Registered number:
03842603

XPS PENSIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

XPS Pensions Limited

Contents

XPS Pensions Limited

Strategic report

For the year ended 31 March 2023

The directors present their strategic report in accordance with section 414A of the Companies Act for the Company for the year ended 31 March 2023.

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 2023.

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 9 to 31 is sufficient to allow a full understanding of the business.

The directors are pleased to report revenues of £27.8m for the period (2022: £24.1m) and operating profit of £9.5m (2022: £6.8m). The results for the year were consistent with the Directors' expectations. Current income tax liabilities increased by £1.0m in the year, due to the £1.7m income tax charge in the year offset with amounts paid to a fellow Group subsidiary for group payments on account in the year. Cash decreased by £1.6m in the year, largely due to the offsetting impact of movements in loans with related parties and cash inflow from operating activities.

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.

Principal operational risks and uncertainties (continued)

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 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 which can be found on the Group's website www.xpsgroup.com.

Performance

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

Revenue

In 2023 revenues amounted to £27.8m and represented a year on year increase of 15%. This is due to high client activity levels driven by continued regulatory changes as well as inflationary increases in fees.

Profit before tax

In 2023 profit before tax amounted to £9.8m, which represents a year on year increase of 41%. This is due to the strong revenue performance alongside careful cost management - whilst staff costs increased due to inflationary pay increases and a larger bonus cost due to the Groups overall performance, this was offset with a reduction in other costs.

The results of the Company for the year are set out on page 9 and the Financial Position on page 10. The year covered by the Financial Statements is from 1 April 2022 to 31 March 2023.

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

Patrick M Z

P C McCoy
Director

19 September 2023

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 2023

The directors present their report and financial statements of the Company for the year ended 31 March 2023.

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 2023.

Results and dividends

The directors are satisfied with the results of the company for the year and its financial position at 31 March 2023. The directors consider that the financial information on pages 9 to 31 is sufficient to allow a full understanding of the business.

The Company has made a profit before tax of £9.8m (2022: £7.0m). During the year the Company paid a dividend of £13m (2022: £12m).

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:

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 which can be found on the Group's website www.xpsgroup.com.

Future developments

Future developments are discussed in the Strategic Report on pages 1 to 2 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.

Post balance sheet events

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

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

Patrick M Z

P C McCoy
Director

19 September 2023

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

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 2023 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 2023 which comprise the Statement of Comprehensive income, the Statement of Financial position, the Statement of Changes in Equity, the Statement of Cash Flows 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, 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.

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, Companies Act 2006, labour regulations and tax laws in key territories which the Company operates.

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

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, employment law, consumer rights Act and other consumer laws and regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and the those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering how remuneration schemes and performance targets may create incentives for fraud and considering the related financial statement areas susceptible to manipulation as a result of these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls in revenue recognition (specifically accrued income and both the existence and valuation of this balance (overstatement) but also the completeness and valuation (understatement), for the core pensions business, excluding triennial and investment strategic reviews).

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias including key areas of estimation uncertainty or judgement, for example; deferred revenue and revenue recognition, recoverability of trade receivables including intracompany balances and the existence, completeness and valuation of accrued income at the year-end.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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:
Andrew Radford
A42BFCDC38704BE...

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

20 September 2023

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 2023

	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Revenue		**27,775**	24,133
Administrative expenses		**(18,238)**	(17,353)
Profit from operations		**9,537**	6,780
Financial income	8	**511**	307
Finance expenses	8	**(243)**	(110)
Profit before tax		**9,805**	6,977
Income tax expense	9	**(1,716)**	(1,277)
Profit and total comprehensive income for the year		**8,089**	5,700

The notes on pages 13 to 31 form part of these financial statements.

XPS Pensions Limited

Statement of financial position **Company number:**

For the year ended 31 March 2023 **03842603**

	Note	**31 March 2023 £'000**	31 March 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment		**–**	2
Right-of-use assets	16	**1,024**	1,184
Intangible assets		**14**	23
Other financial assets	11	**11,591**	11,215
Deferred tax assets	10	**467**	315
		13,096	12,739
Current assets			
Other financial assets	11	**3,457**	4,886
Trade and other receivables	12	**7,378**	7,217
Cash and cash equivalents	13	**636**	2,268
		11,471	14,371
Total assets		**24,567**	27,110
Liabilities			
Non-current liabilities			
Lease liabilities	16	**995**	1,165
Provision for other liabilities and charges		**168**	160
		1,163	1,325
Current liabilities			
Trade and other payables	14	**4,849**	4,442
Lease liabilities	16	**171**	218
Amounts due to group undertakings	17	**10,463**	10,262
Current income tax liabilities	15	**2,297**	1,253
Provisions for other liabilities and charges		**177**	148
		17,957	16,323
Total liabilities		**19,120**	17,648
Net assets		**5,447**	9,462
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	18	**100**	100
Share premium	23	**202**	202
Retained earnings	23	**5,145**	9,160
Total equity		**5,447**	9,462

The notes on pages 13 to 31 form part of these financial statements.

The financial statements were approved by the Board of directors on 19 September 2023 and signed on its behalf by:

S Shah
Director
19 September 2023

XPS Pensions Limited

Statement of changes in equity

For the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
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	–	–	816	816
Deferred tax movement in respect of share-based payment expense	–	–	2	2
Dividends paid (note 21)	–	–	(12,000)	(12,000)
Dividend equivalents paid on exercised share options	–	–	(85)	(85)
Balance at 31 March 2022	100	202	9,160	9,462
Balance at 1 April 2022	100	202	9,160	9,462
Profit for the year and total comprehensive income	–	–	8,089	8,089
Share-based payment expense - IFRS 2 charge (note 7)	–	–	926	926
Deferred tax movement in respect of share-based payment charge (note 10)	–	–	57	57
Current tax movement in respect of share-based payment charge	–	–	47	47
Dividends paid (note 21)	–	–	(13,000)	(13,000)
Dividend equivalents paid on exercised share options	–	–	(134)	(134)
Balance at 31 March 2023	**100**	**202**	**5,145**	**5,447**

The notes on pages 13 to 31 form part of these financial statements.

XPS Pensions Limited

Statement of cash flows

For the year ended 31 March 2023

	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022[1] £'000
Cash flows from operating activities			
Profit for the year		**8,089**	5,700
Adjustments for:			
Depreciation and amortisation		**169**	171
Finance income	8	**(511)**	(307)
Finance costs	8	**243**	110
Income tax expense	9	**1,716**	1,277
Share-based payment expense	7	**926**	816
		10,632	7,767
(Increase)/decrease in trade and other receivables	12	**(171)**	366
Increase in trade and other payables	14	**408**	245
Increase in provisions		**37**	56
Decrease in intercompany balances		**(12,145)**	(4,081)
Income tax paid		**–**	–
Net cash (outflow)/inflow from operating activities		**(1,239)**	4,353
Cash flows from investing activities			
Purchases of intangible assets		**–**	(15)
Net cash outflow from investing activities		**–**	(15)
Cash flows from financing activities			
Lease interest paid	16	**(53)**	(46)
Payment of lease liabilities	16	**(206)**	(162)
Dividend equivalents paid on exercise of share		**(134)**	(85)
Movement in loans with fellow group undertakings		**–**	(2,652)
Net cash outflow from financing activities		**(393)**	(2,945)
Net (decrease)/increase in cash and cash equivalents		**(1,632)**	1,393
Cash and cash equivalents at start of the year		**2,268**	875
Cash and cash equivalents at end of year	13	**636**	2,268

1 Movement in loans with related parties has been restated from a net cash outflow in financing activities of £6.7m in the prior year to a gross cash outflow of £4.1m in operating activities and a gross cash outflow of £2.7m in financing activities as this best reflects the nature of the cash movements. The change to the cashflow statement in the prior year is presentational only.

The notes on pages 13 to 31 form part of these financial statements.

1 Accounting policies

XPS Pensions Limited (the "Company") is a limited company incorporated and domiciled in the UK. The principal activity of the Company is the provision of actuarial and related consulting services to companies, pension schemes and trustees within the UK. The registered office is Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Basis of preparation and Statement of compliance with IFRS

These Financial Statements have been prepared in accordance with UK adopted International Accounting Standards.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this section.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

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.

These financial statements have been prepared on a going concern basis as the Company has sufficient cash and cash generated from operating activities to discharge its liabilities. Whilst the Company has net current liabilities, the majority of its current liabilities are intercompany balances, which are not being called.

The Directors of XPS Pensions Group, of which the Company is a member, have prepared cash flow forecasts up to 31 October 2024, which includes the 12 month period from the date of approval of the Group financial statements. These forecasts show that during that period the Group is expected to generate sufficient cash from its operations to settle its liabilities as they fall due without the requirement for additional borrowings. Additionally, the Directors of the Group have modelled a scenario at which the banking covenants could potentially be breached, which is the point where going concern could be threatened. This period has been chosen as October is the lowest point in the Group's working capital and cash cycle. Inflationary increases have been modelled using the OBR inflation forecasts for that period, and interest rate increases have been included in the forecasts based on latest market projections. In this scenario, revenue was modelled to decrease significantly, partially offset with a reduction in staff bonuses. The headroom between this scenario and current performance, and the budget, is significant and a decrease of this magnitude is considered to be extremely unlikely. In addition, the Group has several additional cost reduction and cash preservation levers it could utilise, which include managing staff costs through a hiring freeze or reduction in workforce, a reduction in capital expenditure, and reduction of dividends.

The Group's banking facility is in place until October 2026 and gives the Group access to a revolving credit facility of £100 million with an accordion of £50 million. The facility is subject to two covenants - net leverage and interest cover. These covenants were not breached during the financial year, nor are any breaches forecast. The Group does not have any non-financial covenants.

The Directors have reviewed the historical accuracy of the Group's budgeting and forecasting. The Group's financial performance in the year ended 31 March 2023 was in line with the budget demonstrating the robustness of the Group's budgeting and forecasting which underpins the going concern assessment.

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.

1 Accounting policies (continued)

In terms of the wider macro-economic and financial situation, 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 increases in interest rates. The Company is largely protected from a high inflation environment because of its ability to increase fees in line with inflation as stipulated in client contracts. Whilst higher interest rates have led to higher finance expenses this has been modelled in the Company's forecasts and is not considered a significant risk.

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.

Financial Assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Amortised cost

Amortised cost includes non-derivative financial assets where they are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and those contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. These assets are included in non-current assets if their maturity is greater than 12 months. Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. The 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.

Cash and cash equivalents comprise cash balances and call deposits. Within the statement of cash flows, movements in current intercompany balances are treated as operating cash flows, and movements in non-current intercompany balances are treated as financing cash flows. This treatment best reflects the nature in which cash is distributed within the group for its operations.

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.

Financial liabilities

The Company classifies its financial liabilities as follows, depending on the purpose for which the liability was acquired. The Company's accounting policy is as follows:

Other financial liabilities

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. When borrowings are extinguished, any difference between the cash paid and the carrying value is recognised in the statement of comprehensive income.

1 Accounting policies (continued)

Trade payables and other short term monetary liabilities represent liabilities for goods and services received by the Company prior to the end of the financial year which are unpaid. The amounts within trade payables are unsecured. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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.

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).

1 Accounting policies (continued)

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 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.

Finance income and finance expense

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.

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.

1 Accounting policies (continued)

Leases and payments

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).

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.

Changes in accounting policies - New standards, interpretations, and amendments effective from 1 April 2022

New and amended standards and Interpretations issued by the IASB that apply for the first time in these annual financial statements do not impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies. These include:
• onerous contracts – cost of fulfilling a contract (amendments to IAS 37);
• property, plant and equipment: proceeds before intended use (amendments to IAS 16);
• annual improvements to IFRS standards 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
• references to conceptual framework (amendments to IFRS 3).

1 Accounting policies (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are not effective for 2023, and therefore have not been applied in preparing XPS Pensions 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 2023:

• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
• Definition of Accounting Estimates (Amendments to IAS 8); and
• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the year beginning 1 April 2024:

• IFRS 16 Leases (amendment – liability in a sale and leaseback);
• IAS 1 Presentation of financial statements (amendment – classification of liabilities as current or non current); and
• IAS 1 Presentation of financial statements (amendment – non-current liabilities with covenants).

The other standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the UK), but not yet effective are not expected to have a material impact on the 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 (note 7)

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.

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 19 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 2023 £'000	Year ended 31 March 2022 £'000
Auditors' remuneration – for audit of these financial statements	**35**	22
Staff costs (note 5)	**14,609**	13,065
Depreciation and amortisation	**169**	171
Recharges from Group	**961**	924

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 2023 Number of employees	Year ended 31 March 2022 Number of employees
The average monthly number of people employed by the Company (including directors) during the year, analysed by category, was:	**137**	134

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
	£'000	£'000
Wages and salaries	**11,217**	10,079
Social security costs	**1,332**	1,157
Defined contribution pension cost	**618**	601
Other long-term employee benefits	**327**	269
Share-based payment expense (note 7)	**1,115**	959
	14,609	13,065

No directors received remuneration for their services to the company during the year (2022: £nil).

Pension contributions of £nil (2022: £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 £618,000 (2022: £601,000). Outstanding contributions at the year-end were £nil (2022: £nil).

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 2023 £'000	Year ended 31 March 2022 £'000
Performance Share Plan awards, Deferred Share Plan awards and SAYE scheme	**926**	816
Social security costs on Performance Share Plan awards and Deferred Share Plan awards	**189**	143
	1,115	959

7 Share-based payment costs (continued)

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 and the prior period were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Weighted average exercise price of options issued during the period (pence)	**104.0**	111.0
Expected volatility (%)	**47.95%**	47.63%
Expected life beyond vesting date (years)	**3.34**	3.35
Risk free rate (%)	**1.61%**	0.28%
Dividend yield (%)	**4.90%**	5.00%

The volatility assumption has been calculated over the period of time commensurate with the expected award term immediately prior to the date of grant. Due to the very high level of volatility in 2020 due to the Covid-19 pandemic which we do not believe is reflective of the long-term average future volatility, we have excluded the period from 1 March to 31 March 2020, being the most volatile.

As at 31 March 2023 72,240 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, 2,120,951 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, 71,669 SAYE options had been granted and remained outstanding, at an exercise price of 111p per share, and 404,610 SAYE options had been granted and remained outstanding, at an exercise price of 104p per share. The table below includes dividend equivalent shares on the PSP and DSP option figures where applicable.

7 Share-based payment costs (continued)

		2023 Weighted average exercise price (pence)	2023 Number	2022 Weighted average exercise price (pence)	2022 Number
Staff PSP	Outstanding at 1 April	**0.05**	**998,939**	0.05	1,600,449
	Forfeited during the year	**0.05**	**(224,032)**	0.05	(126,053)
	Exercised during the year	**0.05**	**(676,464)**	0.05	(459,379)
	Cancelled during the year	**0.05**	**(23,676)**	0.05	(16,078)
	Outstanding at 31 March	**0.05**	**74,767**	0.05	998,939
Staff DSP	Outstanding at 1 April	**0.05**	**1,417,086**	0.05	790,671
	Granted during the year	**0.05**	**849,045**	0.05	641,813
	Forfeited during the year	**0.05**	**(56,987)**	0.05	(15,398)
	Outstanding at 31 March	**0.05**	**2,209,144**	0.05	1,417,086
SAYE	Outstanding at 1 April	**81.42**	**699,840**	81.04	697,119
	Granted during the year	**104.00**	**404,610**	111.00	72,641
	Forfeited during the year	**111.00**	**(972)**	87.33	(45,343)
	Exercised during the year	**78.00**	**(620,276)**	-	-
	Lapsed during the year	**78.00**	**(6,923)**	147.20	(24,577)
	Outstanding at 31 March	**105.04**	**476,279**	81.42	699,840

The exercise price of options outstanding at 31 March 2023 ranged between £0.0005 (ie. 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 (2022: £0.0005 to £1.472). Their weighted average contractual life was 3 years (2022: 3 years), and their weighted average exercise price was £0.19 (2022: £0.19).

Of the total number of options outstanding at 31 March 2023, 72,240 (2022: 132,747) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £1.03 (2022 £1.38). The weighted average exercise price for exercisable options was 0.05p per share (2022: 0.05p per share).

8 Finance income and expense

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Interest income on loans to related parties	**511**	307
Finance income	**511**	307
Interest expense on loans from related parties	**201**	62
Interest on leases	**42**	48
Finance costs	**243**	110

9 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Current tax expense		
Current year	**1,853**	1,408
Adjustment in respect of prior period	**(42)**	(52)
Total current tax expense	**1,811**	1,356
Deferred tax credit		
Origination and reversal of temporary differences	**(10)**	(43)
Effect of tax rate changes	**(85)**	(36)
Total income tax expense	**1,716**	1,277

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit for the year	**8,089**	5,700
Total tax expense	**1,716**	1,277
Profit excluding taxation	**9,805**	6,977
Tax using the UK corporation tax rate of 19% (2022: 19%)	**1,863**	1,326
Relief on exercise of share options	–	(112)
Fixed Asset differences	–	(7)
Non-deductible expenses	**(20)**	156
Adjustment in respect of prior period	**(42)**	(52)
Amounts charged directly to equity or otherwise transferred	–	2
Effect of tax rate change	**(85)**	(36)
Total tax expense	**1,716**	1,277

The standard rate of Corporation tax in the UK was 19% (2022: 19%). Deferred tax assets have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2023, which is not lower than 25% (2022: 19%).

10 Deferred income tax

Deferred tax assets are attributable to the following:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Property, plant and equipment	**16**	18
Short term timing differences	**451**	297
Net deferred tax assets	**467**	315

10 Deferred income tax (continued)

Movement in deferred tax assets during the current year:

	Balance at 1 April 2022	**Recognised in income**	**Recognised in equity**	**31 March 2023**
	£'000	**£'000**	**£'000**	**£'000**
Property, plant and equipment	18	(2)	–	**16**
Short term timing differences	297	97	57	**451**
	315	**95**	**57**	**467**

Movement in deferred tax assets during the prior period:

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

11 Other financial assets

	Year ended 31 March 2023	Year ended 31 March 2022
	£'000	£'000
Non current		
Amounts due from group undertakings	**11,591**	11,215
	11,591	11,215
Current		
Amounts due from group undertakings	**3,457**	4,886
	3,457	4,886

12 Trade and other receivables

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Trade receivables	**4,078**	3,954
Less: provision for impairment of trade receivables	**(79)**	(96)
Net trade receivables	**3,999**	3,858
Prepayments and accrued income	**3,037**	3,066
Contract assets	**328**	279
Other debtors	**14**	14
	7,378	7,217

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%	5%	44%	
Gross carrying amount	3,050	607	238	183	4,078
Loss provision	–	6	12	81	99
Amendment for specific bad debt provision	–	(6)	(12)	(2)	(20)
Total	**–**	**–**	**–**	**79**	**79**

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
Amendments for specific bad debt provision	–	(6)	(6)	8	(4)
Total	–	–	–	96	96

At 31 March 2023 trade receivables are shown net of an allowance for doubtful debts of £79,000 (2022: £96,000). Write-offs during the year were £31,000 (2022: £33,000), reversals were £22,000 (2022: £20,000) and new provisions were £36,000 (2022: £39,000).

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 2022 contract asset balance of £279,000, £176,000 was invoiced in the year. The 31 March 2023 contract asset balance is expected to be billed in the year ending 31 March 2024 (£285,000), and the year ending 31 March 2025 (£43,000).

13 Cash and cash equivalents

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash and cash equivalents per statement of financial position	**636**	2,268
Cash and cash equivalents per statement of cash flows	**636**	2,268

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

14 Trade and other payables

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Trade payables	**243**	64
Other payables	**134**	132
Accruals	**2,102**	2,172
Contract liabilities	**441**	427
Taxation and social security	**1,929**	1,647
	4,849	4,442

The March 2023 contract liability balance is expected to be recognised in the year ended 31 March 2024 (£287,000), 31 March 2025 (£124,000), and 31 March 2026 (£30,000). Of the March 2022 contract liability balance of £427,000, £365,000 was recognised in revenue in the year to 31 March 2023, £38,000 will be recognised in the year to 31 March 2024, and £24,000 in the year to 31 March 2025.

15 Current income tax liabilities

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Tax payable	**2,297**	1,253
	2,297	1,253

16 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 sensitivity of the 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 is immaterial.

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 2023 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 (2022: £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 2022	**1,184**
Amortisation	**(160)**
At 31 March 2023	**1,024**

Right-of-use assets	Land and buildings £'000
At 1 April 2021	1,344
Amortisation	(160)
At 31 March 2022	1,184

16 Leases (continued)

Lease liabilities

	Land and buildings
	£'000
At 1 April 2022	**1,383**
Interest expense	**42**
Lease payments	**(259)**
At 31 March 2023	**1,166**

Lease liabilities

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

The maturity of the lease liabilities are as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
	£'000	£'000
Up to 3 months	**43**	94
Between 3 and 12 months	**128**	124
Between 1 and 2 years	**176**	170
Between 2 and 5 years	**566**	547
More than 5 years	**253**	448
	1,166	1,383

17 Other interest bearing loans and borrowings

	31 March 2023	31 March 2022
	£'000	£'000
Amounts due to group undertakings	**10,463**	10,262
	10,463	10,262

18 Share capital

	31 March 2023 £	31 March 2022 £
Authorised		
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 2023 £	31 March 2022 £
Issued and fully paid		
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.

19 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:

	Note	Carrying amount 31 March 2023 £'000	Carrying amount 31 March 2022 £'000
Other financial assets	11	**15,048**	16,101
Trade and other receivables	12	**7,378**	7,217
Cash and cash equivalents	13	**636**	2,268
		23,062	25,586

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 2023 £'000	Year ended 31 March 2022 £'000
Not past due	**3,050**	2,697
Past due 0-30 days	**607**	615
Past due 31-90 days	**238**	317
Past due more than 90 days	**183**	325
	4,078	3,954

19 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 £79,000 (2022: £96,000) in respect of trade receivables.

Liquidity risk

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

	Note	**Carrying amount 31 March 2023 £'000**	Carrying amount 31 March 2022 £'000
Trade and other payables	14	**4,849**	4,442

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 2023 £'000	Year ended 31 March 2022 £'000
Total equity	**5,447**	9,462

20 Contingencies and commitments

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 £68,000,000 (2022: £64,000,000) and a further undrawn rolling facility loan in the amount of £32,000,000 (2022: £36,000,000). The facility is for £100 million with an accordion of £50 million. This facility has a 4 year term which started in October 2021. In April 2023, a one-year extension to the term was agreed, extending it to October 2026. Interest is calculated at a margin above SONIA, subject to a net leverage test.

21 Related party transactions

Interest payable to related parties during the year

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
To other group companies	8	**201**	62
		201	62

Interest receivable from related parties during the year

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
From other group companies	8	**511**	307
		511	307

Balances receivable from/(owed to):

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Intercompany loan due from other group companies	11	**15,048**	16,101
Intercompany loan due to other group companies	17	**(10,463)**	(10,262)
		4,585	5,839

All transactions with related parties are made in the ordinary course of business and balances outstanding at the reporting date are unsecured. Loans are repayable on demand and accrue interest at a rate in line with the group's bank borrowing rate. 3.96% was applied in the year (2022: 1.68%).

Dividends payable to related parties during the year

During the year the Company paid an interim dividend of £0.26 (2022: £0.24) per share totalling £13,000,000 (2022: £12,000,000) to its immediate parent, XPS Holdings Limited.

22 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.

23 Reserves

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

Reserve	*Description and purpose*
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