

**Registered number:**  
**03842603**

**XPS PENSIONS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2020**

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## **XPS Pensions Limited**

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## **XPS Pensions Limited**

### **Strategic report**

#### **For the year ended 31 March 2020**

The directors present their strategic report in accordance with section 414A of the Companies Act for the Company for the year ended 31 March 2020.

This strategic report sets out for stakeholders the environment in which XPS Pensions Limited exists, the strategy that the Board of Directors set in the context of that environment and the resulting performance for the year ended 31 March 2020.

#### **Business review and principal activities**

The principal activity of the Company is the provision of actuarial and related consulting services to companies, pension schemes and trustees within the UK.

Pension schemes continue to operate under difficult financial conditions and that contributes to more advice being needed to enable employers and trustees to negotiate and agree funding plans.

The directors consider that the financial information on pages 7 to 34 is sufficient to allow a full understanding of the business.

The directors are pleased to report revenues of £25.1m for the period (2019: £27.5m) and operating profit of £8.4m (2019: £8.4m). The results for the year were consistent with the Directors' expectations for the year. Revenue was down compared to the prior year as some client work was transferred to a fellow Group subsidiary.

#### **Principal operational risks and uncertainties**

The Company has systems and processes in place to enable the Board to monitor, at its monthly meetings, risks that could impact on the Company's achievement of its business objectives. With the exception of the key financial risks which are covered in Note 2 of the financial statements, the principal risks that the board currently considers affect the Company and the steps taken to mitigate and control them are as follows.

##### *Failure to retain key staff*

The Company aims to provide a working environment that maximises staff retention. In that regard, the Company:

- encourages staff to secure professional qualifications and provides financial and other support in this endeavour;
- provides for permanent staff to participate in the benefits of share ownership of the Group;
- operates a discretionary bonus arrangement for all staff under which payments are related to both Group and individual performance;
- operates a performance development review (PDR) process for all employees; and
- provides business and technical training related to the output of the PDR process.

##### *Loss of IT systems and data*

IT strategy appropriate for the Company provides a resilient and robust infrastructure incorporating effective firewalls with data storage, network and helpdesk outsourced to third parties under contracts which include robust service level agreements.

Disaster recovery and business continuity plans have been considerably enhanced by the implementation of this IT strategy.

The Company holds a large amount of personal and client sensitive data. Confidentiality of this data is taken very seriously. Information security, controls and procedures are overseen by various business unit committees and overseen by the Board.

##### *Complaints*

The Company has a policy of written procedures and peer review intended to mitigate the possibility of errors that might lead to complaints. It is in the nature of the business that complaints are received occasionally. Any complaint is

## **XPS Pensions Limited**

### **Strategic report**

#### **For the year ended 31 March 2020 (continued)**

##### **Principal operational risks and uncertainties (continued)**

taken seriously and investigated. The circumstances of the complaint are identified and if appropriate procedures will be changed or new ones put in place with the objective of preventing any re-occurrence.

Appropriate and proportionate professional indemnity insurance is maintained.

##### *Failing to meet financial commitments*

Interest payable and accruing on the debt held within the group to which the Company belongs is linked to LIBOR and consequently the Company is exposed to movements in interest rates in its finance costs.

Cash flow is assessed and tightly managed across the Group. The Board reviews cash flow performance and forecasts monthly.

##### *COVID-19*

The Company's response to the COVID-19 outbreak in the UK is disclosed in the Group consolidated annual report for the year ended 31 March 2020, in the following sections: The Co-Chief Executives' review, the Financial Review, the Principle Risks and Uncertainties section, the Viability Statement, and note 2 to the Consolidated Financial Statements.

##### **Financial risk management**

Details of the Company's financial risk management is contained in note 2 of the consolidated financial statements.

##### **Performance**

The Key Performance Indicators (KPI's) of the business are as follows.

##### **Revenue**

In 2020 revenues amounted to £25.1m and represented a year on year decrease of 9%.

##### **Profit before tax**

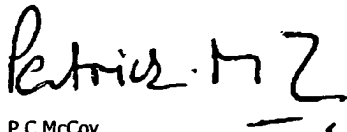
In 2020 profit before tax amounted to £8.7m and represented a year on year increase of 4%.

The results of the Company for the year are set out on page 7 and the Financial Position on page 8. The year covered by the Financial Statements is from 1 April 2019 to 31 March 2020.

##### **Future developments**

The Company is concentrating its efforts on growing its market share of the larger schemes for actuarial services. The Group's overall strategy is detailed in the XPS Pension Group plc annual report.

On behalf of the Board



P C McCoy  
Director

21 September 2020

Registered number:

03842603

Registered office:

Phoenix House

1 Station Hill

Reading

Berkshire

RG1 1NB

## **XPS Pensions Limited**

### **Directors' report**

#### **For the year ended 31 March 2020**

The directors present their report and financial statements of the Company for the year ended 31 March 2020.

XPS Pensions Limited (the "Company") is a wholly owned subsidiary of XPS Holdings Limited which is part of the XPS Pensions Group plc group (the "Group").

The smallest and largest group in which the results of the company are consolidated is headed by XPS Pensions Group plc, incorporated in the UK. XPS Pensions Group plc and its subsidiary companies are listed in the notes of the XPS Pensions Group plc consolidated annual report for the year ended 31 March 2020.

For the year ended 31 March 2020 and into the future, the Directors have elected to present the results of the Company under International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). Previously, the Company has reported its results under UK GAAP FRS 101. This change has been made to align the presentation of the Company Financial Statements with those of the Group.

#### **Results and dividends**

The directors are satisfied with the results of the company for the year and its financial position at 31 March 2020. The directors consider that the financial information on pages 7 to 34 is sufficient to allow a full understanding of the business.

The Company has made a profit before tax of £8.7m (2019: £8.4m). During the year the Company paid a dividend of £nil (2019: £5m).

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

J S Bernstein

B O Bramhall

P G Cuff

P C McCoy (Appointed 16 April 2019)

S Shah (Appointed 15 July 2019)

M R A Ainslie (Resigned 27 June 2019)

J P Batting (Resigned 1 April 2019)

The Group maintains liability insurance for its directors and officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

#### **Risk management**

Details of the Company's financial risk management is contained in note 2 of the consolidated financial statements.

#### **Future developments**

Future developments are discussed in the Strategic Report on pages 1 to 2 of these financial statements.

#### **Post balance sheet event**

On 31 August 2020 the Company paid an interim dividend totalling £11,500,000 to its immediate parent company, XPS Holdings Limited.

## **XPS Pensions Limited**

### **Directors' report**

#### **For the year ended 31 March 2020 (continued)**

##### **Disclosure of information to auditors**

The directors who held office as at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

##### **Statement of Directors' responsibilities**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 company and of the profit or loss of the company for that year.

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 IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. 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.

On behalf of the Board



S Shah  
Director

Registered number:  
03842603  
Registered office:  
Phoenix House  
1 Station Hill  
Reading  
Berkshire  
RG1 1NB

21 September 2020

## **XPS Pensions Limited**

### **Independent auditor's report to the members of XPS Pensions Limited**

#### **Opinion**

We have audited the financial statements of XPS Pensions Limited ("the Company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity, and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

## **XPS Pensions Limited**

### **Independent auditor's report to the members of XPS Pensions Limited (continued)**

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 Statement of Directors Responsibilities, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

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



**XPS Pensions Limited****Statement of comprehensive income****For the year ended 31 March 2020**

		<b>Year ended 31 March 2020 £'000</b>	<b>Year ended 31 March 2019 £'000</b>
	Note		
Revenue		<b>25,056</b>	27,520
Administrative expenses		<b>(16,619)</b>	(19,155)
<b>Profit from operations</b>		<b>8,437</b>	8,365
Financial income	8	<b>271</b>	17
Finance expenses	8	<b>(31)</b>	(5)
<b>Profit before tax</b>		<b>8,677</b>	8,377
Income tax expense	9	<b>(1,789)</b>	(1,488)
<b>Profit and total comprehensive income for the year</b>		<b>6,888</b>	6,889

The notes on pages 11 to 34 form part of these financial statements.

**XPS Pensions Limited****Statement of financial position****For the year ended 31 March 2020****Company number:****03842603**

	Note	31 March 2020 £'000	31 March 2019 Restated £'000	31 March 2018 Restated £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	19	33	11
Right-of-use assets	19	1,504	-	-
Intangible assets	11	10	-	-
Deferred tax assets	12	216	150	141
		<b>1,749</b>	<b>183</b>	<b>152</b>
<b>Current assets</b>				
Other financial assets	13	12,812	5,604	2,191
Trade and other receivables	14	8,393	8,062	9,141
Cash and cash equivalents	15	3,998	2,088	3,072
		<b>25,203</b>	<b>15,754</b>	<b>14,404</b>
<b>Total assets</b>		<b>26,952</b>	<b>15,937</b>	<b>14,556</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Lease liabilities	19	1,490	-	-
		<b>1,490</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	16	3,365	3,273	4,597
Lease liabilities	19	103	-	-
Current income tax liabilities	17	1,801	403	628
Provisions for other liabilities and charges	18	203	203	17
		<b>5,472</b>	<b>3,879</b>	<b>5,242</b>
<b>Total liabilities</b>		<b>6,962</b>	<b>3,879</b>	<b>5,242</b>
<b>Net assets</b>		<b>19,990</b>	<b>12,058</b>	<b>9,314</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital	20	100	100	100
Share premium	25	202	202	202
Retained earnings	25	19,688	11,756	9,012
<b>Total equity</b>		<b>19,990</b>	<b>12,058</b>	<b>9,314</b>

The notes on pages 11 to 34 form part of these financial statements.

The financial statements were approved by the Board of directors on 21 September 2020 and signed on its behalf by:



S Shah  
Director  
21 September 2020

**XPS Pensions Limited**

**Statement of changes in equity**

**For the year ended 31 March 2020**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018	100	202	9,012	9,314
Profit for the year and total comprehensive income	–	–	6,889	6,889
Share-based payment expense - IFRS 2 charge in respect of long-term incentives	–	–	861	861
Deferred tax movement in respect of long-term incentives	–	–	(46)	(46)
Reserve movement on prior year IFRS 15 tax adjustment	–	–	40	40
Dividends paid	–	–	(5,000)	(5,000)
Balance at 31 March 2019	100	202	11,756	12,058
Balance at 1 April 2019	100	202	11,756	12,058
Profit for the year and total comprehensive income	–	–	6,888	6,888
Share-based payment expense – equity settled from employee benefit trust	–	–	71	71
Share-based payment expense - IFRS 2 charge in respect of long-term incentives (note 7)	–	–	926	926
Deferred tax movement in respect of long-term incentives (note 12)	–	–	47	47
<b>Balance at 31 March 2020</b>	<b>100</b>	<b>202</b>	<b>19,688</b>	<b>19,990</b>

The notes on pages 11 to 34 form part of these financial statements.

# **XPS Pensions Limited**

## **Statement of cash flows**

**For the year ended 31 March 2020**

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<b>Cash flows from operating activities</b>			
Profit for the year		<b>6,888</b>	6,889
<i>Adjustments for:</i>			
Depreciation	10	<b>14</b>	11
Amortisation	11, 19	<b>95</b>	–
Finance income	8	<b>(271)</b>	(17)
Finance costs	8	<b>31</b>	5
Income tax expense	9	<b>1,789</b>	1,488
Share-based payment expense	7	<b>926</b>	861
		<b>9,472</b>	9,237
(Increase)/decrease in trade and other receivables	14	<b>(332)</b>	1,082
Increase/(decrease) in trade and other payables	16	<b>93</b>	(1,309)
Increase in provisions	18	<b>–</b>	169
Income tax paid		<b>–</b>	(628)
<b>Net cash inflow from operating activities</b>		<b>9,233</b>	8,551
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	10	<b>–</b>	(34)
Purchases of intangible assets	11	<b>(12)</b>	–
<b>Net cash outflow from investing activities</b>		<b>(12)</b>	(34)
<b>Cash flows from financing activities</b>			
Proceeds from loans to related parties	13	<b>(6,870)</b>	(8,397)
Increase in loans from related parties	17	<b>(441)</b>	(1,099)
Interest paid	8	<b>–</b>	(5)
<b>Net cash outflow from financing activities</b>		<b>(7,311)</b>	(9,501)
Net increase/(decrease) in cash and cash equivalents		<b>1,910</b>	(984)
Cash and cash equivalents at start of the year		<b>2,088</b>	3,072
<b>Cash and cash equivalents at end of year</b>	15	<b>3,998</b>	2,088

The notes on pages 11 to 34 form part of these financial statements.

## **XPS Pensions Limited**

### **Notes to the financial statements**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies**

XPS Pensions Limited (the "Company") is a limited company incorporated and domiciled in the UK.

##### ***Basis of preparation and Statement of compliance with IFRS***

These Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRSs 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 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.

In previous years, the Company has presented its Financial Statements using UK GAAP FRS 101. The transition to IFRS has been made to align the Company with other subsidiary companies within the Group. There were no amendments required to the reporting as a result of this change. The Statement of Financial Position and some of the prior year comparative notes have been restated - there are no changes to any values, however the presentation has been updated to align with the presentation of other Group subsidiaries, to facilitate comparison across the Group.

##### ***Going concern***

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 for a period including 12 months from the date of approval of these Financial Statements which show that during that period the Company is expected to generate sufficient cash from its operations to settle its liabilities as they fall due without the requirement for additional borrowings. Therefore the Directors conclude that the Company 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 light of the COVID-19 pandemic in the UK, the Directors of the Group have undertaken additional measures, which are outlined in the consolidated financial statements of XPS Pensions Group plc. These measures mean that the Directors of this Company are satisfied that the Company will have access to adequate resources to continue in operational existence for the foreseeable future, and therefore continue to prepare the accounts for the Company under the going concern basis.

##### ***Functional and presentation currency***

These 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 statements are prepared on the historical cost basis.

##### ***Property, plant and equipment***

Property, plant and equipment are stated at historic 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:

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies (continued)**

Office equipment 3 to 10 years

Fixtures and fittings 3 to 10 years

##### ***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.

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.

Amortisation is charged to profit and loss 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

Software 3 to 5 years, straight-line method

##### ***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 flows (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.

##### ***Trade receivables***

Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. The Company 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 Company'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 Company's customers. Any impairment required is recorded in the statement of comprehensive income within administrative expenses.

##### ***Accrued income***

Unbilled work at the period end is valued at the estimated realisable value. This is the lower of the time cost and net realisable value. The time cost is determined from timesheets and hourly rates.

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits.

##### ***Interest-bearing borrowings***

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.

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies (continued)**

###### ***Trade payables***

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

###### ***Provisions***

A provision is recognised in the statement of financial position when the Company 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 wear and tear 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.

Social security costs provisions represent estimates of the Company's National Insurance contributions liability on the cost of the Group's Performance Share Plan.

###### ***Employee benefits***

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

###### ***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. This is when they are declared by the Directors of the Company.

###### ***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. Amounts billed in advance of work performed are deferred in the Statement of Financial Position as deferred income.

###### ***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 time and effort spent by the Company on progressing the contracts in the event of the customer cancelling the contract for any reason other than the Company's failure to perform its obligations under the contract. Invoices are in most cases raised monthly, based on time sheet data. Payments is typically due 30 days from date receipt of invoice. The services performed by the Company are actuarial consultancy and related services.

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies (continued)**

The Company has a number of customers who are on a fixed price contract. This contract covers a number of services, 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 Company 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.

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 of 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. 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 Company has identified the element of the fixed fee that is attributable to the triennial valuation. 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 Company 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.

Judgement is required for these contracts in determining the value attributable to the triennial valuation work, 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 time sheet 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.

##### **Share-based payment expense - Performance share plan**

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from key management personnel in consideration for equity instruments of the XPS Pensions Group plc. 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
- including the impact of any service and non-market performance vesting conditions (for example, profitability and remaining a director for a specified period of time).

##### **Expenses**

##### *Non-trading and exceptional items*

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

- corporate transaction and restructuring costs;
- share-based payments; and
- the related tax effect of these items.



## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies (continued)**

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 Company.

##### ***Net finance costs***

Net finance costs comprise interest payable, interest receivable on own funds, dividend income and foreign exchange gains and losses that are recognised in the statement of comprehensive income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

##### ***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 other comprehensive income, in which case it is recognised in other comprehensive income.

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 2019***

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

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

##### **(a) Transition Method and Practical Expedients Utilised**

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

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

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies (continued)**

- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

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

On adoption of IFRS 16, the Company reviewed its operating lease. This was a lease with a term of less than 12 months, so, as disclosed above, the Company did not recognise right-of-use assets and lease liabilities for this short-term lease.

Included in profit or loss for the period are £93,000 of amortisation of right-of-use assets and £31,000 of finance expense on lease liabilities. Short-term leases included in profit or loss for the period amounted to £109,000.

##### **(b) Significant Accounting Policies subsequent to Transition**

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

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

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

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

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

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

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

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

##### **1 Accounting policies (continued)**

Other new and amended standards and Interpretations issued by the IASB that apply for the first time in these annual financial statements (including IFRIC 23 Uncertainty over Income Tax Treatments) 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 not yet adopted***

A number of new standards, amendments to standards, and interpretations are not effective for 2020, and therefore have not been applied in preparing XPS Pensions Limited's financial statements. These standards, interpretations and amendments issued by the IASB (of which some still subject to endorsement by the European Union), but not yet effective are not expected to have a material impact on the Company's financial statements.

##### ***Critical accounting estimates and judgements***

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.

##### ***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 costs incurred, fixed fee or rateably over the period of providing the service basis. Revenue is billed on a monthly or quarterly basis. Services are billed in arrears. As a result of such arrangements, critical accounting judgements are made in determining the timing of revenue recognition. These 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 apply judgement in assessing timesheet data to ensure that revenue is allocated proportionally to effort.

##### ***Share-based payments***

When share options are awarded to employees the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date, so that ultimately the cumulative amount recognised over the vesting period is based on the number of options granted. As long as all non-market vesting conditions are satisfied a charge is made, irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before the vest the increase in the fair value of the options measured immediately before and after the modifications, is also charged to the income statement over the remaining vesting period.

##### ***Provisions***

Dilapidations provisions have been made for properties which the Company currently lease based upon the cost to make good the property in accordance with lease terms where applicable.

##### ***Useful lives of intangible assets***

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 income statement in specific periods.

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

**For the year ended 31 March 2020**

#### **1 Accounting policies (continued)**

##### *Exceptional items*

Exceptional items are recognised to the extent that they meet the definition outlined in the accounting policy above. This requires a certain amount of judgement that is applied consistently by management.

##### *Incremental borrowing rate*

On application of IFRS 16, an assessment of the appropriate Incremental Borrowing Rate ('IBR') to be used for property lease present value calculations was required. In the first instance, the leases were reviewed to see if a rate was disclosed within them which could be used. As no rates were identified from the lease documents, the IBR calculated was based on the borrowing rate available to the (which corresponded to the Group's RCF rate), adjusted to take into consideration UK Government bond rates corresponding to the length of the lease term. This rate was then adjusted for the lessee company's risk profile, and the difference between 5 five years (the initial term of the Group's RCF) and the lease term based on UK bond yield adjustment as a percentage.

#### **2 Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Cash flow interest rate risk

Risk management policies are established for the XPS Pensions Group plc group of companies including XPS Pensions Limited 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 Company.

##### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty, including brokers, to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company has longstanding trading relationships with a significant number of its customers. Losses have resulted infrequently in previous years.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that the Company 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 such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its financial instruments.

The Company does not engage in holding speculative financial instruments or their derivatives. Further details in relation to financial risk management are contained in note 21 to the financial statements.

##### *Cash flow interest rate risk*

The Company is exposed to cash flow interest rate risk with its corporate bank deposits, which earn interest at a variable rate.

In addition to the above, the Company currently is exposed to risk arising from the current COVID-19 outbreak in the United Kingdom. Please see note 2 to the XPS Pensions Group plc Consolidated Financial Statements for details on how the Group is managing the risk.

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 3 Turnover

Turnover is attributable to the principal activity of the Company and arises mainly within the United Kingdom.

#### 4 Expenses and auditor's remuneration

Included in operating profit are the following:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Auditors' remuneration – for audit of these financial statements	15	20
Staff costs (note 5)	11,390	12,728
Depreciation (note 10)	14	11
Amortisation (notes 11, 19)	95	–
Recharges from Group	1,040	501
<b>Exceptional items:</b>		
Restructuring costs <sup>1</sup>	222	524
Other exceptional costs <sup>2</sup>	22	–
	<b>244</b>	<b>524</b>

1 The restructuring costs have arisen from integration activities relating to the Punter Southall acquisition by the Group in January 2018 (2019: £524,000).

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

#### 5 Staff numbers and costs

The average monthly number of people employed by the Company (including directors) during the year, analysed by category, was as follows:

	Year ended 31 March 2020 Number of employees	Year ended 31 March 2019 Number of employees
The average monthly number of people employed by the Company (including directors) during the year, analysed by category, was:	128	134

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000
Wages and salaries	8,837	9,306
Social security costs	967	1,137
Defined contribution pension cost	584	655
Other long-term employee benefits	42	245
Share-based payment expense (note 7)	960	861
Redundancy cost including NI (note 4)	–	524
	<b>11,390</b>	<b>12,728</b>

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

##### 5 Staff numbers and costs (continued)

No directors received remuneration for their services to the company during the year (2019: £nil).

Pension contributions of £nil (2019: £nil) were paid on behalf of the directors.

##### 6 Employee benefits

###### Defined contribution plan

The Company operates a defined contribution pension plan. The total expense relating to this plan in the year was £626,000 (2019: £655,000).

##### 7 Share-based payment costs

XPS Pensions Group operates a number of equity-settled share based remuneration schemes for employees: Performance Share Plans (PSP) for executive directors and other key senior personnel, and a Save As You Earn scheme which all employees are eligible to participate in, the only vesting condition being that the individual remains an employee of the Group over the savings period.

The company participates in a PSP for key senior staff which relates to annual awards over shares that vest subject to certain performance conditions, measured over a three-year period. The fair value of awards granted during the year was determined using certain assumptions around vesting.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Performance Share Plan awards and SAYE scheme	926	861
Social security costs on Performance Share Plan awards and SAYE scheme	34	77
	<b>960</b>	<b>938</b>

The fair value of PSP options granted during the period were calculated using the Monte Carlo valuation method. The inputs to the model were as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	0.05	0.05
Dividend yield (%)	0%	0%

The fair value of SAYE options granted during the period were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Weighted average exercise price of options issued during the period (pence)	78.0	147.2
Expected volatility (%)	32%	25%
Expected life beyond vesting date (years)	3.35	3.35
Risk free rate (%)	0.42%	0.92%
Dividend yield (%)	5.60%	3.60%

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 7 Share-based payment costs (continued)

The normal approach to estimate expected volatility is to look at the historical volatility of the Group's share price over the most recent period. However, as the Group floated in 2017 in accordance with IFRS 2, the approach has been to use historical volatility of other similar entities to determine a proxy for the Group's volatility. The constituents of the FTSE SmallCap Index at the date of grant have been used for this purpose for both PSP and SAYE grants.

As at 31 March 2020 2,454,572 Staff PSP options had been granted and remained outstanding in respect of the Groups ordinary shares of 0.05p each, at an exercise price of 0.05p per share, 30,691 SAYE options had been granted and remained outstanding, at an exercise price of 147.2p per share, and 732,425 SAYE options had been granted and remained outstanding, at an exercise price of 78p per share.

		2020	2020	2019	2019
		Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Staff PSP	Outstanding at 1 April	0.05	1,671,551	0.05	1,144,512
	Granted during the year	0.05	947,486	0.05	540,678
	Forfeited during the year	0.05	(128,999)	0.05	(13,639)
	Exercised during the year	0.05	(30,289)	–	–
	Cancelled during the year	0.05	(5,177)	–	–
	Outstanding at 31 March	0.05	2,454,572	0.05	1,671,551
SAYE	Outstanding at 1 April	147.20	389,084	–	–
	Granted during the year	78.00	737,040	147.20	398,376
	Forfeited during the year	147.20	(12,228)	147.20	(9,292)
	Cancelled during the year	146.29	(350,780)	–	–
	Outstanding at 31 March	80.78	763,116	147.20	389,084

#### 8 Finance income and expense

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income on loans to related parties	271	17
<b>Finance income</b>	<b>271</b>	<b>17</b>
Interest costs on loans from related parties	31	–
Bank charges	–	5
<b>Finance costs</b>	<b>31</b>	<b>5</b>

**XPS Pensions Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 March 2020**

**9 Income tax expense**

**Recognised in the statement of comprehensive income**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<b>Current tax expense</b>		
Current year	1,829	1,647
Adjustment in respect of prior period	(21)	(104)
<b>Total current tax expense</b>	<b>1,808</b>	<b>1,543</b>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(19)	(98)
Adjustment in respect of prior period	–	43
<b>Total income tax expense</b>	<b>1,789</b>	<b>1,488</b>
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
<b>Profit for the year</b>	<b>6,888</b>	<b>6,889</b>
Total tax expense	1,789	1,488
Profit excluding taxation	<b>8,677</b>	<b>8,377</b>
Tax using the UK corporation tax rate of 19% (2019: 19%)	1,649	1,592
Relief on exercise of share options	–	(105)
Non-deductible expenses	17	44
Other timing differences	–	(23)
Adjustment in respect of prior period	(21)	(61)
Amounts charged directly to equity or otherwise transferred	47	41
Effect of tax rate change	97	–
<b>Total tax expense</b>	<b>1,789</b>	<b>1,488</b>

The standard rate of Corporation tax in the UK was 19% (2019: 19%). Deferred tax liabilities have been measured at the enacted rate of 19% at 31 March 2020 (2019: 17%).



**XPS Pensions Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 March 2020**

**10 Property, plant and equipment**

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2019	34	10	44
Additions	–	–	–
<b>Balance at 31 March 2020</b>	<b>34</b>	<b>10</b>	<b>44</b>
<b>Accumulated depreciation</b>			
Balance at 1 April 2019	7	4	11
Depreciation charge for the year	11	3	14
<b>Balance at 31 March 2020</b>	<b>18</b>	<b>7</b>	<b>25</b>
<b>Net book value</b>			
Balance at 1 April 2019	27	6	33
<b>Balance at 31 March 2020</b>	<b>16</b>	<b>3</b>	<b>19</b>

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2018	–	11	11
Additions	34	–	34
Disposals	–	(1)	(1)
<b>Balance at 31 March 2019</b>	<b>34</b>	<b>10</b>	<b>44</b>
<b>Accumulated depreciation</b>			
Balance at 1 April 2018	–	–	–
Depreciation charge for the year	7	4	11
<b>Balance at 31 March 2019</b>	<b>7</b>	<b>4</b>	<b>11</b>
<b>Net book value</b>			
Balance at 1 April 2018	–	11	11
<b>Balance at 31 March 2019</b>	<b>27</b>	<b>6</b>	<b>33</b>

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
Balance at 1 January 2018	–	–	–
Additions	–	11	11
<b>Balance at 31 March 2018</b>	<b>–</b>	<b>11</b>	<b>11</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2018 and 31 March 2018	–	–	–
<b>Net book value</b>			
Balance at 1 January 2018	–	–	–
<b>Balance at 31 March 2018</b>	<b>–</b>	<b>11</b>	<b>11</b>

**XPS Pensions Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 March 2020**

**11 Intangible assets**

	<b>Goodwill £'000</b>	<b>Software £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
Balance at 1 April 2019	220	–	<b>220</b>
Additions	–	12	<b>12</b>
<b>Balance at 31 March 2020</b>	<b>220</b>	<b>12</b>	<b>232</b>
<b>Accumulated amortisation</b>			
Balance at 1 April 2019	220	–	<b>220</b>
Amortisation for the year	–	2	<b>2</b>
<b>Balance at 31 March 2020</b>	<b>220</b>	<b>2</b>	<b>222</b>
<b>Net book value</b>			
Balance at 1 April 2019	–	–	<b>–</b>
<b>Balance at 31 March 2020</b>	<b>–</b>	<b>10</b>	<b>10</b>

	<b>Goodwill £'000</b>
<b>Cost</b>	
Balance at 1 April 2018 and 31 March 2019	<b>220</b>
<b>Accumulated amortisation</b>	
Balance at 1 April 2018 and 31 March 2019	<b>220</b>
<b>Net book value</b>	
Balance at 1 April 2018 and 31 March 2019	<b>–</b>

	<b>Goodwill £'000</b>
<b>Cost</b>	
Balance at 1 January 2018 and 31 March 2018	<b>220</b>
<b>Accumulated amortisation</b>	
Balance at 1 January 2018 and 31 March 2018	<b>220</b>
<b>Net book value</b>	
Balance at 1 January 2018 and 31 March 2018	<b>–</b>

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 12 Deferred income tax

Deferred tax assets are attributable to the following:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Property, plant and equipment	15	21	18
Short term timing differences	201	129	123
Net deferred tax assets	216	150	141

Movement in deferred tax during the current year:

	Balance at 1 April 2019 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2020 £'000	31 March 2020 Assets £'000	31 March 2020 Liabilities £'000
Property, plant and equipment	(21)	6	–	(15)	15	–
Short term timing differences	(129)	(25)	(47)	(201)	201	–
	(150)	(19)	(47)	(216)	216	–

Movement in deferred tax during the prior periods:

	Balance at 1 April 2018 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2019 £'000	31 March 2019 Assets £'000	31 March 2019 Liabilities £'000
Property, plant and equipment	(18)	(3)	–	(21)	21	–
Short term timing differences	(123)	(52)	46	(129)	129	–
	(141)	(55)	46	(150)	150	–

	Balance at 1 January 2018 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2018 £'000	31 March 2018 Assets £'000	31 March 2018 Liabilities £'000
Property, plant and equipment	(18)	–	–	(18)	18	–
Short term timing differences	(90)	(33)	–	(123)	123	–
	(108)	(33)	–	(141)	141	–

**XPS Pensions Limited**

**Notes to the financial statements (continued)**

**For the year ended 31 March 2020**

**13 Other financial assets**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000	Year ended 31 March 2018 Restated £'000
<b>Current</b>			
Intercompany loan due from related parties	12,812	5,604	2,191
	<b>12,812</b>	<b>5,604</b>	<b>2,191</b>

**14 Trade and other receivables**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 Restated £'000	Year ended 31 March 2018 Restated £'000
Trade receivables	4,656	4,906	5,227
Prepayments and accrued income	3,277	2,744	3,809
Contract assets	460	349	–
Other debtors	–	63	105
	<b>8,393</b>	<b>8,062</b>	<b>9,141</b>

31 March 2020	Current	Past due 0-30 days	Past due 31-90 days	Past due more than 90 days	Total £'000
Expected loss rate	0%	0%	0%	13%	
Gross carrying amount	2,233	1,375	557	620	4,785
Loss provision	–	–	–	81	81
Amendment for specific bad debt provision	–	–	–	48	48
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>129</b>	<b>129</b>

31 March 2019	Current	Past due 0-30 days	Past due 31-90 days	Past due more than 90 days	Total £'000
Expected loss rate	0%	0%	0%	34%	
Gross carrying amount	2,482	1,047	930	532	4,991
Loss provision	–	–	–	181	181
Amendments for specific bad debt provision	–	–	–	(96)	(96)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>85</b>	<b>85</b>

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 14 Trade and other receivables (continued)

At 31 March 2020 trade receivables are shown net of an allowance for doubtful debts of £128,704 (2019: £84,992). Write-offs during the year were £nil (2019: £2,907), reversals were £86,341 (2019: £nil) and new provisions were £130,053 (2019: £87,892).

The Company 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 Company'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 on macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the UK.

Of the March 2019 contract asset balance of £0.3m, £0.2m was recognised as revenue in the year.

#### 15 Cash and cash equivalents

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Cash and cash equivalents per statement of financial position	3,998	2,088	3,072
Cash and cash equivalents per statement of cash flows	3,998	2,088	3,072

The balance comprises solely of cash at bank and on hand.

#### 16 Trade and other payables

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000 Restated	Year ended 31 March 2018 £'000 Restated
Trade payables	327	166	608
Other payables	–	131	64
Accruals and deferred income	950	940	1,604
Contract liabilities	408	378	–
Taxation and social security	1,680	1,658	2,321
	3,365	3,273	4,597

Of the March 2019 contract liability balance of £0.4m, £0.3m was recognised as revenue in the year.

#### 17 Current income tax liabilities

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000 Restated
Tax payable	1,801	403	628
	1,801	403	628

# **XPS Pensions Limited**

## **Notes to the financial statements (continued)**

### **For the year ended 31 March 2020**

#### **18 Provision for other liabilities and charges**

	<b>Social security costs on Performance Share Plan</b>		<b>Total</b>
	<b>£'000</b>	<b>Dilapidations £'000</b>	<b>£'000</b>
<b>Current</b>			
Balance at 1 April 2019	94	109	203
Provisions made during the year	52	57	109
Provisions released unused during the year	–	(109)	(109)
<b>Balance at 31 March 2020</b>	<b>146</b>	<b>57</b>	<b>203</b>

	<b>Social security costs on Performance Share Plan</b>		<b>Total</b>
	<b>Restated £'000</b>	<b>Dilapidations Restated £'000</b>	<b>Restated £'000</b>
<b>Current</b>			
Balance at 1 April 2018	17	–	17
Provisions made during the year	77	109	186
<b>Balance at 31 March 2019</b>	<b>94</b>	<b>109</b>	<b>203</b>

	<b>Social security costs on Performance Share Plan</b>		<b>Total</b>
	<b>Restated £'000</b>	<b>Dilapidations Restated £'000</b>	<b>Restated £'000</b>
<b>Current</b>			
Balance at 1 January 2018	–	–	–
Provisions made during the year	17	–	17
<b>Balance at 31 March 2018</b>	<b>17</b>	<b>–</b>	<b>17</b>

Social security costs (National Insurance) are payable on gains made by employees on exercise of share options granted to them. The eventual liability to National Insurance is dependent on:

- The market price of the company'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 estimate 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 at the end of the lease of the asset to which it relates.

## **XPS Pensions Limited**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 March 2020**

#### **19 Leases**

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

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

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. The following policies apply subsequent to the date of initial application, 1 April 2019.

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

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 18).

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 Company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at 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 Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

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

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 19 Leases (continued)

##### *Nature of leasing activities (in the capacity as lessee)*

The Company leases a property in the UK. The rent for this property can be reviewed and may be reset periodically to market rental rates. The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

31 March 2020	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	1	–	100	± 51

The Company sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Company will consider whether the absence of a break clause would expose the Company 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 Company.

At 31 March 2020 the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because it was considered reasonably certain that the Company would not exercise its right to break the lease. Total lease payments of £1,036,035 (2019 – £nil) are potentially avoidable were the Company to exercise break clauses at the earliest opportunity.

Right-of-use assets	Land and buildings £'000
At 1 April 2019	–
Additions	1,597
Amortisation	(93)
At 31 March 2020	1,504

Lease liabilities	Land and buildings £'000
At 1 April 2019	–
Additions	1,562
Interest expense	31
At 31 March 2020	1,593

	31 March 2020 £'000
Short-term lease expense	109
<b>Aggregate undiscounted commitments for short-term leases</b>	<b>109</b>



# **XPS Pensions Limited**

## **Notes to the financial statements (continued)**

### **For the year ended 31 March 2020**

#### **19 Leases (continued)**

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Up to 3 months	–	–
Between 3 and 12 months	103	–
Between 1 and 2 years	159	–
Between 2 and 5 years	512	–
More than 5 years	819	–
	<b>1,593</b>	–

#### **20 Share capital**

	31 March 2020 £	31 March 2019 £	31 March 2018 £
<i>Authorised</i>			
50,000,000 "A" ordinary shares of 1p each	<b>500,000</b>	500,000	500,000

The value of the 4 "B" ordinary shares of £0.01 each is less than £1.

	31 March 2020 £	31 March 2019 £	31 March 2018 £
<i>Issued and fully paid</i>			
10,000,000 "A" ordinary shares of 1p each	<b>100,000</b>	100,000	100,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### **21 Financial Instruments**

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

##### *Credit risk*

The maximum exposure to credit risk at the reporting date was:

	Carrying amount 31 March 2020 £'000	Carrying amount 31 March 2019 £'000
Note		
Other financial assets	13 <b>12,812</b>	5,604
Trade and other receivables	14 <b>8,393</b>	8,062
Cash and cash equivalents	15 <b>3,998</b>	2,088
	<b>25,203</b>	15,754

##### *Credit risk mitigation*

For cash, cash equivalents and derivative financial instruments, only banks and financial institutions with a minimum rating of A are accepted.

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 21 Financial Instruments (continued)

The ageing of trade receivables at the reporting date was:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Not past due	2,233	2,482
Past due 0-30 days	1,375	1,047
Past due 31-90 days	557	930
Past due more than 90 days	620	532
	<b>4,785</b>	<b>4,991</b>

None of those trade receivables that are neither past due nor impaired have had their terms renegotiated.

Based on historic performance of these contracts, and taking the expected credit loss (ECL) into consideration, the company has made an impairment allowance of £128,704 (2019: £84,992) in respect of trade receivables.

#### *Liquidity risk*

The maximum exposure to liquidity risk at the reporting date was:

	Carrying amount 31 March 2020 £'000	Carrying amount 31 March 2019 Restated £'000
Trade and other payables	Note 16 <b>3,365</b>	<b>3,273</b>

All trade and other payables are expected to be paid in 6 months or less.

#### *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 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 company ensures are achievable. The process 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 continue to meet these test points and they have been achieved over the last 12 months. Further information can be found within financial statements of XPS Pensions Group plc.

Management of capital

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Total equity	<b>19,990</b>	<b>12,058</b>

#### 22 Contingencies

The Company has provided security over its assets and a guarantee in relation to the repayment of syndicated banking facilities available to its intermediate holding company, XPS Consulting (Reading) Limited. The facilities guaranteed comprise a drawn revolving credit facility of £70,500,000 (2019: £57,250,000) and a further undrawn rolling facility loan in the amount of £9,500,000 (2019: £22,750,000). The revolving credit facility available to the Group was increased to £90,000,000 in June 2020. The bank borrowings are repayable in 2021 and 2022 and bear interest at LIBOR plus a margin determined by the loan agreements.

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 23 Related party transactions

##### *Services provided to related parties during the year*

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
PSFM Limited	5	32
PS Independent Trustees Limited	14	10
PSFM SIPP Limited	-	1
Punter Southall Group Limited	(5)	31
Punter Southall Analytics Limited	-	12
Punter Southall Defined Contribution Consulting Limited	-	9
Punter Southall Governance Services Limited	5	-
	<u>19</u>	<u>95</u>

During the year the Company provided services of £19,201 (2019: £95,029) to related parties.

##### *Administrative expenses recharged from related parties during the year*

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Punter Southall Group Limited	345	1,704
Punter Southall Health and Protection Limited	-	3
	<u>345</u>	<u>1,707</u>

During the year the Company paid administration costs of £344,521 (2019: £1,707,393) to related parties.

##### *Interest payable to related parties during the year*

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
To other group companies	8 <u>31</u>	-
	<u>31</u>	-

##### *Interest receivable from related parties during the year*

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
From other group companies	8 <u>271</u>	17
	<u>271</u>	<u>17</u>

## XPS Pensions Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2020

#### 23 Related party transactions (continued)

*Balances receivable from/(owed to):*

		Year ended 31 March 2020	Year ended 31 March 2019 Restated
	Note	£'000	£'000
Intercompany loan due from other group companies	13	12,812	5,604
Punter Southall Group Limited		(14)	(156)
Punter Southall Governance Services Limited		5	17
PSFM Limited		(2)	–
		<u>12,801</u>	<u>5,465</u>

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. 2.68% was applied in the year (2019: 2.34%).

*Dividends payable to related parties during the year*

During the year the Company did not pay any dividends (2019: dividend of £5,000,000) to its immediate parent, XPS Holdings Limited.

#### 24 Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of XPS Holdings Limited, a company incorporated in the UK. XPS Pensions Group plc is the ultimate parent company incorporated in the UK. The Directors do not consider XPS Pensions Group plc has an ultimate controlling party.

The smallest and largest group in which the results of the Company are consolidated is that of XPS Pensions Group plc. The consolidated financial statements of XPS Pensions Group plc are available to the public and may be obtained from Phoenix House, 1 Station Hill, Reading, Berks RG1 1NB.

#### 25 Reserves

The following describes the nature and purpose of each reserve within equity:

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	Nominal value of share capital subscribed for
Share premium	Amount subscribed for share capital in excess of nominal value
Retained earnings	All net gains and losses recognised through the consolidated statement of comprehensive income

#### 26 Post balance sheet event

On 31 August 2020 the Company paid an interim dividend totalling £11,500,000 to its immediate parent company, XPS Holdings Limited.