A secure financial future for all

XPS Pensions Group plc
Annual Report and Accounts 2023

Registered number: 08279139

Contents

Delivering for customers through our strategy and people

We exist to shape and support

safe, robust and well-understood

pension schemes for the benefit of people and society.

Our strategy is to be the best provider of services to the UK pensions market, as a one stop shop for everything Trustees and Employers need in this market.

What we want to achieve

We are a **forward-looking, ambitious business.** We are a leading independent pensions consulting and administration services firm and want to be **the best provider of services to the UK pensions market.**

Our values

We are **ambitious**

We do the **right thing**

We are **agile**

We are **helpful**

We are **experts**

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Our strategic priorities

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Our sustainability framework focuses on...

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Financial highlights

Revenue

FY 2023	**£166.6m**	**+20%**
FY 2022	£138.6m	

Proposed full year dividend

FY 2023	**8.4p**	**+17%**
FY 2022	7.2p	

Adjusted EBITDA[1]

FY 2023	**£42.4m**	**+24%**
FY 2022	£34.1m	

Net debt[4]

FY 2023	**£55.3m**	**+1%**
FY 2022	£54.6m	

Adjusted diluted earnings per share[2]

FY 2023	**12.6p**	**+24%**
FY 2022	10.2p	

Profit before tax

FY 2023	**£19.1m**	**+13%**
FY 2022	£16.9m	

FTE Employees[3]

FY 2023	**1,570**	**+9%**
FY 2022	1,442	

Basic EPS

FY 2023	**7.7p**	**+67%**
FY 2022	4.6p	

Operational highlights

- Sixth successive year of growth in revenue and adjusted EBITDA[1]
- Development of our proprietary Administration platform Aurora – launched in June 2023 and expected to drive significant operational efficiencies
- Our agile response to the Liability Driven Investment (LDI) Crisis arising from the government's mini-budget of 23 September 2022
- Acquisition of Penfida, a leading independent covenant adviser
- Multiple award wins, including at Professional Pensions UK Pensions Awards; Third Party Administrator of the Year, Actuarial and Pensions Consultancy of the Year and Investment Consultancy of the Year
- Carbon neutral for the second year in a row and retained signatory to the FRC's Stewardship Code

Named as one of the Best Places to Work 2023 by The Sunday Times

+33eNPS

achieved

(FY 2022 +5)

1 Adjusted EBITDA excludes the impact of share-based payment costs, fair value adjustments of contingent consideration, and exceptional costs.

2 Adjusted diluted earnings per share from continuing operations. It is based on adjusted profit after tax, which excludes the impact of amortisation of intangible assets, share-based payment costs, fair value adjustment of contingent consideration, exceptional costs, and the tax impact of these items. See Note 6 in the financial statements.

3 As at year end.

4 Excluding lease liabilities.

Scale, agility and expertise

What we do

XPS Pensions Group is a leading independent pensions consulting and administration business in the UK. We have benefits of scale - we have a breadth of experience to draw on and can invest in solutions for the benefit of our clients - yet we remain agile, able to respond quickly as the world around our clients shifts.

Our locations

16

UK locations
Our 16 locations give us access to staff, expertise and clients across the UK.

1,600+

employees

Our services

Pensions

We provide pragmatic advice that addresses the specific and often complex challenges faced by UK pension schemes and their corporate sponsors.

www.xpsgroup.com/what-we-do/pensions-advisory/

Investment

We provide clear and independent investment advice which we help clients implement quickly and effectively.

www.xpsgroup.com/what-we-do/investment-consulting/

Administration

Our award-winning pensions administration service puts scheme members at the heart of everything we do.

www.xpsgroup.com/what-we-do/administration/

National Pension Trust

The National Pension Trust (NPT) is a multi-employer defined contribution master trust providing a high-quality service that offers choice and flexibility to members.

www.nationalpensiontrust.com

Self Invested Pensions

XPS Self Invested Pensions is an award-winning SIPP and SSAS pension provider, trustee and administrator, which has specialised in self invested pensions for more than 40 years.

www.xpsselfinvestedpensions.com

>1,500

pension scheme clients

Why invest in XPS?

Diversified and stable client base

We have long-standing relationships with a large and diverse client base, consisting of over 1,500 clients. We have a strong brand and have won multiple industry awards for our client service.

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1,500+

clients
Top ten clients represent 18% of revenue

Well positioned in a sustainable market with favourable market trends and a strong competitive position

There are c.£1.5 trillion of liabilities of private UK defined benefit pension schemes and a rapidly growing defined contribution market. Regulatory developments are driving increased client activity and demand for our services.

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>£2bn

size of annual fee market
Long-dated liabilities in UK defined benefit schemes

Track record of positive financial performance and dividend yield

XPS has delivered year on year revenue growth, through a range of macroeconomic conditions, since listing on the London Stock Exchange.

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23%

revenue CAGR
since listing in 2017

Trusted expertise and highly engaged colleagues

The outstanding expertise and client service focus of our colleagues is widely relied upon and highly valued by our clients. We have high client satisfaction scores and our people think XPS is a great place to work.

Read more page 30

98%

of our people
think XPS is a great place to work

Non-cyclical and recurring revenues with inflation linkage

Our services are typically provided on the basis of an open-ended engagement with clients, have inflation linkage, and are compliance driven to a statutory timetable. They are therefore required in all parts of the economic cycle. We have a high degree of visibility of our revenue.

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>90%

repeat recurring revenue
across the business

Opportunities for earnings enhancing M&A and scale up

We have a proven track record of successful earnings enhancing M&A which demonstrates our ability to execute deals that are aligned to our corporate strategy.

Read more page 6

6

acquisitions
since listing in 2017

Strong cash conversion and growing dividends

The Group has a robust balance sheet and consistently high cash conversion and has continued to pay two-thirds of adjusted profit in dividends each year since listing.

Read more page 42

99%

adjusted operating cash conversion

Mergers and acquisitions

Penfida joins the XPS family

With Penfida as part of XPS Group, we can now offer the full range of services to trustees and employers, strengthening our position in the market and creating greater value for our stakeholders.

Our strategy is to be the best provider of all the services that pension scheme trustees and employers need. We aim to achieve this through developing our own services and growing organically, and also by making strategic acquisitions to accelerate progress in important areas when opportunities arise.

Under the pensions regulatory framework, all pension scheme trustees require actuarial advice, investment advice and administration services and the fourth pillar of support they need is 'employer covenant' advice, about the strength of the sponsoring employer. XPS has for many years had a strong offering in the first three of these areas. In the area of employer covenant, we had a small capable team, achieving good organic growth, but we lacked critical mass.

Penfida was established in 2005 as a provider of employer covenant advice, both in respect of complex corporate transactions as well as regular advisory work in connection with pension schemes' triennial valuations and monitoring. Penfida has built up a substantial presence in the market as the leading independent specialist adviser, with clients representing in aggregate in excess of £300 billion of assets.

In September 2022 XPS acquired Penfida, dramatically increasing our capacity and capability in the employer covenant space. The acquisition enables XPS to offer covenant advisory services to a wider range of XPS clients while Penfida clients and staff will benefit from access to the wider capability of XPS.

£12m
price of acquisition

£300bn+
of client assets

17
FTE employees at year end

> We have enjoyed getting to know our XPS colleagues, and have had a very positive response from our clients and people about the combination, which is good for everyone.

Paul Jameson
Penfida Managing Partner

> With award-winning businesses in the three other critical areas of support (actuarial, investment and administration), the acquisition of Penfida gives us strength and depth across all of the key areas of support our clients need.

Patrick McCoy
Head of Advisory

Arabella Slinger
Partner

Paul Jameson
Head of Covenant

Delivering strong and stable growth

XPS Pensions Group is a leading independent pensions consulting and administration business focused on UK pension schemes.

Inputs

Our people
Experts in their fields, our people drive the business. They're the innovators, the problem-solvers, the forward-thinkers, and that's why we invest in them

Full service, independent offering

Our culture
Values driven, employee centric, inclusive, friendly, meritocratic – our culture empowers our business

Non-cyclical and recurring revenues + better outcomes for pension scheme members

Large, highly visible and growing workplace pensions market

Our technology
We invest in technology to deliver our services efficiently, and to bring clarity and understanding to the complex problems we help to solve

Supported by our sustainability strategy

Our mission

To be a sustainable business that allows us to build long-term relationships with our clients, offers a great place to work for our people and delivers value to all our stakeholders.

Outputs

Blue-chip client base

High levels of service

Innovative solutions

Thought leadership

Strong award-winning brand

Read more about ESG **page 26**

Value for all stakeholders

Clients
- Specialist insight and expertise leading to better outcomes for all stakeholders
- High-quality service and tailored solutions
- Value for money

Read more **page 24**

Employees
- Stimulating working environment and attractive career prospects
- First-class training and support towards professional qualifications
- Competitive remuneration and benefits

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Shareholders
- Track record of growing revenues, profits and dividends - more than £73 million paid in dividends since listing in 2017
- Non-cyclical demand for services
- Highly predictable revenues
- Strong cash generation

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Other stakeholders
- **Communities**
  - Positive impact on communities through supporting local and national charities
- **Regulators and suppliers**
  - Establishing open and fair relationships through regular engagement and communication
- **Environment**
  - Carbon neutral across Scope 1, 2 and 3 emissions and on a path to net zero

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A strong business model in a specialist market

We are a non-cyclical business, with predictable core revenues for the non-discretionary and recurring compliance work we do for workplace pension schemes. At the same time regulatory change and market volatility increase the demand for additional expert advice and services. Across the industry, it is standard practice for client contracts to contain annual price increases in line with inflation - a defensive feature in today's high inflation environment.

All-weather markets
Defensive, non-cyclical, all-weather - our end markets can be described as all of these. They can also be described as large and growing.

In terms of size, we estimate the fee market in which we operate at around £2.5 billion p.a. The overall private sector pensions market is estimated to comprise £1.7 trillion of assets. Of this, £1.5 trillion relates to defined benefit (DB) schemes, where members are promised a specified pension on retirement by employers, with the remaining £0.2 trillion accounted for by defined contribution (DC) schemes, where employee and employer contributions are invested with the proceeds used to purchase a pension and/or other benefits at retirement.

In terms of growth, the market has historically grown at a rate of between 3% and 4% per annum in line with the rate of inflation. The market is currently growing at a faster rate partly due to today's higher-inflationary environment, but also due to elevated activity levels.

Growth drivers
Today's elevated levels of activity are primarily being driven by regulatory change and evolving markets. Whenever change occurs, whether it is regulatory or market driven, pension scheme trustees and corporate sponsors are required to act to ensure all members receive their pensions in full. Change can have a positive or negative effect on a pension scheme's financial position.

In-built inflation protection

Non-discretionary, recurring revenues

Non-cyclical

The key is change has occurred, so action will be required. As well as providing assistance and support to trustees and employers with the day-to-day running of pension schemes, we advise trustees, corporate sponsors and members on how change affects them, what action ought to be taken and how best to implement this across all four key areas of pension services.

The four areas of pension services
- **Administration:** doing all the things required to ensure members receive their correct pensions at the right time, including all the record keeping, calculations, communications and payroll services to achieve this.
- **Actuarial:** to work out if pension schemes have sufficient assets to cover their liabilities, namely the promises made to members, and overseeing strategies to deliver on this over the decades-long life of a pension scheme.
- **Investment:** to provide advice on how a scheme's funds should be invested to enable liabilities to be met over the long term, balancing risk and reward.
- **Employer covenant:** to assess the financial strength of the employer in relation to its ability to meet its pension obligations and the level of investment risk that can be taken.

Regulations require schemes to seek support across all four areas. Regulatory changes and market volatility increase the complexity of delivering these services and thus drive fee market growth.

Regulatory change
Regulations surrounding pension schemes are constantly evolving. Below are key regulations that have recently, or are due to, come into force:

- **The Pension Schemes Act 2021:** relates to how corporates finance their pension arrangements and the treatment of schemes following M&A activity.
- **New Funding Code:** focuses on how pension schemes are funded, heavily trialled ahead of likely implementation in 2024.
- **GMP equalisation:** requires companies to correct the unequal treatment of men and women in relation to a small part of pension schemes dating back to the 1980s/90s.
- **Single Code of Practice:** is expected to increase governance requirements for trustees when it comes into force later this year.

- **Task Force on Climate-related Financial Disclosures (TCFD):** requires trustees to improve the quality of governance and reporting in respect of climate-related risks and opportunities.
- **CMA Review:** recommends trustees seek independent advice.

Market-driven change
A number of market drivers are at play today:

- **Outsourcing:** to ensure members' benefits are protected, the regulatory backdrop governing pensions is ever changing and ever more complex. Because of this, internally administered schemes are increasingly looking to outsource administration. Outsourcing can involve the transfer of the administration of schemes to third parties such as XPS. The market in this area comprises large schemes as historically only employers with big workforces have done administration in house. There are many of these large legacy schemes that we expect to come to the administration market in the coming years.
- **Paradigm shift in interest rates:** the era of interest rates at or close to zero generally saw pension scheme deficits widen. Today's higher interest rates, by contrast, have been good for pension schemes as they have largely reduced deficits. Regime change, such as the one experienced in 2022, does mean pension schemes need to know how their financial position has been affected. In some cases, deficits will have turned into surpluses. Trustees of a pension scheme in surplus may look to de-risk to lock in the improved financial profile and protect members' benefits, there may be reopened discussions with employers about contribution levels and use of surplus, and there will be a need for strategic advice on what to do against a backdrop that has fundamentally changed.
- **Bulk annuities:** one way to de-risk is via bulk annuities, a market that is already huge. Private sector pension liabilities alone stand at £1.5 trillion, and where the pace of growth has picked up volumes have increased from £30 billion a year to a projected £50-60 billion by 2025. Bulk annuities can take the form of either a buy-in or a buyout.

Administration

Employer covenant

Change

Actuarial

Investment

Buy-ins involve a pension scheme buying an insurance policy to secure part or all of the promises made to members. Under a buy-in, the pension scheme makes an upfront payment to an insurance company and in exchange the insurer takes on the responsibility of ensuring members' benefits are met as well as associated risks such as inflation, longevity and demographics. A buyout involves insuring 100% of the liabilities in this way and ultimately winding up the pension scheme.

There is a material amount of work associated with such activity for a firm like XPS. This work is the broking of the transaction itself, work on data cleansing and advice on the wider strategic consequences such as re-engineering the long-term investment strategy of a scheme where part of the assets are invested in an insurance contract.

- **Insurance companies:** as some pension schemes turn to the bulk annuities markets, insurance companies increasingly require support in writing business, meeting regulatory requirements and administering growing books of business, thereby potentially growing the size of the fee market.
- **Fragmented marketplace:** workplace pensions is a fragmented market. Fragmented markets offer considerable potential to grow by increasing market share, either organically or via M&A. Sitting beneath the big three players for whom workplace pensions are not 100% of their business, XPS is one of the largest mid-tier companies and so is well placed to continue to grow market share.

Today's elevated levels of regulatory and market-driven change will likely drive high activity levels for years to come. Against a backdrop of a high-inflationary environment, the workplace pensions market is therefore expected to continue to build on its track record of delivering all-weather growth.

The LDI crisis

Our agile response

In 2022 our clients had to navigate the biggest pension investment crisis in living memory. We are proud of how quickly we were able to help our clients (as evidenced by many testimonials) and how we led the industry thinking in the aftermath by being the first to publish our fundamental review of the LDI manager universe, which has gone on to be an unofficial industry benchmark used by many.

During the LDI crisis, as the price of gilts fell rapidly, many schemes had to scramble to post collateral to keep their liability hedges in place and, across the industry, lots of schemes had their hedges reduced just as gilt prices started rising again causing funding position losses.

In contrast to this, almost two-thirds of XPS clients did not experience any reduction in their liability hedge; the average reduction was a modest 3% across all our clients. This is testament to our advice in the months and years leading up to the crisis and prompt action during the crisis.

We were on the front foot. Although no one could anticipate the magnitude of the LDI crisis, as inflation increased in the first half of 2022, we were already recommending clients review their LDI strategy to ensure it remained appropriate for the new economic environment.

When the crisis hit we acted quickly and decisively, including rapid communications with clients and out-of-the-box thinking to help them meet urgent collateral calls. Within six days of the crisis breaking we ran a webinar to help over 700 trustees and sponsors navigate the extreme circumstances.

After the crisis, we were the first (and possibly only) consultancy to publicly publish our market review of LDI providers covering the actions the managers took and the implications for pension schemes. This research has since gone to be an unofficial benchmark used by many within the industry.

We were also the only fiduciary manager evaluator to publish research on how each FM fiduciary manager reacted to the gilts crisis, providing a deep understanding and insight into a part of the market that many previously thought would be immune from such issues.

We continue to help clients with the ramifications and have developed a second opinion LDI health check for schemes we didn't previously advise, but which were asking for our valued input.

> I'm incredibly proud of how our team was so agile, working so hard in very challenging circumstances to help our clients navigate the crisis, and the feedback from clients shows that they really appreciated this too.

Ben Gold
Head of Investment

6 days

into the crisis we ran a webinar to help trustees and sponsors navigate the extreme circumstances (with over 700 registrations)

3%

average of only 3% loss of hedging across our entire client base, with around two-thirds of our clients not suffering any loss of hedging during the LDI crisis

99%

of our clients' LDI funds remain positively rated post LDI crisis

Ben Gold
Head of Investment

Simeon Willis
Chief Investment Officer

LDI press coverage

"We are delighted with the excellent advice and attentive service we have received from XPS... (the) lead consultant has been a constant source of wise counsel at all stages and... ensured that the trustees were fully aware of the issues when yields rose suddenly."

Independent Trustee
Belron UK Pension Plan

"Thank you for your prompt and comprehensive response which is reassuring... I have to say I have been very impressed with both the timeliness and quality of information that has been forthcoming from XPS given the testing circumstances."

Chair of Trustees

"You guys have been amazing with the amount of proactivity and great emails this week! You have been exemplary at keeping us up to date."

Bruce Gibson
Chair of Caravan Club Retirement Benefits Scheme

"Your appointment coincided with the LDI liquidity crisis and your insight and recommendations regarding the activity and actions proved... invaluable."

Chair of Trustees
Go-Ahead Group

Our strategic priorities

We are a forward-looking and ambitious business.

Our objective is to be the best provider of services to the UK pensions market, as a one stop shop for everything Trustees and Employers need in this market. One that offers a clearly differentiated alternative to the Big 3 - able to operate at scale and yet agile enough to provide clients with superior service at better value than our larger rivals.

Our strategy is to deliver our objective, while remaining focused on achieving profitable growth, and is centred around four key pillars.

Regulatory change

Whenever there is regulatory change, our clients need bespoke advice and support. Periods of significant regulatory upheaval are therefore drivers of market growth. Today, more regulatory change is taking place, or is in the pipeline, than at any time in the past 20 years.

Progress

We helped our clients to adapt to the Pension Schemes Act 2021 and we continued to develop solutions in line with the evolving funding regulations. We helped our clients navigate the LDI crisis in autumn 2022. Our market-leading approach on GMP won us wide-ranging mandates including on some large schemes outside of our existing client portfolio.

Priorities for FY 2024

- Ensure clients are prepared for the upcoming Single Code of Practice, focused on trustees' governance requirements.
- Continue roll-out of GMP equalisation solution.
- Offer enhanced LDI reporting and oversight service to schemes that are not clients.

Key risks

- Third party supplier/ outsourcing
- Strategy
- Errors
- Theft and fraud

61

phase 1 GMP equalisation reports issued

£7.4m

revenue from GMP equalisation work

Expand services

We provide a full range of services that pension trustees and corporate sponsors need. But for many clients, we only provide one service and could deliver more. Expanding our current service offerings to existing clients represents a significant opportunity, as does developing new services that help deliver better outcomes for members.

Progress

We materially strengthened our offering in the area of employer covenant advice, a key service required by all pension trustees, through the acquisition of Penfida. We grew our risk transfer team significantly, with the new head of this team who arrived at the start of the financial year overseeing further senior hires which combined with training of existing XPS staff more than doubled our team in this area. We continued to invest in data analytics, and established a dedicated team in this area. We also invested in the provision of services to insurers, establishing a multi-disciplinary team to pursue opportunities in a co-ordinated way.

Priorities for FY 2024

- Continued growth of our de-risking practice including delivering large insurance transactions.
- Continued growth in Trustee Governance Services.
- Expansion of services into support required by insurers and expansion of our data analytics capability.

Key risks

- Strategic planning and execution
- Financial performance
- Information/cyber security
- Staff/human resources
- Client engagement
- Business conduct and reputation

46

number of risk transfer engagements during the year

£6.4m

revenue from risk transfer engagements (76% growth year on year)

Grow market share

We seek to grow our business by winning 'new logo' clients - those pension schemes and sponsors with whom we have no existing relationship.

Progress

Our Market Force Initiative generated multiple new business leads from the large pension schemes targeted. Several of these were converted during the year in both advisory and pension administration including Mencap, GoAhead, Fiat, Jacobs.

Priorities for FY 2024

- Continue roll-out of Market Force Initiative to grow and convert new business pipeline.
- Maximise opportunity to win new investment consulting clients in wake of LDI fallout.
- Focus on first time outsourcing and public sector opportunities within Administration.

Key risks

- Strategy
- Errors
- Third party supplier/outsourcing
- Strategic planning and execution

Mergers and acquisitions

We operate in a fragmented market. Being one of the largest mid-tier independent companies in the sector, there is an opportunity to grow our market share through the acquisition of businesses that can boost our scale and capability in certain specialist areas.

Progress

Acquisition of Penfida Limited, a long established covenant advisory business with a strong market position. The acquisition complements our existing capabilities and expands the reach of our offering to a wider base of clients.

Priorities for FY 2024

- Fully integrate Penfida Limited and expand provision of covenant advisory services for more XPS clients.
- Continue to evaluate potential acquisitions that meet investment and strategic criteria.

Key risks

- Financial performance
- Business conduct and reputation

17%
Organic revenue growth

81+
Client schemes with over £1 billion assets

5
Bolt-on transactions in the last 5 years

£26m
Earnings enhancing capital deployed

Award wins

Getting it right for our clients

In 2022 we won a number of awards and are proud to be recognised for the hard work of our colleagues to provide excellent service to our clients.

XPS Pensions Group wins four awards at UK Pensions Awards 2022

XPS Pensions Group won four awards at Professional Pensions' UK Pensions Awards on 13 September 2022, taking home Third Party Administrator of the Year, as well as Actuarial and Pensions Consultancy of the Year and Investment Consultancy of the Year for the second year in a row. This was the first time that these three awards have been won outright by one company in a single year. The Company was also highly commended in the Technology Innovation of the Year category.

We are absolutely delighted to win these awards, which recognises the value we are adding for our clients, helping them to meet the challenges that a volatile world is throwing at them.

Paul Cuff
Co-Chief Executive Officer

XPS Pensions Group wins Best SIPP Provider

XPS won the Best SIPP Provider award at the Investment Life & Pensions Moneyfacts 2022 Awards. We were also highly commended in the Best SSAS and Best Pension Service categories. This win reinforces our commitment to quality, which has already been recognised by Moneyfacts in the form of its prestigious five-star rating for our SIPP and SSAS.

Sixth consecutive year of growth

The resilience and predictability of our business model have driven a strong performance for the year and we are continuing to focus on our strategy to be the best provider of all services to the UK pensions market.

Sixth consecutive year of growth
A year of record revenues, record dividends, a strategic bolt-on acquisition, multiple award wins, a strong culture with excellent employee feedback sustainably delivered including carbon neutrality - shareholders would be forgiven for thinking they are reading last year's Co-CEO Statement. There's even another five-year anniversary to mention. It is true all the above were milestones achieved during the year ended 31 March 2022 but 12 months on and many of those same achievements have been repeated, and in many cases bettered. This is testament to the successful execution of the strategy we have pursued since we listed to deliver our societal purpose.

Record revenues: the year ended 31 March 2023 saw a record 20% increase in year on year revenues to £166.6 million, of which 17% was organic growth.

Record dividends: the Board is proposing a 17% increase in the ful-year payout to 8.4p per share.

Strategic acquisition: this year we acquired Penfida, a leading covenant adviser to UK pension funds. Just as the previous year's acquisition of Michael J Field brought scale to our SIP division, Penfida has done the same for our existing employer covenant practice. Together with our award-winning Administration, Actuarial and Investment Advisory divisions, XPS is now a one-stop shop of scale for all services needed by pension trustees and sponsoring employers.

Multiple awards: we won arguably the three most important awards at the 2022 Professional Pensions' UK Pensions Awards - Third Party Administrator of the Year; Actuarial and Pensions Consultancy of the Year (second consecutive year); and Investment Consultancy of the Year (second consecutive year). This represents the first time all three of these categories have been won outright by one company in the same year - third-party validation of our continued excellence in client service and innovation. Our SIP business also won Best SIP Provider at the Moneyfacts awards.

Carbon neutral: for the second year in a row, our activities have been carbon neutral, just one example of how we strive to do business sustainably. This has been achieved through a combination of a reduction in our direct footprint and the purchase of high-quality carbon offsets. Fostering a strong and caring culture is another, and with this in mind it is encouraging to note that 98% of our people rate XPS a good place to work.

Fifth anniversary: 2023 marks the fifth anniversary of the launch of XPS as a new brand in the market with clear objectives to be the best for people and for clients.

By developing content, investing in people and innovating consistently, our brand has grown stronger each year ever since, so that five years on we are reporting revenues of £166.6 million. Furthermore, this 60% revenue growth has been

Paul Cuff
Co-Chief Executive Officer

Ben Bramhall
Co-Chief Executive Officer

achieved during a period which included the pandemic, heightened macroeconomic uncertainty and decades-high inflation, evidence of our non-cyclical, all-weather end markets - our defined benefit (DB) and defined contribution (DC) pension scheme clients require our advice and services regardless of the prevailing economic environment.

The progress made is also down to our people. Without their commitment and expertise, becoming the first company to win all three key awards at the 2022 Professional Pensions' UK Pensions Awards while reporting a sixth consecutive year of growth would have been impossible.

Record financial performance
Total Group revenues for the year ended 31 March 2023 came in at a record £166.6 million, a 20% increase on FY 2022's £138.6 million. Of this, 17% of the growth was organic.

The record revenues represent a step-change compared to the mid-to-high single-digit revenue growth we have reported for each of the years since our listing. This is partly down to higher inflation being passed through to clients and onboarding of new client wins but is also due to a considerable amount of regulatory and market change - the two chief drivers of activity in our client base. The record revenue performance can also be attributed to the scaling up of our platform into high-growth areas - the product of investment in staff, technology and acquisitions to respond to these market and regulatory changes. Because of this, we are now able to service larger pensions schemes and offer a wider range of value-add services. The increased scale of our capabilities is being reflected in our financial performance, a trend we expect to continue going forward.

In the past, the investments we have made in our business have meant growth in earnings has not outpaced revenues. Last year, we reported a significant narrowing in this historical revenue and earnings gap. We also stated that we expected this metric to improve further in the years ahead as our efficiency drive and investment into higher-growth areas increasingly translated into higher margins. This has proven to be the case with FY 2023 adjusted EBITDA increasing 24% to £42.4 million (FY 2022: £34.1 million); statutory profit before tax rising 13% to £19.1 million (FY 2022: £16.9 million); and adjusted diluted EPS up 24% to 12.6p (FY 2022: 10.2p). The improved profitability and continued confidence in future prospects has enabled us to propose a 17% increase in the full-year dividend, another record.

Divisionally, Advisory (comprising Pensions Actuarial & Consulting and Pension Investment Consultancy) was the top performer with full-year revenues growing 26% to £95.4 million (FY 2022: £75.9 million), while Administration increased revenues 10% to £57.5 million (FY 2022: £52.3 million).

Pension Actuarial & Consulting revenues grew 24% to £77.4 million (FY 2022: £62.2 million) thanks to inflationary fee increases, new client wins such as BT Group plc contributing for a full year and elevated levels of activity centred around regulatory/market-driven dynamics. Risk transfer work was a stand-out performer with revenues rising sharply to £6.4 million compared to £1.5 million the previous year thanks to big new mandate wins. This follows the appointment of a Head of Risk Settlement and further team hires in 2022.

Pension Investment Consulting has also been a beneficiary of new business wins. Increased demand from clients for support in navigating regulatory and financial market upheaval (including the gilts crisis in autumn 2022) has also been a tailwind, as has inflation-aligned fee increases. In all, YoY revenues grew 31% YoY to £18.0 million (FY 2022: £13.7 million).

Pension Administration revenues rose 10% to £57.5 million (FY 2022: £52.3 million) helped by new client wins including Peugeot and BAA and a full year of our outsourced contract with IBM. The wins saw the number of members we have under administration surpass the one million mark for the first time. We see further growth opportunities within Administration and continue to invest in our capability here. For example, this year we successfully developed our own proprietary Administration platform which, as well as giving us greater control, will drive efficiencies and differentiate us as we look to win further mandates.

SIP revenues benefited from a full-year contribution from the acquisition of the Michael J Field SIPP and SSAS books, as well as strong organic growth and the higher bank base rate. Overall, SIP revenues rose 54% to £9.4 million (FY 2022: £6.1 million). We continue to expand the distribution channels for our SIPP offering and we were recently added to the panel of recommended SIPP providers for St James' Place, one of the UK's leading financial advisers. We view our inclusion on the panel as a major endorsement of our SIPP offering.

> It was a year of extraordinary change in financial markets, with rising interest rates and inflation posing significant challenges for our clients. I am very proud of how well we served our clients throughout.

Paul Cuff
Co-Chief Executive Officer

> We have delivered strong growth ahead of expectations, showing the highest operating result since our listing in 2017.

Ben Bramhall
Co-Chief Executive Officer

Record financial performance continued

National Pensions Trust (NPT), our defined contribution (DC) master trust, posted another year of growth in assets under management (AUM) which grew 8% to £1.4 billion (FY 2022: £1.3 billion), while revenues came in flat at £4.3 million (FY 2022: £4.3 million) driven by lower asset prices early in the financial year as well as competitive price pressures. Growth in AUM was driven by an increase in client numbers to 152 during the year but was suppressed a little by reductions in asset prices.

Four core strategic pillars to capture growth in our all-weather markets

Our markets are driven by regulatory and market change rather than by economic cycles - pension schemes require support to navigate the ever-changing regulatory/market landscape, which leads to increased demand for services and in turn market growth. Our markets are therefore all-weather and to capture the regulatory and market-driven growth, we have in place four core strategic pillars:

1. Regulatory change as a driver of activity
2. Growth through expanding services
3. Growing market share
4. Growth through M&A

Every time a regulatory change is made, pension schemes require bespoke advice and guidance on how the change affects them. Examples of this in action include the November 2020 GMP equalisation ruling which stipulated that companies rectify the unequal treatment of men and women who were members of pension schemes in the 1980s and 1990s. The ruling triggered a work stream that did not exist prior to November 2020 and will take years to complete. Further regulatory change is on the horizon. The Single Code of Practice, which is focused on trustees' governance requirements, is expected to come into force later this year or in early 2024.

Compared to regulations, market-driven change has been relatively muted in recent years thanks to the prevalence of low interest rates. Low interest rates have had a largely negative impact on schemes' financial positions, but the stable environment meant strategy/advice did not require frequent resets. All this changed in 2022 with aggressive rate hikes to tackle inflation causing a paradigm shift in interest rates.

> I look forward to the year ahead, knowing that the talent and commitment of our people, and the operational and financial strength of our business, put us in a good place to meet the expectations of our stakeholders.
>
> **Paul Cuff**
> Co-Chief Executive Officer

By reducing pension scheme liabilities, higher interest rates are generally positive for pension schemes - we estimate in aggregate schemes moved from a deficit of around £300 billion at the start of 2022 to a surplus of around £60 billion by the end of the year. This was a positive move for many of our clients, but one that has generated much work for pension schemes. Clients have needed wide-ranging advice on the consequences for them specifically, with many seeking support to lock in improvements through changes in their investment strategy. In some cases employers have sought to reduce their cash commitments towards deficits. This has caused a major uptick in work, as all of our clients have needed to reassess the 'journey plans' they have in place. We expected to remain busy supporting clients for the foreseeable future, particularly against the backdrop of evolving regulations.

Another consequence of the increase in long-term interest rates is that bulk annuities, insurance policies purchased by defined benefit schemes to secure members' benefits, have become more affordable for many schemes. The bulk annuities market has grown in recent years as pension schemes have sought to de-risk and transaction volumes are expected to rise further, from around £30-40 billion a year to £50-60 billion a year in 2024 and beyond. High interest rates are expected to spur this further growth, as financially healthier pension schemes re-evaluate de-risking options. This will generate more work for our Risk Transfer team, which provides all the support required including broking insurance transactions and all of the 'behind the scenes' additional work that is required, which typically includes complex data cleansing projects. We expect tangential growth opportunities to open up too; one such opportunity is working more closely with insurance companies that take on the liabilities of pension schemes in these transactions. Insurers are resource constrained and frequently outsource to meet some of their needs and we therefore see considerable scope to expand our footprint here.

Aside from higher interest rates, the Liability Driven Investment (LDI) crisis was the standout market development of 2022. LDI allows pension schemes to hedge against volatility and financial risk caused by moves in interest rates. If these risks are not hedged the risks can be material – for a typical scheme a 1% fall in interest rates could increase the mark to market value of the scheme's liabilities by 25%, all else being equal, which can put huge pressure on cash funding requirements and company balance sheets. LDI funds have protected schemes from sharply widening deficits as interest rates fell during the last 20 years. What triggered the 2022 crisis was the speed of interest rate moves – bond yields rose 1% in the space of three days causing bond prices to fall 25%. Whilst in terms of funding levels this resulted in an improvement of the financial position of many schemes it put LDI funds under stress, with many facing significant liquidity challenges. Clients needed advice to navigate the crisis. This gave us a real chance to differentiate ourselves and we are very proud of how well we looked after our clients.

Despite the crisis, LDI continues to have an important role to play, particularly in helping to protect the improved financial position many pension schemes find themselves in today. There are learnings to be had though. Schemes need to ensure they invest in sound LDI funds with strong controls and more oversight is required. Post-crisis, we are offering an enhanced LDI reporting and oversight service that is open to schemes, including those that are not clients – a further example of market changes giving rise to growth opportunities and our response to it.

M&A is a route to growing market share, and/or addressing any gaps in our capability. This year we acquired Penfida, a firm that specialises in 'employer covenant' advice – this is advice that pension trustees need about the strength of the sponsoring employer that stands behind the scheme. We had a team in this area of work, but it was small – the addition of Penfida brings scale to our existing offering, in the one remaining area in the pensions business where our presence had been sub-scale. We will continue to look at M&A and partnership opportunities which we believe make strategic sense as well as those that allow us to expand into tangential markets, for example, around support for insurers.

We value our people

Our revenues are not the only area seeing growth. So too is the number of our people. The year under review saw our numbers increase by a further 200 so that today our employee count stands at over 1,600. Regardless of how many we are, we take our responsibility to every one of our people seriously. Our people work hard for the Group and the Group must work hard for our people. This is why we have a growing number of employee committees and networks as part of our inclusion and diversity ('I&D') drive so that all our people feel they are a part of XPS regardless of background, gender or ethnicity. It is why we introduced our flexible working model, My XPS My Choice, last year and why, during the year under review, we awarded an additional mid-year pay rise to all staff (apart from those in senior positions) in response to the cost-of-living crisis.

We are proud of our eNPS of +33%, a very high score for a professional services firm, and that 89% of our people think we are truly committed to I&D. We will continue to work hard for our people, caring for their wellbeing, supporting their many volunteering efforts and providing opportunities for career progression. Not only is this the right thing to do but it also helps attract and retain talented people.

Everyone at XPS plays a part in the continued success of the Group. One individual who has played an invaluable role in XPS's success to date is Tom Cross Brown, who was our Chairman until September 2022. Tom had held the Chair since our listing and has therefore overseen tremendous change at the Company. We thank him wholeheartedly for the substantial contribution he has made over the years and we and the rest of the Board wish him all the best with his retirement.

We value our environment

Environmental and climate considerations shape our strategy and culture. We are proud of the growth we have achieved to date but we are equally proud of our efforts to ensure we grow in a sustainable way. The year under review was the second in which XPS has been a carbon-neutral business. We have reduced our emissions and additionally as with last year, we achieved this by purchasing UN Approved Carbon Credits that cover our own Scope 1 and 2 emissions, as well as Scope 3 emissions produced by our suppliers.

Carbon neutrality is not the sum of our ambitions. Our ultimate aim is to achieve a significant reduction in our direct carbon footprint which we aim to accomplish as part of our science-based net zero objective, which we committed to in 2023. Our pledge includes ambitious targets to halve our operational Scope 1 and 2 emissions by 2030, sourcing 100% renewable energy in all our offices, while promoting a low-carbon culture amongst our staff and suppliers. Ultimately this can support our ambition of reducing all emissions to net zero by 2050.

Outlook

The FY 2023 results demonstrate the non-cyclical, resilient and predictable nature of our business and the opportunities for growth. Our brand has strengthened further in the year with multiple awards, we have won further new mandates and have achieved high levels of client and staff satisfaction. The investments we have made into high-growth, high-margin areas are increasingly being reflected in our earnings.

We expect the demand for our services to remain high as we help our clients navigate the complex and evolving regulatory backdrop as well as economic and financial market developments. We have continued to grow market share, but with this still under 10% there are continued opportunities to grow, supported by both market and regulatory tailwinds. We expect the operational gearing that has come through this year to be a continued feature of our results in the future.

The Group has made a strong start to the new financial year with continued high levels of demand for our services particularly within Advisory and further success in winning new business. We remain confident in delivering against our expectations for the current year.

Paul Cuff
Co-Chief Executive Officer
21 June 2023

Ben Bramhall
Co-Chief Executive Officer
21 June 2023

Our culture

Actively listening to colleagues

We are committed to developing an inclusive, collaborative culture where everyone is respected and where people at every level of the Company can develop their talents, make an impact and have successful careers. Our success in attracting, retaining and motivating employees is of vital importance to our future and therefore we need to ensure XPS Group remains a highly attractive place to work. We understand that importance of engagement and that it is a two-way process, so in 2022, we refreshed how we listen to our colleagues to provide a more regular and complete picture of sentiment. This included redesigning our annual survey, using an independent survey provider platform, and launching a 24/7 tool "Employee Voice" for colleagues to give us feedback anonymously. The feedback is shared with the leadership team to take swift action.

The results from the annual employee engagement survey last autumn were tremendous!

95% of colleagues felt they "belonged" at XPS and this is down to the robust I&D strategy put in place 18 months ago. Colleagues also told us that they felt that anyone from any background could thrive here. We were delighted that 98% of colleagues said "XPS was a good company to work for" and 99% said "working here makes me want to do the best work I can". These results demonstrate our commitment to building a community at XPS where everyone can flourish.

We are most proud of the employee Net Promoter Score (eNPS): we asked colleagues how likely they would be to "recommend working here to their friends and family"; the benchmark was +5 and we achieved a massive +33. This result epitomises how our people feel about working at XPS and endorses the culture we have developed at XPS.

This year, our annual Values in Practice Awards attracted over 130 nominations, a record! We ask colleagues to nominate anyone in the firm who has demonstrated one of our values; it could be they have developed an innovative process or gone above and beyond their job role. We were overwhelmed with the enthusiasm and passion our people showed in their everyday role making XPS a truly great place to work.

As a testament to XPS creating a culture and working environment that nurtures employees, we were named as one of the Best Places to Work 2023 by The Sunday Times. This truly demonstrates our commitment to putting our people first.

74%

response rate in our Annual Employee Survey

98%

think XPS is a forward thinking and innovative

99%

enjoy working with their team

> Actively listening to our colleagues and acting on insights helps us make real, positive changes. It helps us build a culture of trust, strengthens relationships, encourages collaboration and ultimately helps us to attract and retain exceptional employees, who are central to our purpose and critical in delivering our strategy.

Rachel Gillion
HR Director

Rachel Gillion
HR Director

Engaging with our stakeholders

Section 172 Statement

Stakeholder engagement is central to the Group's strategy and sustainable success. The Board of Directors of the Company acts in good faith to promote the long-term success of the Company for the benefit of its members as a whole, taking into account the factors as listed in Section 172 of the Companies Act 2006:

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationships with suppliers, customers and others;

d. the impact of the Company's operations on the community and the environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the Company.

The Company's purpose, values and culture are established by the Board and embedded throughout the Group and key decisions made.

When making key decisions, the Board is careful to consider the interests and priorities of stakeholders, and the consequences the decisions may have. The Board recognises that stakeholders have differing interests and gives careful consideration to balancing the views of all stakeholder groups.

You can read about the Group's principal risks and key mitigations, including those in relation to clients, employees and suppliers, on pages 46 to 51.

	Key interests	Engagement strategy
Clients	• Products and services • Service performance and efficiency • Competitiveness and value • Compliance and data protection • Sustainable products	The Company engages with clients through key contacts who work day to day with the clients. We also complete client satisfaction surveys every two years, and the Board reviews the results. We also hold conferences, webinars and training exercises for clients throughout the year, of which we see a fantastic uptake. Ben Bramhall (Co-CEO) is Scheme Actuary on some of our largest client accounts, and Paul Cuff (Co-CEO) also works on corporate advisory projects from time to time.
Shareholders	• Financial performance and growth • Dividends • Timely and relevant communications • Sound corporate governance and stewardship • Strategy aligned with long-term sustainability and value creation	We engage with our shareholders in various ways throughout the year including meetings with investors and results roadshows hosted by the Executive Directors and regular calls with analysts, investors and potential investors. The Investors section of the XPS website is updated throughout the year, to include useful information for our shareholders. The Board also attends the Annual General Meeting and is available to answer shareholder questions. Sarah Ing is appointed as the designated Shareholder Engagement Non-Executive Director. Sarah, along with the Chairman, attends the Company's results presentations for analysts and shareholders. Sarah meets and speaks to shareholders and prospective investors as well as sell side analysts. Margaret Snowdon OBE, as the Remuneration Committee Chair, engages through consultation and meetings with major shareholders in relation to executive remuneration. This year, Margaret has engaged with shareholders in relation to the updated Directors' Remuneration Policy, being tabled for approval at the 2023 AGM. Following Tom Cross Brown informing the Nomination Committee of his intention to retire earlier in the year, Margaret Snowdon OBE led the Nomination Committee through a recruitment process to identify the new Chairman. The Nomination Committee engaged with six of the Group's largest shareholders regularly throughout this process, through both consultation letters and meetings. You can read more about the process on page 67. Following Alan Bannatyne's appointment as Chairman, Alan has held introductory meetings with the Group's largest shareholders and continuously engages with shareholders in relation to issues pertinent to them. The Group's first Capital Markets Day was held on 24 May 2023, and was attended by shareholders and prospective shareholders, who heard from the senior management team and had opportunity to engage and ask questions.

	Key interests	Engagement strategy
Regulators	• Transparency and openness • Proactivity and engagement in consultation • Compliance with regulation and legislation	The Company works with the regulators by responding to requests and consultations, submitting returns and attending industry meetings. Margaret Snowdon OBE is an adviser to The Pensions Regulator and regularly updates the Board on industry developments. This year, the introduction of the FCA Consumer Duty has been a pertinent issue for the Board, and Margaret Snowdon OBE was appointed as the Group's Consumer Duty Champion.
Employees	• Engagement • Reward • Career opportunities • Training and development • Wellbeing • Equality, inclusion and diversity • Work-life balance and flexibility	Margaret Snowdon OBE is appointed as the Designated Employee Engagement Non-Executive Director. Margaret is Chair of the Employee Engagement Group (EEG) and updates the Board after each EEG meeting. Employees complete an annual employee survey, the results of which are analysed in detail and shared with the Board, and an action plan is agreed. An external and anonymous whistleblowing hotline is available to employees 24/7; any reports can be escalated to the Board as required. You can read more about employee engagement on pages 30 to 33. The Board has re-introduced Board and employee networking sessions, previously halted due to COVID.
Suppliers	• Responsible procurement and ethics • Fair contract and payment terms • Cost efficiency and value	The Group has a designated Procurement team and an external company which engages with and carries out due diligence on its suppliers. We conduct formal and transparent tender processes when required. An annual review of existing suppliers, which provide services that are deemed as higher risk (i.e. process large amounts of our data or have access to our offices), is completed in addition to quarterly performance reviews with key suppliers, and the Board is made aware of any issues in relation to supplier performance or agreements. Our Supplier Code of Conduct communicates what we expect from our suppliers. The Board annually approves the XPS Modern Slavery Statement.
Communities, charities and environment	• Local and worldwide social and environmental impact • Health and safety	The Sustainability Committee is a Committee of the Board, and the majority of members are Board members. The Committee Chair, Sarah Ing, updates the Board following each meeting. You can read the Committee report on pages 74 and 75. XPS is excellently positioned to ensure our positive impact is wider than the Group itself as we advise our clients on sustainable investments; you can read about this on pages 36 and 37. You can read the Group's TCFD report on pages 52 to 55, and our commitment to net zero on pages 38 to 41. You can also read about our community support on pages 34 and 35.

Example of stakeholder key interests being considered and impacting decisions during the year:

Penfida acquisition:

Shareholders - Our shareholders' key interests are the growth of the Group and value creation. It is with this in mind that part of the XPS strategy is growth through acquisition.

Employees - Through the acquisition, we welcomed new employees to the Group. It is important to us that these employees feel welcomed and integrated as quickly and effectively as possible, with as minimal disruption as possible.

Clients - The clients we welcomed as a result of the acquisition are important to us and the success of the acquisition. We aim to ensure minimal impact and disruption to our new clients, whilst developing the relationships and access to XPS's experience, offerings and skills.

Regulators - We ensure that we meet all regulatory requirements when completing an acquisition.

Chairman succession:

Shareholders - Following Tom Cross Brown informing us of his intention to retire, the Nomination Committee led by Margaret Snowdon OBE consulted the Group's largest shareholders in relation to both the process and the key candidate criteria for the Chairman role succession.

Employees - It is important to us that during periods of change to leadership, our employees experience minimal impact and disruption. The appointment of a Chairman who was very familiar with the business helped to ensure this was the case.

Regulators - We pride ourselves on our high governance standards, and throughout the process and appointment of Alan Bannatyne we upheld these standards, and continue to comply with the UK Corporate Governance Code.

Embedding sustainability across our business

Our sustainability strategy is fully aligned to our purpose: to shape and support safe, robust and well-understood pension schemes for the benefit of people and society. But we know sustainability must go beyond our purpose. It must also be embedded in our business.

Our approach to sustainability forms a major part of our corporate strategy. It is integrated into our business model so that by delivering on our mission to be leaders in pensions, investment consulting and administration, we are able to challenge our brilliant people and the wider pensions industry to improve and achieve better outcomes for members.

Celebrating our FY 2023 milestones

As part of further embedding sustainability across our business, we made good progress last year towards our targets, with a particular focus on understanding the impact of our business operations on the environment; and supporting and developing our people. Our highlights from last year include:

> As we grow, our responsible business ambition is to ensure that we do so in a responsible and sustainable way. As well as advancing sustainability across our business, we are working with our clients, communities, suppliers and colleagues to do the right thing, focusing on areas that are material to our business and stakeholders.

Snehal Shah
Chief Financial Officer

Focus on governance

- Completed an externally facilitated Board evaluation
- Achieved 43% female representation on the Board
- Embedded sustainability considerations in Executive objectives

Focus on people

- Achieved 98% agreement that 'XPS is a good place to work'
- Provided cost-of-living support to everyone under Partner level in form of mid-year pay rise
- Achieved 31% female representation in senior management

Focus on communities

- Over £58,000 donated to charity
- Piloted a volunteering programme near our offices
- Updated our supplier Code of Conduct
- 60 apprentice opportunities provided

Focus on our clients

- Re-confirmed as a signatory to new UK Stewardship Code
- After independent research, we have increased our designated sustainable funds to 34
- We now have 23 clients in sustainable funds representing £1.9 billion AUM

Focus on our environment

- Increased ISO 14001 certification with 2 additional offices
- Increased from 2 to 8 offices with 100% renewable energy
- Maintained carbon neutrality for a second year in a row
- Launched employee electric car scheme

Strengthening our sustainability framework

We launched our sustainability framework in 2020, and over the course of 2021 and 2022, we further developed ambitions and targets for each of the five pillars. From stakeholder feedback and desk research, we believe that our sustainability framework continues to address our main material issues. Our intention is to update our Materiality Assessment at least every three years, and we will be undertaking this exercise in the next financial year.

Below you can find a high-level overview of our sustainability framework, where we have aligned our sustainability ambitions with the UN Sustainable Development Goals. We have focused on the goals which are most relevant to our business, and where we think we can have the greatest impact; they are included in the sustainability framework below.

Focusing on governance

Goal
Operate to a high standard of corporate governance

Material topics
Business ethics and value, corporate governance, cyber security and data privacy, human rights and modern slavery

SDG alignment

Focusing on our people

Goal
Create a supportive environment where employees can thrive

Material topics
Employee engagement, inclusion, equality and diversity, learning and development, employee wellbeing

SDG alignment

Focusing on our communities

Goal
Create a positive impact wherever we operate

Material topics
Community engagement, charitable giving, supply chain engagement

SDG alignment

Focusing on our clients

Goal
Help clients and scheme members achieve positive long-term outcomes

Material topics
Sustainable products and services, responsible investment

SDG alignment

Focusing on our environment

Goal
Reduce our impact on the environment and help others do the same

Material topics
Energy usage and climate change, environmentally friendly culture

SDG alignment

Our sustainability approach is overseen by the Sustainability Committee, a Board Committee established in 2021 and chaired by Non-Executive Director Sarah Ing (details of the Committee's composition can be found on pages 74 and 75). Here you can also read about the activities of the Committee, which included overseeing the implementation of the I&D and environmental strategies, reviewing our responsible investment solutions and our approach to sustainability reporting.

The executive sponsor of sustainability is Snehal Shah, Chief Financial Officer, and the entire management team drives the implementation of our sustainability framework approach across the divisions and functions of XPS Pensions Group.

It is supported by champions from every part of the business as well as dedicated professionals such as Alex Quant, Head of ESG for the investment business (details of the entire team can be found on page 75).

Focus on governance

Promoting integrity and ethical behaviour

Good governance underpins our purpose, allows us to meet the needs of our stakeholders and is the foundation for all our sustainability efforts. In FY 2023, we worked with the Board to meet evolving corporate governance expectations.

At the heart of our approach to good governance sits our goal to operate to a high standard of corporate governance. This means complying with the UK Corporate Governance Code as well as new and evolving regulations such as the new FCA Listing Rules. Compliance with our internal processes and procedures can only be achieved through ethical behaviour in line with our values and culture.

Ensuring the Board is diverse and experienced

Good governance starts with the right tone being set from the top. That's why we're pleased that in FY 2023 43% of our Board was female. With the appointment of Margaret Snowdon OBE as Senior Independent Director we also meet the requirement of at least one senior Board position being occupied by a woman. You can read more about the composition of the Board on pages 60 and 61.

As three years have passed since the last one, the year under review saw us complete an externally facilitated Board evaluation. The focus was on ensuring that the Board has the right knowledge, expertise and experience to provide robust oversight. From a sustainability point of view, we have strong capability at Board level spread across several Directors. You can read more about the results of the Board evaluation on pages 64 and 65.

Sustainability is not just the purview of the Sustainability Committee. Other Board Committees also provide oversight over matters relating to sustainability, the Audit & Risk Committee oversee the identification and mitigation of sustainability-related risks. You can read more about the Audit & Risk Committee on pages 70 to 73.

During the year, the Investment Committee (which comprises of the most senior members of the investment business and led by Ben Gold, Head of Investment at XPS and a Director of XPS Investment Limited) oversaw the overall XPS investment approach and as such took a keen interest in how ESG and stewardship are embedded in our advice to clients.

We continue to comply with the UK Corporate Governance Code 2018. Please refer to page 57 for our Statement of Corporate Governance.

Aligning performance with sustainability

Key to the success of our sustainability framework is incentivising the delivery of our ambitions. That's why in 2022 we embedded sustainability considerations in the Executive performance evaluation process. Linked to our sustainability framework, we introduced sustainability as part of the executive objectives. You can read more about how Executive performance is managed and rewarded in the Remuneration Committee report on pages 76 to 99.

43%

of Board members are female

Completed

an externally facilitated Board evaluation

Integrated

sustainability consideration in Executive objectives

Sustainability is further embedded across our business by using our values and culture to promote the right behaviour.

In 2020, we introduced the Values in Practice (VIP) Programme, accompanied by our VIP Awards. Last year, the nominees and winners of our VIP Awards stood out for their commitment to sustainability. This is how we recognise the contribution that everyone can make to delivering our sustainability ambitions.

Our values

Our values and our culture drive everything we do in the business. Firstly, our culture defines our interactions with all our stakeholders - clients, shareholders, regulators, employees, contractors, suppliers, communities, charities and the environment. The interests of all our stakeholders shape our decision making and business model and are vital to our ongoing ability to achieve our goals. Read more about how we engage with our stakeholders on pages 24 and 25.

We are ambitious XPS is an ambitious business. We're aiming high to achieve our purpose of benefiting people and society. We have ambitious goals for our clients, our industry and ourselves. This means leading our industry in thought, action and opinion. It means we are progressive and think differently about pensions. We invite bold thinking and actions within our business, and we give each person the support they need to become their very best.

We are agile We're forward thinking, innovative and quick moving. When we see a better and more sustainable way to do something, we make change happen. We don't just stick to the way things have always been done in our industry. We take a fresh look and find new ways of achieving the best outcomes for our clients while benefiting people and society.

We are helpful We build and sustain great relationships with our clients and with each other. This means we're always ready and willing to help out. Clients and colleagues know they can trust us. We listen and we are helpful. Ultimately, we aim to make people's lives better and we play an active role across our industry and wider society to help achieve this. We work hard together, we support each other, and we have fun together.

We are experts We know our stuff and we each bring something special to our collective knowledge. We make a point of cultivating our individual expertise and diversity of thought - and we use it, share it and support each other for the benefit of our clients and colleagues every single day. We understand the responsibilities that come with our skills and abilities, so we each put them to good use and build on them with constant learning.

We do the right thing We're inclusive, approachable, honest and fair, both with our clients and each other. We value everyone's unique contribution, recognising and rewarding hard work. We act with integrity and honesty, speaking up if something doesn't meet our standards.
By following these values we'll grow responsibly and sustainably, for everyone's benefit.

Secondly, our values and culture underpin our compliance with our core corporate policies and procedures. These include:

- **Business Code of Ethics:** this outlines the principles and values that we expect all our people to adhere to in relation to areas such as harassment and bullying, treating customers fairly, inclusion and diversity, financial crime and dealing with vulnerable customers. In FY 2023, 100% of our employees completed an annual programme of mandatory training. Topics include financial crime, bribery and corruption, insider trading, modern slavery, data protection, and cyber security. This training is managed and monitored by the Compliance and Information Security teams.
- **Anti-bribery and Corruption Policy:** this outlines our zero tolerance for any activities or behaviours that are not in line with our values and specifically spells out our expectations around financial dealings. This policy is supported by a whistleblowing process. In FY 2023 there were no reports of suspected misbehaviour.
- **Modern Slavery Policy:** this outlines our expectations of our business and our suppliers to value and behave in a way that is respectful of human rights. 100% of our people completed awareness training on modern slavery and how to spot it last year.
- **Supplier Code of Conduct:** this contains our commitments and expectations around human rights and social responsibilities, discrimination, freedom of association, environmental protection and health and safety in our supply chain.
- **Cyber security and data privacy:** our Information Security Management System (ISMS) was certified to ISO 27001 in 2022 and the effective deployment of our ISMS is independently verified through our Cyber Essentials Plus certification. Last year, all our colleagues undertook mandatory training on protecting client, employee and corporate information, including regular phishing awareness exercises. We continuously review and develop our controls to meet new and emerging threats.

All our policy-related training is supported by regular communications with staff to raise awareness of how we can safeguard customer information.

Focus on our people

Empowering people to thrive

Our people are our greatest asset. We want to provide them with a positive and collaborative working environment where they are members of diverse and inclusive teams. During the year, we achieved very positive employee engagement scores and set ambitious targets for gender diversity.

Our goal is to create a supportive environment where people can thrive. This means that we engage with our people on issues such as diversity, inclusion, and learning and development to ensure they have a chance to reach their potential, which in turn means we are well placed to deliver for our stakeholders.

Engaging our people

We want to provide a positive, open and collaborative working environment, with rewarding work and development opportunities to ensure our people have the chance to fulfil their potential. This is crucial to our continued business success and in meeting the expectations of our clients, because an engaged team helps us operate effectively and provide excellent client service.

Management regularly engages with our employees via an Employee Engagement Group and through a range of formal and informal channels. These include weekly all-staff messages from our Co-CEOs, senior leader webcasts, town halls, team meetings, and online publications via our intranet. We expanded our communication further in 2022, both to allow colleagues' input into decisions that may affect their interests and to share key information regularly.

Our Employee Engagement Group (EEG), chaired by Non-Executive Director Margaret Snowdon OBE, continued to meet on a regular basis in FY 2023, facilitating direct communication between employees and the Board. Our EEG duties include reviewing the Directors' Remuneration Report and Executive Remuneration Policy (reviewed every three years), providing feedback on policies and employee surveys and any other issues the Chair wishes to discuss with XPS colleagues. The group provides a channel to ensure senior management focuses on things that matter to our employees.

In summer 2022, we partnered with The Happiness Index (THI) and rolled out an employee voice tool. This is a 24/7 listening tool which provides a safe and anonymous platform that empowers our employees to give feedback on their terms. It is not designed to replace other aspects of our listening strategy but is a platform which allows the sharing of ideas and feedback. It drives engagement and allows us to be agile. It also helps us find ways to improve their experience at work and invest in our people's skills and development.

We also used THI to help us launch a new programme of group-wide employee engagement surveys. The platform was used for our annual Employee Engagement Survey last October and the results demonstrated that our employees are engaged with their roles, that they understand our values, and that they believe we have an inclusive culture where anyone can thrive no matter their background.

98%

think XPS is a good place to work

+33

eNPS

99%

are committed to helping XPS succeed

For instance, 98% said that 'XPS is a good place to work' and 99% felt 'committed to helping XPS succeed'. We also asked colleagues an Employee Net Promoter Score question, which asked 'How likely are you to recommend working here to a friend or relative?' This scored +33 which is a good indicator of our progress in creating a good place to work (2021 survey: +5).

Following the results, action plans were put in place to address some of the issues raised, namely around resourcing, career progression, recognition and wellbeing.

Each office has the ability to recognise colleagues' efforts. We use Actus, our performance management tool, to give more formal recognition for good work. We also have our Values in Practice (VIPs) Awards, which provide opportunities to acknowledge our people's valued contribution to performance. Our people nominate colleagues for going above and beyond in making XPS a good place to work. The judging committee is comprised of colleagues making the whole process inclusive and employee driven.

We continue to drive business performance by incentivising colleagues through our bonus schemes and employee share plans, alongside our market-conforming remuneration and benefits package. All XPS colleagues work to an annual performance management cycle, and all have access to a performance-related bonus scheme that is based on clear objectives stemming from Group business objectives.

Promoting learning and development

Empowering our colleagues to identify career paths and access training and development opportunities helps us retain and develop our people. We continued to offer a wide range of technical training at all levels as well as management development programmes for our more senior employees. All employees can request additional training alongside anything that's been agreed upon within their performance reviews, while coaching and mentoring are also encouraged. During FY 2023, we recorded 28,956 hours of training.

Support is provided for employees studying for professional qualifications via bespoke technical programmes across all areas of our business. We continued to support early career talent through our graduate Actuarial and Administration programmes and Advisory apprenticeships. We have also continued to develop our induction programme based on feedback from colleagues.

Over 28,000

hours of training delivered across a wide range of professional and technical courses

Advancing inclusion and diversity

We are committed to fostering an inclusive culture of diversity across XPS Pensions Group. This is led by our Inclusion & Diversity Committee which includes our Co-CEOs and Non-Executive Director Margaret Snowdon OBE is the Board member responsible for inclusion and diversity. Membership also includes business line representatives, to ensure we engage colleagues across the business. They are responsible for ensuring decisions made by the business units take account of inclusion, diversity and equality, and the Network Chairs, who are accountable for the delivery of the objectives of their networks, ensure we have representation from different groups in the business.

31%

of our senior management were female in 2023

In 2022, we built on our inclusion and diversity (I&D) framework, which we launched in 2021. Clear priorities have been set in each area and we have undertaken a number of key measures, including:

- publishing both our gender and ethnicity pay gap for XPS Pensions Group, providing mandatory training to managers on diversity issues and unconscious bias and participation in 'respectful behaviours' training. Last year, we introduced a gender equality plan to enable us to focus on gender inequalities and set gender-specific measures as part of our wider I&D work. Our Co-CEOs endorsed this plan to help us on our continuing journey to gender equality;
- providing internal and external mentoring programmes to encourage diversity and reviewing our family-friendly policies. We have a range of family-friendly policies to enable our colleagues to strike a good balance between work and family. We identified four key areas to improve gender equality: Institutional Governance, Sharing Knowledge to Bring Change, Work-life Balance and Professional Development. We had 29% senior management female representation last year, and this has increased to 31% this year. We have set a target of increasing the proportion of women in senior management roles to 37% by 2028; and
- evolving and reviewing our workplace policies regularly to ensure they meet the needs of our people. Our current policies include enhanced maternity, adoption and shared parental leave for employees, agile working, parental bereavement, menopause and a reasonable adjustments policy.

Focus on our people continued

95%

feel like they belong

98%

feel that people of all backgrounds can join and thrive at XPS

93%

feel valued as an individual

Advancing inclusion and diversity continued

All our activities and messages are aligned so that staff know they have the responsibility for actively promoting equality of opportunity and diversity, speaking up and actively listening to others and that everyone should respect each other and take the time to understand different perspectives. We have asked and trained our managers to set clear expectations, lead by example, uphold the highest of standards and ensure decisions are fair and free from bias. Each manager is encouraged to be an Ambassador for IED in wider society (as are all staff). Also, all staff have been trained on inclusion and respectful behaviours with colleagues, and this is also part of our onboarding process.

During the year, we had five thriving employee resource groups across our business including Women's, Disability, LGBTQ+, Menopause and Multicultural. They are a key feature of our culture as an inclusive place to work. We are committed to providing equal employment opportunities and combating discrimination. Where possible, we monitor the ethnicity and gender composition of our workforce and those applying for jobs.

XPS continued to support I&D awareness days throughout the year with an inclusive programme of events and campaigns led by our five Employee Networks. We ran a full calendar of 21 internal firm-wide webinars hosted by multiple networks working together. Highlights this year included celebrating International Women's and Men's Days, Black History Month, Trans Awareness Week and our 'Be Yourself at Work' campaign. In our 2022 engagement survey, 95% of colleagues said they felt they "belong" at XPS (2021: 85%).

Gender split data

	Male		Female	
Group	811	49%	832	51%
Partners & Managing Consultants	81	69%	37	31%
Board	4	57%	3	43%
Other employees	727	48%	795	52%

Note:

Senior management is Partners and Managing Consultants

Age distribution

<21	2.0%
21–30	30.0%
31–40	25.0%
41–50	24.0%
51–60	16.0%
60+	3.0%

Ethnicity

White	70.4%
Ethnic minority	9.2%
Prefer not to say/ not stated	2.3%

Based on 81.8% of staff disclosure

Did not participate

Sexual orientation

Heterosexual	56.4%
LGBTQ+	2.9%
Prefer not to say/ declined to specify	3.8%

Based on 63.2% of staff disclosure

Did not participate

Disability

Yes	6.0%
No	47.4%

Based on 53.4% of staff disclosure

Did not participate

Since 2017, XPS has been part of the Actuarial Mentoring Programme (AMP), a cross-company mentoring programme designed to improve diversity within the actuarial profession. In 2022, our XPS Women's Network launched a mentoring programme. This is in addition to the external mentoring schemes we participate in from AMP and Mission Gender Equity, previously the 30% Club Cross-Company Mentoring Programme which focuses on accelerating women's leadership.

Facilitating flexible working

During the year we confirmed to colleagues that 'My XPS My Choice' was a permanent policy change and would be embedded as one element of our approach to flexible working. This meant that colleagues agreed with their line manager on the location where they felt they could work at their best for XPS. Most colleagues chose a "flexible" option which means they attend an office at least one day per week and for the rest of the week, they would work from home. Colleagues were delighted to be given the opportunity to select their location and we know via engagement surveys that they value this flexibility. My XPS My Choice also makes us attractive when hiring as many competitors do not offer such flexibility.

In addition to My XPS My Choice, we also updated our Agile Working Policy: this means that colleagues can ask for a variation to their contractual hours due to an unforeseen event, for example, caring for an elderly parent or if they are struggling with a health issue such as the menopause. This approach reinforces one of our values, "doing the right thing", because it means that as an employer we can adapt to change quickly and support colleagues when they need it the most.

Enhancing employee wellbeing

We have a multi-generational workforce, and it is vital that our people are provided with the support and opportunities they need to optimise their health and wellbeing. All our colleagues benefit from a wide range of wellbeing and mental health supports. These include options for private medical insurance, permanent health insurance, critical illness and life cover, occupational health, access to counselling and other support via an Employee Assistance Programme (EAP). This programme includes a confidential 24-hour helpline for colleagues to share problems and receive actionable advice, and legal information services including debt and financial information. We also provide a comprehensive calendar of monthly wellbeing events for our people across four key areas: emotional, physical, financial and spiritual. There is also extensive resilience and mental health training embedded within our learning and development programmes.

Our memberships

- Business Disability Forum
- Business in the Community
- Diversity Project
- Menopause in the Workplace
- Stonewall
- Valuable 500

We have been actively working with Mental Health at Work (MHaW) since 2020 and have developed a robust and well-thought-through approach to supporting mental health at every level within XPS. Leadership visibility has been key, and there is an overarching cultural driver for managers and employees to do all that they can to support one another. We have trained over 70 MHaW Allies®, all of whom have become integral to our wellbeing offering at XPS.

Employees have felt the impact of the cost-of-living crisis, and we have provided support in the form of a mid-year pay rise to everyone below Partner grade (£3.2 million annualised). We have also supported colleagues with financial wellbeing webinars covering topics such as financial resilience, budgeting, credit borrowing and debt savings.

Focus on community

Expanding our community investment

Our continued success depends on the talent present in our local communities; without a thriving society we are unable to build a successful team. At the same time, our teams can contribute meaningfully to the health of local communities. This year we launched our volunteering programme to expand our commitment in the communities in which we operate.

Our goal is to create a positive impact wherever we operate. It also means enabling our people to donate their time, their skills and their enthusiasm to achieve things that a financial donation cannot. We extend this partnership approach into our supply chain too.

Enabling our people to give back
Last year, we continued to support school students and individuals in their early careers. We provide work placements to 75 students to undertake work experience at XPS Pensions Group. As well as offering work experience to secondary school students within our Administration business, we also offered the opportunity for university students to join our Investment team for a week to gain valuable insights into the workplace. This was undertaken, as part of the UpReach Investment Springboard Project, which supports high-potential students from less-advantaged backgrounds, who may not otherwise be able to access high-quality work experience within professional environments. In addition, 60 apprentices joined XPS Pensions Group during the year. Apprenticeships provide a valuable route for those with different educational qualifications to start their career at the Group.

XPS Pensions Group wants to encourage employee involvement in fundraising and hands-on activities which benefit our local communities. That's why we trialled a new volunteering approach in 2022. We partnered with The Conservation Volunteers and The Wildlife Trust community groups to organise conservation work in nature near our offices. Our Environmental Network worked with these charities to organise conservation days. In addition, we are working with Business in the Community to find other volunteering opportunities such as job coaching.

Financially supporting our communities

We are proud to support the communities in which we operate and actively encourage our employees to do the same. The Group offered both financial support and paid leave to any employee whose family has taken Ukrainian refugees into their homes. In FY 2023, several colleagues extended heart-warming hospitality to people fleeing this war.

Over the past year, XPS Pensions Group continued to support some of our key charity partners - Tax Help for Older People, Crisis for Christmas and TeamPolice.

We also have a Charity Matched Fundraising Policy. All our people can apply to get matched funding from the Company when they raise money for an eligible registered charity. Staff have participated in many events supporting charities such as Alzheimer's Society, Macmillan Cancer Support and the Mental Health Foundation. We have also supported several food banks this year across the UK. In total, the group contributed over £58,000 in charitable donations in the year.

Partnering with our supply chain

We have extended our sustainable ambitions in our supply chain. In the year, we updated our Supplier Code of Conduct, which sets out the high standards and behaviours that we expect from them, including safe working conditions, fair and respectful treatment of employees (including modern slavery and human rights expectations), consideration for the environment and ethical practices.

Focus on clients

Targeting responsible outcomes

We are trusted advisers of pension funds on which millions of people depend. To support our clients best, we aim to develop long-term partnerships with them. Increasingly, ESG integration and stewardship play an important role in these partnerships. During the year, we made significant steps to further integrate ESG and sustainability into our service offering.

Our goal is to help clients and scheme members achieve positive long-term outcomes. We do this through our culture and values to help us promote sustainable services for our clients. We incorporate sustainability into our investment strategy solutions as well as making ESG considerations part of all our investment research and advice. We also focus on keeping all our clients' money safe from scams and fraud.

Strengthening our responsible investment strategy

Our Responsible Investment Policy makes it clear that consideration of ESG is a critical aspect of good investment management both from a risk as well as an opportunity perspective. We believe that proactively considering sustainable themes, such as climate change or positive social outcomes, will lead to better long-term positive outcomes, and we encourage our clients to adopt this approach. This supports how we integrate ESG and stewardship throughout our processes and in our interactions with our clients, investment managers and at firm level. We now have 23 clients in sustainable funds representing £1.9 billion in assets under management (AUM).

We recognise that one size does not fit all when it comes to ESG and stewardship. We have a clear framework to help our clients to understand their specific priorities in relation to ESG to ensure our advice and solutions are tailored to their unique needs and wider objectives. XPS Pensions Group developed its own ESG fund rating system to ensure full consideration of ESG factors is embedded into investment management. This entails using a detailed questionnaire and face-to-face meetings to assess a manager's overall philosophy, how ESG is integrated into investment decisions within the given fund, climate change risk management and stewardship. ESG and sustainability considerations are embedded into all our investment recommendations and client advice, covering £96 billion of assets under management.

Our Scam Protection Service has helped protect over **8,500** members' transfers, totalling over **£1.85 billion**

We now have **23** clients in sustainable funds with **£1.9 billion** assets under management

During the year, we achieved the following:

- following the Russian invasion of Ukraine we conducted a review of our sustainable funds (see below) to understand what exposure they had to Russian entities. We found that where there was any exposure this was very low and the majority of managers looked to remove this exposure;
- the LDI gilts crisis was a challenging time for pension schemes everywhere. We were able to quickly help our clients during the gilts crisis in September/October and this is evidenced by our many client testimonies. Ultimately, although this was a difficult time for them, the vast majority of our clients' liability hedges were not materially affected by the LDI crisis, which is mainly a testament to their preparedness and the advice they received in the months and years leading up to the crisis;
- in 2022, we undertook our biggest ever annual ESG ratings exercise, involving 255 funds across 63 managers. In the interests of transparency and raising the bar for the industry, we provided feedback to all of those managers who submitted. We also held follow-up face-to-face meetings with all those managers who received a red rating, as well as many others, to discuss areas for improvement;

- we carry out independent research of available funds and have designated a number of these to be sustainable funds that target environmental and social outcomes alongside their financial objectives, including for example, a net zero target. We have now designated 34 sustainable funds available across all asset classes to help our clients meet their financial objectives whilst targeting long-term social and environmental outcomes; and
- we provide detailed ESG reporting to all clients. In addition to feedback on the ESG ratings, we include detail on wider sustainability factors (such as exposure to sin industries, climate transition alignment, and engagement on ESG across the portfolio) as well as carbon emissions reporting (which we introduced in 2021). This year we have also partnered with a market-leading climate change data provider which will further enhance our reporting and analysis of climate change risks.

By continuously improving the practices of investment managers to support effective ESG risk management and directing finance towards positive environmental and social sustainability outcomes, XPS Pensions Group is well positioned to make a positive impact on wider society.

Keeping clients safe
Our Scam Protection Service continues to support trustees and our clients' members by identifying and managing suspicious activity in relation to transfers. In particular, our Scam Protection team uses a phone call with scheme members to obtain robust information about their transfer and uses it to identify any suspicious activity, including the red and amber scam warning flags set out in the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. Our service goes beyond what is in the regulations and we continually look out for new potential scam warning signs and how scammers may be changing their behaviour.

In order to protect our clients' funds further, 2022 saw us participate in the Department for Work and Pensions' 18-month review of transfer regulations. Last year, we also actively contributed to industry forums including the Pension Scams Industry Group and the Pension Scams Industry Forum to improve outcomes across the industry as a whole in relation to scams.

Protecting vulnerable customers
We recognise that many pension members we deal with may be experiencing one or more vulnerabilities, and that we must take care to listen to our customers' needs and identify when we should apply an extra duty of care. Our Dealing with Vulnerable Customers Policy provides guidance to all employees around vulnerabilities our customers may experience, barriers they may face when dealing with professional service providers such as us, and what we can do to make our services as accessible and inclusive as possible, adapting to customers' specific needs wherever possible.

In FY 2023, all customer-facing employees completed annual online training to embed their knowledge and skills in this area further. The new FCA Consumer Duty Rules, introduced last year, shine a further spotlight on how retail clients with characteristics of vulnerability should be considered at every stage of their interaction with FCA regulated firms and we are implementing the requirements in the relevant XPS business areas from 2023 onwards.

Focus on environment

Our commitment to net zero

As a large employer, we recognise that we have a responsibility to address the environmental impacts of our operations and our investments. Reflecting the importance our stakeholders and the Group itself attach to this responsibility, we strengthened our environment strategy, targets and programme in the year.

Our goal is to reduce our impact on the environment and help others to do the same - even making a positive contribution where we can. This means identifying our climate (such as emissions) and environmental impacts (such as our use of water, paper and production of waste) and taking steps to reduce, reuse and recycle where possible.

Putting the environment on the agenda

XPS Pensions Group considers climate change a long-term risk to our industry, the economy and the world. But we believe that, in the short term, we currently have a low risk in relation to environmental matters. The Audit & Risk Committee oversees risk identification and management across the Group and reports to the Board on risk prioritisation and mitigation. You can read more on pages 46 to 51.

We also see the transition to a low-carbon world as presenting opportunities for XPS Pensions Group. We have identified growing demand from our clients for ESG-related services ranging from ESG research to advisory and this presents climate-related opportunities for XPS to grow.

At management level, climate risk is overseen by the Information Security & Environmental Management Steering Committee. The Committee met quarterly in FY 2023 to review aspects, impacts, legislation updates and provided management with a regular opportunity for review. Outputs are then fed into both the Sustainability and Audit & Risk Committees for review and approval of any actions, objectives or policy, which then feed back to our Board. This is how environmental risks and opportunities are kept on the agenda at XPS.

Developing a comprehensive strategy

In order to develop a comprehensive climate and environmental strategy, XPS Pensions Group completed an exercise to assess and identify the most significant risks in the short, medium and long term. The most significant transition risks for our Group are:

- **Energy prices:** as with all professional services, we have a reliance on electricity to supply services to our clients. The energy transition, exacerbated by the pandemic and the war in Ukraine, has driven up energy prices and posed a risk of energy shortages.
- **Supply chain:** many of our key climate and environmental impacts are in our supply chain. Rising costs, lack of supply and other supply chain issues around waste, water, paper and business travel pose a risk to the Group.

Results of our scenario analysis

Perceived Risk materiality

Net-Zero Scenarios

Rapid
Timely
Delayed
Failed

50%

carbon emission reduction aimed for by 2030

2

additional offices that have ISO 14001 certification

8

offices with certified renewable energy

2

years of XPS being carbon neutral

In last year's Annual Report, we disclosed our perception of our risk and preparedness in relation to a number of possible climate scenarios. These included four potential net zero trajectories including a rapid, timely, delayed and failed transition. In all four scenarios, we are confident that XPS Pensions remains a resilient and sustainable business. We develop our climate and environmental strategy based on our analysis which suggested a timely transition to be preferential, allowing for a smooth transition to a low-carbon economy while limiting global warming to below 2°C.

In response to these climate risks and opportunities, XPS Pensions Group developed, alongside its 2020 comprehensive sustainability framework, the detailed climate and environment strategy, outlined below, and identified where sustainability feeds into business planning and investment decisions. A good example is the Group's strategy and decision making in the selection of suppliers, facilities and acquisitions now incorporate sustainability considerations.

Building our net zero pathway

In line with the Paris Agreement, this reporting period XPS Pensions Group formally committed to a science-based net zero strategy that limits our operational emissions to a level consistent with or below a 1.5°C global temperature rise. On the way to net zero by 2050, we identified the following interim targets:

- we will reduce operational emissions by 50% by 2030;
- we aspire to reduce residual Scope 1 emissions to zero in the 2030s; and
- we will reduce our supply chain emissions by 40% by 2035.

Last year, we developed an initial transition plan to achieve our net zero and interim milestone targets. At its heart sits the effective implementation of our Environmental Management System (EMS). The EMS allows us to measure our climate and environmental impacts, manage and, where possible, reduce them. Covering our entire Group, the EMS is supported by an Environment Policy that outlines the steps to take to achieve net zero:

- to enhance our environmental management, we will pursue the certification of the EMS with ISO 14001 for environmental management for all our locations. This will help us implement our Environment Policy consistently. In FY 2023, we added ISO 14001 certification for another two offices;

Focus on environment continued

Building our net zero pathway continued

- to reduce our biggest source of emissions (heating, cooling and powering our offices), we will source 100% renewable electricity by the turn of the decade for all our locations or, if not possible, seek alternative locations where this can be sourced. In FY 2023, the number of offices with 100% renewable energy increased by six to eight;
- to increase our energy efficiency, we will implement energy-efficient hardware and software where possible. In 2022, we made headway on the retirement of inefficient light bulbs and equipment. New starters are now issued with greener technology hardware; and
- to tackle the indirect impacts in our supply chain, we deployed a range of projects. In FY 2023:
  - we rolled out campaigns to drive down internal printing. For instance, we've initiated a project to centralise and digitise our postal services which offers cost-saving and environmental benefits;
  - we raised awareness of the impact of business travel and introduced an electric car scheme for our colleagues; and
  - we completed the sustainability-focused refit of our Newcastle office using sustainable materials and repurposed furniture.

We recognise that it will take time to achieve net zero and that urgent action is required on climate change right now. That's why XPS Pensions Group again renewed its carbon-neutral status in FY 2023.

We offset the previous financial year's emissions for our entire value chain, including supply chain emissions. Carbon credits were sourced and retired from trusted carbon marketplaces Gold Standard and the UNFCCC's Climate Now platforms. XPS Pensions Group invested in two projects during this reporting period, notably investing in a biodiversity and reforestation scheme in Panama. The projects ensure vital existing habitats are protected whilst facilitating the growth and development of new ones. In addition, the projects provided work opportunities for the local community and sustainable cocoa production, promoting self-sufficiency within the community.

Embedding sustainability in our culture

We believe our people sharing our ambition is fundamental to the success of our environmental strategy. Engaging with our teams not only helps the business achieve its environmental objectives but promotes greener habits in and out of the workplace for the benefit of us all. To accelerate this behaviour change, we are exploring the benefits of deploying an internal carbon price in the accounting for our business decisions in 2023.

Local volunteers act as environmental champions across the Group representing a visible focal point for our environmental strategy. The champion's role includes engaging with their local team on environmental matters and identifying local opportunities to improve. As part of this initiative, environmental champions were involved in organising the first of the Group's corporate volunteering events to benefit our local communities in FY 2023. Volunteers local to the Reading and Birmingham offices enjoyed getting stuck in with forest maintenance, tree coppicing and biodiversity tasks.

Sharing our performance transparently

In order to monitor the progress on our net zero journey, we measure relevant key performance indicators in the EMS. This allows the Group to quantify its carbon footprint, effectively monitor risks and continually reduce its environmental impact. In FY 2023, we completed an ISO 14064 gap analysis with an external provider to enhance the accuracy, reliability and completeness of our carbon inventory. We will implement the recommendations in 2023 in order to share our performance better with all our stakeholders and to meet our duties under the Streamlined Energy and Carbon Reporting Regulations.

We were successful in decoupling our emissions from our growth. Against an increase in business in the FY 2023 we reduced our direct (Scope 1) emissions. This is the result of our work on rationalising our office estate and requiring less heating as a result. In addition, we reduced our Scope 2 absolute emissions despite our teams returning to the office after the pandemic. Our increase in renewable energy has ensured we continued the downward trend of our emissions. Our Scope 3 travel emissions have increased as office working and in-person client meetings resumed. The associated volume and emissions relating to business travel remain below that of the pre-pandemic level, despite growth in revenue and personnel in the time frame. Consequently, the return to office working decreased our remote work-related emissions, which outweighed those produced by the additional commuting. This resulted in an absolute reduction in Scope 3 emissions in the period.

Annual greenhouse gas emissions and energy use data for the period 1 April 2022 to 31 March 2023

	FY 2023	FY 2022	FY 2021
Scope 1 emissions (tCO_2e)	**157**	215	212
Scope 2 emissions – DEFRA location based (tCO_2e)	**215**	244	350
Scope 2 emissions adjusted for renewable energy[1]	**185**	230	350
Energy consumption used to calculate above emissions (kWh)	**1,976,286**	2,334,261	2,655,443
Scope 3 emissions (tCO_2e)[2]	**1,189**	1,522	1,928
Total emissions	**1,531**	1,967	2,490

	FY 2023	FY 2022	FY 2021
Revenue intensity Scope 1 & 2 (tCO_2e/£m)	**2.1**	3.2	4.4
Revenue intensity Scope 1, 2 & 3 (tCO_2e/£m)	**9.2**	14.2	19.5
FTE intensity Scope 1 & 2 (tCO_2e/FTE)	**0.2**	0.3	0.4
FTE intensity Scope 1, 2 & 3 (tCO_2e/FTE)	**1.0**	1.4	1.9

Notes:

All activities are UK based. tCO_2e = tonnes of CO_2 equivalent. Unless otherwise noted all conversion to carbon is based on current Department for Education, Food and Rural Affairs (DEFRA) factors. Calculations are made in accordance with the SECR guidance and the GHG Protocol. FTE = full time employees as at 31 March 2023.

1 XPS has transitioned to certified renewable energy in a number of its locations enabling the Group to claim zero-emissions relating to associated energy consumption, as per the market-based accounting method. It has been determined the Company's transition to renewable energy avoided 30 tonnes of CO_2e in the period based upon DEFRA kWh location-based accounting.

2 Scope 3 emission figures for FY 2023 include business travel, employee commuting and domestic energy usage to support staff working from home.

Record revenue growth and improved operational gearing

Highest annual revenue growth since listing - delivered with improved margin and profitability. Earnings growth exceeded revenue growth for the first time since 2017.

A year of strong operational achievements matched with record breaking financial performance.

Snehal Shah
Chief Financial Officer

The business has performed strongly with revenues growing 20% year on year; 17% organically. The revenue growth has been delivered efficiently, with total staff cost growth now below revenue growth. We have continued to invest in areas such as risk transfer and member analytics and made capital investment in developing our own administration platform which will further enhance our operational gearing in the future.

Significant accounting matters

Adjusted numbers

We continue to show adjusted numbers in our results to better reflect the underlying business performance. The adjusted numbers exclude exceptional and non-trading items such as the amortisation of acquired intangible assets as well as share-based payment costs. The exceptional and non-trading items are disclosed in the notes to the financial statements. These alternative performance measures may differ from those defined by other entities but help to explain the progress within the underlying business.

Snehal Shah
Chief Financial Officer

Group income statement

	FY 2023 £m	FY 2022[1] £m	Change %
Revenue			
Pensions Actuarial & Consulting	**77.4**	62.2	24%
Pensions Investment Consulting	**18.0**	13.7	31%
Total Advisory	**95.4**	75.9	26%
Pensions Administration	**57.5**	52.3	10%
SIP	**9.4**	6.1	54%
NPT	**4.3**	4.3	–
Total revenue	**166.6**	138.6	20%
Adj. EBITDA[2]	**42.4**	34.1	24%
Depreciation & amortisation	**(5.5)**	(5.3)	(4%)
Adj. EBIT[2]	**36.9**	28.8	28%
Exceptional & non-trading items	**(14.2)**	(9.8)	(45%)
Net finance expense	**(3.6)**	(2.1)	(71%)
Profit before tax	**19.1**	16.9	13%
Income tax expense	**(3.3)**	(7.5)	56%
Profit after tax	**15.8**	9.4	68%

1 Management responsibilities and operations for a small part of the business moved during the year from the Pensions division to Administration. Related revenue was £1.5 million, and the prior year (which has been restated) was also £1.5 million.

2 Adjusted measures exclude the impact of exceptional and non-trading items: acquisition-related amortisation, share-based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence. See note 6 for details of exceptional and non-trading items.

Revenue

Total Group revenues grew 20% year on year; 17% organically.

Pensions Actuarial and Consulting is the Group's largest business. The division achieved 24% year on year growth in revenues, due to high client activity levels driven by continued regulatory changes as well as inflationary increases in fees. The Penfida acquisition in the year has contributed £2.3 million of the growth.

Pensions Investment Consulting had another strong year with a number of new client mandates, continued demand driven by regulatory changes and financial market volatility as well as inflationary fee increases. The LDI crisis following the September mini-budget led to a significant increase in client activity. Revenues in this division grew 31% year on year.

Pensions Administration revenues grew 10% year on year with a number of new client wins coming on stream during the year and increased levels of project work. As with the advisory business, inflationary increases in fees also drove the growth in the year. Pensions Administration accounted for 35% of the Group revenues (FY 2022: 38%).

SIP revenues were up 54% on prior year, due to strong underlying sales, and increases in commission due to the base rate increases in the year. The acquisition of the trade and assets of Michael J Field Consulting Actuaries ("Michael J Field") completed in February 2022, and this accounted for £2.0 million of the revenue in FY 2023.

The National Pension Trust (NPT) revenues were flat year on year; driven by competitive price pressures, asset price volatility partially offset by increased contributions paid into the trust in the year. Total assets under management are now over £1.5 billion.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 19% or £19.7 million year on year. The main drivers for the cost increases are an increase in headcount as the business grew (1,574 FTE v 1,442 last year), inflationary pay increases including a mid-year salary increase for all our people below Partner level amounting to c. £1.5 million additional cost for the year, higher bonus cost commensurate with the strong financial performance and inflationary increases in other operating costs.

Despite the high inflation impacting our costs, the Group has delivered further operational gearing with adjusted EBITDA growing by 24% year on year – ahead of the Group revenue growth of 20%. Adjusted EBITDA margin was 25.5% (FY 2022: 24.6%). Statutory profit before tax grew by 13% year on year.

Exceptional and non-trading items

Exceptional and non-trading items in the year totalled £14.2 million (FY 2022: £9.8 million). Amortisation of acquired intangible assets amounted to £6.9 million (FY 2022: £6.6 million). Share-based payment charges were £4.7 million (FY 2022: £3.9 million) with higher levels of vesting expected due to the strong financial performance of the Group. The Group also incurred corporate transaction costs of £2.9 million (FY 2022: £0.3 million) in the year. Included within that is £0.8 million of contingent consideration in respect of the acquisition of Penfida Limited. The maximum contingent consideration of £3.4 million would be payable on the second anniversary of the acquisition subject to business performance which includes retention of clients as well as continued employment of key employees. As continued employment is one part of the contingent consideration test, according to IFRS 3, the entire contingent consideration must be treated as a post transaction employment cost accruing over the deferment period of two years. The contingent consideration is material in size and it is one-off in nature. As such, in line with the Group's accounting policies, it has been classified as an exceptional item. If the entire contingent consideration is not payable at the end of the two year period, any resulting credit will also flow through the exceptional category. The remainder £2.1 million of corporate transaction costs relate to the acquisition of Penfida Limited and other potential M&A opportunities explored by the Group in the year. These costs have been partially offset by a credit of £0.2 million relating to the write back of contingent consideration for the acquisition of the business of Michael J Field completed in February 2022.

Tax on the exceptional and non-trading items was a credit of £2.9 million (FY 2022: charge of £2.5 million). The charge in the prior year was due to the revaluation of deferred tax liabilities as a consequence of the increase in corporation tax from 1 April 2023 to 25%. The credit in the current year is driven by the unwinding of deferred tax liabilities linked to intangible assets acquired in previous periods.

Net finance costs

Net finance costs for the year were £3.6 million (FY 2022: £2.1 million). The increase is due to the increases in the bank base rate during the year, along with a modest increase in the loan balance.

Taxation

A tax charge of £6.2 million (FY 2022: £5.0 million) was recognised on adjusted profits (before exceptional and non-trading items) which represents an effective tax rate of 19% (FY 2022: 19%). The Group also recognised a tax credit of £2.9 million (FY 2022: charge of £2.5 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £3.3 million (FY 2022: £7.5 million). As previously disclosed, the increase in corporation tax in FY 2024 to 25% drove an increase in tax charges in the prior year as the deferred tax liabilities were revalued at the higher rate.

Our businesses generate considerable tax revenue for the government in the UK. For the year ended 31 March 2023, we paid corporation tax of £4.9 million (FY 2022: £3.9 million); we collected employment taxes of £27.0 million (FY 2022: £22.5 million) and VAT of £24.7 million (FY 2022: £21.3 million). Additionally, we have paid £1.2 million (FY 2022: £1.2 million) in business rates. The total tax contribution of the Group was therefore £57.8 million (FY 2022: £48.9 million), which equates to 35% of revenue (FY 2022: 35%).

EPS

Basic EPS for FY 2023 grew 67% year on year to 7.7p (FY 2022: 4.6p) owing to the strong financial performance of the Group. Adjusted fully diluted EPS grew 24% year on year to 12.6p in FY 2023 (FY 2022: 10.2p) enabled by the strong revenue growth as well as delivery of further operational gearing in the business.

Dividend

A final dividend of 5.7p is being proposed by the Board (FY 2022: 4.8p). The final dividend, if approved, which amounts to £11.8 million (FY 2022: £9.7 million), will be paid on 21 September 2023 to those shareholders on the register on 25 August 2023.

Cash flow, capital expenditure and financing

Non-GAAP cash flow	31 March 2023 £m	31 March 2022 £m
Operating		
Adjusted EBITDA	**42.4**	34.1
Change in net working capital	**(0.3)**	(1.3)
Adjusted operating cash flow	**42.1**	32.8
OCF conversion	**99%**	96%
Financing & tax		
Net finance expense	**(3.3)**	(1.5)
Taxes paid	**(4.9)**	(3.9)
Proceeds from/(repayment of) new loans	**4.0**	3.9
Repayment of lease liabilities	**(3.0)**	(2.7)
Share-related movements	**(1.0)**	(3.3)
Net cash flow after financing	**33.9**	25.3
Investing		
Acquisition	**(8.3)**	(1.5)
Capex	**(5.4)**	(7.9)
Restricted cash (NPT)	**—**	—
Net cash flow after investing	**20.2**	15.9
Dividends paid	**(15.3)**	(14.1)
Exceptional items	**(1.8)**	(0.3)
Movement in cash	**3.1**	1.5
Net debt	**55.3**	54.6
Leverage	**1.38x**	1.74x

FY 2023 has been another year of strong cash performance for the Group. Adjusted operating cash flow increased by £9.3 million driven by a £8.3 million increase in EBITDA and a £1.0 million increase in net working capital. Overall, this resulted in adjusted operating cash flow conversion of 99% compared to 96% in the prior year.

Taxes paid in the year were £1.6 million higher than the income statement charge due to the current year tax credit in relation to exceptional items in the year which is largely a deferred tax.

During the year, the Group drew down £4.0 million of the RCF. Capital expenditure in the year amounted to £5.4 million (FY 2022: £7.9 million) with £0.6 million spent on leasehold improvements and office fitouts and the remaining £4.8 million on software development, enhancements to our platforms, cyber security, and other IT equipment.

In September 2022, the Group acquired Penfida Limited for an initial cash consideration of £8.3 million net of cash acquired.

After paying £15.3 million in dividends and £1.8 million of exceptional costs, the Group cash balance increased by £3.1 million year on year to close at £13.3 million. The Group had drawn down £68 million of its £100 million RCF at 31 March 2023, resulting in a net debt of £55.3 million, an increase of £0.7 million year on year.

Going concern

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

Subsidiary undertakings

The subsidiary undertakings of the Group in the year are listed in note 35 in the Annual Report.

Share premium reduction

The Group undertook an exercise in the year to reduce the balance in XPS Pensions Group plc's share premium account. This was completed in October 2022, and as a result £116.8 million was transferred to retained earnings.

Snehal Shah
Chief Financial Officer
21 June 2023

Managing risk effectively

The Risk Management Frameworks embedded within the Group continue to support the growth of the business. Effective risk management provides the Group with the information required to understand our key risks, and identify and embrace opportunity. The frameworks also allow us to proactively develop our controls, protecting the Group and its customers from new and developing threats such as Cyber Crime.

Over the last year our risk management frameworks have been fundamental to enabling us to react effectively to the changing risk environment that the business faces during its day-to-day operations. The risk profile of the Group is regularly reviewed by senior management along with the controls framework in place, to ensure they are enhanced to address changes in the external threat environment. These reviews are supported by comprehensive internal and external assurance activities, which validate controls design and effectiveness, highlighting opportunities for further improvements. The increasing threat of cyber-crime continues to be a key area of focus for management, with particular focus on protecting the Group from phishing, business email compromise and ransomware attacks.

To allow the Group to address the evolving threat environment it faces we have continued to develop our overall risk management capabilities, improving our ability to detect, understand and manage our risks. Since the last report there have been a number of significant enhancements, including:

- the successful achievement of the PASA Pensions administration standard. This standard is recognised by The Pensions Regulator as a way of demonstrating high-quality pensions administration as provided by XPS to its clients;
- the development of the existing Risk team, through the recruitment of additional SMEs and supporting existing staff members to achieve this status. This has been done through supporting training to achieve and then maintain relevant professional qualifications, e.g. CISA/CRISC/CISM;
- the expansion of the existing ISO 27001 information security certification to cover all activities provided by the Group. This external assurance provides assurance that the Group has the right frameworks in place to identify and effectively manage its information security and cyber risks;
- the development of the existing acquisitions framework, to support the effective integration of new businesses. This supports the alignment of risk and controls frameworks, including the application of relevant assurance frameworks;
- the development of the existing third party assurance framework, recognising the importance of supply chain risk in relation to cyber and business resilience risks;
- the ongoing development of the executive level Risk Management Committee to support the identification of new risks and monitoring of existing risks, and agree prioritisation of mitigation activities;
- the further expansion of the dedicated Information Security team, along with developing and enhancing the suite of technical controls in place; and
- the development of the Environmental Management System to ensure we identify and manage our impact on the environment. This includes supporting TCFD reporting and consideration of the risks associated with climate change.

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

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

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

These general business risks include:

- **Political/economic/social** – risks created by the political, economic/financial and social environment in which we operate, e.g. war, demographic trends, pandemics, government influence on business, currency changes, market volatility, interest rates, liquidity.
- **Competition** – risks of change on demand side of business due to changes in customer demands or competitors, likely to influence the 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, industrial accidents.
- **Environmental** – risks associated with climate-related change, how these changes can impact business models and how businesses in turn can manage the impact of their operations on the environment.

Board of Directors/Audit & Risk Committee

Senior management/Risk Management Committee

	Operational Management First line	Risk Management Second line	Internal Audit Third line
Key activities	• Implement governance, risk and control frameworks • Measure and manage project performance • Manage risk (within agreed risk appetite)	• Design governance, risk and control framework • Monitor adherence to framework • Provide timely, balanced information	• Review framework application objectively • Offer independent oversight of first and second lines
Outcomes	**Control of risks**	**Confirmation of control effectiveness**	**Strategic overview of controls**

Change during the year:

Increased risk

Stable

Improving

Links to strategy:

Regulatory change

Expand services

Grow market share

Mergers and acquisitions

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

Specific risks that are material to XPS Group are:

Strategy

Description
Risks linked to the assumptions of future development and size of pensions market used to develop the strategy or business model or business portfolio, e.g. poor data, group think or lack of diversity of opinions.

Key mitigations
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.

Rationale for change
Stable

Change during the year:

Increased risk

Stable

Improving

Links to strategy:

Regulatory change

Expand services

Grow market share

Mergers and acquisitions

Strategic planning and execution

Description
Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications or poor management of change or projects.

Key mitigations
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.

Rationale for change
XPS has built on previous years initiatives to develop frameworks to co-ordinate and deliver market leading technology change. This is evidenced by the successful rollout of the new Aurora administration system.

Financial performance

Description
Risks relating to the failure to monitor and appropriately manage the financial performance of the Group on an ongoing basis which could lead to poor management decisions, higher costs and/or inaccurate external financial reporting.

Key mitigations
The Group has a highly qualified and experienced financial reporting team. There is an extensive financial controls framework in place and key controls are regularly tested by internal and external audits. The Group undertakes detailed bottom-up budgeting and reforecasting exercises with the final budget and reforecast approved by the Board.

Management information is published on a regular basis and the Executive Committee reviews the financial performance of the Group at least monthly. The Board receives and scrutinises the financial performance of the Group at each Board meeting.

Rationale for change
The Group has continued to improve its budgeting and forecasting frameworks: These ongoing improvements are evidenced through consistent delivery of financial results in line with or ahead of market consensus.

Errors

Description
Risks relating to material mistakes made by staff, including the non-compliance with established procedures, e.g. failure to calculate benefits correctly or not following peer review processes.

Key mitigations
The Group recruitment process ensures only high calibre staff are recruited, who are then supported by training programmes. Staff use standardised documented processes and checklists for key processes.

Higher risk work is identified with peer review and additional sign-off required, with regular quality audits to confirm processes are being followed correctly.

Insurance arrangements are in place to limit the loss should an error occur, with root cause analysis used to identify where controls can be improved.

Rationale for change
Stable.

Theft and fraud (financial and physical assets)

Description
Risks relating to the safeguarding of Group and client financial and physical assets from malicious actors, e.g. stealing physical assets, deliberate misrepresentation leading to fraud or theft from Group or client bank accounts.

Key mitigations
The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to preventing individuals from making fraudulent payments or transfers.

These controls are supported with staff vetting, training and awareness and are regularly independently audited.

Insurance arrangements are in place to protect against larger claims.

Rationale for change
Controls frameworks continue to be developed to manage this risk, including addressing areas identified in previous audits and internal self assessments.

We continue to see small number of attempts to impersonate pension scheme members, with controls identifying and preventing these.

Information/cyber security

Description
Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. unauthorised access to or disclosure of staff or client information, denial of access to systems or data required or business continuity incidents caused by equipment breakdown/fire/flood.

Key mitigations
The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This includes a range of technical controls, a dedicated Information Security team, and a 24/7 Security Operations Centre. These are supported by regular independent audits and penetration tests.

All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with regular training initiatives, e.g. phishing awareness.

The Group has a range of business continuity capabilities in place to minimise impact of incidents impacting the Group's data, facilities or systems. These include documented plans which are tested regularly.

Rationale for change
The Group has continued to develop its capabilities to meet the increasing cyber risk. Regular threat assessments ensure that controls frameworks in place address new and emerging threats. This includes the implementation of new technical controls as well as maintaining exiting assurance frameworks including ISO27001 and Cyber Essential Plus certifications.

Staff/human resources

Description
Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence and management capability.

Key mitigations
The Group's recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer-term incentives in place to aid retention.

Regular key staff reviews ensure succession planning is kept up to date and remains appropriate.

Staffing requirements are considered as part of the strategy and budgeting process to ensure alignment with business plans.

Rationale for change
Stable.

Change during the year:

Increased risk

Stable

Improving

Links to strategy:

Regulatory change

Expand services

Grow market share

Mergers and acquisitions

Third party supplier/outsourcing

Description
Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures or financial failure of supplier resulting in inability to deliver service.

Key mitigations
The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party.

The approvals and signing framework also ensure contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLAs and financial status.

Where there is a reliance on a single supplier, contingency plans are in place to protect against failure.

Rationale for change
Stable.

Client engagement

Description
Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client or poorly presented or uses out of date technologies, but not errors.

Key mitigations
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.

Rationale for change
Stable.

Business conduct and reputation

Description
Risks that could lead to a breach of acceptable conduct or ethics, impacting the Group's brand, image or reputation. Failure to ensure services are appropriate for client's needs, any discrimination, or a poor response to a cyber incident or client complaint.

Key mitigations
The Group's mission, vision and values clearly set out the tone from the top, highlighting to all staff the conduct and ethics that are expected from them at all times. This is supported by a recruitment strategy that seeks professional, experienced and qualified staff who fit with the Group's values.

Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected.

The Group has incident management processes in place to ensure that it is able to effectively respond to significant events that could impact its brand or reputation, which is regularly tested.

Rationale for change
Stable.

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

The Directors confirm in the Directors' Responsibility Statement on page 104 that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

This Strategic Report has been approved by the Board and signed by order of the Board:

Paul Cuff
Co-Chief Executive Officer
21 June 2023

Ben Bramhall
Co-Chief Executive Officer
21 June 2023

Viability Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the reports referred to in the Overview section on page 100 of the Directors' Report.

The Directors have assessed the long-term prospects of the Group based upon business plans and upon cash flow projections for the three-year period ending 31 March 2026. The three-year period was chosen as it is considered the longest time frame over which any reasonable view can be formed. The forecasts and cash flow projections being used to assess going concern cover the period up to October 2024. A 16-month period from the sign-off of the accounts is used for the going concern review as the Group produces more detailed budgets and forecasts for this time frame which have proved to be very reliable in the past. October is typically the lowest point in the Group's working capital and cash cycle, which is why the going concern review extends to October 2024.

These forecasts have been comprehensively stress-tested by using simulation techniques involving sensitivity analysis. The stress-testing involved removing revenue relating to a large part of customers, discretionary spend from the Group's revenue forecasts. A high percentage of the Group's revenue relates to compliance work which is non-discretionary. Mitigating actions, which include reducing certain non-fixed costs were also factored into the stress-testing.

In forming their opinion, the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 46 to 51. In addition, note 2 on page 125 of the accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk, liquidity risk and market risk.

The Directors believe that dramatic changes in the future development and size of the pensions market which underpin the strategy of the Group as well as risks relating to cyber security including ransomware attacks could threaten the longer-term viability of the Group. These risks have been considered in detail, including potential mitigating actions and the direction of travel for these specific risks, on pages 47 to 50.

The Group had £13 million of cash at 31 March 2023 and a £100 million committed financing facility with an accordion of £50 million until October 2025. In April 2023 this facility was extended until October 2026. At 31 March 2023, £68 million of this facility was drawn. The facility is subject to two covenants: net leverage and interest cover. These covenants are forecast to be met throughout the viability period. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the financial statements and notes.

The current economic situation and inflationary environment is not a significant risk to the Group as increases in costs are largely protected against by the Group's contractual ability to increase revenue from customers by an amount linked to inflation. The Group has a strong balance sheet, access to financial resources and long-term growth prospects. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Even in the worst case scenarios considered plausible by the Directors, the cost reduction actions available to the Group, the reduction of non-essential capital expenditure and the management of working capital are expected to be effective and sufficient to ensure the continued viability of the Group.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the three-year assessment period. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. At the same time, the Directors also considered the appropriateness of adopting the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

Task Force on Climate-related Financial Disclosures Report

The TCFD reporting framework seeks integration of climate risk with risk and operational controls.

Consistent disclosures are required for all listed companies in the UK. As part of the environmental management system, XPS has integrated climate risk into its risk management and governance structures to ensure appropriate consideration at Board level.

In the period XPS continued to mature its climate and environmental risk framework with significant progress made. This report includes disclosures consistent with the TCFD framework and all 11 TCFD recommendations (pursuant to LR 9.8.6R(8)). XPS acknowledges its maturity and will continue to develop its climate and environmental capability especially within scenario analysis which the Group firmly believes will be invaluable to informing key business decisions.

The elements of XPS TCFD conformant disclosures can be found in the relevant sections of this report, as outlined below for ease of reference. Additional clarity has been provided where necessary. This section, together with the statements throughout this report, meet the requirements of TCFD and the FCA, and should be read in conjunction with all elements within the below table as well the Risk, Sustainability and business strategy sections.

Fully compliant recommendations are denoted by

Governance	Describe the Board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities.	Please refer to the Environment section of Sustainability on page 38. XPS recognise Climate change as a long-term risk to our industry and economy. XPS have successfully integrated climate and environmental risk into its pre-existing Risk Management framework via the group's ISO14001 certified Environmental Management System (EMS). This allows seamless reporting and assessment of environmental and climate risks along-side other risks via the executive Risk Management Committee (pages 46 and 47). Responsibility of the group's ESG and Climate performance is attributed to the Executive Sustainability Committee (pages 74 to 75) which is chaired by non-executive director Sarah Ing. The committee supports the board's oversight of the group's sustainable performance and meets at least twice annually. The Committee utilises data such as carbon emissions, investment advice positioning and market conditions to inform the group's sustainable policies. These policies shape the group's risk management frameworks, business budgeting, planning and overall business strategy. The Group has and will continue to allocate appropriate financial provisions to meet immediate climate and environmental obligations. The impact of any climate change initiatives and the net zero strategy on budgeting for the financial year are currently immaterial.

Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	To promote consistency within our EMS, we have aligned our definition of short, medium and long term with those defined by our net zero trajectory & informed by the Science Based Targets initiative (SBTi) boundaries. Short term being 0-5 years, medium term being 5-10 and long term being anything 10 years and over. XPS utilises its EMS and internal scenario analysis to identify and assess current and future transitional and physical risk to the business and their materiality on an ongoing basis. Short to medium term - The Ukrainian conflict has highlighted known risks and vulnerabilities to commodity pricing and the ability of our supply chain to deliver services to XPS, especially relating to energy pricing. We consider these to have the potential to be a significant risk, however XPS is a robust and well-prepared organisation with mitigations in place to enable sustainable operations. Longer term, studies and our scenario analysis currently indicate a downturn in GDP as a consequence of the global transition to a low carbon economy and the effects of climate change. The Group has also identified opportunities within the transition to net zero. Leading in this field could have a beneficial impact on brand, reputation, and access to new client prospects. See the Risk Management section (pages 46 to 51) and refer to the Environment section of the Sustainability section on page 38.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Our transition to a more sustainable and climate resilient business has already formed some of our product offering and we anticipate the demand for green services to only increase with time. Please refer to Clients Section (pages 36 to 37) which details our current and future investment approach. Sharing our ambition and values with our supply chain is intrinsic to our long-term net zero strategy. XPS are taking actions to achieve this by actively working with our suppliers to encourage elevated levels of climate action this decade, acknowledging XPS will select its partners based on their credentials moving forwards. XPS possesses robust business continuity capabilities, as heavily deployed during the Covid-19 pandemic. This demonstrates the group's resilience to geographic climate incidents and our ability to provide services to our clients remotely. XPS generally does not own physical properties and operate solely in the UK which reduces the physical and geographical risk posed by climate change events. We assess physical asset risks to the business to be low. XPS currently achieves Carbon Neutrality through the retirement of high-quality carbon credits. The Group expects offsetting pricing to increase in the future which will result in large expenditure unless the group acts swiftly to reduce its emission in line with its net zero strategy. The timeline for further development and deployment of sustainable initiatives, products and strategy is informed by our science-based net zero trajectory. Please refer to Business Strategy (pages 14 to 15), Sustainability Strategy (pages 26 to 27) and the Environment section (pages 38 to 41).
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	For our clients, providing a pension to employees is non-negotiable and, therefore, a demand for XPS's services will remain in the most financially turbulent conditions, such as a failed transition. We believe, with continued responsible financial stewardship to FCA and industry standards, XPS will remain robust to these potential market downturns as a consequence of climate and other risks. Internal scenario analysis suggests an orderly transition limiting warming to 2°C offers the most favourable long-term market conditions. XPS cannot achieve this alone, and, despite our resilience, we must work with our peers and suppliers to encourage progress in our industry. Our strategy already focuses heavily on sustainable business practices (please see the Clients section of the report for more details on our product offering and strategy on pages 36 to 37) and as such we do not anticipate the effects of climate change to significantly change our strategic approach further. We do anticipate the business becoming ever more sustainable on our journey, however. Please see the Environment section on scenario analysis on pages 38 to 41.

Fully compliant recommendations are denoted by

Risk management	Describe the organisation's processes for identifying and assessing climate-related risks. Describe the organisation's processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	XPS currently considers climate to be a low risk to the business due to the Group's mitigating controls, business continuity capability, financial stability and product demand; however, the Group does acknowledge climate change will impact its operations. Climate-related risks are fully integrated and managed within the business through the Risk Management frameworks. The EMS constantly acts to identify new potential risks and ensure they are reported and monitored as per the internal procedures. Please see the Environmental Section for more details on our EMS on pages 38 to 41. The size and scope of Risks is determined based upon the potential to impact and exceed appetites established by senior management. XPS have determined materiality and priority for each identified risk in the short medium and long term using the Group's Risk Management Framework which assesses qualitative and quantitative impacts of a risk on a number of operational aspects including resilience, reputation, shareholder value and P&L impact. We acknowledge the risk and additional cost to business current and emerging regulatory requirements may have on the group, currently considered to be low. Please see Risk Management (pages 46 to 51). All risks, climate and otherwise of the same priority grading are treated and managed proportionately. XPS Investment provides investment advice only and therefore does not directly hold the investment risk. However, the business does strive for sustainable excellence, weighting investments by their climate impact and promoting sustainable funds. Please see the Clients section on pages 36 to 37 for more information. Where opportunities are identified they are considered as part of the EMS continual improvement program which assesses an opportunities viability. Viable opportunities are considered by the EMS governance structure and presented to the board and sustainability committee where appropriate. As a minimum, the Group's environmental and climate risk register includes the risks published within the TCFD Recommendations Table 1 and 2. Refer to the Environment section of the Sustainability section on pages 38 to 41.
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	The EMS maintains and assesses a number of environmental and climate KPIs to monitor potential risks, understand business emissions and maintain compliance & conformance. The frequency that each KPIs is reviewed is based upon the aspect's risk potential, or at least annually. The business considers that a science-based net zero trajectory is key to mitigating a number of climate related risks and is fundamental to the group delivering its sustainable strategy. The Group's carbon footprint, waste volumes, business travel habits and energy consumption is closely monitored as the group's most significant and impactable environmental aspects and are the Group's key climate KPIs. The Group's overall environmental performance is managed as a risk to the business. Climate related performance is tied with executive objectives and therefore, shapes our executive's remuneration potential. XPS are considering the implementation of internal carbon pricing. See the Environment section of the Sustainability section on pages 38 to 41.

	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	See the Environment section of Sustainability section on pages 38 to 41 for our Streamlined Energy and Carbon Reporting disclosure and associated narrative. XPS have aligned the measurement, reporting and disclosure of its carbon inventory with ISO 14064, the international standard for carbon inventories. SECR metrics are regularly monitored and reported as appropriate.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The EMS manages day to day KPI and objectives monitoring. As already discussed, the business considers that a science-based net zero trajectory is key to mitigating a number of climate related risks. The business uses it's predetermined science-based net zero trajectory to assess its performance and it's standing amongst its peers and to inform top management. Key current interim climate and performance objectives include 2030 targets of 100% renewable energy supply and a 50% absolute reduction in Scope 1 and 2 emissions (based on a 2019 base year). XPS targets zero emissions by 2050 or sooner and the Group is currently developing its long-term net zero objectives. In addition, the Group's EMS also defines a number of operational objectives to aid with its net zero ambitions which are set by top management. These include a zero waste to landfill initiative, business travel ambition and staff awareness goals. KPIs and objectives are continually monitored by the EMS, reviewed at least every 6 months through external certification and formally assessed by top management at least annually. EMS reporting mechanisms are in place should an objective be at risk of non-performance or pose a significant risk to the business, strategy, or net-zero commitment, providing appropriate board consideration. XPS is currently targeting an annual year on year reduction of emissions as it delivers its sustainable strategies. See the Environment section of the Sustainability section on pages 38 to 41.

Non-Financial Information Statement

The Companies Act 2006 requires us to disclose certain non-financial information in the Annual Report and Accounts. This information can be found on the following pages:

Reporting matters	**Information to understand our policies and impacts**
Environmental matters	Focusing on our environment, see pages 38 to 41
Employees	Focusing on our employees, see pages 30 to 33
Respect for human rights	Focusing on governance, see pages 27 to 29 Focusing on our communities, see page 35
Social matter	Focusing on our clients, see pages 36 to 37 Focusing on our communities, see pages 34 to 35
Anti-bribery and corruption	Focusing on governance, see page 29
Description of principal risks and impact of business activity	Our principal risks and uncertainties, see pages 46 to 51
Description of our business model	Our business model, see pages 8 to 9
Non-financial key performance indicators	Our sustainability framework, see pages 26 to 27

Robust corporate governance provides a sustainable platform for success and growth

The Board is committed to maintaining high standards of corporate governance, with an increasing focus on sustainability.

> I am delighted to have been appointed as Chairman of XPS during the year. I am extremely proud of the success of the XPS Group, with yet another year of record financial performance, and look forward to capitalising on the strong positioning of the business.

Alan Bannatyne
Chairman

Alan Bannatyne
Chairman

The Board is delighted with yet another record financial performance from the Group. The efforts of all at XPS should be highly commended. We are equally delighted by the way growth is being achieved: alongside high corporate governance standards. Our aim is to grow sustainably. In line with this, high corporate governance standards run right through the Group, starting with the Board itself.

Independence and diversity

The year under review saw changes to the Board's composition, including my own appointment as Chairman. This was prompted by the retirement of Tom Cross Brown in September 2022 and followed an extensive recruitment and shareholder consultation exercise that was overseen by Russell Reynolds Associates. Having been Chairman since the IPO, Tom's departure leaves big shoes to fill. I know this first hand, having served on the Board for six years as Senior Independent Director. Margaret Snowdon OBE has now been appointed as Senior Independent Director.

In February 2023, we also appointed Aisling Kennedy, an experienced Actuary and previous Head of Life & Health Pricing UK at Swiss Re, as Independent Non-Executive Director. As well as further strengthening the Board's independence, Aisling's appointment increases the proportion of female Directors to 43%. While further work is needed in terms of increasing the Board's diversity, we are nevertheless encouraged by the progress being made.

Continual assessment

Evaluation of Board members does not end at the appointment stage. Directors' performance and suitability are regularly assessed – for example, an external Board evaluation has been conducted this year. Involving one-to-one interviews with Directors and the senior management team, this is a comprehensive exercise. It has to be. For if we want to live up to the high corporate governance standards we have set ourselves and ensure we grow in a sustainable way, the Board must set the example.

The following report outlines how the Company has applied the main principles of the 2018 Corporate Governance Code (the "Code"), and how it has complied with all relevant provisions of the Code during the reporting period.

Alan Bannatyne
Chairman
21 June 2023

Statement of compliance with the UK Corporate Governance Code

In FY 2023, the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 as they apply to it as a "smaller company" (defined in the Code as being a company below the FTSE 350). The Code is publicly available at www.frc.org.uk.

Further information on how the Company has applied the five overarching categories of the principles can be found on the following pages:

(i) Board leadership and Company purpose: pages 58 to 63;

(ii) division of responsibilities: pages 62 to 63;

(iii) composition, succession and evaluation: pages 60, 66 to 68 and 64 to 65;

(iv) audit, risk and internal control: pages 70 to 73; and

(v) remuneration: pages 76 to 99.

The Board is composed of seven members, consisting of the Chairman, three Executive Directors and three Independent Non-Executive Directors.

Alan Bannatyne
Independent
Non-Executive Chairman
Appointed: November 2022
Appointed to Board:
January 2017

Committee membership
R N

Key strengths
- Chartered accountant
- Recent and relevant financial experience
- Strategy, risk management, financial reporting, listed company experience, investor relations and corporate governance are noted as Alan's key skills

Key experience
- Qualified with Deloitte & Touche
- Previous Commercial Manager of Primecom and Financial Director of Foresight - both subsidiaries of Primedia
- 20+ years at Robert Walters plc, Group Financial Controller 2002 - 2007, Chief Financial Officer since 2007

Current external listed company directorships/ key appointments
- Chief Financial Officer of Robert Walters plc since March 2007

Meetings attended
7/7

Paul Cuff
Co-Chief
Executive Officer
Appointed: October 2016

Committee membership
N/A

Key strengths
- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for raising the profile of XPS in the market, generating new business and the Group strategy with regard to M&A opportunities and technology investment
- Mergers and acquisitions, strategy, pensions industry and investor relations are noted as Paul's key skills

Key experience
- Partner at KPMG 2008-2016
- Head of KPMG London pensions team prior to joining XPS

Current external listed company directorships/ key appointments
- None

Meetings attended
7/7

Ben Bramhall
Co-Chief
Executive Officer
Appointed: April 2014

Committee membership
N/A

Key strengths
- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for day-to-day operation of the business, including provision of services to existing clients, revenue generation and the Group's people strategy
- Mergers and acquisitions, strategy, pensions industry, risk management, workforce engagement, investor relations, business development and operational management are noted as Ben's key skills

Key experience
- Eight years at KPMG

Current external listed company directorships/ key appointments
- None

Meetings attended
6/7

Snehal Shah
Chief Financial Officer
Appointed: July 2019

Committee membership
S

Key strengths
- Chartered accountant with 20+ years of experience
- Mergers and acquisitions, post-deal integration, strategy, risk management, financial reporting, listed company experience, investor relations, corporate governance and operational management are noted as Snehal's key skills

Key experience
- Ten years with PwC
- Senior finance roles including Group Financial Controller, Head of Investor Relations and Finance Director for Integration at Ladbrokes plc 2009-2017
- Interim Director (Finance & Corporate Governance) at Parkdean Resorts Ltd and Interim Director of Finance & Investor Relations at Countrywide plc 2017-2019

Current external listed company directorships/ key appointments
- None

Meetings attended
7/7

Key to Committee membership

Chair

Member

A Audit & Risk

R Remuneration

N Nomination

S Sustainability

Margaret Snowdon OBE

Senior Independent Non-Executive Director

Appointed: November 2022

Appointed to Board: January 2017

Committee membership

A R N S

Key strengths

- 40+ years of experience in the pensions industry
- Mergers and acquisitions, strategy, risk management, workforce engagement, pensions industry, corporate governance, business development, investment strategy, technology, customer service, trusteeship and operational management are noted as Margaret's key skills

Key experience

- Partner and Director level positions with leading employee benefit consultancies
- Previous Non-Executive Director of The Pensions Regulator
- Appointed an OBE in 2010 and received many awards for her contribution to pensions

Current external listed company directorships/ key appointments

- Non-Executive member of Phoenix Group With Profits Committee
- Advisory Board member of Moneyhub Financial Technology Limited
- Chair of Pension Scams Industry Group

Meetings attended

7/7

Sarah Ing

Independent Non-Executive Director

Appointed: May 2019

Committee membership

A R N S

Key strengths

- Chartered accountant
- 30+ years of experience in financial services including audit, corporate finance, investment banking and asset management
- Mergers and acquisitions, financial reporting, investor relations and risk management are noted as Sarah's key skills

Key experience

- Previously a top-rated equity research analyst covering the UK general financial services sector and also founded and ran a hedge fund investment management business

Current external listed company directorships/ key appointments

- Non-Executive Director of CMC Markets plc since September 2017, where she chairs the Remuneration Committee
- Non-Executive Director of Marex Group since July 2021 where she chairs the Audit & Compliance Committee
- Non-Executive Director of Gresham House plc since September 2021, where she chairs the Audit Committee

Meetings attended

7/7

Aisling Kennedy

Independent Non-Executive Director

Appointed: February 2023

Committee membership

A R N S

Key strengths

- Experienced Irish qualified actuary
- A wealth of experience across consulting, insurance companies and professional bodies

Key experience

- Head of Life & Health Pricing UK at Swiss Re until 2020, where she spent eight years

Current external listed company directorships/ key appointments

- Non-Executive Director at State Street Fund Services (Ireland) since 2021, where she chairs the Audit Committee
- Non-Executive Director of Athora Ireland plc since 2020, where she chairs the Audit Committee
- Chair of ECCU Assurance Company since 2023, where she has served as Director since 2018
- Non-Executive Director of White Horse Insurance Ireland since 2021
- Non-Executive Director of the Irish Auditing and Accounting Supervisory Authority since 2020
- Chair of Irish charity MABS Support CLG

Meetings attended

1/1

Tom Cross Brown

Previous Independent Non-Executive Chairman

Appointed: January 2017-September 2022

Committee membership

R N

Key strengths

- Mergers and acquisitions, strategy, financial reporting, listed company experience, investor relations and corporate governance are noted as Tom's key skills

Key experience

- CEO of ABN AMRO Asset Manager until 2003
- 21 years at Lazard Brothers & Co. until 1997, CEO 1994-1997
- Non-Executive Chairman of Pearl Assurance plc 2005-2009
- Non-Executive Chairman of Just Retirement Group 2006-2016
- Non-Executive Director of Artemis Alpha Trust plc 2006-2018
- Non-Executive member of the Management Committee of Artemis Investment Management LLP 2011-2018

Meetings attended

3/3

Group governance at a glance

Board composition

Independence

Non-Executives	57%
Executives	43%

Non-Executive tenure

3-6 years	25%
Less than 3 years	25%
6+ years	50%

Age

41-50	43%
51-60	43%
61+	14%

Ethnicity

White	86%
Minority ethnic group	14%

Gender

Male	57%
Female	43%

Board members' key skills:

Mergers and acquisitions

Risk management

Financial reporting

Workforce engagement

Prior FTSE experience

Pensions industry

Cyber security

Investor relations

Marketing

Corporate governance

Environmental and social sustainability

Business development

Operational management

All as at 31 March 2023

Board composition and independence

The Board is composed of seven members, consisting of the Chairman, three Executive Directors and three Independent Non-Executive Directors. The Company complies with the provisions of the Code for smaller companies below the FTSE 350 which requires the composition of the board of directors of a UK listed company to include at least two independent non-executive directors (excluding the chairman). Tom Cross Brown retired as the Group's Chairman following the September 2022 AGM; Alan Bannatyne was appointed as Interim Chairman until the recruitment process, supported by Russell Reynolds, was complete, when Alan Bannatyne was appointed as Chairman on a permanent basis as of 30 November 2022. You can read more about the recruitment process on page 67 of the Nomination Committee report. The Board concluded that Alan Bannatyne met the independence criteria set out in the Code on his appointment as Chairman. Aisling Kennedy was appointed as an Independent Non-Executive Director as of 22 February 2023, following a recruitment process supported by Russell Reynolds. Other than supporting the recruitment of the Group's Chairman and Non-Executive Directors, Russell Reynolds has no other connection to the Group.

The Board considers that Senior Independent Director Margaret Snowdon OBE and Non-Executive Directors Sarah Ing and Aisling Kennedy are each independent of management in character, judgement and opinion and are free from relationships or circumstances that could affect their judgement. The Board benefits from the wide experience of its Non-Executive Directors. Biographical details of all Board members are given on pages 58 and 59.

Board Committees

The Audit & Risk Committee's role is to assist the Board in discharging its oversight responsibilities by reviewing and monitoring the following: the integrity of the financial information provided to shareholders; the effectiveness of the Company's system of internal controls and risk management; the external audit process and auditor;

and the processes for compliance with laws, regulations and ethical codes of practice.

Further details are given in the Audit & Risk Committee Report on pages 70 to 73.

The role of the Remuneration Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that Remuneration Policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to sustainability and statutory and regulatory requirements. The Committee recommends the policy the Board should adopt on executive remuneration and, within the terms of the Directors' Remuneration Policy approved by shareholders at the AGM in September 2020, determines and agrees with the Board the levels of remuneration for each of the Executive Directors, the Company Chairman and designated senior management below Board level. The Remuneration Committee has tabled an updated Directors' Remuneration Policy for approval at the 2023 AGM.

Further details are given in the Remuneration Report on pages 76 to 99.

The role of the Nomination Committee is to undertake an annual review of succession planning and ensure that the membership, composition and diversity of the Board and its Committees, including the balance of skills, remain appropriate. The Committee also reviews the outcome of the annual Board effectiveness review to determine any changes required. Further details are given in the Nomination Committee Report on pages 66 to 69.

The role of the Sustainability Committee is to support the Board's oversight responsibilities of the Company's environmental, social and governance impact and initiatives. The Committee intends to improve practices, reporting and communication in relation to factors that have a material impact on business strategy, business performance and the long-term sustainability of the Group.

Further details are given in the Sustainability Committee Report on pages 74 and 75.

Written terms of reference for each Committee are subject to annual review and periodic updating to reflect any changes in legislation, regulation or best practice. The terms of reference for the Audit & Risk, Remuneration and Nomination Committees are available on the Company's website at www.xpsgroup.com/investors/corporate-governance/committees/.

The Company complies with the Code provision that a smaller (defined as below FTSE 350) UK listed company's remuneration and audit committees should comprise at least two independent non-executive directors and that the nomination committee should comprise a majority of independent directors. The Company Chairman is not a member of the Audit & Risk Committee, in compliance with the Code. Each Chair reports on the business of their previous Committee meeting at the next scheduled Board meeting.

Executive Committee

The Co-Chief Executive Officers operate an Executive Committee to support them in the performance of their duties, including the development and implementation of strategy and the day-to-day operational management of the business. During the year the Committee was comprised of the Executive Directors, Chief Information Officer, Head of Advisory, Managing Director of Administration, Head of Investment, General Counsel & Company Secretary and HR Director.

Board operation and meetings

Decisions on operational matters are delegated by the Board to the Executive Directors, consistent with the schedule of matters reserved for Board approval. In advance of scheduled Board meetings, each Director receives documentation providing updates on Group strategy, finances, operations and business development. The Board meets at least seven times a year and at other times as and when necessary. During the year, all Board meetings were attended by all Directors, with the exception of one meeting due to personal circumstances.

The Board reviews the business strategy for the year ahead at the beginning of each financial year and receives strategy updates at each Board meeting. At least once a year the Board will hold a strategy session to discuss and review business strategy. The Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Non-Executive Directors each need to commit to a minimum of 28 days of service per year to the Company. The Board is satisfied that each Non-Executive Director commits sufficient time to the Company.

Non-Executive Directors remain in regular contact with the Chairman, whether in face-to-face meetings or by telephone, to discuss matters relating to the Company and on occasion meet without the Executive Directors present.

Board operation and meetings continued

If a Director is unable to attend a meeting, they will still receive Board papers before the meeting and they are encouraged to submit any comments to the Chairman to ensure that their views are recorded and taken into account during the meeting. The Director will also receive the minutes and matters arising in the usual way in order to ensure that they are fully informed.

The Board is ultimately responsible for the effectiveness and monitoring of the Group's system of internal controls. The Audit & Risk Committee's role is to assist the Board with its oversight responsibility by reviewing and monitoring the Company's system of internal controls. It met four times in the financial year and at its meeting in June 2023 considered the internal controls assurance framework used during the financial year, concluding that it was sound and appropriate for the business.

Directors are reminded at the commencement of each meeting to notify the Board of any conflicts of interest. Any actual or potential conflicts of Directors with the interests of the Company that arise must be disclosed for consideration and, if appropriate, authorisation by the Board in accordance with the Company's Articles of Association. The Board may authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the meeting quorum and does not vote on the resolution to authorise. Directors are required to notify the Group Chairman when a conflict or potential conflict does arise in order that Board authorisation can be considered. If the Board determines that a conflict or potential conflict can be authorised, it may impose additional conditions on the Director concerned. A formal induction programme has been developed and tailored for any new Directors joining the Board. The Chairman, with the support of the Company Secretary, ensures that the development and ongoing training needs of individual Directors and the Board as a whole are reviewed and agreed following the annual performance evaluation of the Board, its Committees and individual Directors.

Directors may seek independent professional advice at the Company's expense where they consider it appropriate in relation to their duties. All Directors have access to the advice and services of the Company Secretary.

Division of responsibilities

Board responsibilities

The Board is focused on providing entrepreneurial and sustainable leadership to the Group. It is responsible for directing and controlling the Group and has overall authority for the effective and prudent management and conduct of the Group's business and the Group's strategy and development. The Board monitors performance and is responsible for ensuring that appropriate financial and human resources are in place for the Group to meet its objectives, and takes the lead in setting and embedding the Group's culture, values and standards. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls, and for reviewing the overall effectiveness of systems in place), and for the approval of any changes to the capital, corporate or management structure of the Group. All Directors devote sufficient time to their roles. There is a formal schedule of matters reserved for Board approval which is subject to annual review and published on the Company's website: www.xpsgroup.com.

The matters reserved for the Board include:

- the Group's long-term objectives, business strategy and risk appetite;
- the Company's policies, culture, values and standards;
- annual business plans, budgets and forecasts;
- extension of the Group's activities into new business or geographic areas;
- changes in capital structure and any form of fundraising or asset securitisation;
- major changes to the corporate structure, including material acquisitions and disposals;
- interim and annual financial statements and dividend policy;
- material guarantees, indemnities and letters of comfort;
- the Group's system of internal control and risk management;
- contracts which are material strategically or by reason of size or duration;
- calling of shareholder meetings and related documentation;
- changes to the membership of the Board and its Committees;
- Remuneration Policy for the Directors and senior management;
- introduction of new share incentive plans or major changes to existing plans; and
- the Company's overall corporate governance arrangements.

Embedding culture

The Board recognises the importance of its role in setting the tone of the Group's culture, championing the behaviours we expect to see and embedding these throughout the Group. In addition to the Board, the Executive Committee upholds our values and ensures that the importance of compliance and integrity is recognised at all levels throughout the Group. At XPS, our values are embedded in everything we do; you can read more about our values on page 29.

Board division of responsibilities

Alan Bannatyne **Paul Cuff** **Ben Bramhall** **Margaret Snowdon OBE**

There is a clear division of key responsibilities between the Chairman and the Co-CEOs.

Alan Bannatyne

Chairman

- Leads the Board and manages the effective leadership and governance of the Board
- Provides direction and focus on business strategy, performance, value creation and accountability
- Ensures the Board establishes a strategy that facilitates the entrepreneurial development of the Group and promotes the long-term sustainable success of the Group's approach
- Ensures clear structure for effective operation of the Board and its Committees
- Sets Board agenda and ensures sufficient time is allocated to promote effective debate to support sound decision making
- Ensures the Board receives precise, timely and clear information
- Encourages Directors to contribute fully to Board discussions, ensuring sufficient challenge of major proposals
- Meets with the Non-Executive Directors independently of the Executive Directors
- Leads the process for evaluating the performance and development needs of the Board, its Committees and individual Directors
- Leads the Board succession planning process and chairs the Nomination Committee
- Acts as a sounding board for the Co-CEOs on important business issues
- Ensures the Board sets the risk appetite it is willing to take in the implementation of strategy
- Ensures effective communication with shareholders to ensure that the Board understands their views on governance and performance against the strategy
- Ensures effective communication with other key stakeholders

Co-Chief Executive Officers

- The Co-CEOs have worked together for over 20 years, having both started their careers as trainee actuaries at Punter Southall, before spending many years in the same team at KPMG
- Their long friendship and history of working together, and their complementary skill sets, make the Co-CEO arrangement a success
- The Co-CEOs report to the Chairman and the Board and are responsible for jointly leading the Group's business and managing it in accordance with the business plan approved by the Board, the Board's overall risk appetite, the Group policies approved by the Board and its delegated authorities, and all applicable laws and regulations
- The Co-CEOs recommend budgets and forecasts for Board approval, lead the investor relations programme and maintain a dialogue with the Chairman on significant business developments and strategy issues
- Both Co-CEOs have leadership roles on large clients

Paul Cuff

Co-Chief Executive Officer

- Primarily responsible for raising the profile of XPS in the market and generating new business, both in traditional service areas and in the development of new services as the market evolves
- Develops the Group's strategy with regard to M&A opportunities and technology investment

Ben Bramhall

Co-Chief Executive Officer

- Primarily responsible for the day-to-day operation of the business, including the provision of services to existing clients, revenue generation and the Group's people strategy
- Develops the Group's internal strategy to pursue large opportunities within the market

The Board considers that the Co-CEO structure works well with clear accountability of roles between the Executive Directors.

Margaret Snowdon OBE

Senior Independent Non-Executive Director

- Acts as a sounding board for the Chairman and other Directors
- Leads the annual review of the Chairman's performance
- Leads any Non-Executive Director meetings without the Chairman present
- Acts as an additional point of contact for shareholders, if they have concerns that contact through the normal channels have failed to resolve or for which such contact is inappropriate

Board effectiveness

Annual General Meeting
The Company's Annual General Meeting (AGM) will take place at 12pm on Thursday 7 September 2023 at the Group's Reading office. The AGM notice setting out the resolutions to be proposed at the meeting and including explanatory notes, together with this Annual Report and Accounts, will be available on the Company's website (www.xpsgroup.com) and distributed to shareholders who have elected to receive hard copies of shareholder information at least 20 working days prior to the date of the meeting. Voting at the AGM will be conducted by way of a poll and the results will be announced through the London Stock Exchange Regulatory News Service and made available on the Company's website. All Board members are expected to attend the meeting and the Chair of each of the Board's Committees will be present to answer any questions put to them by shareholders.

Board evaluation
The Board acknowledges that the Code requires regular external Board evaluations (as a company below the FTSE 350) and conducted an external Board evaluation in 2023, facilitated by Ceradas Limited. All Board members engaged with the process, in addition to a number of the senior management team. Ceradas has no other connections to the Company or the Directors.

2023 Board evaluation process

Briefing meeting with the Chairman, to understand the context and priorities of the evaluation and to agree on an aide-mémoire for the individual Board and management meetings

Detailed document review, including the Company's Board agendas, papers, minutes, analyst notes and previous internal evaluation outcomes

One-to-one meetings with each Board member, and members of the senior management team, concentrating on questions contained in the pre-circulated aide-mémoire

Observation of a Board meeting to further understand Board dynamics

Feedback meeting with the Chairman

Meeting with the Senior Independent Director to discuss feedback on the Chairman from other Board members

Board Evaluation Report circulated to all Board members

Presentation of findings/ recommendations by Ceradas at the May Board meeting

Action plan agreed

The evaluation concluded positively, and the following outcomes were agreed as areas for potential development:

- the Board agenda to be developed to optimise the focus of discussions;
- Nomination Committee to consider planning for Non-Executive Director succession in the next 3 years; and
- more formal feedback from the Employee Engagement Group to be shared with the Board.

Review of Chairman's performance

The Non-Executive Directors, in addition to their role of constructively challenging and facilitating the development of the Group's strategy, meet annually to evaluate the performance of the Chairman, led by the Senior Independent Director. The Senior Independent Director also engages with the Executive Directors separately for their feedback. As part of the wider Board evaluation process, individual Directors discussed the Chairman's performance with Ceradas, which then discussed the Chairman's performance with the Senior Independent Director.

2022 Board evaluation outcomes and progress

The 2022 internally facilitated evaluation identified the following areas for improvement; progress is reported as follows:

Actions from the 2022 evaluation	Improvements
The handover and succession of the Chair role following Tom Cross Brown's retirement in September 2022 was a key focus for the Board during the year.	Alan Bannatyne, previously Senior Independent Director, succeeded Tom Cross Brown as Chairman on a permanent basis in November 2022. Alan's understanding of the business and working relationship with Tom over the previous 5+ years helped to facilitate an orderly handover.
Relations and communications with shareholders continued to develop, including the potential for new introductions when the Group's new Chairman was appointed.	Alan Bannatyne has attended various induction meetings with the Group's largest shareholders since his appointment as Chairman. You can read more about the Board's engagement with shareholders, including the introduction of a Capital Markets Day, within the Section 172 Statement on pages 24 and 25.
The Board continued to develop engagement with Group employees, including reintroducing Non-Executive Director and employee networking sessions (previously halted due to Covid-19).	Margaret Snowdon OBE has continued her position as the Group's Employee Engagement Non-Executive Director, and continues to chair the Group's meetings. Sarah Ing chaired the Values In Practice Awards again in 2023. Non-Executive Director and employee networking sessions have been reintroduced and further sessions are planned for FY 2024.

Succession planning for a sustainable future

The Committee has played an important role throughout the year by supporting the Board with Chairman succession and the appointment of a new Non-Executive Director, whilst continuing to improve Board diversity.

Committee membership	Attendance
Chair	
Alan Bannatyne	**3/4**
Members	
Margaret Snowdon OBE	**4/4**
Sarah Ing	**4/4**
Tom Cross Brown (resigned September 2022)	**1/1**
Aisling Kennedy (appointed February 2023)	**0/0**

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2023. The Committee has met four times during FY 2023 and all meetings were attended by all members of the Committee, with the exception of one meeting which I did not attend due to this relating to Chairman succession and my appointment. The Committee intends to continue to meet at least twice annually with additional meetings as required.

The Nomination Committee assists the Board in determining the composition and make-up of the Board, including its skills, knowledge, experience and diversity. It is responsible for developing and maintaining a formal, rigorous and transparent procedure for identifying appropriate candidates for Board appointments and making recommendations to the Board.

The Committee is also responsible for keeping under review the leadership needs of the Group, both Executive and Non-Executive, and for ensuring that succession planning focuses on the continued ability of the Group to deliver its strategic goals and compete effectively. The terms of reference of the Committee are reviewed annually and available on the Company's website, www.xpsgroup.com.

Alan Bannatyne
Chair of the Nomination Committee

Chairman succession and Non-Executive Director appointment

In September, Tom Cross Brown retired as Chairman of the Group. On behalf of the Board, I would like to thank Tom for his contribution to XPS throughout a transformational period, and wish him well for his retirement. The Nomination Committee was led by Margaret Snowdon OBE in the search for a successor, following a review of the skill set and experience of all Directors to identify any skills gaps following Tom's retirement. The Committee engaged external search firm Russell Reynolds, with which the Group and the Directors have no other connections. In September, I was appointed as Interim Chairman following Tom's retirement and my appointment was made permanent on 30 November 2022. At the same time, Margaret Snowdon was appointed Senior Independent Director and Sarah Ing was appointed as Chair of the Audit & Risk Committee.

Following my appointment as Chairman, the Committee reviewed the size of the Board, the balance between Executive and Non-Executive Directors and the diversity of the Board and agreed to recruit an additional Non-Executive Director to maintain the balance of skills, experience, independence and knowledge required of the Board and each Committee. The Committee then commenced the search for a Non-Executive Director, with the support of Russell Reynolds, and appointed Aisling Kennedy in February 2023. Aisling is an experienced Irish qualified actuary, with a wealth of experience across consulting, insurance companies and professional bodies. We were delighted to welcome Aisling to our Board and Aisling's extensive experience in XPS's key markets complements the experience of the other members of the Board.

The members of the Committee are Margaret Snowdon OBE, Sarah Ing, Aisling Kennedy and me. Members of the management team, including the Executive Directors, are invited to Committee meetings as the agenda dictates.

Chairman recruitment process

April 2022

- XPS announced Tom Cross Brown's intention to retire following the September 2022 AGM.
- Margaret Snowdon OBE was identified as leading the Nomination Committee through the recruitment process to appoint a successor.
- Russell Reynolds was engaged to support the recruitment process, the Committee identified key competencies and Russell Reynolds drew up a long-list of 50 candidates.
- The long-list was then reduced by Russell Reynolds to ten candidates, including Alan Bannatyne, who were invited to interview by Russell Reynolds and Margaret Snowdon OBE.

August - October 2022

- The Group's top ten shareholders were invited to consultation, in addition to shareholders who had previously expressed an interest in the process.
- Margaret Snowdon OBE held meetings with six shareholders during August to October.
- Following Tom Cross Brown's retirement in September, Alan Bannatyne, as Senior Independent Director, was appointed as Interim Chairman whilst the recruitment process remained ongoing.

November 2022

- The Committee reviewed shareholder feedback and interview outcomes and concluded that Alan Bannatyne was the right candidate for the role.
- Alan was appointed as Chairman on 30 November 2022 and has since held a number of meetings with the Group's largest shareholders following his appointment.

Board effectiveness evaluation

During the year, an externally facilitated Board effectiveness evaluation was completed by Ceradas Limited; further details of the process and the outcomes can be found on pages 64 and 65. The Group intends to conduct an externally facilitated effectiveness review every three years going forward.

Succession planning

During the year, the Nomination Committee reviewed detailed succession plans covering the roles considered key to the business, including those of the Executive Directors and the Executive Committee. The Committee is satisfied that the contingency and talent management plans in place for key positions are appropriate and has agreed that the Group's succession planning should be kept under review, at least bi-annually. We conduct Leadership Development Centres to develop our future senior leaders.

In May 2023, the Board developed and agreed a succession plan for Non-Executive Directors and the Chairman, and will continue to review and maintain this plan annually going forward.

Induction programme and training

A formal tailored induction for Non-Executive Directors is in place supported by a programme of training, to further their knowledge of the Group, its business, culture, operations, employees and governance and to ensure awareness of their regulatory duties and obligations as a Director of a UK premium listed company. Since Aisling Kennedy's appointment, she has been completing a detailed induction to the Group, including meeting with the Group's Executive Committee, business heads and other members of senior management.

Diversity, equality and inclusion

During the year, the XPS Board reached the gender diversity target we committed to within our FY 2022 reporting, and our female Board representation increased from 29% to 43%. This year, we have reported for the first time in relation to the FCA's newly introduced diversity listing rules, and I am proud to confirm that XPS complies with the three requirements. Whilst we recognise that XPS has further progress to make in relation to the diversity of our Board and executive management, we are pleased to be making progress and reporting compliance with the listing rules.

Table 1. Reporting table on sex/gender representation as at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	**4**	**57%**	**4**	**7**	**78%**
Women	**3**	**43%**	**1**	**2**	**22%**
Not specified/prefer not to say	**—**	**—**	**—**	**—**	**—**

Table 2. Reporting table on ethnicity representation as at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority White groups)	**6**	**86%**	**4**	**8**	**89%**
Mixed/multiple ethnic groups	**—**	**—**	**—**	**—**	**—**
Asian/Asian British	**1**	**14%**	**1**	**1**	**11%**
Black/African/Caribbean/Black British	**—**	**—**	**—**	**—**	**—**
Other ethnic group, including Arab	**—**	**—**	**—**	**—**	**—**
Not specified/prefer not to say	**—**	**—**	**—**	**—**	**—**

Executive management is defined as the XPS Executive Committee.

This data was obtained from HR data held by the Group.

The Company has an established Inclusion and Diversity Committee, championed by Non-Executive Director Margaret Snowdon OBE and chaired by a senior female within the Group. The group has made great progress, has a significant impact across the business and is a key channel of communication and engagement for employees and management. You can read more about the Group's I&D strategy and commitment to further progress on pages 31 to 33 of our Sustainability report.

The Company acknowledges that there remains a gender pay gap within the business which reflects a higher proportion of males in higher paid roles than females. Whilst this is partly a challenge of the UK industry in which the Company operates, with a male-dominated actuarial profession, the Board believes it has a responsibility to promote change, both within XPS and the industry more generally. The Group continued to recruit into the apprentice scheme during the year and hopes this continues to improve the diversity of the Group and profession in the future.

The Board believes that no individual should be discriminated against, whether for reasons of gender, ethnicity or other grounds that restrict social inclusion, and this extends to Board appointments, which it considers should be made on merit and on the basis of ensuring an appropriate balance of skills and experience within the Board. The Board recognises that greater diversity, in the widest sense of diversity of race, experience and approach, can generate a more diverse perspective on issues which, in turn, has the ability to benefit Board effectiveness through improved discussions and better decisions.

Alan Bannatyne
Chair of the Nomination Committee
21 June 2023

Delivering independent oversight

The Audit & Risk Committee continues to provide independent oversight of the Group's financial reporting procedures, risk management and internal control framework.

Committee membership	Attendance
Chair	
Sarah Ing	**4/4**
Members	
Margaret Snowdon OBE	**4/4**
Alan Bannatyne (resigned 8 September 2022)	**2/2**
Aisling Kennedy (appointed 22 February 2023)	**1/1**

Dear Shareholder,

I am pleased to present the report of the Audit & Risk Committee for the year ended 31 March 2023. The Committee met four times during FY 2023 and intends to continue to meet at least three times annually. All meetings were attended by all members of the Committee.

Membership of the Committee
During the year, Alan Bannatyne stepped down as Chairman of the Committee, following his appointment as Interim Chairman of the Group in September 2022; at this time, I was appointed as Interim Chair of the Committee. The appointments were made permanent in November 2022. Aisling Kennedy was appointed to join the Board and the Committee in February 2023, and the Committee members are now Margaret Snowdon OBE, Aisling Kennedy and me. The Board is satisfied that the Audit & Risk Committee as a whole has competence relevant to the sector in which the Company operates and that I have recent relevant financial experience as can be seen in our biographies included on pages 58 and 59 of the Annual Report.

The Executive Directors are invited to each meeting as well as the Company's Non-Executive Chairman, Chief Information Officer, Head of Risk, General Counsel, Financial Controller, and other members of the management team as the agenda dictates.

Sarah Ing
Chair of the Audit & Risk Committee

Significant accounting matters considered during the year

Revenue recognition, accrued income and trade receivables

Matters considered
Depending on the income stream and the nature of the engagement, the Group recognises revenue on either time cost incurred, fixed fee or rateably over the period of providing the relevant services. Billing is mainly in arrears and occurs monthly or quarterly.

Action
The Committee reviewed the approach to revenue recognition including the process for accrued and deferred revenue. The Committee receives regular updates on ageing of accrued revenue and trade receivables. The Committee has also considered the conclusions reached by BDO as part of its audit of this area and is satisfied that management has adopted appropriate processes and controls over revenue recognition, accrued revenue and trade receivables.

Carrying value of goodwill and intangible assets

Matters considered
The Group has significant intangible assets on the balance sheet in the form of goodwill, customer relationships, brands and software. The intangible assets have to be reviewed for impairment at least annually or if there are any indicators of impairment.

Action
The carrying value of all indefinite life assets is tested for impairment annually. In reaching its conclusion that the treatment adopted is appropriate, the Committee has reviewed the forecasts, key assumptions and methodology adopted by management. BDO's findings have also been considered by the Committee in reaching its conclusions over the appropriateness of the treatment within the financial statements.

Business combinations

Matters considered
During the year, the Group acquired Penfida Limited for cash consideration of £8.6 million and a further cash payment of up to £3.4 million in September 2024, subject to the achievement of a client retention target, and the sellers remaining in employment with the Group. All acquisitions are assessed under IFRS 3 where applicable, and a purchase price allocation (PPA) exercise is undertaken.

Action
The Committee has reviewed management's assessment of the fair value of the assets and liabilities acquired and resulting goodwill from the acquisition. The Committee has reviewed the disclosures in respect of the acquisition and considers the accounting and disclosures to be appropriate.

Presentation and disclosure of exceptional and non-trading items

Matters considered
The Group classifies certain items in the income statement as exceptional/non-trading to allow a clearer understanding of the underlying trading performance of the business.

Exceptional and non-trading items in the year totalled £14.2 million (FY 2022: £9.8 million). For more details, see note 6 to the financial statements on page 127.

Action
As part of its assessment that the treatment of exceptional/non-trading items in the financial statements is appropriate, and consistent with the Group's accounting policies and with the guidance issued by the FRC, the Committee has considered each of the items treated as exceptional/non-trading and challenged, where necessary, the treatment adopted by management. The Committee has also considered the conclusions reached by BDO as part of its audit in this area and is satisfied.

Auditor
The Committee is responsible for making recommendations to the Board regarding the appointment of its external auditor and its remuneration. BDO LLP has been the Group's auditor since 2014. The Group audit partner is required to rotate after a maximum of five years; the current audit partner, Andrew Radford, was appointed in September 2020. During FY 2021, the Committee undertook an audit tender exercise and BDO LPP were retained as the Company's auditor.

The Committee is responsible for making recommendations on the independence of the Company's auditor, BDO LLP. In addition, the auditor has internal processes, which include peer reviews, to ensure that independence is maintained. The Committee will review the level of audit fees and non-audit fees on an ongoing basis. See note 5 to the financial statements on page 127.

The Committee has reviewed the approach to the annual audit at a meeting that the auditor attended ahead of the start of fieldwork.

The auditor then attended a further Committee meeting at the completion stage of the audit to present its findings. There is an open line of communication between the Chair of the Audit & Risk Committee and the audit engagement partner, and a closed session between the Audit & Risk Committee and the audit partner is held at the beginning of each Committee meeting, without the Executive Directors present. The audit partner is also invited to attend the Committee meetings for the duration of the meeting. The Committee assessed the effectiveness of the external audit process by obtaining feedback from parties involved in the process, including management and the external auditor.

Based on this feedback and its own ongoing assessment, the Committee remains satisfied with the efficiency and effectiveness of the audit.

After due and careful consideration, the Committee remains satisfied with the effectiveness and independence of BDO LLP and has recommended to the Board that BDO LLP be reappointed as the Company's auditor.

Internal Audit
The Internal Audit function is provided using a co-sourcing agreement, with PwC reappointed in 2020 after a retender as it had been in place since 2017. It offers independent oversight of operational and risk management activities, with audit reports and relevant findings presented to the Committee. This year it focused on the Group's advisory services and no significant control weaknesses were identified. The Internal Audit programme is supported by a number of regular assurance activities which are carried out by the Risk and Compliance teams, which look at the design and effectiveness of internal controls for key processes.

Annual Report review
A final draft of the Annual Report is reviewed by the Committee prior to consideration by the Board and the Committee considered whether the 2023 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy.

The standardised risk management framework enables consistent reporting and a clear articulation of risk appetite, and the key controls in place to effectively manage these risks.

Sarah Ing
Chair of the Audit & Risk Committee

The Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the necessary information.

Risk

The existing risk management framework within the Group has been further developed throughout the year, ensuring it continues to address existing and emerging risks to the XPS Group. These enhancements are supported by a strong culture, active engagement from staff and a clear direction from Executive Management.

The standardised risk management framework supports a common approach across all businesses, supporting all functions in the Group and enabling consistent reporting. This includes a clear articulation of the key risks and the appetite the Group has for each of these, along with the key controls in place to effectively manage these risks within their stated appetites.

The framework embraces the whole spectrum of the Group's activities and supports the achievement of the organisation's objectives. The underlying processes and control procedures are regularly reviewed and amended as required to reflect the findings of these reviews. These improvements typically include key risk areas including operational administration, regulatory compliance, legislative changes, and changes in the external threat environment.

The risk reporting framework deployed provides Executive Management with regular updates on our overall risk profile, with detailed reports on risks that may require action to keep within appetite. These updates include information on key risk indicators, as well as summarising root-cause analysis reviews for incidents and errors.

The Risk Management Committee continues to meet on a regular basis to discuss risks and issues as well as ensuring that the framework is meeting the needs of Group stakeholders. This Committee also acts as the mechanism by which risks reported at business level can be considered in the context of the Group and whether escalation is required.

The central Risk team supports all businesses within the Group and ensures best practices are applied consistently. This team is also responsible for co-ordinating the existing external assurance programme across the Group, to ensure all risks and controls are considered and assessed appropriately. These assurance activities include certifications to ISO 14001 and ISO 27001, AAF 01/20, IIP and the IoA Quality Assurance Scheme (QAS). In addition to these the Group has also achieved accreditation against the PASA pensions administration standard this year.

The Audit & Risk Committee regularly reviews the wider internal control processes, enlisting external support to support these reviews when deemed necessary. Recognising the importance of business resilience and the protection of data assets from cyber risks, the Committee considers these specific risks at each of its meetings. This includes the performance of key controls and the independent assurance frameworks in place.

Whistleblowing

The Group has a clear, formalised Whistleblowing Policy and procedure available to all staff in order to raise concerns about perceived wrongdoing, non-compliance with our own standards, regulatory requirements and/or the law. This policy was reviewed this year. We have a confidential helpline, run by a third party, Expolink, in order that staff can report any concerns or perceived shortcomings within our operations without fear of sanction or disadvantage. The helpline is promoted through the intranet and posters. Incidents are reported and then reviewed by the Board at the next available meeting or sooner if appropriate. The Group's Audit & Risk Committee reviews the policy and process annually to ensure they remain fit for purpose.

Sarah Ing
Chair of the Audit & Risk Committee
21 June 2023

Embedding sustainability across the business

All our sustainability activities are designed to support our purpose; to shape and support safe, robust and well understood pension schemes for the benefit of people and society. This year we have continued to focus on our sustainability ambitions and the integration into the Groups operations for the benefit of our people, clients, communities and the environment.

Committee membership	Attendance
Chair	
Sarah Ing	**4/4**
Members	
Margaret Snowdon OBE	**4/4**
Aisling Kennedy (appointed February 2023)	**1/1**
Snehal Shah	**4/4**
Charlotte West	**3/4**
Adrian Davison	**4/4**
Alex Quant	**4/4**

Sarah Ing
Chair of the Sustainability Committee

This year, the role of the Sustainability Committee continues to be to drive improvements in practices, reporting and communication in relation to environmental, social and governance (ESG) factors that have a positive impact on business strategy and performance and the long-term sustainability of the Group. The Committee has oversight of the views and interests of all key stakeholders of the Group, internal and external.

Membership of the Committee
The members of the Committee includes: Margaret Snowdon OBE (Senior Independent Non-Executive Director), Aisling Kennedy (Independent Non-Executive Director), Snehal Shah (CFO), Charlotte West (Head of Employee Engagement), Adrian Davison (Head of Risk), Alex Quant (Head of ESG for the Investment business) and me. Aisling Kennedy joined the Committee following her appointment to the Board in February 2023. Other Board members and members of the management team are invited to meetings as the agenda dictates.

The Committee met four times during the the year and all meetings were attended by all members, with the exception of one meeting due to a prior engagement. The Committee intends to continue to meet at least twice yearly with additional meetings as required.

The focus of the Committee
During the year the Committee provided oversight and challenge on a number of sustainability issues within the Group's key areas of focus - governance, our employees, our clients, our communities and our environment.

1. Launch of I&D strategy
The Committee continued to oversee the I&D strategy, as referred to on pages 31 to 33 and the practices to create an 'inclusive culture' to ensure we are able to nurture, retain and attract diverse talent.

Board of Directors

Sustainability Committee

Sarah Ing
Chair of the
Sustainability Committee
Non-Executive Director

Margaret Snowdon OBE	**Aisling Kennedy**	**Snehal Shah**	**Charlotte West**	**Alex Quant**	**Adrian Davison**
Senior Independent Non-Executive Director, Chair of EEG and member of I&D Committee	Independent Non-Executive Director	Chief Financial Officer Executive sponsor for sustainability, responsible for representing investor views	Head of Employee Engagement Responsible for employee engagement and I&D strategies	Head of ESG for the Investment business Responsible for representing client interests	Head of Risk Responsible for environmental strategy

Supported by resources from across XPS

2. Development of environmental strategy
The Committee provided oversight on the net zero and carbon offsetting project, having reviewed the implementation of the Environmental Management System and associated Environment Policy as referred to on page 39.

3. Further development of our responsible investment solutions
A strong focus for the Committee this year was to provide oversight of the Group's further development of its responsible investment offering and implementation of the Responsible Investment Policy. Input was given on a range of issues including training and development within the Investment team, strategy, our position in the market to influence and educate.

4. Shaping sustainability reporting
This year the Committee discussed a number of external sustainability frameworks and standards. The Committee also reviewed sustainability reporting best practice and considered feedback from proxy advisers on XPS's ESG performance, incorporating this into our sustainability framework where appropriate.

We have aligned our sustainability ambitions with the UN Sustainable Development Goals, where we believe we can make a positive contribution.

We also remain committed to aligning our strategy with the 2015 Paris Agreement.

At a high level, the focus for the year ahead includes:

- providing oversight for further development and integration of our sustainability strategy, including a review of our materiality matrix and further development of our sustainability framework and reporting to include clear commitments, KPIs and measurement thereof. See pages 26 to 41 of the Strategic Report for our current reporting on sustainability matters;
- continuing to review and provide challenge on activities carried out by the business, underpinned by our sustainability strategy;
- keeping best practice under review;
- referring to thought leadership;
- monitoring the Group's position regarding relevant emerging sustainability issues; and
- providing oversight and challenge on the continued integration of climate risk into our risk management processes, and the development of our carbon reduction plan and associated targets.

The terms of reference of the Committee are reviewed annually and are available on the Company's website, www.xpsgroup.com.

Sarah Ing
Chair of the Sustainability Committee
21 June 2023

Remuneration at a glance

The overall Remuneration Policy is designed to promote the long-term success of the Group whilst ensuring it does not support inappropriate risk taking. The Remuneration Committee has developed the Directors' Remuneration Policy with the following principles in mind:

Aligned with shareholders - in order to motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests.

Aligned with financial performance - to motivate Executive Directors and support the delivery of the Group's financial and strategic business targets.

Aligned with colleagues - by striving for as consistent as possible an approach between the Executive Directors and senior management.

Aligned with clients - the continued strategy to be the best provider of services to the UK pensions market, as a one stop shop for everything Trustees and Employers need in this market, at the same time as achieving sustainable growth through investing in client services, technology and staff, demonstrates the commitment to providing an agile, high-quality and market-leading service that puts client satisfaction at the heart of the business.

Competitive - remuneration packages are reviewed annually and benchmarked by reference to the external market. This allows us to attract and retain highly talented people, who know that good performance will be rewarded.

Designed to encourage retention and to reward performance - deferred variable remuneration does not give rise to any immediate entitlement. Long-term incentive awards normally require the participant to be employed continuously by the Group until at least the third anniversary of grant in order to vest in full.

Our Executive Directors' remuneration at a glance

		Key features of the Policy	How we implemented the Policy
Fixed pay	Salary and benefits	Annual increases will not exceed 7.5% + RPI (March 2023: 13.5%) or the average increase of employees across the Group in any given year, whichever is higher.	Increases of 7% applied effective 1 April 2023 recognising strong corporate and individual performance. Executive Director level of increase significantly below the average workforce rate.
Short-term variable pay Financial/functional and personal objectives set with reference to business plans approved by the Board.	Cash bonus	The maximum opportunity for FY 2023 is 150% of salary and potentially payable in cash and deferred shares. Bonus is payable subject to the achievement of performance conditions (financial and personal objectives) which will be set by the Remuneration Committee. Malus and clawback provisions apply.	The Co-CEOs were awarded 150% of salary and the CFO was awarded 112.5% of salary, as determined by the Remuneration Committee. These payments amounted to 100% of maximum. Bonuses were paid on financial performance as well as personal objectives (detailed on pages 90 and 91).
Long-term variable pay Stretching performance conditions measured over a three-year period with a further two-year post-performance holding period. Performance conditions based upon adjusted earnings per share/TSR to comparator group.	XPS Performance Share Plan (PSP)	Maximum "normal" grant level is 150% of salary. Malus and clawback provisions apply. Aligned with long-term business strategy to become the best provider of services to the UK pensions market, as a one stop shop for everything Trustees and Employer need in this market, and delivery of shareholder value due to strong cash generation and non-cyclical demand for services.	The November 2020 PSP award is subject to underlying EPS performance and relative TSR performance. The overall estimated payout for the award is equal to 66.2% of maximum, but will be dependent upon TSR performance to the end of the three-year performance period ending in November 2023.
Share ownership guidelines	Share ownership guidelines	Minimum shareholding of 200% of base salary for any Executive Director with requirements applying for a two-year period post termination of employment.	

Remuneration at a glance: pay outcomes for the year

FY 2023 fixed remuneration

Base salary		Pension	
Co-CEOs	CFO	Co-CEOs	CFO
£332,755	£281,069	6% of salary	6% of salary

These pension contributions are in line with that offered to the majority of the workforce and below the average contribution levels across the Group.

Annual bonus

The financial element of these bonuses is based on Group profit before tax (PBT). The reported Group adjusted PBT for FY 2023 resulted in a bonus payment of 100% of the maximum for this element of the bonus. When combined with the performance against strategic objectives, this led to a formulaic bonus outturn of 100% of the maximum. Further details of financial and personal objectives can be found on pages 90 and 91.

£m	Threshold £'000	Target £'000	Maximum £'000	Actual £'000	Payout (% of this element)
Group adj. PBT (75% of potential)	28,617	30,123	31,629	33,358	100%

Aligning remuneration with sustainable success

The Remuneration Committee continues to ensure a robust link between the execution of strategy, reward and performance and is committed to fairness and transparency.

Committee membership	Attendance
Chair	
Margaret Snowdon OBE	**5/5**
Members	
Alan Bannatyne	**5/5**
Sarah Ing	**5/5**
Tom Cross Brown (resigned 8 September 2022)	**3/3**
Aisling Kennedy (appointed 22 February 2023)	**1/1**

Margaret Snowdon OBE
Chair of the Remuneration Committee

Dear Shareholder,

The Directors' Remuneration Report for the year ended 31 March 2023 contains:

- my annual statement;
- the Directors' Remuneration Policy, which will apply for a maximum of three years from the 2023 AGM and will replace the Directors' Remuneration Policy previously approved at the 2020 AGM; and
- the annual report on remuneration which describes how the Directors' Remuneration Policy has been applied in FY 2023 and how it will be implemented in FY 2024.

Operational highlights

During the year ended 31 March 2023, we produced an excellent year of robust financial performance. At a Group level, revenues increased 20% year on year and adjusted fully diluted EPS rose 24% year on year. This was delivered in a year where employee engagement and client satisfaction scores were at record highs.

Engaging with our stakeholders

Shareholders

At last year's Annual General Meeting held on 8 September 2022, the Remuneration Committee was pleased that shareholders approved the Remuneration Report with 96% of votes for.

As Chair, I am always keen to maintain a collaborative and productive relationship regarding remuneration decisions. Ahead of the publication of this report, I held meetings with many of our top shareholders to gather views and feedback.

I am extremely grateful for the feedback I received and the level of engagement from shareholders. These meetings have been helpful in shaping the Committee's decision-making set out in this report, as well as maintaining our productive relationship. I am pleased to report that there was strong support for the planned approach for the Directors' Remuneration Policy 2023 and the 2023 PSP award, including the one-off enhancement as outlined within the report.

We are grateful for the ongoing shareholder engagement and constructive feedback allowing us to ensure we are able to reflect the views of shareholders in the decisions that the Remuneration Committee makes.

Employees

The Employee Engagement Group, which I chair as XPS Group's Designated Employee Engagement Non-Executive Director, considers Executive Directors' remuneration, taking account of employee views.

The Employee Engagement Group was set up with the purpose of providing an "employee voice" to the Board by raising any matters or issues highlighted by employees. It is a forum for employees to share ideas and concerns with the Board in a consultative manner and is not a decision-making group. One area of focus for the Employee Engagement Group is reward and remuneration of Executive Directors; members are asked to provide feedback on the Directors' Remuneration Policy and Executive Director objectives. The group improves engagement between the Board and XPS employees.

Wider workforce remuneration

We continue to review the remuneration arrangements for the wider workforce and take these into account when considering remuneration arrangements for the Executive Directors and other members of senior management. The Committee reviewed the approach taken in light of the acknowledged cost-of-living challenges. XPS awarded mid-year salary increases in October 2022, in addition to the increases effective 1 April 2023, to all staff below Partner and Managing Consultant grades; You can read further details about this on page 33.

The Remuneration Committee also reviewed the Group's gender pay gap analyses and action plans. I have also continued to play an active role throughout the year on the Group's Inclusion & Diversity Committee, in addition to chairing the Employee Engagement Group.

The Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the 2020 AGM when it received 96% approval from shareholders and therefore will be due for renewal at the 2023 AGM.

The objectives of the Policy remain to attract, motivate and retain Executive Directors while maximising long-term shareholder value and reinforcing the Company culture. Having reviewed the current Policy the Committee concluded that making significant changes to the Remuneration Policy was not required this year.

We are therefore proposing that the Policy be resubmitted broadly unchanged, save for a revision relating to a clarification on how PSP awards in good leaver situations will normally be retained and vest at the normal vesting date, in line with standard market practice.

Annual bonus payments for FY 2023

The financial element of these bonuses is based on Group profit before tax (PBT). The reported Group adjusted PBT for FY 2023 has resulted in a bonus payment of 100% of the maximum for this element of the bonus.

The Committee determined that the strategic objectives had been fully met which therefore led to a bonus outturn of 100% of the maximum for the Co-CEOs and CFO. When considering the appropriateness of the bonus outturn, the Committee was mindful that this was the first maximum bonus payment since IPO (in 2017) and that in three of the previous four years the bonus had been reduced, with the agreement of the Co-CEOs, from the formulaic outcome.

	% of salary	% of maximum
Ben Bramhall	150%	100%
Paul Cuff	150%	100%
Snehal Shah	112.5%	100%

Vesting outcomes for the 2020 PSP awards

The November 2020 PSP award is subject to underlying EPS performance and relative TSR performance. The estimated overall payout for the award is equal to 66.2% of maximum.

The Committee considers that the Policy operated as intended during FY 2023 and that remuneration outcomes are consistent with the Group performance and appropriately reflect performance delivered for our shareholders over the respective periods. The Committee felt that no discretion needed to be applied for these remuneration outcomes.

Operation of the Directors' Remuneration Policy for FY 2024

Looking forward into FY 2024, we have given consideration to actions on pay matters which we regard as appropriate and designed to support shareholders' interests over the long term.

The Board considers that the Co-CEO structure works well with clear accountability of roles between the Executive Directors. Both Co-CEOs have responsibility for building and sustaining relationships with some of our key clients. Somewhat unique to our industry, clients expect deep professional and technical expertise in senior executives, and both Co-CEOs are practitioners who lead projects on some of the Group's biggest clients.

In addition to these direct and valuable client accountabilities, Paul Cuff is responsible for raising the profile of XPS in the market, generating new business and the Group strategy with regard to M&A opportunities and technology investment. Ben Bramhall is responsible for the day-to-day operations of the business, which covers the provision of services to existing clients, revenue generation and the Group's people strategy. Both are responsible for employee culture and the dual role increases the bandwidth for employee engagement.

In addition to his finance responsibilities Snehal Shah maintains the Company's relationships with its brokers and is responsible for shareholder communication. Snehal is also responsible for Group Risk and leads on the Group's sustainability agenda.

When reviewing the Executive Directors' salaries, the Committee considered the matter holistically, taking into consideration the roles outlined above, the impact of salary increases on total remuneration and increases applicable to the wider workforce along with the strong absolute and relative performance of the Group.

The Committee agreed it was fair and reasonable to award salary increases of 7% for all Executive Directors which take effect from 1 April 2023. This percentage is significantly less than the comparable annual average increase for employees across the Group which is 12% for the year, reflecting the highly competitive landscape for professionals in our niche market. The resultant salaries for the Executive Directors remain low against the FTSE Small Cap market and other similarly sized companies, and annual target earnings are low in comparison to senior leadership and senior client facing roles at some of the Group's competitors, which include Big 4 accounting firms and other equity partnerships.

The maximum bonus opportunity of the CFO is being set at 125% of salary from 2023/24 in acknowledgement of his performance and growing experience in role. The maximum opportunity for the Co-CEOs will remain unchanged at 150% of salary.

The PSP award due to vest in July 2024 incorporates inflation-linked EPS targets. The current volatile and unpredictable inflation levels in the economy have detrimentally impacted the incentive effect of awards with an inflation linkage. The Committee does not feel that it is appropriate to amend in-flight performance conditions, despite some compelling arguments, but it wishes to recognise management's performance whilst maintaining a strong alignment with the experience of our shareholders.

In recognition of the performance of the Executive Directors and also the need to continue to retain them and incentivise the delivery of our key strategic objectives, it is the intention that the 2023 PSP award levels will be enhanced on a one-off basis by 25% of salary compared to the 2022 levels. The award levels will remain below the 200% exceptional circumstances limit as permitted under the continuing Policy.

It should be noted that despite this increase in award levels, due to the increase in the Company's share price over the last year, it is anticipated that the individual total 2023 PSP awards will be over a lesser number of shares than the 2022 PSP awards.

For the main award, there will be three performance criteria, based on EPS, relative TSR performance and a newly incorporated ESG measure.

The vesting of the enhanced one-off element will be based on EPS targets incorporating a further level of stretch, with vesting requiring a performance level well above budget and guidance. Further details of the targets are provided on page 98.

Component of remuneration	Summary of approach

Base salary and benefits

Base salary and benefits are reviewed annually on 1 April in light of a number of factors, including the approach to salary reviews more generally across the Group and the performance of the individuals and the Company. The base salaries of the Executive Directors have been increased by 7% for FY 2024, which is 5% lower than the average annal increase over the year awarded to all staff:

Ben Bramhall - £356,048
Paul Cuff - £356,048
Snehal Shah - £300,744

The increase since 1 April 2018 remains below that of the general level of salary increases across the Group since then:

	1 April 2019	1 April 2020	1 April 2021	1 April 2022	**1 April 2023**	Annualised
Co-CEOs	0%	0%	9.0%	6.0%	**7.0%**	4.3%
Average staff	3.0%	3.2%	3.2%	5.9%	**12%**[1]	5.4%

1 Includes the mid-year cost-of-living salary increases granted to employees.

Pension

Defined contribution/cash supplements of 6% are paid and are aligned with the levels available for new employees. This is well below the rate provided to many employees who have joined the business through the acquisitions we have made.

Annual bonus

Payable subject to the achievement of challenging financial/strategic/personal performance conditions. These are expected to incorporate sustainability, culture and technology-based goals. Malus and clawback provisions apply.

Maximum bonus opportunity:

Ben Bramhall - 150% of salary
Paul Cuff - 150% of salary
Snehal Shah - 125% of salary

Long-term incentives

Annual awards of performance shares. Shares vest, subject to the achievement of the performance conditions, after three years and are subject to a further two-year holding period. Malus and clawback provisions apply.

Maximum grant levels FY 2024:

Ben Bramhall - 175% of salary
Paul Cuff - 175% of salary
Snehal Shah - 150% of salary

All-employee share plans

Executive Directors are entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees.

Share ownership guidelines

Executive Directors are subject to a minimum shareholding requirement of 200% of salary with a requirement to maintain a shareholding post cessation of employment at 200% for one year and 100% for a second year.

I trust that you find this report to be informative and transparent and I hope to receive your support for our decisions this year as described in the Directors' Remuneration Report at the AGM. I am keen to encourage ongoing open dialogue with our shareholders on executive remuneration and welcome all engagement.

Margaret Snowdon OBE
Chair of the Remuneration Committee
21 June 2023

Directors' Remuneration Policy 2023

This Remuneration Policy, which has been approved by the Board, contains the material required to be set out in the Directors' Remuneration Report for the purposes of Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "DRR Regulations").

The Directors' Remuneration Policy as set out in this section of the Directors' Remuneration Report will take effect for all payments made to Directors with effect from the conclusion of the forthcoming AGM (in place of the current Policy approved at the 2020 AGM). The new Policy is very similar to the current one, save for a change clarifying how PSP awards in good leaver situations will normally be retained and vest at the normal vesting date.

Element and purpose	Policy and operation	Maximum	Performance measures
Base salary The core element of pay, reflecting the individual's position within the Company and experience	The base salary of each Executive Director takes into account the performance of each individual and is set at an appropriate level to secure and retain the talent needed to deliver the Group's strategic objectives. Salaries are reviewed annually on 1 April and are influenced by: information from relevant comparator groups (referencing the Group's competitors and public companies in other industries); the performance of each individual Executive Director; and average increases for employees across the Group as a whole.	Annual increases will not exceed 7.5% + RPI or the average increase of employees across the Group in any given year, whichever is higher. The level of increase may deviate from this maximum in the case of special circumstances, for example increases in responsibilities or promotion. As an example, this may occur if the market capitalisation of the Company increases as the shares are "re-rated" by investors such that the comparator group changes. In this scenario, the Board would consider the increase and the performance of the Company. Other elements of remuneration may also change. In these cases, any exceptional increase will not exceed 20% of salary a year.	n/a
Benefits in kind To provide market-competitive benefits valued by recipients	Benefits currently include permanent health insurance, life insurance, private medical insurance and car allowance and may also include other benefits in the future. In certain limited circumstances, relocation allowances may be necessary. All benefits are subject to annual review to ensure they remain in line with market practice.	Benefits (excluding any relocation allowances) may be provided up to an aggregate value of normally £35,000 for each Executive Director (indexed to inflation).	n/a
Pension To provide retirement benefits	Executive Directors participating in the pension plan benefit from matching annual Group contributions of 6% of base salary. Executive Directors are entitled to take all or part of their pension contributions as a cash allowance.	The maximum employer's contribution (or cash supplement) is 6% of salary. Executive Directors' employer's contribution levels are aligned to the contribution levels for the majority of the workforce.	n/a

Element and purpose	Policy and operation	Maximum	Performance measures
Annual bonus To motivate Executive Directors and support the delivery of the Group's financial and strategic business target over a one-year operating cycle	Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions or other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments. The Remuneration Committee retains the flexibility to pay annual bonus outcomes in cash and/or deferred shares (which may allow for dividend roll-up). Clawback and malus provisions apply as explained in more detail in the notes to this Policy table.	The maximum annual bonus opportunity is 150% of base salary. For FY 2024, the maximum opportunity will be 150% of base salary for the Co-CEOs and 125% for the CFO.	Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration Committee. The targets may be financial and/or personal and strategic. The intended weighting of these measures is not less than 60% financial. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. Bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the bonus outturn accordingly.
Performance Share Plan To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests	Awards under the PSP may be granted as nil/nominal cost options which vest to the extent performance conditions are satisfied over a period normally of at least three years. Awards will vest at the end of the specified vesting period at the discretion of the Remuneration Committee and are subject to a further holding period of two years (or such shorter period so that the period from the date of grant until the end of the holding period will be equal to five years). The PSP rules allow that the number of shares (or the cash equivalent) subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period. Clawback and malus provisions applied are explained in more detail in the notes to this Policy table.	The market value of shares to be awarded to Executive Directors in respect of any year will normally be up to 150% of base salary, with awards of a maximum of 200% allowable in exceptional circumstances.	The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest. All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years. No more than 25% of awards vest for attaining the threshold level of performance. The formulaic outcome of all PSP performance measures will also be subject to the Committee considering that the proposed levels, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the PSP outturn accordingly.

Directors' Remuneration Policy 2023 continued

Element and purpose	Policy and operation	Maximum	Performance measures
Share ownership guidelines To promote stewardship and to further align the interests of Executive Directors with those of shareholders	The share ownership guidelines encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company. If any Executive Director does not meet the guideline, they will be expected to retain up to 50% of the net of tax number of shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) until the guideline is met. Executive Directors will be required to maintain a shareholding in the Company for a two-year period after stepping down from that position, being in the first year, the lesser of the guideline level or the Executive Directors' actual relevant shareholding at leaving and reducing to 50% of this requirement in the second year. For the purpose of this requirement, the Executive Directors' actual relevant shareholding will include shares vesting under any of the Company's discretionary share incentive arrangements (including any deferred bonus shares) from awards granted after the 2020 AGM but excludes shares acquired and the release of shares under share incentive plans where the grant occurred prior to the adoption of the Policy. The Committee will retain the discretion to remove the holding requirement if it is deemed to be inappropriate.	No maximum level but not less than 200% of base salary for any Executive Director.	n/a
All-employee share plans To facilitate and encourage share ownership by staff, thereby allowing everyone to share in the long-term success of the Company and align interests with those of shareholders	The Executive Directors will be entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees. These all-employee share plans are established under HMRC tax-advantaged regimes and follow the usual form for such plans.	The maximum participation levels for all-employee share plans will be the limits for such plans set by HMRC from time to time. However, the Company may impose lower limits on a scheme-by-scheme basis.	Consistent with normal practice, such awards would not be subject to performance conditions.

Element and purpose	Policy and operation	Maximum	Performance measures
Chairman and Non-Executive Directors' fees To enable the Company to recruit and retain Company Chairs and Non-Executive Directors of the highest calibre, at the appropriate cost	The fees paid to the Chairman and Non-Executive Directors aim to be competitive with other listed companies of equivalent size and complexity. The fees payable to the Non-Executive Directors are determined by the Board, with the Chairman's fees determined by the Committee. No Director participates in decisions regarding their own fees. The Chairman and Non-Executive Directors do not participate in any new cash or share incentive plans. The Chairman and Non-Executive Directors are entitled to benefits relating to travel and office support and such other benefits as may be considered appropriate. The Chairman is paid a single fee for the role, although he will be entitled to an additional fee if he is required to perform any specific and additional services. Non-Executive Directors receive a base fee for the role. Additional fees are paid for acting as Senior Independent Director, Chair of the Audit, Remuneration or other Board Committees or Designated Employee Engagement NED to reflect the additional time commitment. They will be entitled to an additional fee if they are required to perform any specific and additional services.	The aggregate fees and any benefits of the Chairman and Non-Executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association for such fees, currently £500,000 p.a. in aggregate. Any increases in fee levels made will be appropriately disclosed.	n/a

Notes to the Policy table

1. **Stating maxima for each element of the Remuneration Policy:** the Regulations and related investor guidance encourage companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Policy, these will operate simply as caps and are not indicative of any aspiration.
2. **Travel and hospitality:** while the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors (and in exceptional circumstances their families) may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities.
3. **Past obligations:** in addition to the above elements of remuneration, any commitment made prior to, but due to be fulfilled after, the approval and implementation of this Remuneration Policy will be honoured.
4. **Malus/clawback:** the Committee may apply malus (being the ability to withhold or reduce a payment/vesting) and clawback (the ability to reclaim some or all of a payment/vesting) to an award under the annual bonus or PSP where there are circumstances which would justify such action.

   The relevant circumstances where these powers of recovery may operate include:

   - the Company materially misstated its financial results for any reason and that misstatement would result or resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that misstatement not been made;
   - the extent to which any performance target and/or any other condition was satisfied was based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that error not been made;
   - circumstances arose (or continued to arise) during the vesting period (including any holding period) of an award which would have warranted the summary dismissal of the participant; or
   - there is a sufficiently significant impact on the reputation of the Company (including a Company failure) to justify the operation of malus or clawback.

   Normally, clawback can operate for up to two years following the vesting of an award.
5. **Performance conditions:** the performance-related elements of remuneration take into account the Group's risk policies and systems, and are designed to align the senior executives' interests with those of shareholders. The Committee reviews the metrics used and targets set for the Group Executive Directors and senior management (not just the Executive Directors) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency.
6. **Differences between the policy in respect of remuneration for Directors and the policy on remuneration for other staff:**

Notes to the Policy table

continued

while the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where the Group's pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Executive Directors' Remuneration Policy.

7. **Committee discretions:** the Committee will operate the annual bonus plan and PSP according to their respective rules and the above Remuneration Policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans. This discretion includes, but is not limited to, the following:
   - the selection of participants;
   - the timing of grant of awards;
   - the size of an award/bonus opportunity subject to the maximum limits set out in the Remuneration Policy table and the rules of the relevant plan;
   - the determination of performance against targets and resultant vesting/payouts;
   - discretion required when dealing with a change of control or restructuring of the Company;
   - determination of the treatment of leavers based on the rules of the relevant plan and the appropriate treatment chosen;
   - adjustments required in certain circumstances (e.g. rights issue, corporate restructuring events and special dividends); and
   - the annual review of performance measures, weightings and targets from year to year.

   In addition, while performance measures and targets used in the annual bonus plan and PSP will generally remain unaltered, if events occur which the Committee determines would make a different or amended target a fairer measure of performance, such amended or different targets can be set provided they are not materially more or less difficult to satisfy, having regard to the event in question.

   Any use of the above discretion would, where relevant, be explained in the Annual Report on Directors' Remuneration and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders.

   The Committee may make minor amendments to the Remuneration Policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

Remuneration policy on recruitment

The Company's recruitment remuneration policy aims to give the Committee sufficient flexibility to secure the appointment and promotion of high-calibre executives to strengthen the management team and secure the skill sets to deliver our strategic aims.

In terms of the principles for setting a package for a new Executive Director, the starting point for the Committee will be to apply the Remuneration Policy for Executive Directors as set out above and structure a package in accordance with that Policy. Consistent with the DRR Regulations, any caps contained within the Policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice unless absolutely necessary.

The annual bonus plan and PSP, including the maximum award levels, will operate as detailed in the general Remuneration Policy in relation to any newly appointed Executive Director. For an internal appointment, any variable pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment as appropriate.

For both external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

For external candidates, it may be necessary to make additional awards in connection with the recruitment to buy out awards forfeited by the individual on leaving a previous employer. Any recruitment-related awards which are not buyouts will be subject to the limits of the annual bonus plan and PSP as stated in the general policy. Details of any recruitment-related awards will be appropriately disclosed.

For any buyouts the Company will not pay more than is necessary in the view of the Committee and will be limited in value to what the Committee considers to be a fair estimate of the value of the awards foregone. The Committee will in all cases seek, in the first instance, to deliver any such awards under the terms of the existing annual bonus plan and PSP. It may, however, be necessary in some cases to make buyout awards on terms that are more bespoke than the existing annual bonus plan and PSP.

All buyouts, whether under the annual bonus plan, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer. The Committee will seek, where it is practicable to do so, to make buyouts subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases, such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited, and where the Committee considers it to be in the interests of shareholders.

Service contracts

Executive Directors

Ben Bramhall and Paul Cuff entered into a service agreement with the Company that was effective upon admission and dated 16 February 2017. Snehal Shah entered into a service agreement with the Company that was effective 28 May 2019, the date of his employment beginning, although Snehal was not appointed as Chief Financial Officer until FCA approval was received on 9 July 2019. The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on no more than 12 months' notice.

The service agreements of all Executive Directors, which are available for inspection at the Company's registered office, comply with this policy:

- the Executive Directors' service agreements are terminable by either party on not less than nine months' written notice for the Co-CEO, six months for the CFO or immediately upon payment in lieu of notice, and contain a garden leave clause; and
- in each case any payment in lieu of notice will be calculated by reference to base salary and contractual benefits only, and will not include any entitlement to bonus.

Chairman and Non-Executive Directors

The appointments of Alan Bannatyne and Margaret Snowdon OBE are subject to the terms of letters of appointment agreed between each of them and the Company dated 24 January 2017, the appointment of Sarah Ing is subject to the terms of a letter of appointment dated 19 March 2019 and the appointment of Aisling Kennedy is subject to the terms of a letter of appointment dated 22 February 2023. They are not entitled to receive any compensation on termination of their appointment (other than payment in respect of a notice period where notice is served) and are not entitled to participate in the Company's share plans, bonus arrangements or pension schemes.

They are entitled to be reimbursed all reasonable out-of-pocket expenses incurred in the proper performance of their duties.

Their appointment may be terminated at any time upon three months' written notice by either party and with immediate effect in certain circumstances. The appointment may also be terminated pursuant to the Articles or as otherwise required by law. They are subject to retirement by rotation every three years under the Articles but intend to retire and submit themselves for re-election by shareholders each year at the Annual General Meeting.

Remuneration policy on termination

The Committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination and any treatments that the Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan and PSP. The potential treatments on termination under these plans are as follows:

Annual bonus plan

If an Executive Director resigns or is dismissed for cause before the bonus payment date, the right to receive any bonus normally lapses (unless the Committee determines otherwise). If an Executive Director ceases employment before the bonus date because of death, injury, ill health, disability or any other reason determined by the Committee, such bonus will be payable as the Committee in its absolute discretion determines taking into account the circumstances for leaving, time in employment and performance. Similar treatment will apply in the event of a change in control of the Company.

Performance Share Plan (PSP)

The Committee's Policy is in accordance with the rules of the Performance Share Plan 2017. If, during the performance or vesting period, a participant:

- resigns or is dismissed for cause, awards will normally lapse in full; and
- ceases to be employed due to death, ill health, injury or disability, retirement with the agreement of the participant's employer, redundancy, the sale or transfer of the participant's employing company or business out of the Group (other than on change of control), or for other reasons specifically approved by the Committee, the award shall be retained and will vest at the normal vesting date (unless the Committee exercises its discretion to allow awards to vest early on cessation in exceptional circumstances) to the extent that the Committee determines. The Committee will determine the extent to which an award will vest taking into account the extent to which the performance conditions have been met and, where appropriate, the period that has expired to the date of cessation.

If a participant ceases employment during the holding period, performance-vested awards will normally be retained and vest as normal at the end of the holding period (unless the Committee exercises its discretion to allow awards to vest early on cessation in suitable cases).

The all-staff Share Save scheme provides treatments for leavers in line with HMRC rules for such plans.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements.

External appointments

The Company's policy on external appointments permits an Executive Director, subject to the approval of the Chairman, to serve as a Non-Executive Director for normally no more than one other organisation where this does not conflict with the individual's duties to the Company. When an Executive Director takes such a role, they may be entitled to retain any fees which they earn from that appointment.

Statement of consideration of employment conditions elsewhere in the Company

The Committee receives regular updates on overall pay and conditions in the Company which enable it to take the wider workforce remuneration into account when setting the policy for executive remuneration. Whilst the Committee does not consult directly with employees as part of the process for reviewing executive pay, the Committee does receive insights from the broader employee population via an Employee Engagement Group. Accordingly, the Committee confirms that the new Policy has been designed with due regard to the policy for remuneration of employees across the Group.

The Remuneration Policy for other employees is based on broadly consistent principles as described. Annual salary reviews across the Company take into account Company performance, relevant pay and market conditions and salary levels for similar roles in comparable companies.

Statement of consideration of employment conditions elsewhere in the Company continued

Other members of senior management participate in similar annual bonus arrangements to the Executive Directors, although award sizes vary by organisational level. Share incentive awards may also be granted to a broader population than the Executive Directors although the award sizes and terms of the awards vary. The Company operates discretionary bonus schemes for eligible groups of employees under which a bonus is payable subject to the achievement of appropriate targets. All eligible employees may participate in the Company's Share Save scheme on identical terms.

Statement of consideration of shareholders' views

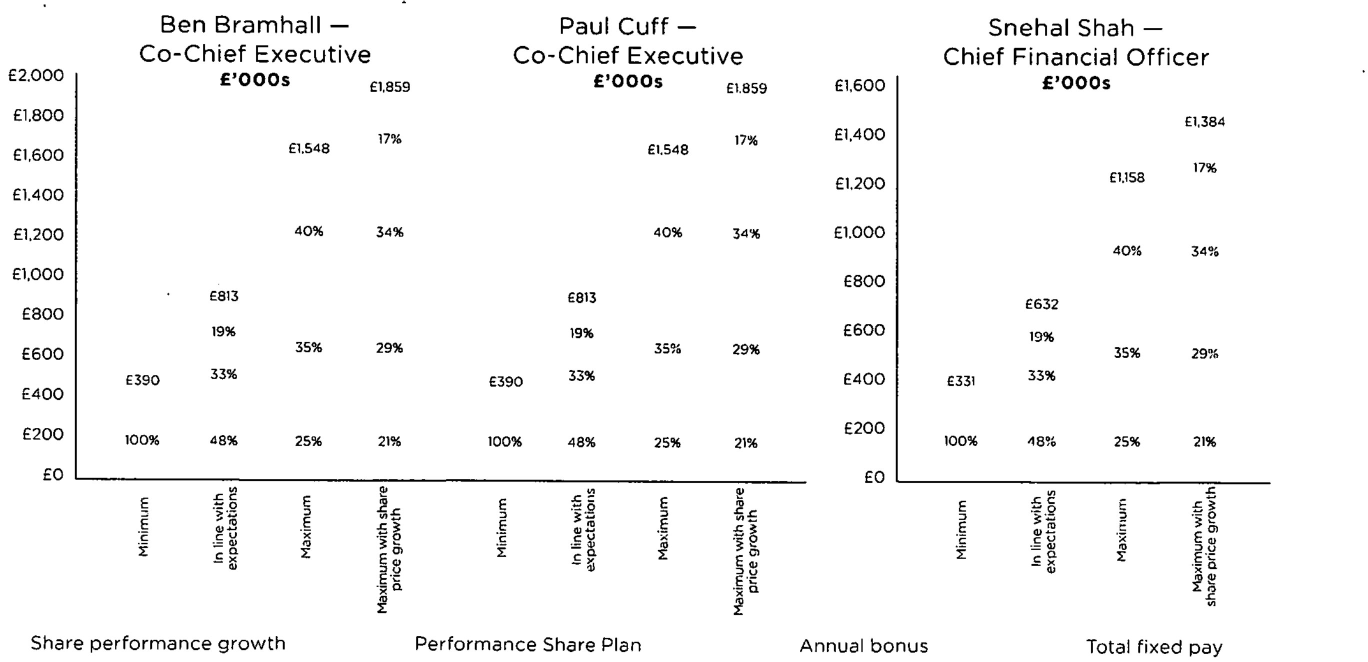
The Committee considers shareholder views received during the year and at each AGM, as well as guidance from shareholder representative bodies more broadly, when determining the Remuneration Policy and its implementation.

The Committee seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and it will consult with major shareholders in advance of any material change to the structure and/or operation of the Policy and will seek formal shareholder approval for any such change if required.

Illustrations of application of the Directors' Remuneration Policy

The charts below show how the Remuneration Policy set out above will be applied for Executive Directors in FY 2024 based on three performance scenarios and using the assumptions below.

Minimum	Consists of base salary, benefits and pension: • base salary is the salary to be paid in FY 2024; • benefits measured as benefits paid in the year ended 31 March 2023; and • pension measured as the defined contribution or cash allowance in lieu of Company contributions of 6%.
Target	Based on what the Executive Director would receive if performance were in line with expectations or on target (excluding share price appreciation and dividends): • annual bonus: consists of the on-target bonus (50% of maximum opportunity used for illustrative purposes); and • PSP: consists of the threshold level of vesting (25% vesting) under the PSP.
Maximum	Based on the maximum remuneration receivable (excluding share price appreciation and dividends): • annual bonus: consists of maximum bonus of 150% of salary for the Co-CEOs and 125% of salary for the CFO; and • PSP: consists of the face value of awards (175% of base salary for Co-CEOs and 150% of base salary for the CFO) under the PSP.
Maximum with 50% share price growth	Maximum scenario plus the value resulting from a share price growth of 50% in relation to the PSP award.



Remuneration Committee membership

The Remuneration Committee is chaired by Margaret Snowdon OBE, who is Senior Independent Non-Executive Director. Alan Bannatyne, Sarah Ing and Aisling Kennedy are also members of the Committee. Tom Cross Brown served on the Committee until he stepped down from the Board in September 2022. Aisling Kennedy was appointed to the Committee in February 2023. The Committee meets at least twice a year and at such other times as the Chair of the Committee shall require or as the Board may direct. The Committee met five times during the year. All members attended every Committee meeting they were eligible to attend throughout the year.

Other individuals, such as the Co-Chief Executive Officers, the Chief Financial Officer, the HR Director and external professional advisers, were invited to attend for all or part of any meeting as and when appropriate and necessary.

The purpose of the Committee is to establish a formal and transparent procedure for developing the Policy on remuneration in accordance with the Code and to set the remuneration of the Chairman and selected individuals with due account taken of all relevant factors such as individual and Group performance as well as remuneration payable by companies of a comparable size and complexity.

The Committee has formal terms of reference which are reviewed annually and can be viewed on the Company's website: www.xpsgroup.com.

Advisers

FIT Remuneration Consultants LLP (FIT), signatory to the Remuneration Consultants Group's Code of Conduct, was appointed by the Committee. FIT has been retained to provide advice to the Committee on matters relating to executive remuneration. FIT provided no other services to the Company and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of FY 2023 were £54,282 (FY 2022: £63,902). FIT's fees are charged on the basis of the firm's standard terms of business for advice provided.

The following (audited) section provides details of how the Directors were paid during the financial year to 31 March 2023.

Director		Salary/fees £	Taxable benefits[1] £	Bonus[2] £	Long-term incentives[3] £	Pension[4] £	Total remuneration £	Total fixed pay £	Total variable pay £
Executive Directors									
Ben Bramhall	**2023**	**332,755**	**12,993**	**499,133**	**367,030**	**18,701**	**1,230,612**	**364,449**	**866,163**
	2022	313,920	11,017	371,995	178,403	17,860	893,195	342,797	550,398
Paul Cuff	**2023**	**332,755**	**12,793**	**499,133**	**367,030**	**18,701**	**1,230,412**	**364,249**	**866,163**
	2022	313,920	10,817	371,995	178,403	17,860	892,995	342,597	550,398
Snehal Shah	**2023**	**281,070**	**12,523**	**316,203**	**253,288**	**15,994**	**879,078**	**309,587**	**569,491**
	2022	265,160	10,736	235,661	147,739	15,467	674,763	291,363	383,400
Non-Executive Directors									
Alan Bannatyne[5] - Chairman of Board and Chair of Nomination Committee	**2023**	**100,398**	**–**	**–**	**–**	**–**	**100,398**	**100,398**	**–**
	2022	75,000	–	–	–	–	75,000	75,000	–
Margaret Snowdon OBE - Chair of Remuneration Committee, Senior Independent NED and Designated Employee Engagement NED	**2023**	**72,822**	**–**	**–**	**–**	**–**	**72,822**	**72,822**	**–**
	2022	70,000	–	–	–	–	70,000	70,000	–
Sarah Ing - Chair of Audit & Risk and Sustainability Committees	**2023**	**70,644**	**–**	**–**	**–**	**–**	**70,644**	**70,644**	**–**
	2022	65,000	–	–	–	–	65,000	65,000	–
Aisling Kennedy[6]	**2023**	**6,250**	**–**	**–**	**–**	**–**	**6,250**	**6,250**	**–**
Tom Cross Brown[7] - former Chairman of Board	**2023**	**52,727**	**–**	**–**	**–**	**–**	**52,727**	**52,727**	**–**
	2022	120,000	–	–	–	–	120,000	120,000	–
Total	**2023**	**1,249,421**	**38,309**	**1,314,469**	**987,348**	**53,396**	**3,642,943**	**1,341,126**	**2,301,817**
	2022	1,223,000	32,570	979,651	504,545	51,187	2,790,953	1,306,757	1,484,196

Advisers continued

1 Each of the Executive Directors is entitled to a range of benefits, comprising permanent health insurance, life insurance, private medical insurance and car allowance. The Non-Executive Directors do not receive other benefits.

2 No element of annual bonus was deferred in respect of bonuses shown. Their current beneficial shareholdings are shown on page 91.

3 The outturn for the November 2020 PSP which vests in November 2023 is expected to be 66.2% and the vesting share price has been estimated at 159.14p, based on the three-month average share price ended 31 March 2023. The grant share price for the award was 124p and accordingly the relevant figures are reflective of an increase of 28% in the Company's share price comparing the award price to the vesting price. Details of the performance measures and targets applicable to the 2020 PSP are set out on page 93. The outturn for the September 2019 PSP which vested on 18 September 2022 was 50% and the value has been updated reflecting the actual vesting share price of 123p and the dividend equivalents.

4 Pension values shown all relate either to pension contributions or to cash allowances in lieu of pension.

5 Appointed Non-Executive Chairman on 30 November 2022.

6 Appointed to the Board on 22 February 2023.

7 Stepped down from the Board on 8 September 2022.

FY 2023 annual bonus (audited)

The Executive Directors' annual bonus targets were set at the beginning of the financial year. The financial targets which account for 75% of the annual bonus were set based on Group PBT. The Group PBT targets set are shown below.

	Threshold £'000	Target £'000	Maximum £'000	Actual £'000	Payout (% of this element)
Group adj. PBT (75% of potential)	28,617	30,123	31,629	33,358	100%

The personal performance goals which account for 25% of the annual bonus were agreed with each Executive Director and were based on a range of strategic and other objectives set at the start of the year. The targets were principally designed to focus and reward the Executive Directors for accomplishing strategic goals which directly support the Company's strategy. Details of the measures and performance, to the extent they are not commercially sensitive, are outlined below.

Ben Bramhall and Paul Cuff – Co-CEOs

Measure	Target	Performance	Assessment
Maintain high level of staff satisfaction and morale	Staff approval rating at least 90%	Staff satisfaction at an all time high with 98% reporting that XPS is a great place to work and with an exceptional Net Promoter Score of +33	100%
Progress Inclusion & Diversity agenda	Reduce gender pay gap	Gender pay gap and gender bonus gap have reduced and ethnicity pay gap reported earlier than legally required	100%
	Plan for 30% female senior managers by 2027	Plan and early actions agreed	
Develop market-leading pensions administration platform	Platform on track for deployment for new and selected clients	On track against an accelerated plan	100%
Maintain high level of client satisfaction	Client satisfaction level at least 80%	Achieved and feedback highlighted that clients trust XPS and appreciate our friendly approach	100%
Pursue and execute accretive acquisitions as approved by the Board	Successful implementation of bolt-on acquisitions in line with agreed business case	The acquisition of Penfida has extended our services to clients to include independent sponsor covenant advice In addition, the Michael J Field 2022 acquisition integrated successfully	100%
As executive sponsor of Sustainability Committee, ensure sustainability is embedded in XPS services and infrastructure	Senior commitment to ambitious sustainability targets and progress each sustainability pillar to agreed levels	Excellent progress evidenced by being re-confirmed as a signatory to the new UK Stewardship Code	100%

Snehal Shah - CFO

Measure	Target	Performance	Assessment
Improve OCF conversion	Above 90%	Achieved	100%
Successful AAF 01/20 audit	No medium or higher exceptions in the assessment	No exceptions. PASA accreditation also achieved	100%
Fully develop sustainability narrative in ARA and website Sustainability KPIs defined, measured and reported	Clear and comprehensive with ambitious and meaningful targets	Committed to a science-based net zero strategy that aligns with the Paris Agreement	100%
Increase interaction with non-shareholders and analysts and improve shareholder communication	Secure at least one new institutional investor Successfully plan and execute a Capital Markets Event for analysts and institutional investors	Ten new institutional investors added in the year, with three of these in the top 20 holders Completed and excellent feedback received	100%

Each objective is measurable (albeit some detail has been removed given the commercially sensitive nature), with target achievement levels evidenced by activities and outcomes. The Remuneration Committee then assessed performance against each objective in each category on the basis of evidenced outcomes and rated the level of achievement.

In light of the high standards of attainment of each of the Executive Directors, the Remuneration Committee assessed that performance against the targets had been met in full and would result in 100% of maximum for this element of bonus to be payable to the Co-CEOs and CFO.

This results in an outcome in aggregate of 100% of maximum for the Co-CEOs and CFO.

		Outcomes		
	Weightings	Ben Bramhall	Paul Cuff	Snehal Shah
Financial performance (% of this element)	75%	100%	100%	100%
Strategic performance (% of this element)	25%	100%	100%	100%
Total actual performance outcome (% of maximum)		100%	100%	100%
Total actual performance outcome (% of salary)		150%	150%	112.5%
Total actual performance outcome (£)		£499,133	£499,133	£316,203

Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 31 March 2023 or at the date of stepping down from the Board if earlier was as follows:

Director	Ben Bramhall	Paul Cuff	Snehal Shah	Tom Cross Brown	Alan Bannatyne	Margaret Snowdon OBE	Sarah Ing	Aisling Kennedy
Number of ordinary shares held as at 31 March 2023	**1,699,549**	**967,191**	**66,830**	**38,861**	**36,594**	**30,303**	**15,000**	**—**
Share ownership requirement (% of salary)	200%	200%	200%	n/a	n/a	n/a	n/a	n/a
Share ownership requirement met?	Y	Y	N	n/a	n/a	n/a	n/a	n/a
Holding as % of March 2023 salary	**817%**	**465%**	**38%[1]**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Number of ordinary shares held as at 31 March 2022	1,618,848	886,490	—	38,861	36,594	30,303	15,000	—

1 In line with the Directors' Remuneration Policy, Snehal Shah will retain 50% of vested shares until he reaches the 200% ownership requirement.

Statement of Directors' shareholding and share interests (audited) continued
The shareholdings above include those held by Directors and their respective connected persons. There were no changes in the Directors' interests in shares between 31 March 2023 and 21 June 2023.

Under the share ownership guidelines, the Executive Directors are required to build and maintain a shareholding equivalent to at least 200% of salary and are required to maintain a shareholding for a period after leaving the Board.

Awards granted in the year under the PSP (audited)
The following nominal cost option PSP awards were granted in July 2022.

These awards vest in 2025 subject to performance relating to: (i) adjusted EPS targets as to 75% of the award; and (ii) relative TSR targets as to the remaining 25% of the award. The details of these targets are shown in the "Outstanding share plan awards" section below.

Director	Date of grant	Basis of award (% of salary)	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Ben Bramhall	1 July 2022	150%	£499,132	383,948	July 2025
Paul Cuff	1 July 2022	150%	£499,132	383,948	July 2025
Snehal Shah	1 July 2022	125%	£351,336	270,260	July 2025

1 Based on the share price of £1.30 on 30 June 2022.

Outstanding share plan awards (audited)
Details of all outstanding PSP awards made to Executive Directors are set out below:

Director	Date of grant	Exercise price	Interests held at 31 March 2022	Interests awarded during the year	Interests vested during the year	Interests lapsed during the year	Interests held at 31 March 2023	Vesting period
Ben Bramhall	18 September 2019	0.05p	313,043	–	156,521[1]	156,522	–	September 2022
	30 November 2020	0.05p	348,387	–	–	–	348,387	November 2023
	1 July 2021	0.05p	341,217	–	–	–	341,217	July 2024
	1 July 2022	0.05p	–	383,948	–	–	383,948	July 2025
Paul Cuff	18 September 2019	0.05p	313,043	–	156,521[2]	156,522	–	September 2022
	30 November 2020	0.05p	348,387	–	–	–	348,387	November 2023
	1 July 2021	0.05p	341,217	–	–	–	341,217	July 2024
	1 July 2022	0.05p	–	383,948	–	–	383,948	July 2025
Snehal Shah	18 September 2019	0.05p	259,239	–	129,619[3]	129,620	–	September 2022
	30 November 2020	0.05p	240,423	–	–	–	240,423	November 2023
	1 July 2021	0.05p	240,181	–	–	–	240,181	July 2024
	1 July 2022	0.05p	–	270,260	–	–	270,260	July 2025

1 On 12 October 2022, Ben Bramhall exercised awards over 156,521 shares granted on 18 September 2019 and sold 75,820 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.2925.

2 On 12 October 2022, Paul Cuff exercised awards over 156,521 shares granted on 18 September 2019 and sold 75,820 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.2925.

3 On 12 October 2022, Snehal Shah exercised awards over 129,619 shares granted on 18 September 2019 and sold 62,789 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £1.2925.

4 The highest mid-market price of the Company's ordinary shares during the year ended 31 March 2023 was £1.68 and the lowest was £1.145. The year-end price was £1.60.

Vesting outcomes for the FY 2021 PSP awards (granted in November 2020)
These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in November 2023 subject to performance relating to: (i) adjusted earnings per share (EPS) targets as to 50% of the award; and (ii) relative total shareholder return (TSR) targets as to the remaining 50% of the award.

The details of the EPS and TSR target ranges and performance against them are shown in the table below.

Diluted adjusted EPS for the three-year period to the end of FY 2023	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 3% above CPI	0%
CAG of 3% above CPI	25%
CAG of between 3% and 7% above CPI	Between 25% and 100% on a straight-line basis
CAG of 7% or more above CPI	100%
Actual performance[1]: CAG of 3.3% above CPI	33%

1 Measured by normalising to allow for the use of shares held by the EBT to settle bonus payments and the impact of IFRS 16, to ensure the outturn is an accurate reflection of operational performance.

XPS Pensions Group's TSR ranking vs a comparator group of companies	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%
Actual performance[2]: Above upper quartile	100%

2 Based on performance to the end of May. This is an estimate as TSR performance will be measured to the third anniversary of the date of grant which is 30 November 2023.

The TSR comparator group consists of the constituents of the FTSE Small Cap Index (excluding investment trusts) at the start of the performance period.

Based on the above the expected percentage of the total award vesting is 66.2% of maximum. Details of the shares under award and their estimated value (based on the three-month average share price at 31 March 2023 of 159.14p per share) are as follows:

Executive	Maximum number of shares	Number of shares to vest	Number of shares to lapse	Estimated value vesting £[1]
Ben Bramhall	348,387	230,632	117,755	367,030
Paul Cuff	348,387	230,632	117,755	367,030
Snehal Shah	240,423	159,160	81,263	253,288

1 Based on the three-month average share price to 31 March 2023.

The awards also receive the value of dividend equivalents.

FY 2022 PSP awards (granted in July 2021)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2024 subject to performance relating to: (i) adjusted earnings per share (EPS) targets as to 75% of the award; and (ii) relative total shareholder return (TSR) targets as to the remaining 25% of the award. The EPS target range was set considering both the internal and external expectations for EPS performance over the next three years. The details of the EPS and TSR target ranges are shown in the table below.

Diluted adjusted EPS[1] for the three-year period to the end of FY 2024	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 3% above CPI	0%
CAG of 3% above CPI	25%
CAG between 3% and 7% above CPI	Between 25% and 100% on a straight-line basis
CAG of 7% or more above CPI	100%

1 Measured by normalising for the impact of IFRS 16, to ensure the outturn is an accurate reflection of operational performance.

XPS Pensions Group's TSR ranking vs a comparator group[2] of companies	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%

2 The TSR Comparator Group consists of the constituents of the FTSE Small Cap Index (excluding investment trusts) at the start of the performance period.

FY 2023 PSP awards (granted in July 2022)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2025 subject to performance relating to: (i) adjusted earnings per share (EPS) targets as to 75% of the award; and (ii) relative total shareholder return (TSR) targets as to the remaining 25% of the award. The EPS target range was set considering both the internal and external expectations for EPS performance over the next three years. The details of the EPS and TSR target ranges are shown in the table below.

Diluted adjusted EPS[1] for the three-year period to the end of FY 2025	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 5%	0%
CAG of 5%	25%
CAG of between 5% and 10%	Between 25% and 100% on a straight-line basis
CAG of 10% or more	100%

1 Measured on a constant tax rate basis, to ensure the outturn is an accurate reflection of operational performance.

XPS Pensions Group's TSR ranking vs a comparator group[2] of companies	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%

2 The TSR Comparator Group consists of the constituents of the FTSE Small Cap Index (excluding investment trusts) at the start of the performance period.

External Board appointments

The Executive Directors did not hold any external directorships during the year. The approved Directors' Remuneration Policy makes provision for them to retain any fees for one appointment.

Payments to past Directors (audited)

There were no payments to past Directors in the financial year FY 2023 (FY 2022: £nil).

Payments for loss of office (audited)

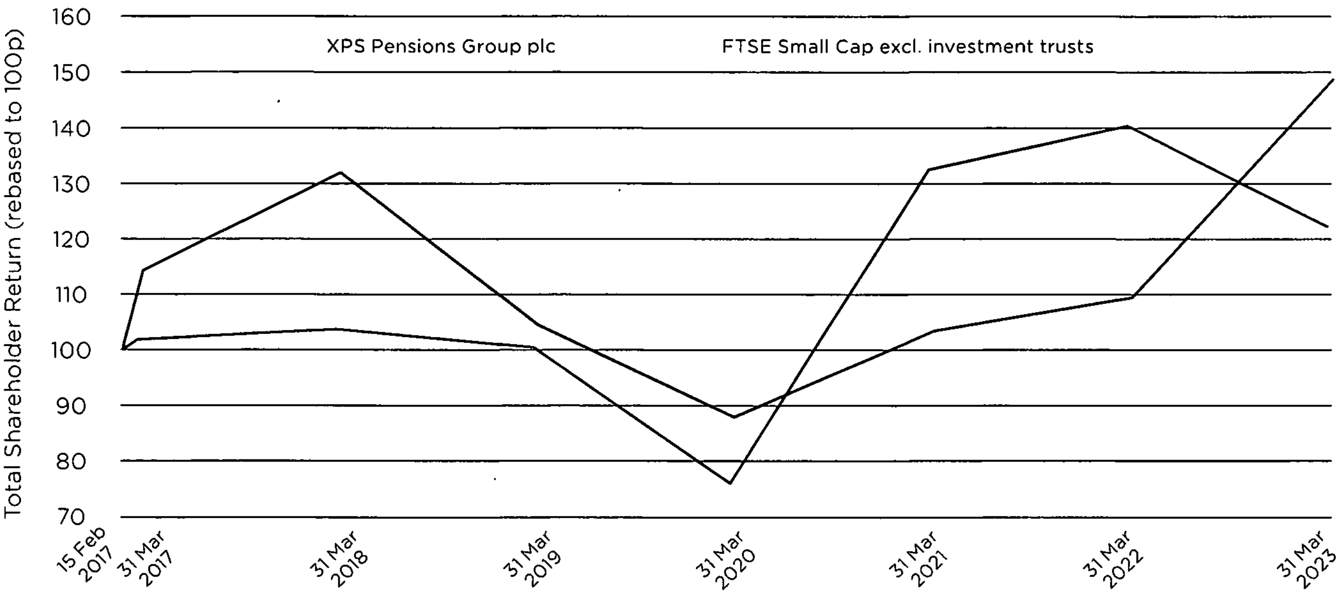
No payments were made to any Director in respect of loss of office in the financial year FY 2023 (FY 2022: £nil).

Review of past performance and CEO remuneration table (unaudited)

The graph below shows the TSR of the Company and the FTSE Small Cap Index (excluding investment trusts) over the period from admission to 31 March 2023. This is considered an appropriate comparator for XPS Pensions Group, which is a constituent of the FTSE Small Cap Index.

Total shareholder return

Source: Refinitiv Datastream



The table below shows the Co-CEOs' single total figure of remuneration since admission and the level (as a percentage of maximum award) of payouts under the incentive plans:

		Single total figure of remuneration	Annual bonus payout as % of maximum	Long-term incentive vesting rates as % of maximum
2023	**Ben Bramhall**	**£1,230,611**	**100%**	**66.2%**[1]
	Paul Cuff	**£1,230,411**	**100%**	**66.2%**[1]
2022	Ben Bramhall	£893,195	79%[2]	38%
	Paul Cuff	£892,995	79%[2]	38%
2021	Ben Bramhall	£692,741	68%	21%
	Paul Cuff	£692,541	68%	21%
2020	Ben Bramhall	£569,272	30%[3]	40%
	Paul Cuff	£569,272	30%[3]	40%
2019	Ben Bramhall	£362,803	12%[4]	n/a
	Paul Cuff	£362,803	12%[4]	n/a
2018	Ben Bramhall	£546,138	79%	n/a
	Paul Cuff	£545,724	79%	n/a
2017	Ben Bramhall	£286,882	31%	n/a
	Paul Cuff	£4,179,695	31%	n/a

1 The vesting rate relates to the November 2020 award that is due to vest in November 2023 and is, in part, based on estimated vesting levels at 31 March 2023.

2 The bonus was reduced with the agreement of the Co-CEOs from the formulaic outcome of 86%.

3 The bonus was reduced with the agreement of the Co-CEOs from the formulaic outcome of 50%.

4 The bonus was reduced with the agreement of the Co-CEOs from the formulaic outcome of 54%.

Percentage change in remuneration of Directors and employees (unaudited)

The table below presents the year on year % change in remuneration received by each Director, compared with the change in remuneration received by all XPS Pensions Group staff.

	Percentage change in remuneration from 31/03/2020 to 31/03/2021			Percentage change in remuneration from 31/03/2021 to 31/03/2022			**Percentage change in remuneration from 31/03/2022 to 31/03/2023**		
	Percentage change in base salary %	Percentage change in benefits %	Percentage change in bonus %	Percentage change in base salary %	Percentage change in benefits %	Percentage change in bonus %	**Percentage change in base salary %**	**Percentage change in benefits %**	**Percentage change in bonus %**
Ben Bramhall	0%	–	127%	9%	2%	27%	**6%**	**18%**	**29%**
Paul Cuff	0%	-2%	127%	9%	2%	27%	**6%**	**18%**	**29%**
Snehal Shah[1]	20%	23%	177%	9%	2%	27%	**6%**	**17%**	**29%**
Tom Cross Brown[2]	0%	–	–	0%	–	–	**(56%)**	**–**	**–**
Alan Bannatyne	0%	–	–	0%	–	–	**34%**	**–**	**–**
Margaret Snowdon OBE	4%	–	–	0%	–	–	**4%**	**–**	**–**
Sarah Ing[3]	14%	–	–	0%	–	–	**9%**	**–**	**–**
Aisling Kennedy[4]	–	–	–	–	–	–	**–**	**–**	**–**
All UK employees	3.2%	1%	68%	5.9%	(2)%	14%	**10%**	**4%**	**46%**

1 Snehal Shah was appointed as a Director on 28 May 2019; accordingly the percentage difference shown represents a comparison between a full year (FY 2021) and a part year (FY 2020).

2 Tom Cross Brown stepped down as a Director on 8 September 2022; accordingly the percentage difference shown represents a comparison between a full year (FY 2022) and a part year (FY 2023).

3 Sarah Ing was appointed as Non-Executive Director on 17 May 2019; accordingly the percentage difference shown represents a comparison between a full year (FY 2021) and a part year (FY 2020).

4 Aisling Kennedy was appointed as Non-Executive Director on 22 February 2023.

CEO pay (unaudited)

The table below sets out the pay ratios for the Group Co-Chief Executive Officers in relation to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time basis).

Year	Method		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	**Option A**	**Total pay ratio**	**40:1**	**29:1**	**21:1**
2022	Option A	Total pay ratio	31:1	22:1	15:1
2021	Option A	Total pay ratio	27:1	19:1	13:1
2020	Option A	Total pay ratio	24:1	13:1	11:1

1 The Company determined the remuneration figures at each quartile with reference to a date of 31 March 2023.

2 The Group used calculation option A as this is widely regarded as the method resulting in the most robust analysis.

3 The calculation is based on full-time equivalent salary calculated on the same basis as the single figure table.

4 This year the ratios have increased compared to the previous year. This increase reflects the increase in the Co-CEOs' single figure of remuneration for 2023, which can be found on page 95.

5 The Committee has reviewed the employee data and believes the median pay ratio to be consistent with the pay, reward and progression policies for the Company's UK employees over the period.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, median and 75th percentile are shown below:

£	25th percentile	Median	75th percentile
Salary	£28,000	£37,642	£52,400
Total pay and benefits	£30,765	£41,880	£59,822

Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between FY 2022 and FY 2023 as detailed in note 10 of the financial statements, compared with distributions to shareholders by way of dividends, share buybacks or any other significant distributions or payments. These figures have been calculated in line with those in the audited financial statements.

£'000	FY 2023	FY 2022	% change
Total gross staff pay	**83,009**	68,222	22
Distributions to shareholders	**15,331**	13,831	11

Statement of shareholder voting (unaudited)

The table below shows the outcome of the binding vote on the Directors' Remuneration Policy at the Annual General Meeting held on 8 September 2020 and the advisory vote on the FY 2022 Directors' Remuneration Report held on 8 September 2022.

AGM resolution	Votes for	%	Votes against	Votes withheld
Directors' Remuneration Policy	160,263,927	96.06	6,575,827	3,625
Directors' Remuneration Report	156,173,209	95.78	6,875,925	3,612,228

Implementation of Policy for FY 2024 (unaudited information)

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in the year ending 31 March 2024.

Base salary

Base salaries are as follows with effect from 1 April 2023:

- Ben Bramhall - £356,048;
- Paul Cuff - £356,048; and
- Snehal Shah - £300,744.

Benefits in kind

Benefits will be paid in line with the Directors' Remuneration Policy. Details of the benefits received by Executive Directors are set out in the single figure table on page 95. There is no intention to introduce additional benefits in 2023/24.

Pension

Contribution rates are currently 6% of base salary. Contributions may be made as cash supplements in full or in part. These contributions are in line with those for the majority of employees in the Group.

Annual bonus

Bonus maxima of 150% of salary will be applied for the Co-Chief Executive Officers and 125% for the Chief Financial Officer.

The weightings are as follows: 75% of the bonus will be payable by reference to performance based on adjusted PBT, with performance against personal/strategic targets determining the extent to which the remaining 25% of the overall bonus opportunity is payable.

In addition:

- no bonus will be payable unless the Committee is satisfied that the Company's underlying performance warrants it; and
- as set out in the Policy table, bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it may adjust the bonus outturn accordingly.

Owing to the Board's concerns about commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, provided disclosure of targets is not deemed to be commercially sensitive, make appropriate and relevant levels of disclosure of bonus targets and performance against these targets for the 2023/24 bonus in next year's report. The targets will be set to ensure both consistency and fairness to all stakeholders.

Implementation of Policy for FY 2024 (unaudited information) continued

PSP awards

As outlined in the Committee Chair's Statement, it is intended that the Co-CEOs and the CFO will receive awards under the PSP comprising a main award of 150% and 125% of salary respectively and a one-off additional award of 25% of salary.

Vesting of both awards will be based on the measures as summarised in the tables below, with performance measured over a three-year period.

For the main award, there are three performance criteria, based on EPS, relative TSR performance and on a newly incorporated ESG measure. The vesting of 70% of the shares under this award will be subject to EPS performance, 20% will be subject to relative total shareholder return and the remaining 10% is based on an ESG metric.

The details of the EPS and TSR target ranges are shown in the table below.

Diluted adjusted EPS for the three-year period to the end of FY 2026	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 5%	0%
CAG of 5%	25%
CAG of between 5% and 10%	Between 25% and 100% on a straight-line basis
CAG of 10% or more	100%

1 Measured on a constant tax rate basis, to ensure the outturn is an accurate reflection of operational performance.

The EPS target range was set considering both the internal and external expectations for EPS performance over the next three years.

XPS Pensions Group's TSR ranking vs a comparator group of companies	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100% on a straight-line basis
Upper quartile	100%

The TSR comparator group consists of the constituents of the FTSE Small Cap Index (excluding investment trusts) at the start of the performance period.

As at the date of this report the ESG-related targets are still being finalised. These will be fully disclosed in next year's report.

For the additional award, vesting will be fully based on EPS performance. The details of the EPS target range is shown in the table below.

Diluted adjusted EPS for the three-year period to the end of FY 2026	Portion of award vesting
CAG of 10%	0%
CAG of between 10% and 15%	Between 25% and 100% on a straight-line basis
CAG of 15% or more	100%

1 Measured on a constant tax rate basis, to ensure the outturn is an accurate reflection of operational performance.

The EPS performance range of the additional award has been set to ensure vesting will occur only once the EPS element of the main award has vested in full.

Minimum shareholding requirement

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in the Group over time. The minimum shareholding requirement for Executive Directors is 200% of base salary for the Co-CEOs and for the CFO.

In addition, Executive Directors will be required to maintain their full minimum shareholding requirement for one year post-cessation of employment, and hold 50% of the requirement for a second year.

The Chairman's and the Non-Executive Directors' fees

Alan Bannatyne receives an annual fee of £120,000 for his role as Board Chairman.

The Non-Executive Directors are entitled to a fee of £60,000 p.a., with an additional fee of £10,000 p.a. for the Chair of the Audit & Risk Committee and £5,000 p.a. for each of the Senior Independent Director, Chair of the Remuneration Committee, Chair of the Sustainability Committee and Designated Employee Engagement Non-Executive Director.

This report was reviewed and approved by the Board of Directors on 21 June 2023 and was signed on its behalf by:

Margaret Snowdon OBE
Chair of the Remuneration Committee
21 June 2023

The Directors present their Annual Report on the activities of XPS Pensions Group plc (the "Group"), together with the audited financial statements for the year ended 31 March 2023.

The Governance section on pages 56 to 104 forms part of this Directors' Report. Other requisite components of this report are set out elsewhere in this Annual Report.

The Strategic Report provides information relating to the Group's activities, its business and strategy, engagement with stakeholders, the principal risks and uncertainties faced by the business and environmental and employee matters. These sections, together with the Statement of Corporate Governance and Directors' Remuneration Report, provide an overview of the Group and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's position and prospects. These reports and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with such reports shall be subject to the limitations and restrictions provided by such law.

XPS Pensions Group plc is a member of the FTSE All-Share Index, trading under the ticker symbol XAF.

The table on page 101 details where certain other information, which forms part of the Directors' Report, can be found within this Annual Report.

Going concern

Please refer to the Going Concern Statement in the Strategic Report on page 45 and the Viability Statement on page 51 for details on the assessment carried out by the Directors with regard to going concern.

Results and dividend

The Group's audited financial statements for the year ended 31 March 2023 are set out on pages 112 to 149 and the Company's audited financial statements are set out on pages 150 to 156. The Group's profit after taxation for the year ended 31 March 2023 was £15.8 million (FY 2022: £9.4 million).

An interim dividend of 2.7p per ordinary share (FY 2022: 2.4p) was paid on 2 February 2023. The Directors recommend a final dividend for the year of 5.7p per ordinary share (FY 2022: 4.8p) to be paid on 21 September 2023 to shareholders on the register on 25 August 2023. Further information regarding dividend policy and payments can be found in the Financial Review on page 45 and in note 36 to the financial statements on page 149.

Post balance sheet events

There have been no significant post balance sheet events to report since 31 March 2023.

Directors

The current Directors of the Company, with summaries of their key skills and experience, are set out in the Governance section on pages 58 and 59. Directors on the Board during the year and up to the date of this report are as follows:

Alan Bannatyne
Ben Bramhall
Paul Cuff
Snehal Shah
Margaret Snowdon OBE
Sarah Ing
Aisling Kennedy
(appointed 22 February 2023)
Tom Cross Brown
(resigned 8 September 2022)

Details of the Directors' service contracts are shown in the report of the Remuneration Committee on pages 86 to 87.

Details of share options granted to Directors and the interests of the Directors in the ordinary shares of the Company are set out in the Remuneration Report on pages 91 to 94.

In accordance with its Articles of Association, the Company made qualifying third party indemnity provisions for the benefit of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by company law, which were in place throughout the year and remain in force at the date of this report. In addition, Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense and remains in force at the date of this report.

Information	Location within Annual Report
Likely future developments in the business of the Company	Strategic Report (pages 14 to 15)
Inclusion and diversity	Sustainability (pages 31 to 33), Nomination Committee (pages 68 to 69)
Employee involvement	Sustainability (pages 30 to 33), Co-Chief Executive Officers' Review (page 21), S172 Statement (pages 24 to 25) and Statement of Corporate Governance (page 57)
Directors' share interests	Directors' Remuneration Report (page 91)
Emissions and energy consumption	Strategic Report (page 41)
Financial risk management objectives and policies	Note 2 to the financial statements (pages 125 to 126)
Directors' regard to foster business relationships	Strategic Report (page 24)

Capital structure

The Company's issued ordinary share capital and total voting rights at 31 March 2023 and the date of this report were 207,443,140 ordinary shares (each with a par value of 0.05p and all fully paid). There were no ordinary shares held in treasury. As at 31 March 2023 1,016,215 ordinary shares were held in the Employee Benefit Trust, and as at the date of this report, 1,881,677 shares were held in the Employee Benefit Trust. Further details of the Company's issued share capital are given in note 28 of the financial statements on page 142.

The Company's ordinary shares rank pari passu in all respects with each other, including for voting purposes and for all dividends. Each share carries the right to one vote at general meetings of the Company. Further information on the voting and other rights of shareholders, including deadlines for exercising voting rights, are set out in the Company's Articles of Association and in the explanatory notes that accompany the Notice of the Annual General Meeting, which are available on the Company's website at www.xpsgroup.com.

Restrictions on shares

The Company's ordinary shares are freely transferable and there are no restrictions on the size of a holding. Transfers of shares are governed by the provisions of the Articles of Association and prevailing legislation. The ordinary shares are not redeemable; however, the Company may purchase any of the ordinary shares, subject to prevailing legislation and the requirements of the Listing Rules.

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. Awards of shares under the Company's Performance Share Plan incentive arrangement are subject to restrictions on the transfer of shares prior to vesting.

As at the date of this report, the Trustee of the Group's Employee Benefit Trust holds 1,881,677 ordinary shares in the Company but has waived its entitlement to dividends and does not seek to exercise the voting rights on those shares.

Major interests in shares

The table on page 102 shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules as at 31 March 2023 and 31 May 2023 (being the latest practicable date prior to publication of this Annual Report).

Appointment and retirement of Directors

The Board may from time to time appoint one or more additional Directors so long as the total number of Directors does not exceed the limit of 12 prescribed in the Articles of Association. Any person so appointed will retire at the next Annual General Meeting and then be eligible for re-election. The UK Corporate Governance Code recommends that all Directors be subject to annual re-election by shareholders. All Directors will offer themselves for re-election at the 2023 Annual General Meeting.

Powers of Directors

The business of the Company shall be managed by the Directors, who may exercise all powers of the Company, subject to legislation, the provisions of the Articles of Association and any directions given by special resolution. The Articles of Association contain specific provisions governing the Company's power to borrow money and also provide the powers to issue shares and to make purchases of its own shares. In accordance with the authorities granted at the 2022 Annual General Meeting, the Directors are authorised, within certain limits, to allot shares or grant rights to subscribe for shares in the Company and to make market purchases of the Company's own shares representing up to 10% of its share capital at that time. Details of the proposed renewal of authorities of the Directors are set out in the Notice of the 2023 Annual General Meeting.

Political donations

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (FY 2022: £nil).

Provisions on change of control

The Company is subject to a change of control provision in the following significant agreement:

The Company's £100 million agreement with HSBC Bank plc, National Westminster Bank plc, Bank of Ireland and Citibank in multicurrency revolving facilities, with a further uncommitted facility of up to £50 million, includes a customary provision for a lending counterparty to amend, alter or cancel the relevant commitment to the Group following a change of control of the Company.

The Company does not have agreements with any Director or employee that would provide specific compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's Performance Share Plan incentive arrangement may cause awards to vest on a takeover.

Articles of Association

A copy of the full Articles of Association is available on the Company's website. The Company's Articles of Association may only be amended by a special resolution of shareholders in a general meeting.

Auditor and disclosure of information to the auditor

In accordance with Section 418 of the Companies Act 2006, each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Company's auditor, BDO LLP, has expressed its willingness to continue in office and the Board has agreed, based on the recommendation of the Audit & Risk Committee, that a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

Details of the forthcoming Annual General Meeting are given in the Statement of Corporate Governance on page 64.

	At 31 March 2023		At 31 May 2023	
Shareholder	**Number of ordinary shares**	**Percentage of total voting rights**	Number of ordinary shares	Percentage of total voting rights
Gresham House Asset Management	**32,916,624**	**15.87**	34,611,219	16.68
Punter Southall Financial Management	**22,543,887**	**10.87**	22,543,887	10.87
Fidelity International	**19,175,200**	**9.24**	15,903,547	7.67
Schroder Investment Management	**14,070,641**	**6.78**	14,070,641	6.78
Premier Miton Investors	**13,799,259**	**6.65**	11,769,259	5.67
Aberforth Partners	**11,385,147**	**5.49**	10,492,647	5.06

Listing Rule (LR) disclosures

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Interest capitalised	None
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Details of the Company's long-term incentive scheme can be found in the Remuneration Committee Report on page 81
Waiver of emoluments by a Director	None
Waiver of future emoluments by a Director	None
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Contracts of significance in which a Director is or was interested	None
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividend for the year and future dividends	Dividend waiver by the Trustee of the Group's Employee Benefit Trust - see page 101 of this report
Agreements with controlling shareholder	Not applicable

The Directors' Report was approved by the Board of Directors of XPS Pensions Group plc.

By order of the Board:

Snehal Shah
Chief Financial Officer
21 June 2023

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements and have elected to prepare the Company financial statements in accordance with UK adopted International Financial Reporting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted International Financial Reporting Standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of the Directors in respect of the Annual Report

As required by the UK Corporate Governance Code, the Directors confirm 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 and performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes, including the following:

- the Annual Report is drafted by appropriate senior management with overall co-ordination by Internal Communications and Company Secretarial teams to ensure consistency across sections;
- an extensive verification process is undertaken to ensure factual accuracy;
- comprehensive reviews of drafts of the Annual Report are undertaken by members of the Executive Board and senior management team; and
- the final draft is reviewed by the Audit & Risk Committee prior to consideration by the Board.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the Group financial statements, prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company as a whole, together with a description of the principal risks and uncertainties that they face.

Snehal Shah
Chief Financial Officer
21 June 2023

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of XPS Pensions Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Financial Position - Company, Statement of Changes in Equity - Company, Statement of Cash Flows - Company and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the directors on 28 October 2016 to audit the financial statements for the year ended 31 March 2017 and subsequent financial periods. Prior to the listing of the Parent Company, we were the auditors for the three years ended 31 March 2014 to 31 March 2016. The period of total uninterrupted engagement including retenders and reappointments is ten years, covering the years ended 31 March 2014 to 31 March 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Directors' going concern assessment and forecasts including the reasonableness of their assumptions applied and reverse stress case sensitivities using our knowledge of the business;
- Assessing the reasonableness of assumptions, by review and challenge, through enquiry and consideration of historical performance, applied by the Directors' in preparation of cash flow forecasts, including growth assumptions and movements in headcount and base costs, and the Group's ability to meet working capital requirements over the going concern period. We also assessed the period to May 2023 actuals against forecast;
- Reviewing the terms and period of the Group's bank facility agreement and consideration of the sufficiency of the facility available;
- Considering the Group's compliance with banking covenants and related headroom in light of the Directors' reverse stress test assessment;
- Considering the options available to the Directors' to mitigate the impact of reverse stress test scenarios and whether such actions are within their control; and
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure with the forecasts and reverse stress test assessment prepared by the Directors.

Conclusions relating to going concern continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	96% (FY 2022: 100%) of Group profit before tax 96% (FY 2022: 100%) of Group revenue 100% (FY 2022: 100%) of Group total assets 81% (FY 2022: 100%) of Group EBITDA (EBITDA - calculated as profit before tax, less depreciation, amortisation and finance costs)		
Key audit matters		**2023**	2022
	Year-end revenue recognition (accrued income) for core pension services		
Materiality	Group financial statements as a whole 2023: £1,000,000 based on 3% of EBITDA. 2022: £900,000 based on 3% of EBITDA.		

An overview of the scope of our audit

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

Significant components:

Component	Type of work performed
XPS Pensions Consulting Limited	Full scope audit
XPS Pensions Limited	Full scope audit
XPS Investment Limited	Full scope audit
XPS Administration Limited	Full scope audit

Non-significant components:

Other than the four significant components noted above, there were 12 other components within the Group which formed part of our Group audit.

The following three non-significant components were subjected to a full scope audit on account of them being part of a non-small group and being entities that do not avail themselves of a parental guarantee from audit under s479A of the Companies Act 2006:

Component	Type of work performed
Xafinity SIPP Services Limited	Full scope audit
XPS Pensions Group plc	Full scope audit
XPS Consulting (Reading) Limited	Full scope audit

All 9 of the remaining non-significant components were subjected to desktop review procedures. All audit work on all entities (significant and non-significant) was undertaken by the Group audit team.

An overview of the scope of our audit continued

Climate change

Our work on the assessment of potential impacts on climate-related risks on the XPS Pensions Group plc operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the Annual Report;
- Reviewing management's SECR report and supporting workings to check that the climate change disclosure ties into the disclosures presented in the financial statements as required;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit & Risk Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in strategic report may affect the financial statements and our audit.
- We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment and viability assessment;
- We also assessed the consistency of management's disclosures included as Statutory Other Information' on page 52 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Year-end revenue recognition (accrued income) for core pension services The accounting policy for revenue is disclosed in note 1 of the consolidated financial statements. The segmental information relating to Group revenue is disclosed in note 8 to the consolidated financial statements.	The risk of fraudulent revenue recognition arises from core pension services (excluding triennial and investment strategic review services). Management applies judgements and estimates concerning the completeness, existence and valuation of revenue around year end, specifically accrued income, therefore a risk of material misstatement exists in order to meet current or future financial targets or performance related bonuses. This results in core pensions services year end accrued income, excluding triennial and investment strategic review services being assessed as a significant risk of material misstatement and a key audit matter.	Year-end recognition was assessed by selecting a sample of accrued income balances from the accrued income listing and agreeing back to contract with the clients, underlying timesheet data, invoice, and where possible, subsequent receipt of payment. The above procedures supported the individual accrued income valuation judgements applied as well as existence of the balances. Post year end revenue recognised was sampled and agreed back to underlying documentation to check that revenue was recognised in the correct period, and to check that accrued income was at the year end, complete. We identified outliers in the journals population that were posted to revenue and accrued income based on our knowledge of the Group, corroborating them back to supporting documentation to determine the validity thereof. **Key observations:** Based on the procedures undertaken, we did not identify any evidence that core pensions services revenue recognised associated with accrued income (excluding triennial and investment strategic review services) had not been recognised in the correct period or at the correct value via the accrued income entries. The judgements and estimates applied were consistent with our expectations.

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

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

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

	Group financial statements		Parent company financial statements	
	2023	2022	2023	2022
Materiality	£1,000,000	£900,000	£750,000	£360,000
Basis for determining materiality	3% of EBITDA	3% of EBITDA	75% of Group materiality	40% of Group materiality
Rationale for the benchmark applied	EBITDA is considered to be the benchmark that is of the most interest of the majority of users of the financial statements based on investor and stakeholder expectations.	EBITDA is considered to be the benchmark that is of the most interest of the majority of the users of the financial statements based on investor and stakeholder expectations.	75% of Group materiality given the assessment of the component's aggregation risk.	40% of Group materiality given the assessment of the component's aggregation risk.
Performance materiality	£700,000	£650,000	£525,000	£252,000
Basis for determining performance materiality	70%	70%	70%	70%
Rationale for the percentage applied for performance materiality	These thresholds are based on our knowledge of the Group and Parent Company, control environment over financial reporting, history of misstatements in previous periods and management's attitude to proposed adjustments.			

Component materiality
We set materiality for each significant component of the Group based on a percentage of between 36% and 62% (FY 2022: 22% and 75%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £360,000 to £620,000 (FY 2022: £200,000 to £675,000), with aggregation risk considered. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £40,000 (FY2022:£40,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 45 and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 51.
Other Code provisions	• The Directors' statement on fair, balanced and understandable asset out on page 104; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 51; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on pages 46 to 51; and • The section describing the work of the Audit & Risk Committee asset out on pages 70-73

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, Listing Rules, Companies Act 2006, labour regulations and tax laws in key territories which the Group operates.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, employment law, consumer rights Act and other consumer laws and regulations and the Financial Conduct Authority Regulations including client money rules.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and the Audit & Risk Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering how remuneration schemes and performance targets may create incentives for fraud and considering the related financial statement areas susceptible to manipulation as a result of these.

Auditor's responsibilities for the audit of the financial statements continued

Fraud continued

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls revenue recognition (specifically accrued income and both the existence and valuation of this balance (overstatement) but also the completeness and valuation (understatement), for the core pensions business, excluding triennial and investment strategic reviews).

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- In response to the risk of fraud in revenue recognition we have performed the procedures set out in the key audit matters section of our report;
- Assessing significant estimates made by management for bias including key areas of estimation uncertainty or judgement, for example; deferred revenue and revenue recognition, impairment of goodwill and intangibles, provisions, recoverability of trade receivables including intracompany balances and the existence, completeness and valuation of accrued income at the year-end.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
21 June 2023

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 2023

	Note	Year ended 31 March 2023 Trading items £'000	Year ended 31 March 2023 Non-trading and exceptional items £'000	Year ended 31 March 2023 Total £'000	Year ended 31 March 2022 Trading items £'000	Year ended 31 March 2022 Non-trading and exceptional items £'000	Year ended 31 March 2022 Total £'000
Revenue	8	**166,596**	**—**	**166,596**	138,622	—	138,622
Other operating income	4	**—**	**197**	**197**	—	—	—
Operating expenses	9	**(129,652)**	**(14,413)**	**(144,065)**	(109,826)	(9,808)	(119,634)
Profit/(loss) from operating activities		**36,944**	**(14,216)**	**22,728**	28,796	(9,808)	18,988
Finance income	14	**10**	**—**	**10**	—	—	—
Finance costs	14	**(3,596)**	**—**	**(3,596)**	(2,047)	—	(2,047)
Profit/(loss) before tax		**33,358**	**(14,216)**	**19,142**	26,749	(9,808)	16,941
Income tax (expense)/credit	15	**(6,215)**	**2,910**	**(3,305)**	(4,988)	(2,530)	(7,518)
Profit/(loss) after tax and total comprehensive income/(loss) for the year		**27,143**	**(11,306)**	**15,837**	21,761	(12,338)	9,423
Memo							
EBITDA		**42,448**	**(7,334)**	**35,114**	34,139	(3,229)	30,910
Depreciation & amortisation		**(5,504)**	**(6,882)**	**(12,386)**	(5,343)	(6,579)	(11,922)
Profit/(loss) from operating activities		**36,944**	**(14,216)**	**22,728**	28,796	(9,808)	18,988

		Pence		**Pence**	Pence		Pence
Earnings per share attributable to the ordinary equity holders of the Company:		**Adjusted**			Adjusted		
Profit or loss:							
Basic earnings per share	34	**13.2**	**—**	**7.7**	10.7	—	4.6
Diluted earnings per share	34	**12.6**	**—**	**7.3**	10.2	—	4.4

The notes on pages 116 to 149 form part of these financial statements.

Consolidated statement of financial position
as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**3,079**	3,187
Right-of-use assets	31	**9,684**	10,927
Intangible assets	17	**212,103**	206,800
Other financial assets	19	**1,847**	1,814
		226,713	222,728
Current assets			
Trade and other receivables	20	**43,765**	38,776
Cash and cash equivalents	21	**13,285**	10,150
		57,050	48,926
Total assets		**283,763**	271,654
Liabilities			
Non-current liabilities			
Loans and borrowings	22	**67,310**	63,309
Lease liabilities	31	**7,234**	8,935
Provisions	26	**1,869**	1,781
Trade and other payables	24	**845**	—
Deferred income tax liabilities	18	**18,445**	18,966
		95,703	92,991
Current liabilities			
Lease liabilities	31	**2,701**	2,745
Provisions	26	**2,009**	1,236
Trade and other payables	24	**31,218**	27,275
Current income tax liabilities	25	**2,280**	2,207
Deferred consideration	27	**568**	765
		38,776	34,228
Total liabilities		**134,479**	127,219
Net assets		**149,284**	144,435
Equity and liabilities			
Equity attributable to owners of the Parent			
Share capital	28	**104**	103
Share premium	29	**1,786**	116,804
Merger relief reserve	29	**48,687**	48,687
Investment in own shares held in trust	29	**(1,350)**	(4,157)
Retained earnings/(accumulated deficit)	29	**100,057**	(17,002)
Total equity		**149,284**	144,435

Deferred tax in the prior year has been restated - see note 18 for details.

The notes on pages 116 to 149 form part of these financial statements.

The financial statements were approved by the Board of Directors on 21 June 2023 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
21 June 2023

Registered number: 08279139

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Investment in own shares £'000	(Accumulated deficit)/ retained earnings £'000	Total equity £'000
Balance at 1 April 2021	103	116,797	48,687	(2,563)	(13,958)	149,066
Comprehensive income and total comprehensive income for the year	–	–	–	–	9,423	9,423
Contributions by and distributions to owners:						
Share capital issued	–	7	–	–	–	7
Dividends paid (note 36)	–	–	–	–	(13,831)	(13,831)
Dividend equivalents paid on exercised share options	–	–	–	–	(268)	(268)
Shares purchased by Employee Benefit Trust for cash	–	–	–	(3,324)	–	(3,324)
Share-based payment expense - equity settled from Employee Benefit Trust	–	–	–	1,730	(1,704)	26
Share-based payment expense - IFRS 2 charge (note 13)	–	–	–	–	3,343	3,343
Deferred tax movement in respect of share-based payment expense (note 18)	–	–	–	–	(7)	(7)
Total contributions by and distributions to owners	–	7	–	(1,594)	(12,467)	(14,054)
Balance at 31 March 2022	103	116,804	48,687	(4,157)	(17,002)	144,435
Balance at 1 April 2022	103	116,804	48,687	(4,157)	(17,002)	144,435
Comprehensive income and total comprehensive income for the year	–	–	–	–	15,837	15,837
Contributions by and distributions to owners:						
Share capital issued	1	1,786	–	–	–	1,787
Share premium reduction	–	(116,804)	–	–	116,804	–
Dividends paid (note 36)	–	–	–	–	(15,331)	(15,331)
Dividend equivalents paid on exercised share options	–	–	–	–	(549)	(549)
Shares purchased by Employee Benefit Trust for cash	–	–	–	(2,200)	–	(2,200)
Share-based payment expense - equity settled from Employee Benefit Trust	–	–	–	5,007	(4,137)	870
Share-based payment expense - IFRS 2 charge (note 13)	–	–	–	–	3,892	3,892
Deferred tax movement in respect of share-based payment expense (note 18)	–	–	–	–	258	258
Current tax movement in respect of share-based payment expense	–	–	–	–	285	285
Total contributions by and distributions to owners	1	(115,018)	–	2,807	101,222	(10,988)
Balance at 31 March 2023	**104**	**1,786**	**48,687**	**(1,350)**	**100,057**	**149,284**

The notes on pages 116 to 149 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2023

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash flows from operating activities			
Profit for the year		**15,837**	9,423
Adjustments for:			
Depreciation	16	**897**	842
Depreciation of right-of-use assets	31	**2,854**	3,046
Amortisation	17	**8,635**	8,034
Finance income	14	**(10)**	—
Finance costs	14	**3,596**	2,047
Share-based payment expense	13	**3,892**	3,343
Other operating income	4	**(197)**	—
Income tax expense	15	**3,305**	7,518
		38,809	34,253
Increase in trade and other receivables		**(3,432)**	(3,982)
Increase in trade and other payables		**3,603**	2,315
Increase/(decrease) in provisions		**442**	(65)
		39,422	32,521
Income tax paid		**(4,866)**	(3,862)
Net cash inflow from operating activities		**34,556**	28,659
Cash flows from investing activities			
Finance income received	14	**10**	—
Acquisition of other intangible assets		**—**	(1,469)
Acquisition of subsidiary, net of cash acquired	7	**(8,268)**	—
Purchases of property, plant and equipment	16	**(640)**	(1,050)
Purchases of software	17	**(4,814)**	(6,820)
Increase in restricted cash balances - other financial assets	19	**(33)**	(34)
Net cash outflow from investing activities		**(13,745)**	(9,373)
Cash flows from financing activities			
Proceeds from the issue of share capital	28	**1,787**	7
Proceeds from loans net of capitalised costs		**11,000**	5,895
Repayment of loans		**(7,000)**	(2,000)
Sale of own shares		**870**	26
Purchase of ordinary shares by EBT		**(2,200)**	(3,324)
Interest paid		**(2,985)**	(1,222)
Lease interest paid		**(311)**	(299)
Payment of lease liabilities		**(2,957)**	(2,743)
Dividends paid to the holders of the Parent		**(15,331)**	(13,831)
Dividend equivalents paid on exercise of share options		**(549)**	(268)
Net cash outflow from financing activities		**(17,676)**	(17,759)
Net increase in cash and cash equivalents		**3,135**	1,527
Cash and cash equivalents at start of year		**10,150**	8,623
Cash and cash equivalents at end of year	21	**13,285**	10,150

The notes on pages 116 to 149 form part of these financial statements.

1 Accounting policies

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the going concern basis.

The preparation of financial statements in accordance with the requirements of International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this section.

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

Functional and presentation currency

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

Measurement convention

The financial information is prepared on the historical cost basis except for the measurement of contingent consideration.

Basis of consolidation

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

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

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and by other parties;
- other contractual arrangements; and
- historical patterns in voting attendance.

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

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date, with the exception of right-of-use assets and lease liabilities, which are measured at the present value of the lease liability discounted at acquisition date incremental borrowing rate (a rate that represents the amount that would be charged to acquire an asset of similar value for a similar period), with an adjustment to right-of-use assets to reflect favourable/non-favourable lease terms. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Property, plant and equipment

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

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

• Office equipment	3 to 10 years
• Leasehold improvements	Over remaining life of the lease
• Fixtures and fittings	3 to 10 years

1 Accounting policies continued

Going concern

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

The Directors have prepared cash flow forecasts up to 31 October 2024, which includes the 12-month period from the date of approval of these financial statements. These forecasts show that during that period the Group is expected to generate sufficient cash from its operations to settle its liabilities as they fall due without the requirement for additional borrowings. Additionally, the Directors have modelled a scenario at which the banking covenants could potentially be breached, which is the point where going concern could be threatened. This period has been chosen as October is the lowest point in the Group's working capital and cash cycle. Inflationary increases have been modelled using the OBR inflation forecasts for that period, and interest rate increase has been included in the forecasts based on latest market projections. In this scenario, revenue is modelled to decrease significantly, partially offset with a reduction in staff bonuses. The headroom between this scenario and current performance, and the budget, is significant and a decrease of this magnitude is considered to be extremely unlikely. In addition, the Group has several additional cost reduction and cash preservation levers it could utilise, which include managing staff costs through a hiring freeze or reduction in workforce, a reduction in capital expenditure, and a reduction of dividends.

The Group's banking facility is in place until October 2026 and gives the Group access to a Revolving Credit Facility of £100 million with an accordion of £50 million. The facility is subject to two covenants - net leverage and interest cover. These covenants were not breached during the financial year, nor are any breaches forecast. The Group does not have any non-financial covenants.

The Directors have reviewed the historical accuracy of the Group's budgets. The Group's performance was compared to the budget, and actual revenue was within 3% of the forecast figure, and adjusted profit after tax was within 8% of the forecast figure. Actual results were ahead of forecast in both cases. This demonstrates that the Group's forecasting process is at a sufficient standard to be able to place reliance on it when making a going concern assessment. Post-year-end trading is in line with forecasts. The Directors, after reviewing the Group's budget and longer-term forecast models, including the worst case scenario referred to above, conclude that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

In terms of the wider macroeconomic and financial situation, the Group does not have any clients in Russia, and so has not had any direct impact from the sanctions or restrictions imposed on Russian owned firms. The main impact on the Group of the current global situation therefore is the high level of inflation currently being experienced in the UK, and also the related increases in interest rates. The Group is largely protected from a high inflation environment because of its contractual ability to increase revenue from the majority of customers by an amount linked to inflation. Whilst higher interest rates have led to higher finance expenses, this has been modelled in the Group's forecasts and is not considered a significant risk.

Intangible assets and goodwill

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

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

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

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

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

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

1 Accounting policies continued

Intangible assets and goodwill continued

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

• Goodwill	Indefinite life
• Customer relationships[1]	10 years, straight-line method
• Brands[2]	10 years, straight-line method
• Software	3 to 5 years, straight-line method

1 Except for pensions and investment customer relationships acquired as part of the Punter Southall acquisition, customer relationships recognised in 2013, and the Penfida customer relationships recognised on acquisition in FY 2023, all of which have an estimated useful life of 20 years, on a straight-line basis.

2 Except for the Penfida brand acquired in September 2022, which has an estimated useful life of 2 years, on a straight-line basis.

Contingent consideration

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

Contingent consideration is assessed against the criteria detailed in IFRS 3 Business Combinations, and subject to the outcome of this the consideration may be classed as post-acquisition remuneration, in which case it will be expensed through the income statement over the appropriate timeframe.

Impairment of non-financial assets

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

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Amortised cost

Amortised cost includes non-derivative financial assets where they are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and those contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. These assets are included in non-current assets if their maturity is greater than 12 months. Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Any impairment required is recorded in the statement of comprehensive income.

Cash and cash equivalents comprise cash balances and call deposits

Restricted cash is cash which the Group is not entitled to receive, withdraw, transfer or otherwise deal with the deposit, save as expressly permitted by the blocked account agreement during the security period. The blocked account agreement is required due to regulatory rules on Master Trusts. The security period is the period beginning on the date of the deed and ending on the date on which the beneficiary is satisfied that the secured liabilities have been irrevocably and unconditionally paid and discharged in full and all agreements which might give rise to secured liabilities have terminated. The restricted cash has been included in non-current assets as it is expected that the cash will remain in the blocked account for more than 12 months after the end of the reporting period. As such, it is not included in cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows.

1 Accounting policies continued

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

Fair value through profit or loss
This category comprises contingent consideration. The contingent consideration is carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

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

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

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

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

Professional indemnity provisions relate to complaints against the Group. The amount provided is based on management's best estimate of the likely liability. These are recognised as a gross amount, with any amounts covered by insurance recognised as an asset within current assets, in line with IAS 37.

Social security cost provisions represent estimates of the Group's National Insurance contributions liability on the cost of the Group's Performance and Deferred Share Plans.

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

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

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

The equity-settled share-based payment expense represents the amount of share awards made by the EBT on behalf of the Company as instructed by the Company.

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

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

1 Accounting policies continued

Revenue

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

Amounts recognised as revenue but not yet billed are reflected in the statement of financial position as accrued income (contract assets for adjustments relating to fixed fees as described below). All performance obligations have been satisfied. Amounts billed in advance of work performed are deferred in the statement of financial position as contract liabilities.

Performance obligations and timing of revenue recognition

Performance obligations in contracts with customers are typically satisfied as services are rendered. In most cases, revenue is recognised on an over time basis. This is because effort has been expended by the business on fulfilling the performance obligations in the contract and the contracts would require payment for time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contract for any reason other than the Group's failure to perform its obligations under the contract. Invoices are in most cases raised monthly, based on timesheet data for pensions actuarial and consulting work and pensions investment consulting. For pensions administration services, invoices are typically raised monthly based on services provided. Payment is typically due 30 days from date of invoice. The services by the Group range from actuarial and investment consultancy to administration of pension schemes. Additionally, the Group has a SSAS and SIPP business which provides services to small self administered pension schemes and self invested pension plans. The Group receives income on corporate and customer bank deposits within the SSAS and SIPP business based on a rate linked to the Bank of England base rate. The Group also provides a defined contribution master pension trust for employers offering "full freedom and choice", called the National Pension Trust. Income from this is linked to the value of assets under management.

The Group has a number of customers who are on a fixed price contract. These contracts covers a number of services (pensions actuarial, administration and investment), most of which are ongoing and therefore require no revenue recognition adjustment to the regular invoice issued to the customer. These are recognised monthly at the time of billing, as the benefit the customer receives as the work is done is largely in line with the amount billed each month.

For some fixed price customers, an element of the fixed fee includes the triennial valuation of their defined benefit pension schemes, which is a distinct performance obligation. Under IFRS 15, the Group has assessed these contracts and has determined that an adjustment is needed to recognise the revenue for the performance obligation relating to the triennial valuations in the specific periods that the work is undertaken.

Additionally, some of the fixed fee contracts include an element for investment strategic reviews. This is a distinct performance obligation, which has been assessed under IFRS 15 and it was determined that an adjustment is required to recognise the revenue for this performance obligation in the specific periods that the work is undertaken.

For the fixed fee customers where an adjustment is required, payment is made monthly over a three-year period. The revenue recognition for triennial valuations takes place over the 15-month period after the valuation date, so there can be up to 35 months' variance between the date of billing and revenue recognition. For strategic reviews, the variance can also be up to 35 months, depending on the timing of the review within the three-year contract window. Any variance between the timing of payment and the timing of revenue recognition will be recognised as either a contract asset (where the performance obligations met to date exceed the value billed from the contract to date), or as a contract liability (where the value billed to date from the contract exceeds the performance obligations met to date).

Determining the transaction price and allocating amounts to performance obligations

For the contracts where an adjustment is required, the Group has identified the element of the fixed fee that is attributable to the triennial valuation and/or the strategic review. This has been calculated based on the expected time required to perform these obligations for each specific customer. To ensure that the revenue is allocated to the relevant period, the Group has determined the timespan for the triennial valuation work, and the separate stages of this work. A percentage has been applied to each stage, based on the proportion of total effort. For strategic reviews, which are a smaller piece of work, the Group makes an assessment at the end of each relevant period of the percentage complete for each review.

Judgement is required for these contracts in determining the value attributable to the triennial valuation work and the strategic reviews, and also to the stage of completion at each reporting period. The judgements made are based on experience, and have been validated by comparison to timesheet data.

The remainder of revenue from fixed fee contracts is recognised on a monthly basis, as the services provided tend to be evenly spread over the life of the contract.

Services provided under contracts which do not include a fixed fee are recognised at a price quoted within the contract which typically varies depending on the level of seniority of the employee providing the service. Commission income is recognised on renewal of scheme membership, as the performance obligations are met at the time the contract is won or renewed with the insurer.

1 Accounting policies continued

Expenses

Exceptional and non-trading items

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

- profits or losses on disposal of assets or businesses;
- corporate transaction and restructuring costs;
- amortisation of acquired intangibles;
- changes in the fair value of contingent consideration;
- expenses relating to deferred consideration deemed as post-acquisition remuneration under IFRS 3;
- share-based payments; and
- the related tax effect of these items.

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

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

The non-trading items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 6.

Leases and payments

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) there is an identified asset;

(b) the Group obtains substantially all the economic benefits from use of the asset; and

(c) the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

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.

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 - see note 26).

1 Accounting policies continued

Leases and payments continued

Identifying leases continued
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 reassesses 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 the same discount rate 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 lease 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; and
- 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 not allocate any amount of the contractual payments to and account separately for any services provided by the supplier as part of the contract.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses 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 the same discount rate that applied on lease commencement.

Where the lease liability changes due to change in lease term (for example, due to utilisation of an extension option) a new discount rate is used. This rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the Group's incremental borrowing rate at the date of reassessment if the interest rate implicit in the lease cannot be readily determined. The same rate is used for changes in index rates.

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

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

Finance income and expense
Finance costs comprise interest payable, foreign exchange losses and costs directly related to the raising of loans.

Finance income comprises interest receivable on own funds, and foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

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

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

1 Accounting policies continued

Share-based payment costs – Performance Share Plan and Deferred Share Plan continued

The Deferred Share Plans (DSPs) do not have any market performance conditions or non-market performance vesting conditions; they only have service vesting conditions. The fair value for DSPs is the share price on the date of grant.

The total amount expensed to the Group is recognised over the vesting period of the award. Where a share award is cancelled, the share-based payment charge is accelerated at that point in time and all remaining unvested charge is immediately expensed to the Group.

Where a share award includes dividend equivalents, these are included within the IFRS 2 charge described above. The Group may settle these via cash or shares.

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

Taxation

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

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

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

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

Changes in accounting policies – new standards, interpretations and amendments effective from 1 April 2022

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

- onerous contracts – cost of fulfilling a contract (amendments to IAS 37);
- property, plant and equipment: proceeds before intended use (amendments to IAS 16);
- annual improvements to IFRS standards 2018–2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- references to conceptual framework (amendments to IFRS 3).

New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2023, and therefore have not been applied in preparing XPS Pensions Group's financial statements. They are not expected to have a material impact on the Group's consolidated financial statements. These include the following amendments effective for the year beginning 1 April 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the year beginning 1 April 2024:

- IFRS 16 Leases (amendment – liability in a sale and leaseback);
- IAS 1 Presentation of financial statements (amendment – classification of liabilities as current or non current); and
- IAS 1 Presentation of financial statements (amendment – non-current liabilities with covenants).

The Group is currently assessing the impact of these new accounting standards and amendments, but currently does not anticipate that these will drive any material changes to the Group's consolidated financial statements.

The other standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the UK) but not yet effective are not expected to have a material impact on the Group's consolidated financial statements.

1 Accounting policies continued

Critical accounting estimates and judgements
The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively. In the future, actual experience may differ from these estimates and assumptions. Significant judgements are separately identified where applicable. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair values of intangible assets (note 17)
Goodwill is tested for impairment on an annual basis at the year end and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the cash-generating unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgement, including the identification of cash-generating units, assignment of assets and liabilities to such units, assignment of goodwill to such units and determination of the fair value of a unit. The fair value of each cash-generating unit or asset is estimated using the income approach, on a discounted cash flow methodology. This analysis requires significant estimates, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the business, estimation of the useful life over which cash flows will occur and determination of our weighted average cost of capital. See note 17 for more detail.

Intangible assets are tested for impairment if an indicator of impairment exists. Similar to goodwill, the indicator could be a significant change to the business climate, legal factors, operating performance indicators, competition, changes to the technological environment, or another external or internal factor observed by management. As with goodwill, application of an impairment test here will require judgement and the use of estimates.

Revenue recognition
Revenue is recognised once the performance obligations of the contract with the customer have been met, in line with IFRS 15. This may be at a point in time or over time according to when control passes to the customer. Dependent upon the income stream and nature of the engagement, revenue is recognised on either a time cost incurred, fixed fee or rateably over the period of providing the service basis. Revenue is billed on a monthly, quarterly or, in the case of certain SSAS and SIPP services, on an annual basis. Services may be billed in arrears, as in the case of pensions advisory work, or in advance, as is the case with SSAS and SIPP revenues. As a result of such arrangements, judgements are made in determining the timing of revenue recognition. The significant judgements relate to identifying individual performance obligations and then allocating an appropriate amount of revenue to those obligations which largely depends on the time incurred in providing the services. Management applies judgement in assessing timesheet data to ensure that revenue is allocated proportionally to effort. There are also judgements involved in determining the level of performance obligations met as part of the triennial valuation work. These have been recognised on the basis of work completed through the 15-month valuation process.

Deferred tax (note 18)
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management estimates are required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Throughout the current and prior periods the Directors consider that the IAS 12 recognition criteria have been satisfied. The recognised deferred tax assets for the Group relate to share-based payments, whereby a corporation tax asset will arise in the future on the exercise of share options issued to Executive Directors and senior staff under performance share plans and deferred share plans. See note 18 for details of the carrying amount of the deferred tax assets.

Provisions (note 26)
Dilapidations provisions have been made for properties which the Group currently leases based upon the cost to make good the property in accordance with lease terms where applicable. Provisions are made for claims in respect of complaints against the Group. The amount provided is based on management's best estimate of the likely liability. The cost to the business is capped to the excess on the Group's professional indemnity insurance in respect of each individual claim.

1 Accounting policies continued

Critical accounting estimates and judgements continued

Useful lives of intangible assets (note 17)
Intangible assets are amortised over their estimated useful lives with the charge recorded in administrative expenses. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods.

Exceptional costs (note 6)
Exceptional costs are recognised to the extent that they meet the definition outlined in the accounting policy above. The judgement of whether an expense is exceptional or not requires consistent application by management.

Contingent consideration (note 27)
Contingent consideration is recognised in cost at its acquisition date fair value, and is classified as a financial liability. At each reporting period the liability is remeasured at fair value through profit or loss. This remeasurement is based on management's expectation of future performance. Therefore, judgement is necessary in assessing the amount of consideration that will be payable in the future. Because of the inherent uncertainty in this evaluation process, actual gains or losses may be different from the originally estimated consideration.

When a business is acquired, contingent consideration clauses in the share purchase agreement are assessed against the criteria in IFRS 3 Business Combinations. Judgement is necessary to determine whether to account for contingent consideration as deferred consideration, forming a part of the goodwill calculation, or whether under IFRS 3 the consideration should be treated as post-acquisition remuneration.

Business combinations (note 7)
The Directors determine and allocate the purchase price of an acquired business to the assets acquired and liabilities assumed as of the business combination date. The purchase price allocation process requires the use of significant estimates and assumptions, including the estimated fair value of the acquired intangible assets.

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

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

The accounting for the business combination discussed in note 7 was preliminary in the interim accounts to 30 September 2022, and adjustments have been made to this following the conclusion of the full purchase price allocation process. IFRS 3 allows for any factors present at the date of the business combination but not previously included in the calculation of the value of intangible assets to be adjusted for within twelve months of the acquisition date. It is therefore possible that the intangible assets acquired could be adjusted by a material amount, with the offsetting impact in goodwill.

2 Financial risk management
The XPS Pensions Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, market risk and the effects of changes in interest rates on debt. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

The Group's principal financial instruments comprise sterling cash, lease liabilities, bank deposits and bank loans together with trade receivables and trade payables that arise directly from its operations.

Risk management policies are established for the XPS Pensions Group of companies and the Group Audit Committee oversees how management monitors compliance with these policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Further details relating to the current year position are provided in note 30.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty, including brokers, to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Due to the nature of the business, the majority of the trade receivables are with trustees of pension schemes and large institutions and losses have occurred infrequently over previous years.

2 Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that the Group will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its financial instruments. Market risk comprises three elements - interest rate risks, foreign exchange risks, and pricing risks.

Interest rate risks are discussed in the cash flow interest rate risk below. The Group is exposed to movements in interest rate in its net finance costs and also in a small element of its operating revenue. Senior loans are linked to SONIA. The Group earns income in relation to client as well as interest income on its own deposits.

The Group's financial instruments are currently in sterling; hence foreign exchange movements do not have a material effect on the Group's performance.

The Group does not hold its own position in trading securities, being involved only in arranging transactions on behalf of its clients.

The Group does not engage in holding speculative financial instruments or derivatives. Further quantitative disclosures are included throughout these consolidated financial statements.

Cash flow interest rate risk

The XPS Pensions Group is exposed to cash flow interest rate risk in two main respects: firstly, corporate and client bank deposits, which earn interest at a variable rate, although not at a material level; and secondly, interest expense arising on bank facilities at a margin over SONIA.

3 Capital risk management

The Group is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Value adding opportunities to grow the business are continually assessed, although strict and careful criteria are applied.

The policy for managing capital is to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Group feels are achievable. The processes for managing capital are regular reviews of financial data to ensure that the Group is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to the XPS Pensions Group's forecast which ensures future covenant test points are met. The Group continues to meet these test points and they have been achieved over the last year.

Due to the nature of some of the services provided, two subsidiaries within the Group were regulated by the Financial Conduct Authority (FCA) during the year. They are required to hold a minimum level of capital and this is monitored on a monthly basis. Formal compliance returns are submitted to the FCA in line with their reporting requirements. The Group was compliant with its capital requirements throughout the year.

4 Other operating income

Other operating income arose from the revaluation of the contingent consideration for the MJF acquisition in February 2022. The balance of the contingent consideration is expected to be paid by the Group in July 2023. Since this is not considered to be part of the main revenue generating activities of the Group, the Group presents this income separately from revenue.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Contingent consideration write back (note 27)	**197**	—

5 Auditor's remuneration

During the period the following services were obtained from the Group's auditor at a cost detailed below:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Audit services		
Fees payable in respect of the Parent Company and consolidated accounts	**328**	197
Fees payable in respect of the subsidiary accounts	**252**	151
	580	348
Audit-related services	**78**	45
Total	**658**	393

6 Non-trading and exceptional items

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Corporate transaction costs[1]		**(2,871)**	(320)
Other exceptional costs[2]		**—**	966
Exceptional items		**(2,871)**	646
Contingent consideration write back[3]	27	**197**	—
Share-based payment costs[4]	13	**(4,660)**	(3,875)
Amortisation of acquired intangibles[5]	17	**(6,882)**	(6,579)
Non-trading items		**(11,345)**	(10,454)
Total before tax		**(14,216)**	(9,808)
Tax on adjusting items[6]		**2,910**	(2,530)
Adjusting items after taxation		**(11,306)**	(12,338)

1 The Group incurred corporate transaction costs of £2,871,000 in the year (2022: £320,000, relating to acquisitions by the Group). Included within that is £845,000 of contingent consideration in respect of the acquisition of Penfida Limited. The maximum contingent consideration of £3,379,000 would be payable on the second anniversary of the acquisition subject to business performance which includes retention of clients as well as continued employment of key employees. As continued employment is one part of the contingent consideration test, according to IFRS 3, the entire contingent consideration must be treated as a post transaction employment cost accruing over the deferment period of two years. The contingent consideration is material in size and it is one-off in nature. As such, in line with the Group's accounting policies, it has been classified as an exceptional item. If the entire contingent consideration is not payable at the end of the two year period, any resulting credit will also flow through the exceptional category. The remaining £2,026,000 of corporate transaction costs relate to the acquisition of Penfida Limited and other potential M&A opportunities explored by the Group in the year.

2 The prior year credit of £966,000 relates to the reversal of the exceptional holiday pay accrual in the previous year. The one-off non-cash holiday pay accrual in the year ended 31 March 2021 arose as the holiday cycle was disrupted by the pandemic and a higher than normal level of holiday was carried forward at the end of the holiday year in December 2020. Prior to the pandemic the holiday pay accrual had been stable. In the year ended 31 March 2022 the Group changed its holiday year to align with its accounting year, and as a result there was no cash outflow as a result of the charge in the year ended 31 March 2021. Due to its one-off nature and the size of the holiday pay accrual in the prior year, as well as the corresponding reversal in the year ending 31 March 2022, it was deemed appropriate to disclose the amount separately from the underlying business performance.

3 The contingent consideration write back relates to the revaluation of the contingent consideration for the MJF acquisition (note 27).

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

5 During the year the Group incurred £6,882,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2022: £6,579,000).

6 The tax credit on non-trading items of £2,910,000 (2022: charge of £2,530,000) represents 20% (2022: 26%) of the non-trading items incurred of £14,216,000 (2022: £9,808,000). This is different to the expected tax credit of 19% (2022: 19%), as various adjustments are made to tax including for deferred tax, and the exclusion of amounts not allowable for tax. The tax on non-trading and exceptional items was a large tax charge in the year ended 31 March 2022 instead of a tax credit, because of the tax rate increase from 19% to 25% from 1 April 2023, which was enacted in the year to 31 March 2022. As a result the Group incurred a large deferred tax charge in the prior year (£4.4 million).

7 Business combinations during the period

On 21 September 2022, the Group acquired 100% of the share capital of Penfida Limited from the shareholders of Penfida Limited for £8.64 million in cash upon completion, and a further payment of £3.38 million in September 2024, subject to the achievement of a client retention target, and the sellers still being in employment with the Group. Because this element is only payable to the sellers who remain in employment at the end of the two-year period, under IFRS 3 the £3.38 million is treated as post-acquisition remuneration and will be an expense to the business over the two-year period to September 2024. This expense will be treated as an exceptional cost, as it meets the Group's definition of an exceptional item (see note 6).

Penfida Limited provides employer covenant advisory services. The transaction will strengthen the covenant advice offering of XPS and gives the Group the resource to expand this offering to both existing clients and new prospects.

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	–	686	686
Non-current asset	55	–	55
Trade and other receivables	1,899	(67)	1,832
Cash	373	–	373
Lease liability	–	(534)	(534)
Provisions	(162)	(31)	(193)
Trade and other payables	(1,031)	50	(981)
Corporation tax payable	(272)	(20)	(292)
Customer relationships	–	5,215	5,215
Brand	–	295	295
Deferred tax	–	(1,364)	(1,364)
Total net assets	**862**	**4,230**	**5,092**

The fair value and the gross value of acquired receivables are the same. The receivables have been reviewed and it is expected that all contractual cash flows will be collected.

Fair value of consideration paid

	£'000
Cash	8,641
Total consideration	8,641
Goodwill (note 17)	3,549

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, synergies and potential future cost savings, and the expected growth in the business generated by new customers, which do not qualify for separate recognition.

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

Since the acquisition date, Penfida Limited has contributed £2.3 million to Group revenues and £0.4 million to Group profit before tax, before taking into account the post-acquisition remuneration referred to above. Including this figure, Penfida has contributed a loss of £0.3 million since the acquisition date.

If the acquisition had occurred on 1 April 2022, Group revenue would have been £168.8 million and Group profit before tax would have been £20.7 million, excluding the impact of the post-acquisition remuneration disclosed above. Including this, and assuming the transaction had taken place on 1 April, Group profit before tax would have been £19.0 million.

Acquisition expenses

Costs relating to the above acquisition (excluding the post-acquisition remuneration) totalled £474,000 and are included within exceptional costs as corporate transaction costs.

8 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: pensions 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 2023 £'000	Year ended 31 March 2022 £'000
Pensions Actuarial & Consulting	**77,388**	62,171
Pensions Administration	**57,444**	52,339
Pensions Investment Consulting	**18,009**	13,678
National Pension Trust (NPT)	**4,332**	4,353
SIP[1]	**9,423**	6,081
Total	**166,596**	138,622

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

In the year, there was a change in the way that divisional revenues are reported to the CODM which is more reflective of the responsibilities and operations of the business. As a result related revenue of £1.5 million has been reallocated from the Pensions Actuarial & Consulting division to the Pensions Administration division.

The prior year comparative have been restated to enable fair comparability against the current year results amounting to a reallocation of £1.5 million revenue from the Pensions Actuarial & Consulting division to the Pensions Administration division.

9 Administrative expenses

Included in the operating profit for the year are the following:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Expenses by nature		
Staff costs (note 10)	**101,436**	83,060
Depreciation and amortisation	**12,386**	11,922
Short-term and low value lease costs	**224**	31
Premises costs (excluding rent accounted for under IFRS 16 Leases)	**2,868**	2,651
Exceptional items (note 6)	**2,871**	(646)
Other general business costs	**24,280**	22,616
Total	**144,065**	119,634

10 Staff numbers and costs

The average number of people employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Year ended 31 March 2023 Number of employees	Year ended 31 March 2022 Number of employees
Operational	**1,435**	1,309
Administration	**125**	106
Sales and marketing	**24**	20
	1,584	1,435

10 Staff numbers and costs continued

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Wages and salaries	**81,142**	66,719
Social security contributions and similar taxes	**8,913**	7,454
Defined contribution pension cost	**4,009**	3,509
Other long-term employee benefits	**1,867**	1,503
Post-acquisition remuneration (note 7)	**845**	–
Share-based payment costs (note 13)	**4,660**	3,875
	101,436	83,060

11 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan. Outstanding contributions at the year end were £nil (2022: £nil).

12 Directors' emoluments

The Directors were remunerated for their services by the Group and their emoluments are disclosed below.

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Aggregate emoluments excluding gain on exercise of share options	**2,626**	2,256
Gain on exercise of share options	**987**	451
Company contributions to money purchase pension plans	**30**	30
	3,643	2,737

The share-based payment expense for Directors was £894,000 (2022: £433,000).

	Year ended 31 March 2023 Number of Directors	Year ended 31 March 2022 Number of Directors
At 31 March 2023, retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**3**	3

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
The emoluments of the highest paid Director, including benefits and share-based payments	**1,194**	870

13 Share-based payment costs

The Group operates a number of equity-settled share-based remuneration schemes for employees: Performance Share Plans (PSPs) for Executive Directors and other key senior personnel, and Deferred Share Plans (DSPs) for key senior personnel from July 2020. All employees are also eligible to participate in the Save as You Earn (SAYE) scheme, the only vesting condition being that the individual remains an employee of the Group over the savings period.

The Executive PSP award expense relates to annual awards over shares that vest subject to certain stretching performance conditions, measured over a three-year period. Maximum "normal" grant level is 150% of salary, capped at a maximum of 200% in exceptional circumstances. Malus and clawback provisions apply. The fair value of awards granted during the year was determined using certain assumptions around vesting. More information about the Executive PSP can be found in the Remuneration Report section of this Annual Report.

The only vesting criteria for the DSP is a service criteria. The fair value of awards under this scheme was determined using the share price on the date of grant.

13 Share-based payment costs continued

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Performance Share Plan awards, Deferred Share Plan awards and SAYE scheme	**3,892**	3,343
Social security cost on Performance Share Plan awards and Deferred Share Plan awards	**768**	532
Total share-based payments	**4,660**	3,875

The fair value of Executive PSP options granted during the period was calculated using different methods for different elements – the Black-Scholes method for the EPS element, the Stochastic method for the TSR element, and the Chaffe method for the holding period (2022: Black-Scholes method for the EPS element, the Stochastic method for the TSR element, and the Finnerty method for the holding period). The inputs to the model were as follows:

	Year ended 31 March 2023			Year ended 31 March 2022		
	75% earnings per share (EPS)	**25% relative total shareholder return (TSR)**	**Two-year holding period**	75% earnings per share (EPS)	25% relative total shareholder return (TSR)	Two-year holding period
Weighted average exercise price of options issued during the period (pence)	**0.05**	**0.05**	**0.05**	0.05	0.05	0.05
Expected volatility (%)	**n/a**	**38.80%**	**37.03%**	n/a	49.00%	40.70%
Expected life beyond vesting date (years)	**3.00**	**3.00**	**2.00**	3.01	3.01	2.00
Risk-free rate (%)	**n/a**	**1.81%**	**1.77%**	n/a	0.16%	0.34%
Dividend yield (%)	**–**	**–**	**–**	–	–	–

The Staff DSP options granted during the year had no performance criteria, other than a service condition. Therefore, the fair value of this award was the market value of shares on the date of the award.

The fair value of SAYE options granted during the period, and the prior period, was calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Weighted average exercise price of options issued during the period (pence)	**104.0**	111.0
Expected volatility (%)	**47.95%**	47.63%
Expected life beyond vesting date (years)	**3.34**	3.35
Risk-free rate (%)	**1.61%**	0.28%
Dividend yield (%)	**4.90%**	5.00%

The volatility assumption has been calculated over the period of time commensurate with the expected award term immediately prior to the date of grant. Due to the very high level of volatility in 2020 due to the Covid-19 pandemic, which we do not believe is reflective of the long-term average future volatility, we have excluded the period from 1 March to 31 March 2020, being the most volatile.

As at 31 March 2023, in respect of the Group's ordinary shares of 0.05p each, 2,915,816 Executive PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 318,109 Staff PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 6,054,667 Staff DSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 20,306 SAYE options had been granted and remained outstanding, at an exercise price of 78p per share, 817,870 SAYE options had been granted and remained outstanding, at an exercise price of 111p per share, and 2,335,793 SAYE options had been granted and remained outstanding, at an exercise price of 104p per share. The table below includes dividend equivalent shares on the PSP and DSP option figures where applicable.

13 Share-based payment costs continued

		2023 Weighted average exercise price pence	2023 Number	2022 Weighted average exercise price pence	2022 Number
Executive PSP	Outstanding at 1 April	**0.05**	**3,098,236**	0.05	2,918,849
	Granted during the year	**0.05**	**1,084,873**	0.05	964,133
	Forfeited during the year	**0.05**	**(572,818)**	0.05	(235,198)
	Exercised during the year	**0.05**	**(553,445)**	0.05	(146,101)
	Cancelled during the year	**0.05**	**(19,371)**	0.05	(403,447)
	Outstanding at 31 March	**0.05**	**3,037,475**	0.05	3,098,236
Staff PSP	Outstanding at 1 April	**0.05**	**3,335,675**	0.05	5,045,911
	Forfeited during the year	**0.05**	**(752,892)**	0.05	(474,375)
	Exercised during the year	**0.05**	**(2,177,334)**	0.05	(1,194,069)
	Cancelled during the year	**0.05**	**(76,207)**	0.05	(41,792)
	Outstanding at 31 March	**0.05**	**329,242**	0.05	3,335,675
Staff DSP	Outstanding at 1 April	**0.05**	**3,976,462**	0.05	2,331,278
	Granted during the year	**0.05**	**2,392,868**	0.05	1,795,090
	Forfeited during the year	**0.05**	**(63,316)**	0.05	(149,906)
	Outstanding at 31 March	**0.05**	**6,306,014**	0.05	3,976,462
SAYE	Outstanding at 1 April	**88.61**	**4,430,966**	80.22	3,883,505
	Granted during the year	**104.00**	**2,381,306**	111.00	975,889
	Forfeited during the year	**94.91**	**(70,384)**	82.74	(171,814)
	Exercised during the year	**78.01**	**(3,405,601)**	87.64	(37,421)
	Lapsed during the year	**82.51**	**(39,784)**	144.75	(113,015)
	Cancelled during the year	**106.14**	**(122,534)**	91.74	(106,178)
	Outstanding at 31 March	**110.79**	**3,173,969**	88.61	4,430,966

The exercise price of options outstanding at 31 March 2023 ranged between £0.0005 (i.e. the nominal value of an ordinary share) in the case of the PSPs and £1.11 in the case of the SAYE scheme (2022: £0.0005 to £1.472). Their weighted average contractual life was three years (2022: three years), and their weighted average exercise price was £0.04 (2022: £0.01).

Of the total number of options outstanding at 31 March 2023, 356,263 (2022: 447,454) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £1.24 (2022: £1.31). The weighted average exercise price for exercisable options was 0.26p per share (2022: 5.14p per share).

14 Finance income and expense

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Interest income on bank deposits	**10**	—
Finance income	**10**	—
Interest expense on bank loans	**2,758**	1,108
Other costs of borrowing	**498**	602
Interest on leases	**290**	291
Other finance expense	**50**	46
Finance expenses	**3,596**	2,047

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

15 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current tax expense		
Current year	**5,153**	4,864
Adjustment in respect of prior year	**(223)**	(205)
Total current tax expense	**4,930**	4,659
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(1,403)**	(1,399)
Effect of tax rate changes	**(222)**	4,258
Total income tax expense	**3,305**	7,518

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit for the year	**15,837**	9,423
Total tax expense	**3,305**	7,518
Profit before income tax	**19,142**	16,941
Tax using the UK corporation tax rate of 19% (2022: 19%)	**3,637**	3,219
Non-deductible expenses	**74**	648
Fixed asset differences	**39**	(55)
Adjustment in respect of prior periods	**(223)**	(205)
Amounts charged/(credited) directly to equity or otherwise transferred	**—**	(7)
Excess relief on exercise of share options	**—**	(340)
Effect of tax rate change	**(222)**	4,258
Total tax expense	**3,305**	7,518

The standard rate of corporation tax in the UK was 19% (2022: 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 2023, which is not lower than 25% (2022: 19%). Deferred tax not recognised relates to £6.7 million of finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2023 the total unrecognised deferred tax asset in respect of these losses was approximately £1.7 million (2022: £1.1 million).

16 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2022	3,217	1,472	891	5,580
Acquired through business combinations	—	59	17	76
Additions	285	511	(7)	789
Disposals	—	(447)	—	(447)
Balance at 31 March 2023	**3,502**	**1,595**	**901**	**5,998**
Accumulated depreciation				
Balance at 1 April 2022	1,440	639	314	2,393
Acquired through business combinations	—	59	17	76
Depreciation charge for the year	315	488	94	897
Disposals	—	(447)	—	(447)
Balance at 31 March 2023	**1,755**	**739**	**425**	**2,919**
Net book value				
Balance at 1 April 2022	1,777	833	577	3,187
Balance at 31 March 2023	**1,747**	**856**	**476**	**3,079**

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2021	3,128	1,723	832	5,683
Acquired through business combinations	—	2	—	2
Additions	174	591	66	831
Disposals	(85)	(844)	(7)	(936)
Balance at 31 March 2022	3,217	1,472	891	5,580
Accumulated depreciation				
Balance at 1 April 2021	1,254	1,000	232	2,486
Acquired through business combinations	—	1	—	1
Depreciation charge for the year	271	482	89	842
Disposals	(85)	(844)	(7)	(936)
Balance at 31 March 2022	1,440	639	314	2,393
Net book value				
Balance at 1 April 2021	1,874	723	600	3,197
Balance at 31 March 2022	1,777	833	577	3,187

17 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2022	121,818	125,269	6,036	10,807	263,930
Acquired through business combinations	3,549	5,215	295	—	9,059
Additions	—	—	—	4,879	4,879
Disposals	—	—	(6,036)	(1,097)	(7,133)
Balance at 31 March 2023	**125,367**	**130,484**	**295**	**14,589**	**270,735**
Accumulated amortisation					
Balance at 1 April 2022	—	48,527	5,980	2,623	57,130
Amortisation for the year	—	6,727	155	1,753	8,635
Disposals	—	—	(6,036)	(1,097)	(7,133)
Balance at 31 March 2023	**—**	**55,254**	**99**	**3,279**	**58,632**
Net book value					
Balance at 1 April 2022	121,818	76,742	56	8,184	206,800
Balance at 31 March 2023	**125,367**	**75,230**	**196**	**11,310**	**212,103**

	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2021	120,343	123,305	6,036	5,076	254,760
Acquired through business combinations	1,475	1,964	—	—	3,439
Additions	—	—	—	6,611	6,611
Disposals	—	—	—	(880)	(880)
Balance at 31 March 2022	121,818	125,269	6,036	10,807	263,930
Accumulated amortisation					
Balance at 1 April 2021	—	42,011	5,917	2,048	49,976
Amortisation for the year	—	6,516	63	1,455	8,034
Disposals	—	—	—	(880)	(880)
Balance at 31 March 2022	—	48,527	5,980	2,623	57,130
Net book value					
Balance at 1 April 2021	120,343	81,294	119	3,028	204,784
Balance at 31 March 2022	121,818	76,742	56	8,184	206,800

Material customer relationship assets are broken down as follows:

	Remaining UEL years 31 March 2023	**Net book value £'000 31 March 2023**	Remaining UEL years 31 March 2022	Net book value £'000 31 March 2022
Acquisitions prior to January 2018 (CGU 1)	**10**	**17,820**	11	19,623
Punter Southall actuarial (CGU 2)	**15**	**40,869**	16	43,634
Punter Southall administrative (CGU 3)	**5**	**4,677**	6	5,655
Kier (CGU 3)	**6**	**1,734**	7	2,044
XPS Pensions (RL) Limited (CGU 1)	**7**	**1,879**	8	2,184
XPS Pensions (Trigon) Limited (CGU 1)	**7**	**1,417**	8	1,632
Michael J Field (CGU 1)	**9**	**1,743**	10	1,931
Penfida Limited (CGU 4)	**20**	**5,085**	—	—

17 Intangible assets continued

The brands disposed of in the year included the rights to use the Punter Southall brands for two years as part of the Punter Southall acquisition in 2018 – these were fully amortised in the year ended 31 March 2019, following the successful integration of the businesses. As the period the rights were held for has since expired, the brand was disposed of in the year to 31 March 2023. The brand had a cost of £5,408,000 and a NBV of £nil at 31 March 2023 and 1 April 2022. The remaining £628,000 relates to brands acquired on 21 February 2013 by the Group. These brands had a useful life of ten years, and are no longer in use by the Group. They had a NBV of £nil at 31 March 2023 and a NBV of £57,000 at 1 April 2022.

Software assets held by the Group comprise internally generated or enhanced software for use in providing services to customers. The largest group of software assets relates to the administration business, specifically the development of an in-house administration system. Software disposals in the year related to software which has reached the end of its useful economic life and is no longer in use.

Impairment test

Goodwill represents the excess of the consideration over the fair value of the net assets acquired on the purchase of the subsidiary companies listed in note 35, as well as goodwill which has arisen on the purchase of trade and assets by the Group. In accordance with IFRS, this balance is not amortised and is subject to annual impairment reviews.

The carrying value of goodwill was assessed based on the three cash-generating units that were identified in prior years, and a new cash-generating unit comprising the Penfida acquisition in the year.

The four CGUs to which goodwill has been allocated are:

CGU 1 - former Xafinity businesses, Royal London, Trigon, and Michael J Field acquisitions;

CGU 2 - PS Actuarial;

CGU 3 - PS Admin; and

CGU 4 - Penfida Ltd.

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

	2023				2022		
	CGU 1	**CGU 2**	**CGU 3**	**CGU 4**	CGU 1	CGU 2	CGU 3
Discount rate pre-tax	**13.1%**	**13.1%**	**13.1%**	**13.1%**	9.3%	9.3%	9.3%
Terminal rate after period 8	**2.0%**	**2.0%**	**2.0%**	**2.0%**	2.0%	2.0%	2.0%
Period on which detailed forecasts are based	**3 years**	**3 years**	**3 years**	**3 years**	3 years	3 years	3 years
Growth rate during detailed forecast period (average)	**7.7%**	**8.8%**	**31.2%**	**9.4%**	10.4%	7.4%	27.3%
Growth rate applied beyond approved forecast period to year 8	**5%**	**5%**	**5%**	**5%**	5%	5%	5%

The discount rate comprises two elements, the cost of debt and the cost of equity, to derive a blended cost of capital demanded by all providers of capital. The cost of equity is based on the following components:

- beta: calculated to estimate how volatile the Group's equity is compared to the FTSE SmallCap index;
- risk-free rate: using a ten-year UK government bond yield as a proxy for the risk-free rate;
- equity risk premium: the implied rate as at 31 March 2023 is used to assess the price of risk in equity markets; and
- small company premium: an additional size premium is applied to the Group's cost of equity in to account for extra risk.

The cost of debt represents the cost of capital for the Group's drawn Revolving Credit Facility and is based on average borrowings during the year.

The cash flows used for the value in use calculations incorporate the impact of inflation, and future assumptions regarding inflation which are based on the latest outlook from the UK government.

The growth rate beyond the forecast period is based on a blend of average growth rates experienced by the Group and management's assessment of industry and macroeconomic outlooks. Such forecast rates have been accurate in the past, so the Directors believe they will be sufficiently representative of actual results.

The growth rate is applied up to eight years; this is due to the longevity of the customer relationships held by the Group. The growth rate of 5% is higher than the terminal rate due to expectations of market conditions and higher inflation in the medium term.

17 Intangible assets continued

Impairment test continued

The impairment exercise demonstrated that there was significant headroom in all CGUs on this basis, so the Directors are satisfied that no impairment has arisen during the financial period.

	2023 £'000	2022 £'000
Goodwill allocated to cash-generating units:		
Goodwill – XPS Pensions Consulting Limited, XPS SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries, XPS Pensions (RL) Limited, XPS Pensions (Trigon) Limited (CGU 1)	**30,007**	30,007
Goodwill – XPS Investment Limited, XPS Pensions Limited (CGU 2)	**79,314**	79,314
Goodwill – XPS Holdings Limited, XPS Administration Holdings Limited, XPS Administration Limited (CGU 3)	**12,497**	12,497
Goodwill – Penfida Limited (CGU 4)	**3,549**	—
	125,367	121,818

Sensitivity analysis of assumptions

The Group performed further sensitivity analysis by recalculating the fair value of the net assets of the Group on a "worst-case" basis. For the Group, the worst case would be breaching the banking covenants on leverage, as that could lead to the Group's Revolving Credit Facility being withdrawn. The size of the impact on revenue to reach this point was considered, alongside mitigating factors that the Group would take if necessary. This analysis showed that this potential worst case scenario is considered unlikely to materialise, and so there was no requirement for impairment.

18 Deferred income tax

Analysis of the breakdown and movement of deferred tax during the year is as follows:

	Balance at 1 April 2022 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in period £'000	31 March 2023 £'000
Property, plant and equipment	90	136	—	—	**226**
Capital gains	943	—	—	—	**943**
Short-term temporary differences	(1,099)	(459)	(258)	—	**(1,816)**
Business combinations	19,032	(1,304)	—	1,364	**19,092**
	18,966	(1,627)	(258)	1,364	**18,445**

	Balance at 1 April 2021 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in period £'000	31 March 2022 £'000
Property, plant and equipment	51	39	—	—	90
Capital gains	717	226	—	—	943
Short-term temporary differences	(767)	(339)	7	—	(1,099)
Business combinations	15,622	2,933	—	477	19,032
	15,623	2,859	7	477	18,966

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. 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 2023, which is not lower than 25% (2022: 19%).

In prior years, deferred tax assets and liabilities were disaggregated and presented gross in the statement of financial position; per IAS 12 these are now netted off and presented as a deferred tax liability. The prior year has been restated. There is no impact on the income statement as a result of this; it purely impacts the presentation on the statement of financial position of deferred tax, decreasing deferred tax assets and deferred tax liabilities by £1,099,000 (£767,000 as at 1 April 2021).

19 Other financial assets

The non-current financial asset relates to restricted cash held by the Group as security for the National Pension Trust (NPT). For the NPT to gain approval to operate by the Pensions Regulator, the Group is required to demonstrate it can support the NPT in any eventuality. The Group has therefore placed £1,847,000 (2022: £1,814,000) into a restricted bank account, which the trustees of the NPT are able to access in certain circumstances.

There are no lifetime expected credit losses associated with this cash balance.

20 Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	**21,642**	17,925
Less: provision for impairment of trade receivables	**(363)**	(330)
Net trade receivables	**21,279**	17,595
Accrued income	**16,407**	13,240
Contract assets	**1,475**	1,322
Total financial assets other than cash and cash equivalents carried at amortised cost	**39,161**	32,157
Prepayments	**4,498**	6,292
Other receivables	**106**	327
Total trade and other receivables	**43,765**	38,776

The carrying value of trade and other receivables carried at amortised cost approximates to fair value.

31 March 2023	Current	Past due 0-30 days	Past due 31-90 days	Past due more than 90 days	Total £'000
Expected loss rate	**0%**	**1%**	**4%**	**18%**	
Gross carrying amount	**16,402**	**3,395**	**1,177**	**668**	**21,642**
Loss provision	**32**	**21**	**51**	**123**	**227**
Amendment for specific bad debt provision	**(32)**	**(21)**	**(51)**	**240**	**136**
Total	**–**	**–**	**–**	**363**	**363**

31 March 2022	Current	Past due 0-30 days	Past due 31-90 days	Past due more than 90 days	Total £'000
Expected loss rate	0%	0%	2%	24%	
Gross carrying amount	13,018	3,089	876	942	17,925
Loss provision	13	9	15	226	263
Amendment for specific bad debt provision	(13)	(9)	(15)	104	67
Total	–	–	–	330	330

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information affecting the Group's customers.

Once the IFRS 9 approach has been calculated, the Group then calculates a specific debt provision based on age of debt and specific client knowledge. The provision is then adjusted to take this detail into account.

Of the March 2022 contract asset balance of £1,322,000, £1,014,000 was billed in the year, reducing the brought forward amount. A further £1,167,000 of revenue was recognised in the year. There are no other significant movements in the contract assets balance in the year. The March 2023 contract asset balance is expected to be billed in the year ending 31 March 2024 (£1,230,000), the year ending 31 March 2025 (£242,000), and the year ending 31 March 2026 (£3,000).

21 Cash and cash equivalents

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents per statement of financial position	**13,285**	10,150
Cash and cash equivalents per statement of cash flows	**13,285**	10,150

The balance is comprised solely of cash at bank and on hand.

22 Loans and borrowings

31 March 2023	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	–	–	**68,000**	**68,000**	**68,000**
Capitalised debt arrangement fees	–	–	**(690)**	**(690)**	**(690)**
Total	–	–	**67,310**	**67,310**	**67,310**

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

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

Terms and debt repayment schedule

31 March 2023	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving Credit Facility	**68,000**	**GBP**	**1.85% above SONIA**	**2025**

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

At 31 March 2023 the Group had drawn down £68,000,000 (2022: £64,000,000) of its £100,000,000 Revolving Credit Facility. The Group's Revolving Facility Agreement is for £100 million with an accordion of £50 million. This facility has a four-year term which started in October 2021. In April 2023, a one-year extension to the term was agreed, extending it to October 2026. Interest is calculated at a margin above SONIA, subject to a net leverage test. The related fees for access to the facility are included in the consolidated statement of comprehensive income.

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

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

23 Reconciliation of liabilities arising from financing activities

	31 March 2022 £'000	Cash flows £'000	Non-cash change: amortisation £'000	Non-cash change: new leases/ interest this year £'000	**31 March 2023 £'000**
Long-term borrowings	64,000	4,000	–	–	**68,000**
Capitalised debt arrangement fees	(967)	–	277	–	**(690)**
Interest payable on long-term borrowings	57	(2,985)	–	2,977	**49**
Lease liabilities	11,680	(3,267)	–	1,522	**9,935**
Total liabilities from financing activities	74,770	(2,252)	277	4,499	**77,294**

	31 March 2021 £'000	Cash flows £'000	Non-cash change: liability to asset £'000	Non-cash change: new leases/ interest this year £'000	31 March 2022 £'000
Long-term borrowings	59,000	5,000	–	–	64,000
Capitalised debt arrangement fees	(310)	(1,105)	276	172	(967)
Interest payable on long-term borrowings	10	(1,222)	–	1,269	57
Lease liabilities	12,706	(3,042)	–	2,016	11,680
Total liabilities from financing activities	71,406	(369)	276	3,457	74,770

24 Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Trade payables	**4,752**	8,635
Accrued expenses	**15,406**	8,867
Interest payable	**49**	57
Other payables	**471**	390
Total financial liabilities excluding leases, loans and borrowings, classified as financial liabilities at amortised cost	**20,678**	17,949
Other payables – tax and social security payments	**2,178**	1,846
Other payables – VAT	**5,892**	4,233
Contract liabilities	**3,315**	3,247
Total trade and other payables	**32,063**	27,275
Due within one year or less	**31,218**	27,275
Due between one and three years	**845**	–

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

The March 2023 contract liability balance is expected to be recognised in the year ended 31 March 2024 (£3,011,000), 31 March 2025 (£251,000), and 31 March 2026 (£53,000). Of the March 2022 contract liability balance of £3,247,000, £3,041,000 was recognised in revenue in the year to 31 March 2023, £150,000 will be recognised in the year to 31 March 2024, and £56,000 in the year to 31 March 2025.

The non-current trade and other payables relate to post-acquisition remuneration for the Penfida acquisition, which is payable in September 2024.

25 Current income tax liabilities

	31 March 2023 £'000	31 March 2022 £'000
Tax payable	**2,280**	2,207

26 Provisions for other liabilities and charges

31 March 2023	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Balance at 1 April 2022	**995**	**1,631**	**391**	**3,017**
Provisions made during the year	**765**	**247**	**558**	**1,570**
Provisions used during the year	**(605)**	**(44)**	**(93)**	**(742)**
Provisions released unused during the year	**—**	**(116)**	**(44)**	**(160)**
On acquisition	**—**	**193**	**—**	**193**
Balance at 31 March 2023	**1,155**	**1,911**	**812**	**3,878**
Due within one year or less	**658**	**539**	**812**	**2,009**
Due after more than one year:				
Between one and three years	**497**	**288**	**—**	**785**
Over three years	**—**	**1,084**	**—**	**1,084**
	1,155	**1,911**	**812**	**3,878**

31 March 2022	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Balance at 1 April 2021	746	1,712	604	3,062
Provisions made during the year	532	20	332	884
Provisions used during the year	(283)	—	(350)	(633)
Provisions released unused during the year	—	(101)	(195)	(296)
Balance at 31 March 2022	995	1,631	391	3,017
Due within one year or less	594	251	391	1,236
Due after more than one year:				
Between one and three years	401	442	—	843
Over three years	—	938	—	938
	995	1,631	391	3,017

Social security costs (National Insurance) are payable on gains made by employees on the exercise of share options granted to them. The eventual liability to National Insurance is dependent on:

- the market price of the Group's shares at the date of exercise;
- the number of options that will be exercised; and
- the prevailing rate of National Insurance at the date of exercise.

Dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised within the depreciation of the right-of-use asset over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

The dilapidations provision will be utilised after the end of the lease of the asset to which it relates.

The Group is involved in a small number of potential professional indemnity claims. The amount provided represents the Directors' best estimate of the Group's liability, after having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, the Directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Group's position in defending the cases brought against it. The provision relating to potential professional indemnity claims is updated depending on the status of each individual claim.

27 Deferred consideration

	Balance at 1 April 2022 £'000	Fair value adjustment £'000	**31 March 2023 £'000**
Contingent cash consideration	765	(197)	**568**

	Balance at 1 April 2021 £'000	Acquisition £'000	31 March 2022 £'000
Contingent cash consideration	–	765	765

The contingent cash consideration liability recognised at 31 March 2023 relates to the Michael J Field acquisition in February 2022. The liabilities have been calculated based on terms agreed in the business purchase agreement for Michael J Field, which are dependent on certain revenue and cost targets being met in the 12 months following the acquisition date. The fair value adjustment in the year related to the assessment of performance of the acquisition in comparison to targets set out in the business purchase agreement. The contingent cash consideration is expected to be paid in July 2023.

28 Share capital

	Ordinary shares '000 31 March 2023	**Ordinary shares £'000 31 March 2023**	Ordinary shares '000 31 March 2022	Ordinary shares £'000 31 March 2022
In issue at the beginning of the year	**205,151**	**103**	205,117	103
Issued during the year	**2,292**	**1**	34	–
In issue at the end of the year	**207,443**	**104**	205,151	103

	31 March 2023 '000	**31 March 2023 £'000**	31 March 2022 '000	31 March 2022 £'000
Allotted, called up and fully paid				
Ordinary shares of 0.05p (2022: 0.05p) each	**206,427**	**103**	201,982	101
Shares held by the Group's Employee Benefit Trust				
Ordinary shares of 0.05p (2022: 0.05p) each	**1,016**	**1**	3,169	2
Shares classified in shareholders' funds	**207,443**	**104**	205,151	103

The Group has invested in the shares for its Employee Benefit Trust (EBT). These shares are held on behalf of employees and legal ownership will transfer to those employees on the exercise of an award. This investment in own shares held in trust is deducted from equity in the consolidated statement of changes in equity.

29 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Retained earnings/ accumulated deficit:	All net gains and losses recognised through the consolidated statement of comprehensive income. In the year a share premium reduction exercise was undertaken, and as a result £116,804,000 was moved from share premium to retained earnings.
Share premium:	Amounts subscribed for share capital in excess of nominal value. In the year a share premium reduction exercise was undertaken, and as a result £116,804,000 was moved from share premium to retained earnings.
Merger relief reserve:	The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies.
Investment in own shares:	Cost of own shares held by the EBT.

30 Financial instruments

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

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- level 3: unobservable inputs for the asset or liability.

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer.

The Group currently holds level 3 financial assets and liabilities.

Contingent consideration is a level 3 financial liability and is measured based on performance compared to targets agreed in the relevant business transfer agreement. The amount is not discounted as this would be immaterial.

The contingent consideration balance is made up of £568,000 relating to the Michael J Field acquisition in February 2022, which is payable in July 2023. This amount has been calculated based on achievement of both a revenue and cost target.

Credit risk

The maximum exposure to credit risk at the reporting date was:

	Carrying amount 31 March 2023 £'000	Carrying amount 31 March 2022 £'000
Trade receivables	**21,642**	17,925
Provision for impairment of trade receivables	**(363)**	(330)
Net trade receivables due	**21,279**	17,595
Accrued income	**16,407**	13,240
Contract assets	**1,475**	1,322
Cash and cash equivalents	**13,285**	10,150
Non-current financial asset	**1,847**	1,814
	54,293	44,121

Credit risk mitigation

The ageing of trade receivables at the reporting date was:

	31 March 2023 £'000	31 March 2022 £'000
Not past due	**16,402**	13,018
Past due 0-30 days	**3,395**	3,089
Past due 31-90 days	**1,177**	876
Past due more than 90 days	**668**	942
	21,642	17,925

Movement in impairment allowance for trade receivables:		
Balance at start of the year	**330**	350
Increase during the year	**359**	121
Receivable written off during the year as uncollectable	**(105)**	(57)
Reversal of allowances	**(221)**	(84)
Balance at end of the year	**363**	330

30 Financial instruments continued

Credit risk mitigation continued
The Group prepared a forward-looking impairment model using a provision matrix based on historical data. Using this, the Group believes that an impairment allowance of £363,000 (2022: £330,000) is adequate in respect of trade receivables. Those debts which have not been provided against are considered recoverable by the Group. In accordance with IFRS 9, the expected credit loss (ECL) model was used to calculate the impairment loss.

The Group has considered whether any provision needs to be made for credit losses on contract assets and accrued income, and concluded that there are none.

Cash flow risk
The Group is exposed to cash flow interest rate risk in two main respects: firstly, corporate and client bank deposits, which earn interest at a variable rate, although not at a material level; and secondly, interest expense arising on bank facilities at a margin over SONIA.

Interest rate risk
The interest rate on long-term borrowings is a margin over SONIA and as such the Company is at risk from SONIA increases. The sensitivity of the interest rate risk has been assessed and it is not material.

Liquidity risk
Liquidity risk arises from the Group's working capital and the finance charges and principal repayments on its debt instruments. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due.

The following table sets out the contractual maturities (representing undiscounted cash flows) of financial liabilities:

	Up to 3 months £'000	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**	**31 March 2023 £'000**
Trade and other payables	**20,678**	**—**	**—**	**—**	**—**	**20,678**
Leases	**1,009**	**2,067**	**1,926**	**4,337**	**1,500**	**10,839**
Loans and borrowings	**—**	**—**	**—**	**68,000**	**—**	**68,000**
Bank interest	**1,000**	**3,425**	**3,936**	**2,364**	**—**	**10,725**
Deferred consideration	**568**	**—**	**—**	**—**	**—**	**568**
	23,255	**5,492**	**5,862**	**74,701**	**1,500**	**110,810**

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	31 March 2022 £'000
Trade and other payables	17,949	—	—	—	—	17,949
Leases	1,115	1,911	2,537	4,479	2,606	12,648
Loans and borrowings	—	—	—	64,000	—	64,000
Bank interest	375	1,061	1,236	2,367	—	5,039
Deferred consideration	—	765	—	—	—	765
	19,439	3,737	3,773	70,846	2,606	100,401

The Group does not have any concerns over meeting its liabilities as they fall due, as the forecasts prepared indicate sufficient cash receipts in each period to cover liabilities.

Capital risk
The Group's objectives when managing capital are to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern. Total capital is calculated as total equity in the statement of financial position.

Management of capital

	31 March 2023 £'000	31 March 2022 £'000
Total equity	**149,284**	144,435

31 Leases

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 2023	**Lease contracts Number**	**Fixed payments %**	**Variable payments %**	**Sensitivity £'000**
Property leases with periodic uplifts to market rentals	**7**	**—**	**83**	**± 309**
Property leases with fixed payments	**11**	**16**	**—**	**—**
Leases of plant and equipment	**1**	**1**	**—**	**—**
	19	**17**	**83**	**± 309**

31 March 2022	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	9	—	82	± 334
Property leases with fixed payments	8	17	—	—
Leases of plant and equipment	2	1	—	—
	19	18	82	± 334

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 expose the Group to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- the length of the lease term; and
- whether the location represents a new area of operations for the Group.

At 31 March 2023, 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 undiscounted lease payments of £6,170,938 (2022: £6,689,469) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

Right-of-use assets	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2022	10,824	103	10,927
Additions	616	—	616
Depreciation	(2,795)	(59)	(2,854)
Effect of modification to lease terms	309	—	309
On acquisition	686	—	686
At 31 March 2023	**9,640**	**44**	**9,684**

Right-of-use assets	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2021	12,063	165	12,228
Additions	1,745	—	1,745
Depreciation	(2,984)	(62)	(3,046)
At 31 March 2022	10,824	103	10,927

31 Leases continued

Nature of leasing activities (in the capacity as lessee) continued

Lease liabilities	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2022	11,565	115	11,680
Additions	616	—	616
Interest expense	287	3	290
Effect of modification to lease term	82	—	82
On acquisition	534	—	534
Lease payments	(3,204)	(63)	(3,267)
At 31 March 2023	**9,880**	**55**	**9,935**

Lease liabilities	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2021	12,528	178	12,706
Additions	1,725	—	1,725
Interest expense	286	5	291
Lease payments	(2,974)	(68)	(3,042)
At 31 March 2022	11,565	115	11,680

	31 March 2023 £'000	31 March 2022 £'000
Short-term lease expense	**211**	30
Low value lease expense	**11**	8
Aggregate expense for short-term and low value leases	**222**	38

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Up to 3 months	**817**	1,039
Between 3 and 12 months	**1,884**	1,706
Between 1 and 2 years	**1,742**	2,321
Between 2 and 5 years	**4,135**	4,192
More than 5 years	**1,357**	2,422
	9,935	11,680

32 Notes supporting statement of cash flows

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash at bank available on demand	**13,285**	10,150

33 Related party transactions

Key management emoluments during the year

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Emoluments	**3,310**	2,377
Share-based payment	**894**	433
Company contributions to money purchase pension plans	**30**	30
Social security costs	**376**	255
	4,610	3,095

Non-executive emoluments during the year

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Emoluments	**303**	330
Social security costs	**39**	41
	342	371

34 Earnings per share

	31 March 2023 £'000	31 March 2022 £'000
Profit for the year	**15,837**	9,423
	'000	'000
Weighted average number of ordinary shares in issue	**205,448**	203,742
Diluted weighted average number of ordinary shares	**216,071**	212,519
Basic earnings per share (pence)	**7.7**	4.6
Diluted earnings per share (pence)	**7.3**	4.4

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

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

	Year ended 31 March 2023 '000	Year ended 31 March 2022 '000
Weighted average number of ordinary shares in issue	**205,448**	203,742
Dilutive impact of share options vested up to exercise date	**802**	329
Dilutive impact of PSP and DSP options not yet vested	**7,920**	5,954
Dilutive impact of dividend yield shares for PSP and DSP options	**1,069**	803
Dilutive impact of SAYE options not yet vested	**832**	1,691
Diluted weighted average number of ordinary shares	**216,071**	212,519

Share awards were made to the Executive Board members and key management personnel in each year since the year ended 31 March 2017; these are subject to certain conditions, and each tranche of awards vests three years after the award date. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in the years ended 31 March 2020, 2022 and 2023; these will vest in the years ending 31 March 2023, 2025 and 2026 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

34 Earnings per share continued

Adjusted earnings per share

	Total 31 March 2023 £'000	Total 31 March 2022 £'000
Adjusted profit after tax	**27,143**	21,761
Adjusted earnings per share (pence)	**13.2**	10.7
Diluted adjusted earnings per share (pence)	**12.6**	10.2

35 Subsidiaries

The following is the list of wholly owned companies consolidated within the financial statements of XPS Pensions Group plc.

Company name	Company number	Principal activity	Registered address
XPS Pensions Group plc	08279139	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Financing Limited	08279274	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Reading Limited	08279362	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Consulting (Reading) Limited	08287502	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions Consulting Limited	02459442	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS SIPP Services Limited	SC069096	Employee benefit consultancy	Scotia House, Castle Business Park, Stirling, Stirlingshire FK9 4TZ
Xafinity Pensions Consulting Limited	04436642	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Xafinity PT Limited	00232565	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Entegria Limited	05777554	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Xafinity Pension Trustees Limited	01450089	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (AT) Services Limited	SC420031	Employee benefit consultancy	Scotia House, Castle Business Park, Stirling, Stirlingshire FK9 4TZ
Hazell Carr (SG) Services Limited	01867603	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (ES) Services Limited	02372343	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (PN) Services Limited	00236752	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (SA) Services Limited	SC086807	Dormant	Scotia House, Castle Business Park, Stirling, Stirlingshire FK9 4TZ
Xafinity Trustees Limited	04305500	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Xafinity Employee Benefit Trust 2013	N/A	Trust	JTC Trustees Limited, Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP
XPS Holdings Limited	04807951	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Administration Holdings Limited	09655671	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Administration Limited	09428346	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Investment Limited	06242672	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions Limited	03842603	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions (RL) Limited	05817049	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions (Trigon) Limited	12085392	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
MJF Pension Trustees Limited	03394648	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
MJF SSAS Trustees Limited	04089958	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Pensions Software Solutions Ltd	11482474	Software development	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Penfida Limited	08020393	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB

35 Subsidiaries continued

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the "Act") relating to the audit of individual accounts by virtue of Section 479A of the Act.

Company name	Company number
XPS Financing Limited	08279274
XPS Reading Limited	08279362
Hazell Carr (AT) Services Limited	SC420031
XPS Holdings Limited	04807951
XPS Administration Holdings Limited	09655671
XPS Pensions (RL) Limited	05817049
XPS Pensions (Trigon) Limited	12085392
Pensions Software Solutions Limited	11482474
Penfida Limited	08020393

The Company will guarantee all outstanding liabilities that these subsidiaries are subject to at the financial year ended 31 March 2023 in accordance with Section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, the Company will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

36 Dividends

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

	31 March 2023 £'000	31 March 2022 £'000
Final dividend for the year ended 31 March 2022: 4.8p per share (2021: 4.4p per share)	**9,763**	8,948
Interim dividend for the year ended 31 March 2023: 2.7p (2022: 2.4p) per ordinary share was paid during the year	**5,568**	4,883
	15,331	13,831

The recommended final dividend payable in respect of the year ended 31 March 2023 is £11.8 million or 5.7p per share (2022: £9,696,000).

The proposed dividend has not been accrued as a liability as at 31 March 2023 as it is subject to approval at the Annual General Meeting.

	31 March 2023 £'000	31 March 2022 £'000
Proposed final dividend for year ended 31 March 2023	**11,766**	9,696

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 £161,040,000. Therefore there are sufficient distributable reserves in XPS Pensions Group plc in order to pay the proposed final dividend.

37 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

Statement of financial position – Company
as at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Investments	5	**33,831**	29,681
Trade and other receivables	6	**251,335**	233,857
		285,166	263,538
Total assets		**285,166**	263,538
Liabilities			
Non-current liabilities			
Trade and other payables	7	**39,307**	40,309
		39,307	40,309
Current liabilities			
Current tax liabilities	8	**1,273**	744
		1,273	744
Total liabilities		**40,580**	41,053
Net assets		**244,586**	222,485
Equity and liabilities			
Share capital	9	**104**	103
Share premium	10	**1,786**	116,804
Merger relief reserve	10	**48,687**	48,687
Other reserve	10	**32,969**	28,818
Retained profit	10	**161,040**	28,073
Total equity		**244,586**	222,485

The notes on pages 153 to 156 form part of these financial statements.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The profit for the financial year, of the holding company, as approved by the Board, was £31,494,000 (2022: £29,349,000).

These financial statements were approved by the Board of Directors on 21 June 2023 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
21 June 2023

Registered number: 08279139

Statement of changes in equity – Company
for the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Other reserve £'000	Retained profit £'000	Total £'000
Balance at 1 April 2021	103	116,797	48,687	25,483	12,555	203,625
Comprehensive income and total comprehensive income for the year	–	–	–	–	29,349	29,349
Contributions by and distributions to owners						
Share capital issued	–	7	–	–	–	7
Share-based payment expense – equity settled from Employee Benefit Trust	–	–	–	26	–	26
Share-based payment expense – IFRS 2 charge	–	–	–	3,316	–	3,316
Deferred tax movement in respect of share-based payment expense	–	–	–	(7)	–	(7)
Dividends paid	–	–	–	–	(13,831)	(13,831)
Total contributions by and distributions to owners	–	7	–	3,335	(13,831)	(10,489)
Balance at 31 March 2022	103	116,804	48,687	28,818	28,073	222,485
Balance at 1 April 2022	103	116,804	48,687	28,818	28,073	222,485
Comprehensive income and total comprehensive income for the year	–	–	–	–	31,494	31,494
Contributions by and distributions to owners						
Share capital issued	1	1,786	–	–	–	1,787
Share premium reduction	–	(116,804)	–	–	116,804	–
Share-based payment expense – IFRS 2 charge	–	–	–	3,893	–	3,893
Deferred tax movement in respect of share-based payment expense	–	–	–	258	–	258
Dividends paid	–	–	–	–	(15,331)	(15,331)
Total contributions by and distributions to owners	1	(115,018)	–	4,151	101,473	(9,393)
Balance at 31 March 2023	**104**	**1,786**	**48,687**	**32,969**	**161,040**	**244,586**

The appropriate filing of interim accounts showing sufficient reserves to pay the £13,831,000 dividend was undertaken.

The notes on pages 153 to 156 form part of these financial statements.

Statement of cash flows – Company

for the year ended 31 March 2023

The Company does not operate a bank account and therefore there were no cash flows during the year. All movements of funds have been dealt with through subsidiary companies.

The notes on pages 153 to 156 form part of these financial statements.

Notes to the financial statements - Company
for the year ended 31 March 2023

1 Accounting policies
XPS Pensions Group plc (the "Company") is a public company incorporated in the UK. The principal activity of the Company is that of a holding company. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB.

Basis of preparation
These financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The financial statements have been prepared under the going concern basis.

The preparation of financial statements in accordance with the requirements of International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical judgements or estimates to disclose.

Measurement convention
The financial statements are prepared on the historical cost basis.

Investments in subsidiaries
Investments in subsidiaries are carried at cost, plus capital contributions to the Group's subsidiary companies in respect of share-based payment charges, less any provisions for impairment.

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

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

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

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

Changes in accounting policies - new standards, interpretations and amendments effective from 1 April 2022
New and amended standards and interpretations issued by the IASB that apply for the first time in these annual financial statements do not impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

New standards and interpretations adopted and not yet adopted
A number of new standards, amendments to standards and interpretations are not effective for 2023, and therefore have not been applied in preparing XPS Pensions Group plc's financial statements. These standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the UK) but not yet effective are not expected to have a material impact on the Company's financial statements.

2 Financial risk management
The Company is a holding company and has limited exposure to financial risks. Details of the financial risks' management are contained in the Group accounts (note 2) and details of their application to the Company are included in Company note 11.

3 Capital risk management
The Company is a holding company and will apply the risk management policies of the Group contained in the Group's financial statements.

4 Staff numbers and costs

The Company had no employees other than Directors in the year to 31 March 2023 (2022: nil).

No Directors received remuneration for their services to the Company during the year. Directors were remunerated for their services to the Group by a subsidiary company.

Pension contributions of £nil (2022: £nil) were paid on behalf of the Directors.

5 Investments in subsidiaries

	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**29,681**	26,345
In relation to XPS Pensions Consulting Limited	**2,403**	1,894
In relation to XPS SIPP Services Limited	**100**	89
In relation to XPS Pensions Limited	**983**	818
In relation to XPS Administration Limited	**560**	454
In relation to XPS Investment Limited	**80**	65
In relation to XPS Pensions (RL) Limited	**14**	11
In relation to XPS Pensions (Trigon) Limited	**10**	5
At the end of the year	**33,831**	29,681

Subsidiary	Ownership	Country of incorporation	Class of shares held	Principal activities	Registered address
XPS Financing Limited	100%	England and Wales	Ordinary	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB

The additions to investments during the year represents amounts in respect of Performance Share Plan awards and SAYE schemes, and an equity-settled award made by the Employee Benefit Trust to subsidiary companies as instructed by the Company.

All other subsidiaries disclosed in note 35 of the Group accounts are indirectly owned by other Group companies.

6 Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Receivables due from related parties	**251,335**	233,857
Non-current receivable	**251,335**	233,857
Current receivable	**—**	—
	251,335	233,857

7 Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Payables due to related parties	**39,307**	40,309
Total trade and other payables	**39,307**	40,309
Non-current payable	**39,307**	40,309
Current payable	**—**	—
	39,307	40,309

8 Current tax liabilities

	31 March 2023 £'000	31 March 2022 £'000
Corporation tax payable	**1,273**	744

9 Share capital

Details on the share capital of the Company are contained in the Group financial statements.

10 Reserves

Reserve	Description and purpose
Share premium:	Amount subscribed for share capital in excess of nominal value. In the year a share premium reduction exercise was undertaken, and as a result £116,804,000 was moved from share premium to retained profit.
Other reserve:	The other reserve represents the amount in respect of the equity-settled awards made by the Employee Benefit Trust to subsidiary companies as instructed by the Company.
Merger relief reserve:	The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies.
Retained profit:	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. In the year a share premium reduction exercise was undertaken, and as a result £116,804,000 was moved from share premium to retained profit.

11 Financial instruments

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

Credit risk

The maximum exposure to credit risk at the reporting date was:

	Carrying amount 31 March 2023 £'000	Carrying amount 31 March 2022 £'000
Receivables due from related parties	**251,335**	233,857

Loans from related parties are repayable on demand. Credit risk for receivables due from related parties has not increased significantly since their initial recognition.

Liquidity risk

The Company does not have any significant liquidity risk, as its receivables and payables are all with related parties.

Interest rate risk

The Company does not have any significant interest rate risk, as its receivables and payables are all with related parties.

Capital risk management

As part of the XPS Pensions Group, the Company is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Total capital for the Company comprises total equity.

The policies for managing capital are to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Company ensures are achievable. The processes for managing capital are regular reviews of financial data to ensure that the Company is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to the XPS Pensions Group's forecast which ensures future covenant test points are met. The XPS Pensions Group continues to meet these test points and they have been achieved over the last 12 months. Further information can be found within the consolidated financial statements of XPS Pensions Group plc.

Management of capital	31 March 2023 £'000	31 March 2022 £'000
Total equity	**244,586**	222,485

12 Related party transactions

Amounts receivable from/(payable to) related parties at the balance sheet date

	31 March 2023 £'000	31 March 2022 £'000
Loans to related parties	**251,335**	233,857
Loans from related parties	**(39,307)**	(40,309)
	212,028	193,548

Transactions with related parties during the year

	31 March 2023 £'000	31 March 2022 £'000
Interest income	**7,090**	3,565
Interest expense	**(1,295)**	(690)
Increase in loans to related parties	**(15,905)**	(15,145)
Decrease in loans from related parties	**1,788**	7
Intercompany dividend	**26,800**	27,000
	18,478	14,737

All transactions with related parties are made in the ordinary course of business and balances outstanding at the reporting date are unsecured. Loans are repayable on demand and accrue interest at a rate in line with the Group's bank borrowing rate. 3.96% was applied in the year (2022: 1.68%). All related parties are part of the XPS Pensions Group.

13 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

Company information

Registered office and Directors' address

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1 Station Hill
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Berkshire
RG1 1NB

Company Secretary

Zoe Adlam

Financial adviser and broker

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Financial adviser and broker

RBC Capital Markets
100 Bishopsgate
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Legal advisers to the Company

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Auditor

BDO LLP
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Registrar

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Bankers

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Citigroup Centre
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The Governor and Company of the Bank of Ireland
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Notes

www.xpsgroup.com

XPS Pensions Group's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arctic Snow, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.