed in the year to XPS Pensions (RL) Limited.

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
Receivables	341	561	**902**
Cash	251	-	**251**
Payables	(83)	(580)	**(663)**
Corporation tax	(1)	-	**(1)**
Customer relationships	-	3,048	**3,048**
Deferred tax	14	(579)	**(565)**
Total net assets	522	2,450	**2,972**

Fair value of consideration paid

	£'000
Cash	**4,822**
Total consideration	**4,822**
Goodwill	**1,850**

Since the interim results were announced, the Group has performed a thorough review of the fair value of assets acquired as part of the XPS Pensions (RL) Limited acquisition. As a result of this review, the Customer relationship fair value was amended to align it with Group policies which weren't accounted for in the interim accounts. Additionally, IFRS 15 was applied to XPS Pensions (RL) Limited, in line with the Group policy.. These adjustments led to a change in the value of goodwill recorded on acquisition.

On 31 October 2019, the Group acquired 100% of the share capital of Trigon Professional Services Limited from Trigon Pensions Holdings Limited. Trigon Professional Services Limited provides actuarial, administration, consultancy and investment advisory services. The transaction will further strengthen XPS's presence in the south-west of the UK, with the 40 Trigon staff based in Bristol joining the Group and doubling the size of XPS's presence in the city. The acquisition will create further opportunities in the local market, where Trigon already has a strong reputation for excellent client service.

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
Right-of-use asset	-	1,068	**1,068**
Receivables	428	10	**438**
Lease liability	-	(806)	**(806)**
Provisions	(90)	(247)	**(337)**
Payables	(346)	(29)	**(375)**
Customer relationships	-	2,152	**2,152**
Deferred tax liability	-	(409)	**(409)**
Total net assets	(8)	1,739	**1,731**

Fair value of consideration paid

	£'000
Cash	**2,825**
Contingent cash	**757**
Total consideration	**3,582**
Goodwill	**1,851**

Included within the acquired balance book value was a £90,000 dilapidation provision. The premises lease related to the Trigon office was subsequently transferred to another Group company.

Contingent consideration

The value of the contingent cash consideration for the Trigon acquisition in the contract is up to a maximum of £1.1m, based on the Trigon subsidiary meeting certain revenue thresholds in the year following the date of acquisition. The value attributed to the contingent consideration included in consideration has been determined using Group revenue forecasts. The contingent consideration is payable in December 2020.

In both acquisitions, 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 acquisitions is not deductible for tax purposes.

Since the acquisition date, XPS Pensions (RL) Limited has contributed £3,159,000 to group revenues and £638,000 to group profit before tax.

Since the acquisition date, Trigon Professional Services Limited has contributed £950,000 to group revenues and £24,000 to group profit before tax.

If both acquisitions had occurred on 1 April 2019, group revenue would have been £121,599,000 and group profit before tax for the year would have been £11,396,000.

Acquisition expenses

Costs relating to the above acquisitions totalled £870,000, 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 2020 £'000	Year ended 31 March 2019 £'000
Pensions Actuarial & Consulting	**58,802**	56,735
Pensions Administration	**42,945**	37,492
Pensions Investment Consulting	**9,551**	8,121
National Pension Trust (NPT)	**2,393**	1,444
SIPP [1]	**6,062**	6,098
Total – Continuing operations	**119,753**	109,890
Discontinued operations	**-**	423
Total	**119,753**	110,313

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

5 Finance income and expense

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income on bank deposits	**8**	17
Finance income	**8**	17
Interest expense on bank loans	**1,746**	1,422
Other costs of borrowing	**315**	286
Interest on leases	**288**	7
Other finance expense	**29**	45
Unwinding of discount on contingent consideration	**-**	(196)
Finance expenses	**2,378**	1,564

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 2020 £'000	Year ended 31 March 2019 £'000
Current tax expense		
Current year	**3,687**	3,942
Adjustment in respect of prior year	**(549)**	(366)
Total current tax expense	**3,138**	3,576
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**534**	(2,314)
Total income tax expense	**3,672**	1,262

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Continuing and discontinued operations:		
Income tax expense from continuing operations	**3,672**	995
Income tax expense from discontinued operation	**-**	267
	3,672	1,262

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for the year	**7,399**	11,508
Total tax expense	**3,672**	1,262
Profit before income tax	**11,071**	12,770
Tax using the UK corporation tax rate of 19% (2019: 19%)	**2,103**	2,426
Non-deductible expenses	**225**	703
Gain on revaluation not allowable	**-**	(1,227)
Fixed asset differences	**-**	17
Adjustment in respect of prior periods	**(549)**	(366)
Amounts (charged)/credited directly to equity or otherwise transferred	**146**	(148)
Excess relief on exercise of share options	**(7)**	(134)
Effect of tax rate change	**1,754**	(9)
Total tax expense	**3,672**	1,262

The standard rate of Corporation tax in the UK was 19% (2019: 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 2020, which is not lower than 19% (2019: 17%). Deferred tax not recognised relates to finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2020 the total unrecognised deferred tax asset in respect of these losses was approximately £1.2m (2019: £1.2m).

7 Loans and borrowings

31 March 2020	**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	—	—	70,500	70,500	**70,500**
Capitalised debt arrangement fees	—	(186)	(128)	(314)	**(314)**
Sub-total	**—**	**(186)**	**70,372**	**70,186**	**70,186**
Capitalised debt arrangement fees shown as current assets on balance sheet	(186)	—	—	—	**(186)**
Total	**(186)**	**(186)**	**70,372**	**70,186**	**70,000**

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

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

Terms and debt repayment schedule

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

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

At 31 March 2020 the Group had drawn down £70,500,000 (2019: £57,250,000) of its £80,000,000 revolving credit facility. The revolving credit facility available to the Group was increased to £90,000,000 in June 2020.

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

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

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

8 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 1. The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee company's incremental borrowing rate on commencement of the lease is used. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at a revised discount rate to that applied on lease commencement. The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised, however this will use the original discount rate. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

• if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy

• in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount

• if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the UK. In some instances the rent is reviewed and may be reset periodically to market rental rates. In other cases the periodic rent is fixed over the lease term. The Group also leases certain items of equipment (photocopiers). Leases of photocopiers comprise only fixed payments over the lease terms. The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

31 March 2020	**Lease contracts Number**	**Fixed payments %**	**Variable payments %**	**Sensitivity £'000**
Property leases with periodic uplifts to market rentals	**9**	**-**	**66**	± 293
Property leases with fixed payments	**9**	**32**	**-**	-
Leases of plant and equipment	**2**	**2**	**-**	-
	20	**34**	**66**	± 293

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would exposes the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

• the length of the lease term;

• whether the location represents a new area of operations for the Group.

At 31 March 2020 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the group would not exercise its right to break the lease. Total lease payments of £5,867,572 (2019 – £5,951,218) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

Right-of-use assets	**Land and Buildings**	**Office Equipment**	**Total**
	£'000	**£'000**	**£'000**
At 1 April 2019	**9,236**	**252**	**9,488**
Additions	**5,247**	**31**	**5,278**
Amortisation	**(2,511)**	**(56)**	**(2,567)**
Effect of modification to lease terms	**766**	—	**766**
At 31 March 2020	**12,738**	**227**	**12,965**

Lease liabilities	**Land and Buildings**	**Office Equipment**	**Total**
	£'000	**£'000**	**£'000**
At 1 April 2019	**8,913**	**261**	**9,174**
Additions	**4,849**	**31**	**4,880**
Interest expense	**280**	**8**	**288**
Effect of modification to lease terms	**708**	**-**	**708**
Lease payments	**(2,181)**	**(62)**	**(2,243)**
At 31 March 2020	**12,569**	**238**	**12,807**

	31 March 2020 £'000
Short-term lease expense	**168**
Low value lease expense	**(6)**
Aggregate undiscounted commitments for short-term leases	**162**

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Up to 3 months	**716**	12
Between 3 and 12 months	**1,822**	37
Between 1 and 2 years	**2,329**	51
Between two and five years	**4,411**	161
More than five years	**3,529**	-
	12,807	261

9 Earnings per share

	Continuing operations 31 March 2020 £'000	**Discontinued operations 31 March 2020 £'000**	**Total 31 March 2020 £'000**	Continuing operations 31 March 2019 £'000	Discontinued operations 31 March 2019 £'000	Total 31 March 2019 £'000
Profit for the year	**7,399**	**-**	**7,399**	10,371	1,137	11,508
	'000	**'000**	**'000**	'000	'000	'000
Weighted average number of ordinary shares in issue	**203,301**	**203,301**	**203,301**	203,167	203,167	203,167
Diluted weighted average number of ordinary shares	**208,219**	**208,219**	**208,219**	205,221	205,221	205,221
Basic earnings per share (pence)	**3.6**	**-**	**3.6**	5.1	0.6	5.7
Diluted earnings per share (pence)	**3.6**	**-**	**3.6**	5.0	0.6	5.6

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

Share awards were made to the Executive Board members and key management personnel in 2017, 2018 and 2019, these are subject to certain conditions, and vest in 2020, 2021 and 2022. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in 2017, 2018 and 2019, these will vest in 2020, 2021 and 2022 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	Continuing operations 31 March 2020 £'000	**Discontinued operations 31 March 2020 £'000**	**Total 31 March 2020 £'000**	Continuing operations 31 March 2019 £'000	Discontinued operations 31 March 2019 £'000	Total 31 March 2019 £'000
Adjusted profit after tax (note 2)	**20,083**	**-**	**20,083**	20,061	194	20,255
Adjusted earnings per share (pence)	**9.9**	**-**	**9.9**	9.9	0.1	10.0
Diluted adjusted earnings per share (pence)	**9.6**	**-**	**9.6**	9.8	0.1	9.9

10 Dividends

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

	31 March 2020 £'000	31 March 2019 £'000
Final dividend for the year ended 31 March 2019: 4.3p per share (2018: 4.2p per share)	**8,738**	**8,533**
Interim dividend for the year ended 31 March 2020: 2.3p (2019: 2.3p) per ordinary share was paid during the year	**4,674**	**4,673**
	13,412	**13,206**

The recommended final dividend payable in respect of the year ended 31 March 2020 is £8.8m or 4.3p per share (2019: £8.8m).

The proposed dividend has not been accrued as a liability as at 31 March 2020 as it is subject to approval at the Annual General Meeting.

	31 March 2020 £'000	31 March 2019 £'000
Proposed final dividend for year ended 31 March 2020	**8,835**	8,767

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 £2,516,000. There are sufficient distributable reserves in subsidiary companies which will be passed up to XPS Pensions Group plc in order to pay the proposed final dividend.

11 Cautionary statement

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