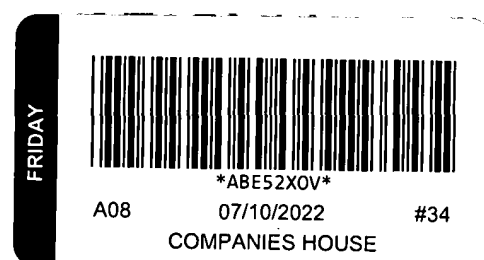


Registered number:
03842603

XPS PENSIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022



XPS Pensions Limited

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XPS Pensions Limited

Strategic report

For the year ended 31 March 2022

The directors present their strategic report in accordance with section 414A of the Companies Act for the Company for the year ended 31 March 2022.

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 2022.

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 10 to 37 is sufficient to allow a full understanding of the business.

The directors are pleased to report revenues of £24.1m for the period (2021: £24.5m) and operating profit of £6.8m (2021: £6.9m). The results for the year were consistent with the Directors' expectations. Revenue was slightly down compared to the prior year as some client work was transferred to another Group subsidiary.

Principal operational risks and uncertainties

The Company has systems and processes in place to enable the Group Executive Committee 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 2022 (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 SONIA 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.

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 2022 revenues amounted to £24.1m and represented a year on year decrease of 1%.

Profit before tax

In 2022 profit before tax amounted to £7.0m, which is consistent with the prior year.

The results of the Company for the year are set out on page 10 and the Financial Position on page 11. The year covered by the Financial Statements is from 1 April 2021 to 31 March 2022.

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.

S172 Statement

A director of a company must act in the way they consider, in good faith, would most likely promote the long-term success of the company for the benefits of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006. The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Company's engagement strategy and how feedback from stakeholders influences the Board agenda and decision-making is set out within the below table. Further details can be found within the Governance report in the Group consolidated annual report.

The Board of the Group which this Company is included in has enhanced its methods of engagement with the workforce and appointed Margaret Snowden, OBE as the designated Employee Engagement Non-Executive Director who chairs the Employee Engagement Group.

The Company aims to work responsibly with its stakeholders and develop strong business relationships with them, including its suppliers.

XPS Pensions Limited

Strategic report

For the year ended 31 March 2022 (continued)

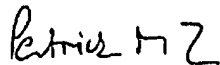
Stakeholder	Key interests	Engagement strategy
Clients	<ul style="list-style-type: none"> • Products and services • Service performance and efficiency • Competitiveness and value • Compliance and data protection • Sustainable products 	The Company engages with clients through key contacts who work day to day with the clients. We also complete client satisfaction surveys every two years and the Board reviews the results. We are pleased that our client survey this year shows that clients are very positive, with 93% of clients across the Group "satisfied" or better and 86% of clients across the Group likely to recommend XPS. We also hold conferences, webinars and training exercises for clients throughout the year. We work with clients to establish a relationship that works for them.
Shareholders	<ul style="list-style-type: none"> • Financial performance and growth • Dividends • Timely and relevant communications • Sound corporate governance and stewardship • Strategy aligned with long-term sustainability and value creation 	The shares of the Company are 100% owned by XPS Holdings Limited. The points below relate to the shareholders of the ultimate parent company, XPS Pensions Group plc. 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 Investor section of the XPS website was updated and improved during 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 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. The Remuneration Committee Chair engages through consultation and meetings with major shareholders in relation to executive remuneration.
Regulators	<ul style="list-style-type: none"> • 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 Snowden is an adviser to The Pensions Regulator and regularly updates the Board on industry developments.
Employees / Contractors	<ul style="list-style-type: none"> • Engagement • Reward • Career opportunities • Training and development • Wellbeing • Equality, inclusion and diversity • Work-life balance and flexibility 	Margaret Snowden 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. Employees have been at the forefront of the Board's discussions and considerations in relation to the Covid-19 pandemic and the My XPS, My Choice trial.
Suppliers	<ul style="list-style-type: none"> • 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. The Board annually approves the XPS Modern Slavery Statement. Our Supplier Code of Conduct communicates what we expect from our suppliers.
Communities, Charities and environment	<ul style="list-style-type: none"> • Local and worldwide social and environmental impact • Health and safety 	The Sustainability Committee is a Committee of the Board, and 50% of members are Board members. The Committee Chair, Sarah Ing, updates the Board following each meeting. XPS is well positioned to ensure our positive impact is wider than the Group itself as we advise our clients on sustainable investments. XPS has reported on TCFD this year. Additionally, XPS achieved carbon neutrality in 2021.

XPS Pensions Limited

Strategic report

For the year ended 31 March 2022 (continued)

On behalf of the Board



P C McCoy
Director

29 September 2022

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 2022

The directors present their report and financial statements of the Company for the year ended 31 March 2022.

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 2022.

Results and dividends

The directors are satisfied with the results of the company for the year and its financial position at 31 March 2022. The directors consider that the financial information on pages 10 to 37 is sufficient to allow a full understanding of the business.

The Company has made a profit before tax of £7.0m (2021: £7.0m). During the year the Company paid a dividend of £12.0m (2021: £11.5m).

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 (resigned 28 February 2022)

B O Bramhall

P G Cuff

P C McCoy

S Shah

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 4 of these financial statements.

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.

Going concern

The Directors consider that the Company is an intrinsic part of the XPS Pensions Group as it holds a number of the Group's key operations. As such, the Directors consider that the going concern assessment performed for the Group as a whole does apply equally to the Company. Details of the going concern assessment can be found in the accounting policies.

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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

XPS Pensions Limited

Directors' report

For the year ended 31 March 2022 (continued)

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.

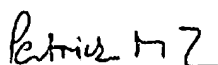
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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



P C McCoy
Director

29 September 2022

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

XPS Pensions Limited

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of XPS Pensions Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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.

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.

Independence

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.

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.

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 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

XPS Pensions Limited

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

Other Companies Act 2006 reporting

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 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 or the 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.

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:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, applicable accounting standards, labour regulations and the Financial Conduct Authority's regulations.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and discussed among the audit engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. We considered our knowledge of the nature of the industry, control environment and business performance including the design of the Company's remuneration policies, key drivers for Directors' remuneration and performance targets. We considered the fraud risk areas to be management override and revenue recognition, specifically the completeness of deferred income at the year end.

To consider the risk of over or understatement of deferred income and the associated revenues, we selected a sample of invoices to confirm that the period that the services relates to and ensure that revenues were correctly accounted for.

XPS Pensions Limited

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

We tested deferred income, by selecting a sample of deferred income transactions, agreeing back to contract with the customer and invoice issued.

Using data analytics we identified outliers in the journals population for testing journals that were posted to revenue and accrued income, reviewing any postings outside of the group's expected revenue journal postings. For such items identified we agreed journals to supporting documentation.

Our procedures also included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management, Group Head of Risk, the Group Board and the Group Audit Committee concerning instances of fraud and errors, and actual and potential litigation and claims;
- enquiries of the compliance department including the Group Head of Compliance and Group Money Laundering Reporting Officer concerning instances of fraud;
- review of minutes of Board meetings throughout the year for any instances of fraud or error; and
- obtaining an understanding of the control environment in monitoring compliance with laws and Regulations.


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

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: <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.

DocuSigned by:

A42BFCD38704BE...

Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
29 September 2022

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 2022**

		Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
	Note		
Revenue		24,133	24,470
Administrative expenses		(17,353)	(17,617)
Profit from operations		6,780	6,853
Financial income	8	307	334
Finance expenses	8	(110)	(161)
Profit before tax		6,977	7,026
Income tax expense	9	(1,277)	(1,396)
Profit and total comprehensive income for the year		5,700	5,630

The notes on pages 14 to 37 form part of these financial statements.

XPS Pensions Limited**Statement of financial position****For the year ended 31 March 2022****Company number:****03842603**

	Note	31 March 2022 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	2	6
Right-of-use assets	19	1,184	1,344
Intangible assets	11	23	15
Other financial assets	13	11,215	8,397
Deferred tax assets	12	315	234
		12,739	9,996
Current assets			
Other financial assets	13	4,886	11,840
Trade and other receivables	14	7,217	7,583
Cash and cash equivalents	15	2,268	875
		14,371	20,298
Total assets		27,110	30,294
Liabilities			
Non-current liabilities			
Lease liabilities	19	1,165	1,331
Provision for other liabilities and charges	18	160	138
		1,325	1,469
Current liabilities			
Trade and other payables	16	4,442	4,197
Lease liabilities	19	218	212
Amounts due to group undertakings	20	10,262	7,052
Current income tax liabilities	17	1,253	2,221
Provisions for other liabilities and charges	18	148	114
		16,323	13,796
Total liabilities		17,648	15,265
Net assets		9,462	15,029
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	21	100	100
Share premium	26	202	202
Retained earnings	26	9,160	14,727
Total equity		9,462	15,029

The notes on pages 14 to 37 form part of these financial statements.

The financial statements were approved by the Board of directors on 29 September 2022 and signed on its behalf by:



S Shah
Director
29 September 2022

XPS Pensions Limited

Statement of changes in equity

For the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020	100	202	19,688	19,990
Profit for the year and total comprehensive income	-	-	5,630	5,630
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	-	-	1,072	1,072
Deferred tax movement in respect of long-term incentives	-	-	4	4
Dividends paid	-	-	(11,500)	(11,500)
Dividend equivalents paid on exercised share options	-	-	(167)	(167)
Balance at 31 March 2021	100	202	14,727	15,029
Balance at 1 April 2021	100	202	14,727	15,029
Profit for the year and total comprehensive income	-	-	5,700	5,700
Share-based payment expense - IFRS 2 charge in respect of long-term incentives (note 7)	-	-	816	816
Deferred tax movement in respect of long-term incentives (note 12)	-	-	2	2
Dividends paid	-	-	(12,000)	(12,000)
Dividend equivalents paid on exercised share options	-	-	(85)	(85)
Balance at 31 March 2022	100	202	9,160	9,462

The notes on pages 14 to 37 form part of these financial statements.

XPS Pensions Limited

Statement of cash flows

For the year ended 31 March 2022

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 ¹ £'000
Cash flows from operating activities			
Profit for the year		5,700	5,630
<i>Adjustments for:</i>			
Depreciation and amortisation	10,11,19	171	180
Finance income	8	(307)	(334)
Finance costs	8	110	161
Income tax expense	9	1,277	1,396
Share-based payment expense	7	816	1,072
		7,767	8,105
Decrease in trade and other receivables	14	366	811
Increase in trade and other payables	16	245	832
Increase in provisions	18	56	49
Income tax paid		-	-
Net cash inflow from operating activities		8,434	9,797
Cash flows from investing activities			
Purchases of intangible assets	11	(15)	(12)
Net cash outflow from investing activities		(15)	(12)
Cash flows from financing activities			
Lease interest paid	19	(46)	(38)
Payment of lease liabilities	19	(162)	(65)
Dividend equivalents paid on exercise of share		(85)	(167)
Decrease in loans from group undertakings	17,20	(11,176)	(5,547)
(Repayment of)/proceeds from loans to group undertakings	13	4,443	(7,091)
Net cash outflow from financing activities		(7,026)	(12,908)
Net increase/(decrease) in cash and cash equivalents		1,393	(3,123)
Cash and cash equivalents at start of the year		875	3,988
Cash and cash equivalents at end of year	15	2,268	875

1 Lease payments of £52,000 in financing activities previously incorrectly presented as a movement within trade and other payables (which impacts operating cash flows), have been reclassified as the amounts were unpaid at the year end (net of amounts unpaid at the previous year end). A corresponding adjustment has been made to working capital movements. This change has no overall impact on the total movement in cash and cash equivalents in the year; it is just a reclassification of the movement.

The notes on pages 14 to 37 form part of these financial statements.

XPS Pensions Limited

Notes to the financial statements

For the year ended 31 March 2022

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 UK adopted International Financial Reporting Standards. There were no changes to accounting policies on adoptions of UK IFRSs. These financial statements have been prepared under the going concern basis.

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.

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.

For the year ended 31 March 2023, the Directors have modelled a scenario at which the banking covenants would be broken, which is the point where going concern would be threatened. The headroom between this scenario and current performance, and the budget, is significant and a decrease of this magnitude is considered to be extremely unlikely.

The XPS Pensions Group, of which the Company is a subsidiary, negotiated a new banking facility in the year which will be in place for four years from October 2021. This facility 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 Company 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 Company of the current global situation therefore is the high level of inflation currently being experienced in the UK, and also the related increase in interest rates. The Company is confident of being able to minimise the impact of inflationary pressures on profits through a continued focus on overall efficiency and a disciplined approach to pricing.

As well as the work performed on a Group level outlined above, the Company's cash flows and performance against budget are monitored by the Directors. The performance of the Company has been in line with expectations and underlying performance has been strong. The Company is a key part of the Group's strategy going forwards. 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.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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:

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.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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.

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 and Deferred 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. In the case of interim dividends, this is when they are declared by the directors of the Company, and in the case of final dividends, this is when approved by the ultimate parent 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.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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.

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.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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 and Deferred 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
- 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).

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.

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:

- 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 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

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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.

Leases and payments

The Company's accounting policies for leases are set out in note 19.

Identifying leases

The Company 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 Company obtains substantially all the economic benefits from use of the asset; and
- (c) the Company has the right to direct use of the asset.

The Company 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 Company obtains substantially all the economic benefits from use of the asset, the Company 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 Company has the right to direct use of the asset, the Company 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 pre-determined due to the nature of the asset, the Company 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 Company 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 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 be made 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, this will also 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.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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; 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 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.

Where a lease liability changes due to a 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, of the Company'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 or a rate used to determine future lease payments.

Changes in accounting policies - New standards, interpretations, and amendments effective from 1 April 2021

A number of new standards, amendments to standards, and interpretations are not effective for 2022, and therefore have not been applied in preparing XPS Pensions Limited's financial statements. They are not expected to have a material impact on the Company's financial statements. These include the following amendments effective for the year beginning 1 April 2022:

- 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).

The following amendments are 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).

New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2022, and therefore have not been applied in preparing XPS Pensions Limited's financial statements. They are not expected to have a material impact on the Company's Financial Statements.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

1 Accounting policies (continued)

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.

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.

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 Investment 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.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

2 Financial risk management (continued)

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 22 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.

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 2022 £'000	Year ended 31 March 2021 £'000
Auditors' remuneration – for audit of these financial statements	22	15
Staff costs (note 5)	13,065	12,479
Depreciation and amortisation (note 10, 11, 19)	171	180
Recharges from Group	924	989
	<hr/>	<hr/>
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Exceptional items:	(142)	231
Other exceptional items ¹	(142)	231
	<hr/>	<hr/>

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

4 Expenses and auditor's remuneration (continued)

¹ Other exceptional credit of £142,000 relates to the reversal of the prior year increase in exceptional holiday pay accrual. The one-off non-cash holiday pay accrual in the year ended 31 March 2021 arose as the holiday cycle was disrupted by the pandemic and a higher than normal level of holiday was carried forward at the end of the holiday year in December 2020. Prior to the pandemic the holiday pay accrual had been stable. In the year ending 31 March 2022 the Company changed its holiday year to align with its accounting year, and as a result there was no cash outflow as a result of the charge in the year ended 31 March 2021. Due to its one-off nature and the size of the holiday pay accrual in the prior year, as well as the corresponding reversal in the year ending 31 March 2022, it was deemed appropriate to disclose the amount separately from the underlying business performance. The year ended 31 March 2021 additionally included one-off costs to enable staff to work from home.

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 2022 Number of employees	Year ended 31 March 2021 Number of employees
The average monthly number of people employed by the Company (including directors) during the year, analysed by category, was:	134	119

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Wages and salaries	10,079	9,576
Social security costs	1,157	1,063
Defined contribution pension cost	601	559
Other long-term employee benefits	269	40
Share-based payment expense (note 7)	959	1,241
	13,065	12,479

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

5 Staff numbers and costs (continued)

No directors received remuneration for their services to the company during the year (2021: £nil).

Pension contributions of £nil (2021: £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 £601,000 (2021: £559,000).

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, Deferred Share Plans (DSP) for key senior personnel from July 2020, 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. This scheme was replaced in July 2020 with a DSP, 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.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Performance Share Plan awards, Deferred Share Plan awards and SAYE scheme	816	1,072
Social security costs on Performance Share Plan awards and Deferred Share Plan awards	143	169
	<u>959</u>	<u>1,241</u>

The Staff DSP options granted during the year had no performance criteria, other than a service condition. Therefore, the fair value of this awards was the market value of shares on the date of the award.

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 2022
Weighted average exercise price of options issued during the period (pence)	111.0
Expected volatility (%)	47.63%
Expected life beyond vesting date (years)	3.35
Risk free rate (%)	0.28%
Dividend yield (%)	<u>5.00%</u>

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

7 Share-based payment costs (continued)

No SAYE options were granted in the prior year.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

As at 31 March 2022 965,160 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, 1,363,231 Staff DSP 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, 627,199 SAYE options had been granted and remained outstanding, at an exercise price of 78p per share, and 72,641 SAYE options had been granted and remained outstanding, at an exercise price of 111p per share.

		2022	2022	2021	2021
		Weighted average	Weighted average	Weighted average	Weighted average
		exercise price	exercise price	exercise price	exercise price
		(pence)	Number	(pence)	Number
Staff PSP	Outstanding at 1 April	0.05	1,600,449	0.05	2,454,572
	Forfeited during the year	0.05	(126,053)	0.05	(234,561)
	Exercised during the year	0.05	(459,379)	0.05	(598,611)
	Cancelled during the year	0.05	(16,078)	0.05	(20,951)
	Outstanding at 31 March	0.05	998,939	0.05	1,600,449
Staff DSP	Outstanding at 1 April	0.05	790,671	–	–
	Granted during the year	0.05	641,813	0.05	796,851
	Forfeited during the year	0.05	(15,398)	0.05	(6,180)
	Outstanding at 31 March	0.05	1,417,086	0.05	790,671
SAYE	Outstanding at 1 April	81.04	697,119	80.78	763,116
	Granted during the year	111.00	72,641	–	–
	Forfeited during the year	87.33	(45,343)	78.00	(35,998)
	Lapsed during the year	147.20	(24,577)	–	–
	Cancelled during the year	–	–	78.00	(29,999)
	Outstanding at 31 March	81.42	699,840	81.04	697,119

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

7 Share-based payment costs (continued)

The exercise price of options outstanding at 31 March 2022 ranged between £0.0005 (i.e. the nominal value of an ordinary share) in the case of the PSP's and DSP's and £1.11 in the case of the SAYE scheme (2021: £0.0005 to £1.472). Their weighted average contractual life was 3 years (2021: 3 years).

Of the total number of options outstanding at 31 March 2022, 132,747 (2021: 261,344) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £1.38 (2021 £1.15).

8 Finance income and expense

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest income on loans to related parties	307	334
Finance income	307	334
Interest expense on loans from related parties	62	108
Interest on leases	48	53
Finance costs	110	161

9 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax expense		
Current year	1,408	1,454
Adjustment in respect of prior period	(52)	(44)
Total current tax expense	1,356	1,410
Deferred tax credit		
Origination and reversal of temporary differences	(43)	(14)
Effect of tax rate changes	(36)	-
Total income tax expense	1,277	1,396

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit for the year	5,700	5,630
Total tax expense	1,277	1,396
Profit excluding taxation	6,977	7,026
Tax using the UK corporation tax rate of 19% (2021: 19%)	1,326	1,335
Relief on exercise of share options	(112)	(134)
Fixed Asset differences	(7)	(1)
Non-deductible expenses	156	236
Adjustment in respect of prior period	(52)	(44)
Amounts charged directly to equity or otherwise transferred	2	4
Effect of tax rate change	(36)	-
Total tax expense	1,277	1,396

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

9 Income tax expense (continued)

The standard rate of Corporation tax in the UK was 19% (2021: 19%). Deferred tax assets have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2022, which is not lower than 19% (2021: 19%).

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

10 Property, plant and equipment

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
Balance at 1 April 2021	34	10	44
Disposals	(34)	–	(34)
Balance at 31 March 2022	–	10	10
Accumulated depreciation			
Balance at 1 April 2021	30	8	38
Depreciation charge for the year	4	–	4
Disposals	(34)	–	(34)
Balance at 31 March 2022	–	8	8
Net book value			
Balance at 1 April 2021	4	2	6
Balance at 31 March 2022	–	2	2

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
Balance at 1 April 2020	34	10	44
Balance at 31 March 2021	34	10	44
Accumulated depreciation			
Balance at 1 April 2020	18	7	25
Depreciation charge for the year	12	1	13
Balance at 31 March 2021	30	8	38
Net book value			
Balance at 1 April 2020	16	3	19
Balance at 31 March 2021	4	2	6

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

11 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
Balance at 1 April 2021	220	24	244
Additions	–	15	15
Balance at 31 March 2022	220	39	259
Accumulated amortisation			
Balance at 1 April 2021	220	9	229
Amortisation for the year	–	7	7
Balance at 31 March 2022	220	16	236
Net book value			
Balance at 1 April 2021	–	15	15
Balance at 31 March 2022	–	23	23
	Goodwill £'000	Software £'000	Total £'000
Cost			
Balance at 1 April 2020	220	12	232
Additions	–	12	12
Balance at 31 March 2021	220	24	244
Accumulated amortisation			
Balance at 1 April 2020	220	2	222
Amortisation for the year	–	7	7
Balance at 31 March 2021	220	9	229
Net book value			
Balance at 1 April 2020	–	10	10
Balance at 31 March 2021	–	15	15

12 Deferred income tax

Deferred tax assets are attributable to the following:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Property, plant and equipment	18	13
Short term timing differences	297	221
Net deferred tax assets	315	234

Of the deferred tax balance of £315,000, £144,000 is expected to be recovered within 12 months.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

12 Deferred income tax (continued)

Movement in deferred tax during the current year:

	Balance at 1 April 2021	Recognised in income	Recognised in equity	31 March 2022	31 March 2022 Assets	31 March 2022 Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(13)	(5)	–	(18)	18	–
Short term timing differences	(221)	(74)	(2)	(297)	297	–
	(234)	(79)	(2)	(315)	315	–

Movement in deferred tax during the prior periods:

	Balance at 1 April 2020	Recognised in income	Recognised in equity	31 March 2021	31 March 2021 Assets	31 March 2021 Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Property, plant and equipment	(15)	2	–	(13)	13	–
Short term timing differences	(201)	(16)	(4)	(221)	221	–
	(216)	(14)	(4)	(234)	234	–

13 Other financial assets

	Year ended 31 March 2022	Year ended 31 March 2021
	£'000	£'000
Non current		
Amounts due from group undertakings	11,215	8,397
	11,215	8,397
Current		
Amounts due from group undertakings	4,886	11,840
	4,886	11,840

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

14 Trade and other receivables

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Trade receivables	3,858	4,476
Prepayments and accrued income	3,066	2,795
Contract assets	279	299
Other debtors	14	13
	7,217	7,583

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%	1%	2%	27%	
Gross carrying amount	2,697	615	317	325	3,954
Loss provision	–	6	6	88	100
Amendment for specific bad debt provision	–	(6)	(6)	8	(4)
Total	–	–	–	96	96

31 March 2021	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%	0%	
Gross carrying amount	2,818	918	428	422	4,586
Loss provision	–	–	–	–	–
Amendments for specific bad debt provision	–	–	–	110	110
Total	–	–	–	110	110

At 31 March 2022 trade receivables are shown net of an allowance for doubtful debts of £96,000 (2021: £110,000). Write-offs during the year were £33,000 (2021: £nil), reversals were £20,000 (2021: £62,000) and new provisions were £39,000 (2021: £43,000).

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.

Of the March 2021 contract asset balance of £299,000, £273,000 was invoiced in the year. The 31 March 2022 contract asset balance is expected to be billed in the year ending 31 March 2023 (£176,000), and the year ending 31 March 2024 (£103,000). The 31 March 2021 contract asset balance was to be billed in the years ending 31 March 2022 (£273,000), and 31 March 2023 (£25,000).

XPS Pensions Limited**Notes to the financial statements (continued)****For the year ended 31 March 2022****15 Cash and cash equivalents**

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cash and cash equivalents per statement of financial position	2,268	875
Cash and cash equivalents per statement of cash flows	2,268	875

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

16 Trade and other payables

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Trade payables	64	92
Other payables	132	138
Accruals	2,172	1,639
Contract liabilities	427	459
Taxation and social security	1,647	1,869
	4,442	4,197

Of the March 2021 contract liability balance of £459,000, £276,000 was recognised in revenue in the year. Of the 31 March 2020 contract liability balance of £408,000, £189,000 was recognised in revenue in the year ended 31 March 2021.

The March 2021 trade payables balance has been restated to exclude £52,000 unpaid relating to finance lease liabilities. The lease liability note has also been updated to reflect this adjustment.

17 Current income tax liabilities

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Tax payable	1,253	2,221
	1,253	2,221

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

18 Provision for other liabilities and charges

	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Total £'000
Current			
Balance at 1 April 2021	195	57	252
Provisions made during the year	146	–	146
Provisions used during the year	(90)	–	(90)
Balance at 31 March 2022	251	57	308
Due within one year or less	148	–	148
Due after more than one year	103	57	160
	251	57	308

	Social security costs on Performance Share Plan £'000	Dilapidations £'000	Total £'000
Current			
Balance at 1 April 2020	146	57	203
Provisions made during the year	132	–	132
Provisions used during the year	(83)	–	(83)
Balance at 31 March 2021	195	57	252
Due within one year or less	114	–	114
Due after more than one year	81	57	138
	195	57	252

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 2022

19 Leases

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 2022	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	1	–	100	± 52

31 March 2021	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	1	–	100	± 52

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 2022 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 (2021: £1,036,035) 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 2021	1,344
Amortisation	(160)
At 31 March 2022	1,184

	Land and buildings £'000
At 1 April 2020	1,504
Amortisation	(160)
At 31 March 2021	1,344

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

19 Leases (continued)

Lease liabilities

	Land and buildings £'000
At 1 April 2021	1,543
Interest expense	48
Lease payments	(208)
At 31 March 2022	1,383

Lease liabilities

	Land and buildings £'000
At 1 April 2020	1,593
Interest expense	53
Lease payments	(103)
At 31 March 2021	1,543

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Up to 3 months	94	91
Between 3 and 12 months	124	121
Between 1 and 2 years	170	165
Between 2 and 5 years	547	528
More than 5 years	448	638
	1,383	1,543

The lease liability as at 1 April 2020 and 31 March 2021 has been restated. Previously, this was reported net of rental invoices received but not paid at the year end (included in trade payables). Trade payables and the lease liability have now been adjusted by £52,000 to include balances not settled at the year end. These amounts are all current liabilities due within 3 months of the year end.

20 Other interest bearing loans and borrowings

	31 March 2022 £'000	31 March 2021 £'000
Amounts due to group undertakings	10,262	7,052
	10,262	7,052

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

21 Share capital

	31 March 2022 £	31 March 2021 £
<i>Authorised</i>		
50,000,000 "A" ordinary shares of 1p each	500,000	500,000

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

	31 March 2022 £	31 March 2021 £
<i>Issued and fully paid</i>		
10,000,000 "A" ordinary shares of 1p each	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.

22 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 2022 £'000	Carrying amount 31 March 2021 £'000
Other financial assets	Note 13	16,101	20,237
Trade and other receivables	14	7,217	7,583
Cash and cash equivalents	15	2,268	875
		25,586	28,695

Credit risk mitigation

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

The ageing of trade receivables at the reporting date was:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Not past due	2,697	2,818
Past due 0-30 days	615	918
Past due 31-90 days	317	428
Past due more than 90 days	325	422
	3,954	4,586

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

22 Financial Instruments (continued)

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 £96,000 (2021: £110,000) in respect of trade receivables.

Liquidity risk

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

		Carrying amount 31 March 2022	Carrying amount 31 March 2021
	Note	£'000	£'000
Trade and other payables	16	4,442	4,197

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 2022	Year ended 31 March 2021
	£'000	£'000
Total equity	9,462	15,029

23 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 £64,000,000 (2021: £59,000,000) and a further undrawn rolling facility loan in the amount of £36,000,000 (2021: £21,000,000). On 12 October 2021, the XPS Pensions Group entered into a new Revolving Facility Agreement for £100 million with an accordion of £50 million. This facility has a 4 year term which started in October 2021. Interest is calculated at a margin above SONIA, subject to a net leverage test.

XPS Pensions Limited

Notes to the financial statements (continued)

For the year ended 31 March 2022

24 Related party transactions

Interest payable to related parties during the year

	Year ended 31 March 2022	Year ended 31 March 2021
Note	£'000	£'000
To other group companies	8	108
	62	108

Interest receivable from related parties during the year

	Year ended 31 March 2022	Year ended 31 March 2021
Note	£'000	£'000
From other group companies	8	334
	307	334

Balances receivable from/(owed to):

	Year ended 31 March 2022	Year ended 31 March 2021
Note	£'000	£'000
Intercompany loan due from other group companies	13	20,237
Intercompany loan due to other group companies	20	(7,052)
	5,839	13,185

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. 1.68% was applied in the year (2021: 1.88%).

Dividends payable to related parties during the year

During the year the Company paid dividend of £12.0m (2021: £11.5m) to its immediate parent, XPS Holdings Limited.

25 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.

26 Reserves

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

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