Shaping better financial futures

XPS Pensions Group plc
Annual Report and Accounts 2024

Contents

Our strategic framework for growth

We are a forward-looking, ambitious business

We are a leading independent pensions consulting and administration services firm and strive to be the best provider of services to the UK pensions market.

Our purpose

Why we exist

We exist to shape and support safe, robust and well-understood pension schemes for the benefit of people and society.

Our vision

What we want to achieve

We will constantly challenge the pensions industry to improve and achieve better outcomes for members.

Our mission

What drives us

We strive to be leaders in pensions, investment consulting and administration with brilliant people and leading technology delivering better outcomes for pension scheme members and rewarding careers for our people.

Our strategy

How we will achieve our vision

Our strategy is centred around four key pillars, while remaining focused on achieving profitable growth.

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Our strategic priorities

Regulatory change

Expand services

Mergers and acquisitions

Grow market share

Our values

Fundamental values that drive decision making

We are **ambitious**

We do the **right thing**

We are **agile**

We are **helpful**

We are **experts**

Our sustainability framework

Empowering our people to thrive

Strengthening our communities

Protecting our environment

Supporting our clients and members

Being a responsible business

Sustainability supports the Group's mission and strategy. It is embedded into our business model so that by delivering on our mission to be leaders in pensions, investment consulting and administration, we are able to achieve better outcomes for all our stakeholders.

Our refreshed sustainability framework helps us focus on "shaping a better future" for those stakeholders, in line with our purpose to shape and support safe, robust and well-understood pension schemes. Building on our reputation as a responsible business, our framework drives positive outcomes for our people, environment, community, clients and members.

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Financial

Revenue[1]

+21%

FY 2024	**£196.6m**
FY 2023	£162.3m

Proposed full year dividend

+19%

FY 2024	**10.0p**
FY 2023	8.4p

Adjusted EBITDA[2]

+32%

FY 2024	**£54.8m**
FY 2023	£41.4m

Net debt[5]

-75%

FY 2024	**£14.0m**
FY 2023	£55.3m

Adjusted diluted earnings per share[3]

+24%

FY 2024	**15.1p**
FY 2023	12.2p

Profit before tax[6]

+227%

FY 2024	**£62.5m**
FY 2023	£19.1m

FTE employees[4]

+9%

FY 2024	**1,712**
FY 2023	1,570

Basic EPS[7]

+240%

FY 2024	**26.2p**
FY 2023	7.7p

1 Group revenue growth excluding the NPT business disposed of in November 2023. Revenue growth including the NPT business was 20%. See note 7 in the financial statements.

2 Adjusted EBITDA excludes the impact of share-based payment costs, fair value adjustments of contingent consideration, and exceptional costs. This also excludes the results of the NPT business disposed of during the year. Adjusted EBITDA including the results of the NPT business was £55.3 million (FY 2023: £42.4 million).

3 Adjusted diluted earnings per share is based on adjusted profit after tax, which excludes the impact of amortisation of intangible assets, share-based payment costs, fair value adjustment of contingent consideration, exceptional costs, and the tax impact of these items (see note 6 in the financial statements). This also excludes the results of the NPT business disposed of during the year. Adjusted diluted earnings per share including the NPT business was 15.3p (FY 2023: 12.6p).

4 As at year end.

5 Excluding lease liabilities.

6 Profit before tax in FY 2024 benefits from the gain on sale of the NPT business. Excluding this, FY 2024 profit before tax would have been £30.0 million, a 57% increase on the prior year.

7 Basic EPS in FY 2024 benefits from the gain on sale of the NPT business. Excluding this gain, FY 2024 basic EPS would have been 10.5p vs 7.7p, a 36% increase on the prior year.

Awards

Operational

£2.8bn
2023: £2.1bn
Value of liabilities over which we provided risk transfer advice

88
2023: 81
Number of schemes with over £1bn of assets

1.1m
2023: 1.0m
Members under administration

+31 eNPS
2023: +33
High eNPS score for the second year in a row

Maintain carbon neutral status for third year in a row

£5.5m
2023: £4.9m
Continuing investment in software assets to drive operational efficiencies and improve customer experience

Sustainability

35%
2023: 31%
Senior management positions held by women

36
2023: 23
Number of clients in sustainable funds, representing £2.6bn AUM

60%
2023: 40%
Proportion of electricity that is renewable

Welcome to XPS Group

What we do

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

Our services

1 Actuarial Consulting

We help make sure there is enough money in schemes

Pensions

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

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

2 Investment Consulting

We advise on where to invest the assets

Investment

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

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

3 Pensions Administration

We keep all the records, communicate with members and pay the pensions

Administration

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

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

Self Invested Pensions

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

www.xpsselfinvestedpensions.com

The foundations of a thriving business

15

UK locations

Our 15 locations give us access to employees, expertise and clients across the UK.

1,700+

Employees

Our 1,700+ employees with market leading experience and knowledge and pride themselves on the highest delivery standards to solve our clients' needs.

>1,400

Pension scheme clients

We build strong relationships with our clients, which lead to repeat business and opportunities to cross-sell.

Why invest in XPS?

Diversified and stable client base

- We have long-standing relationships with a large and diverse client base, consisting of over 1,400 clients. We have a strong brand and have won multiple industry awards for our client service.

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1,400+
clients
Top ten clients represent 18% of revenue

Benefit from regulatory and market change

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

Read more on **page 8**

>£2.5bn
size of annual fee market

Track record of revenue growth and improving margins

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

Read more on **page 41**

28%
adjusted EBITDA margin

Trusted expertise and highly engaged colleagues

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

Read more on **page 22**

98%
of our people
think XPS is a great place to work

Non-cyclical and recurring revenues with inflation linkage

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

Read more on **page 8**

>90%
repeat recurring revenue
across the business

Strong cash conversion and growing dividends

- XPS has a robust balance sheet, consistently high cash conversion and has a progressive dividend policy. Since listing in 2017, £91 million has been paid in dividends.

Read more on **page 41**

0.3x
covenant leverage

Opportunities for earnings enhancing M&A and scale up

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

Read more on **page 17**

6
acquisitions
since listing in 2017

Delivering strong and stable growth

XPS Group's unique proposition is our ability to add value across our business. Our people, culture, technology and financial strength make this possible.

Our resources

Our people

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

Our culture

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

Our technology

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

Our financial strength

We are consistently profitable with the financial resources to invest in the development of services to anticipate client needs.

Our competitive advantage

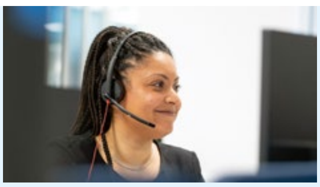
Specialist insight and expertise: Our team of experts brings deep knowledge and experience to the table.

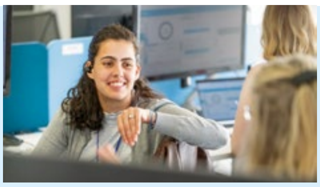
Exceptional quality service and tailored solutions: We pride ourselves on delivering a quality service. Whether it's administration, consulting or investment-related services, we tailor our solutions to meet the unique needs of our clients.

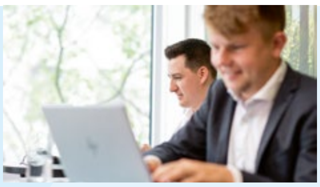
Our culture: Our culture and values guide us in everything we do and help us make a positive and sustainable impact with all stakeholders.

Diverse client base: XPS serves a diverse range of clients, including large corporate schemes, public sector funds, smaller pension arrangements and other financial institutions.

Strong brand: Our strong award-winning brand sets us apart from our competitors and communicates our values and brand promise as well as building client trust and loyalty.







How we create value

Advisory
- Actuarial advice
- Investment strategy
- Insurance consulting
- Risk management
- Regulatory compliance
- Governance support

Administration
- Private sector
- Public sector
- Regulatory compliance
- Self Invested Pensions
- Master trust administration

Value for all stakeholders

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

Read more on **page 32-33**

1,400
clients

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

Read more on **page 22-26**

+31
employee Net Promoter Score

Shareholders
- Track record of growing revenues, profits and dividends – more than £91 million paid in dividends since listing in 2017
- Non-cyclical demand for services
- Highly predictable revenues
- Strong cash generation

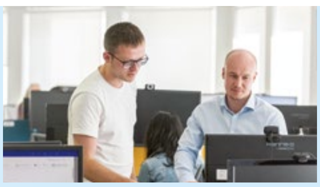
Read more on **page 18-19**

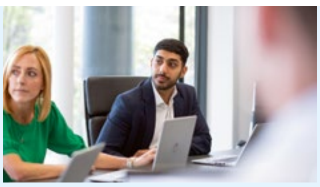
19%
growth in dividends in FY 2024

Community and environment
- Positive impact on communities through supporting local and national charities
- Open and fair relationships with regulators and suppliers through regular engagement
- Carbon neutral across Scope 1, 2 and 3 emissions and on the path to net zero

Read more on **page 27-31**

60%
renewable electricity with commitment for 100% by 2030



Competitive landscape and market opportunities

A highly visible defined benefit market complemented by a rapidly growing defined contribution market.

All weather growth

The solutions and services we provide to pension scheme clients continue to be in demand regardless of the economic cycle. After all, whatever the macroeconomic backdrop, members of pension schemes require correct payments to be made into their accounts at the right time. Lots of our other core services are needed against all backdrops too. Combine this with standard industry practice for client contracts to incorporate annual price increases in line with a measure of inflation, and the pensions services markets in which we operate can be termed “all weather” or “non-cyclical”. Because of this, our markets have historically kept pace with inflation, growing at between 3% and 4% per annum. Today, however, market growth is outpacing inflation. Two key long-term structural drivers are fuelling this – regulatory and market change.

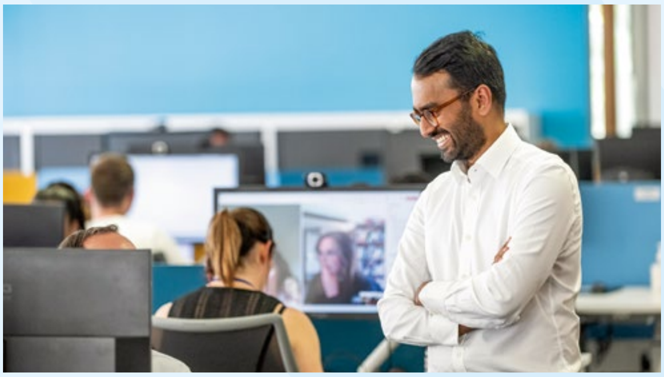
Our markets

In terms of size, the UK pensions services industry is worth approximately £2.5 billion per annum. Fees are generated across four key segments of the market:

- **Administration:** ensures scheme members receive the pensions they are owed when they are due. Services include record keeping, calculations, communications and payroll services;
- **Actuarial:** for defined benefit pension schemes, actuaries calculate if a pension scheme’s promises to members (liabilities) can be met by its assets over time. Services include monitoring the financial position of a pension scheme and recommending courses of action to protect scheme members and sponsors against financial risk;
- **Investment:** provides advice on which asset strategy should be deployed to enable a pension scheme’s liabilities to be met over the long term, balancing seeking good returns whilst avoiding taking undue risk; and
- **Employer covenant:** assesses the financial strength of the employer in relation to its ability to meet its pension obligations, which feeds into the level of investment risk that can be taken.

It is the essential nature of the services provided that gives the pensions industry its all weather growth qualities.

All weather: pension schemes constantly need all the above services. Members must receive payments on time. A scheme’s capacity to meet its obligations to the members requires continual monitoring. Investment strategies need implementing and frequent reviewing. The financial strength of scheme sponsors has to be assessed regularly.



Growth: growth over and above the historical, all weather rate is generated when a fundamental shift in the operating environment has taken place either through regulatory and/or market change. Whenever change takes place, pension scheme trustees and corporate sponsors require advice on how best to navigate the new world so that members’ pensions are protected. The workflows generated can often be spread over several years. Furthermore, with every new regulatory change/market shift, the delivery of pensions services becomes that much more complex. Not only does this drive fee market growth but also outsourcing opportunities, as internally administered schemes look to offload their administrative responsibilities to third-party specialists, such as us.

How regulatory changes drive markets

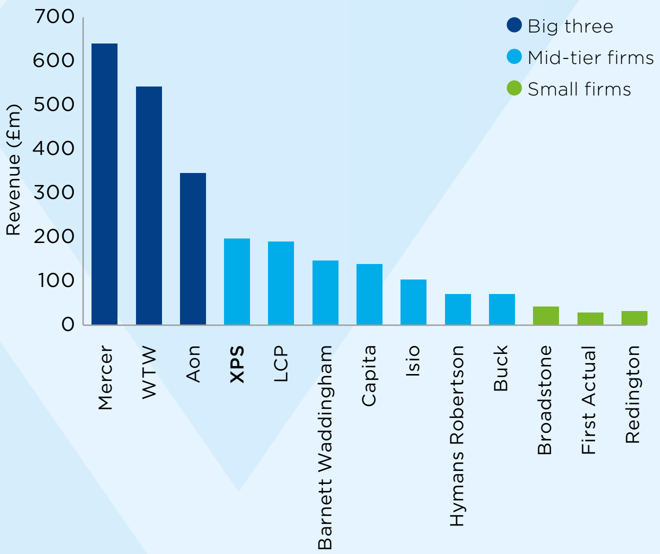
Regulations require pension scheme trustees and sponsors to seek support across all four areas outlined above. The regulatory landscape is, however, constantly evolving. In recent years pension schemes have had to respond to a series of new regulations: The Pension Schemes Act 2021 - covering how schemes should be funded and how company sponsors treat schemes during M&A activity; the Task Force on Climate-related Financial Disclosures (TCFD) - requiring trustees to improve the quality of governance and reporting of climate-related risks and opportunities; GMP equalisation – correcting the unequal treatment of men and women in relation to a small part of pension schemes dating back to the 1980s/90s; and the CMA Review – recommending trustees seek independent advice where they use certain types of asset manager.

Each of the above continues to generate demand for solutions and services. New guidance is expected too – a New Funding Code covering the Pensions Regulator’s expectations around how to ensure members are protected over the longer term, building on a Single Code of Practice that came into effect in March 2024 that will increase governance requirements for trustees. This increased regulatory oversight of pension scheme trustees is therefore likely to be a key driver of growth for years to come.

Fragmented marketplace: opportunity to grow

Workplace pensions is a fragmented market which offers a considerable potential to grow by increasing market share, either organically or via M&A. Sitting beneath the big three players for whom workplace pensions are not 100% of their business, XPS is one of the largest mid-tier companies and so is well placed to continue to grow market share.

Competitive landscape[1]



Opportunity for mid-tier firms to win clients of the Big 3

- Technology
- Investment in services
- Value for money
- Driven by Independent Trustee

5,063[2]

(Private sector) UK defined benefit schemes

c.£1.3tn[2]

Total liabilities

£2.5bn+[3]

Pensions advisory services market p.a.

1 Professional Pensions article "The UK's biggest pension consulting firms by revenue" issued 21 February 2024 based on figures taken from latest available company accounts.

2 Source: Pensions Protection Fund Purple Book 2023 as at 31 March 2023.

3 Management estimate.

How markets drive growth

Markets are also expected to be a source of growth for the industry over the next few years, particularly following the change that has taken place in recent years from a low to high interest/inflationary rate environment. This has largely been positive for pension schemes – deficits caused by near-zero interest rates have either been sharply reduced or replaced by surpluses. A switch from a large to small deficit or from a deficit to a surplus represents a material change in circumstances, one that requires advice and potentially action to lock in a scheme's improved financial position via de-risking so that members' benefits are safeguarded. Options with regard to corporate sponsor contributions or how best to make use of any surplus will also likely need to be considered.

The effects of the new regime are being reflected in the de-risking market – bulk annuity volumes are forecast to rise to £50–60 billion by 2025, a step up from the previous £30 billion a year level, and with private sector pension liabilities alone standing at £1.3 trillion, ample scope remains for further growth in bulk annuity volumes over the long term.

What does this mean for service providers such as XPS? Whether they take the form of a buy-in (where a pension scheme buys an insurance policy to secure part or all of the promises made to members) or a buy-out (where the pension scheme is eventually wound up after 100% of the liabilities have been insured), bulk annuities generate a wide range of work streams from the provision of advice to transaction broking services, and, on the other side of a buy-in/buy-out transaction, there typically sits an insurance company. As the bulk annuity market grows, therefore, so too does the overlap between the pensions and insurance industries. Insurers require support when they take on the responsibility of protecting and administering members' benefits. They also have to meet regulatory requirements and manage risks such as inflation, longevity and demographics. Insurance companies are therefore increasingly becoming another source of market-driven growth for the sector.

The fragmented nature of the workplace pensions market represents another growth opportunity. Considerable scope exists for XPS, one of the largest mid-tier companies, to continue capturing market share, both organically and inorganically, particularly as XPS is strongly differentiated from its larger competitors.

A new normal

During the period of low-to-near-zero interest rates that followed the global financial crisis, regulatory change was the primary source of activity. Today, markets too are driving new opportunities for pension schemes and with them strong demand for our services. The overall number of schemes may be reducing, but opportunities are being created for XPS in the insurance market and, in turn, for us to maintain our track record of all-weather growth.

Our strategic priorities

Delivering our purpose and growing profitably.

Our strategy has been designed to deliver our societal purpose – to shape and support safe, robust and well-understood pension schemes for the benefit of people and society – and at the same time achieve profitable growth. Thanks to the hard work and dedication of our people, we have executed effectively on our strategy, which has created the scale and the agility to deliver best-in-class solutions to pension schemes of all sizes. We have the track record of providing thought leadership to the industry and regulators, and we have the proprietary technology and partners in place to achieve better outcomes for members and society as a whole.

Our strategy is based around four strategic pillars:

Regulatory change

Trustees, corporate sponsors and members of pension schemes all need ongoing advice and support to navigate the evolving regulatory environment. We see our role as not only a provider of solutions to help deal with change, but also as a contributor to the regulatory debate.

Progress

We helped clients prepare for the new Single Code of Practice and continued to roll out our GMP equalisation solution. We have also been working on a large one-off project to develop technology to implement the McCloud judgement. We participated alongside the regulator, the UK government, HM Treasury and the Institute for Fiscal Studies in discussions focused on how pension scheme assets can best be invested into productive finance. We commenced working with several new and existing clients to explore how they can invest in productive finance.

Priorities for FY 2025

- Meet McCloud judgement project commitments within the statutory timeframe
- Prepare clients for the new Single Code of Practice and Funding and Investment Code
- Further roll-out of GMP equalisation solution
- Continue work on productive finance approach

Key risks

- Include third-party supplier/outsourcing issues, errors, theft and fraud and strategy

Expand services

Expansion of our services is not just centred around adding new solutions to our full-service offering but also increasing the number of services we provide to each of our clients as well as expanding into new markets. The growing overlap between the pensions and insurance industries is a clear avenue of growth, one that can be captured by continually expanding our offering, leveraging technology and forging partnerships.

Progress

We launched our AI Driven Actuary (AIDA) tool, which speeds up the process of assessing member options. We launched a strategic partnership with specialist UK insurer The Pensions Insurance Corporation (PIC) to enable small pension schemes to access insurance solutions. We established a strategic partnership with SEI to create a market-leading master trust following the sale of our NPT business to SEI. Our de-risking activity continued to generate advisory work with insurance companies that have taken on client pension scheme liabilities.

Priorities for FY 2025

- Grow the PIC and SEI partnerships
- Roll out new products such as our AIDA tool across our client base and further expand our data analytics capability
- Pursue further growth in our de-risking practice, including to win more external and internal mandates
- Continue to expand our services to insurance companies

Key risks

- Include strategic planning and execution, financial performance, information/cyber security, staff/human resources, client engagement and business conduct and reputation

£100bn
the amount of surplus that could be invested into productive finance via our straightforward and safe approach

32,000
the number of public sector pension members covered by the McCloud Judgement

40
no. of risk transfer engagements during the year

£10m
revenue from risk transfer engagements

Grow market share

Winning mandates from pension schemes and sponsors with which we do not already have a relationship ("new logo"clients) represents a clear route to growing our market share. Increasingly we will also be looking to grow our share in the insurance consulting market.

Progress

Through our Market Force initiative and supported by a strong brand reputation built from our client centric approach to services, we secured several new client wins including the John Lewis Partnership (JLP) Scheme, Stallantis, Cadbury, Mencap and Delta. These wins helped increase the number of members under administration to 1.1 million. Winning the JLP Scheme served as an endorsement of our new proprietary cloud-based Aurora administration platform. We have had success in winning new mandates within Advisory as well, with 40 risk transfer engagements with new clients.

Priorities for FY 2025

- Grow and convert new business pipeline via continued roll-out of Market Force Initiative
- Continue focus on first-time outsourcing and public sector opportunities within Administration

Key risks

- Include strategic planning and execution, errors and third-party supplier/ outsourcing issues

Mergers and acquisitions

We are one of the largest mid-tier independent pensions services providers in the UK, but the market in which we operate is fragmented. By acquiring businesses, we can increase our scale and capabilities in specialist areas and in the process grow our market share.

Progress

We integrated the FY 2023 acquisition of Penfida Limited, an established covenant advisory business.

Priorities for FY 2025

- Ongoing evaluation of potential acquisitions and other opportunities that meet our investment and strategic criteria

Key risks

- Include financial performance and business conduct and reputation

21%
organic revenue growth excluding the NPT business disposed of part way through the year

165,000
the number of members in the JLP Scheme

<10%
our current market share

6
the number of acquisitions since listing in 2017

Growing track record

"Growth has been across all business lines and our profitability has continued to reap the benefits of operational gearing with profits growth outpacing our revenues once again."

Paul Cuff
Co-Chief Executive Officer

"We are proud of our people. Without their commitment and effort, we would not be reporting a seventh successive year of record revenue growth."

Ben Bramhall
Co-Chief Executive Officer

Our last Annual Report, for the year ended 31 March 2023, set out a tremendous set of results - a record year for the Group, delivering strong revenue growth with operational gearing coming through.

With this we had delivered revenue growth in every year since we listed in 2017, in turn building on a much longer track record of continuous growth before that. This growth is set against a wide range of macro/geopolitical backdrops: macro – from the low-to-near-zero interest rates and inflation when we listed to the high rates and prices of today; and geopolitical – Brexit, the pandemic and conflict in Europe. To have delivered uninterrupted revenue growth throughout was, in our view, testament to the dependable nature of the pensions markets in which we operate, the resilience of our business model and the excellence and commitment of our people.

The question was; how to follow our best year? The answer was to go one better still, and this latest 12-month period is a stand-out in its own right. Growth at the revenue level has been strong across the board. All four main divisions (Pensions Actuarial & Consulting; Pensions Investment Consulting; Pensions Administration; and SIP) have recorded double-digit top-line growth. Typically, in any given year, one division outperforms. This year, the investment we have made in our services, together with the significant regulatory and structurally driven end market activity, has delivered uniform growth which has also been boosted by the headline level of inflation flowing through to our fees. That same combination also lies behind a second consecutive year of improved operational gearing for the Group, with an accelerating trend of earnings growing faster than revenues.

Not only are we growing our revenues, but our profitability too, and we are continuing to grow sustainably. FY 2024 is the third successive year that we have been carbon neutral. It is also the second consecutive year that we have achieved an employee Net Promoter Score (eNPS) of more than 30, a level viewed as exceptional for professional services businesses. We were also named one of the Best Places to Work 2023 by The Sunday Times. As well as monitoring employee engagement and wellbeing, the survey tracked the best places to work for women, members of the LGBTQIA+ community, disabled employees, ethnic minorities and younger and older workers.

Growing profitability

Total Group revenues of £199.4 million for FY 2024 represent a 20% increase on FY 2023's £166.6 million. Excluding NPT, Group revenues were £196.6 million (FY 2023: £162.3 million), representing an increase of 21%. This is the second year in a row that total revenues have grown by 20% – previously, annual growth had been in the mid-to-high single digits. We view this step change in growth as a product of the high-inflationary environment and strong end markets. We also believe we are reaping the benefits of the investments we have made over the years in our technology, resources and platform. We have built up our capabilities across all of our key service areas so that the increased breadth and scale of our offering allows us to deliver an ever-expanding set of solutions to our clients. It also enables us to win new mandates on pension schemes of significant size, such as the John Lewis Partnership (JLP) Scheme, which was awarded to us during the year. The high proportion of organic revenue growth (19%) is further evidence that the investment in our internal capabilities is bearing fruit (the remaining growth arose from last year's Penfida acquisition).

In addition, this is the second successive year that the Group has benefited from operational gearing, whereby earnings growth has outpaced that of revenues – FY 2024 adjusted EBITDA excluding the NPT business sold in November 2023 grew 32% to £54.8 million (FY 2023 on a comparable basis: £41.4 million); statutory profit before tax increased 227% to £62.5 million (FY 2023: £19.1 million) on the back of strong operational performance as well as the gain on disposal of the NPT business; and adjusted diluted EPS grew 21% year on year to 15.3p in FY 2024 (FY 2023: 12.6p). Excluding the NPT business, the equivalent adjusted fully diluted EPS grew by 24% to 15.1p in FY 2024 (FY 2023: 12.2p). This latter measure is suppressed by the increase in corporation tax. As with revenues, earnings are benefiting from the investments we have made into our platform and capabilities. We expect this to continue in the years ahead.

In terms of balance sheet, following the sale of NPT during the year for an initial cash consideration of £35 million, a significant portion of the Group's existing debt facilities has been repaid. Having low debt gives us additional flexibility to invest further in the business, both organically and inorganically. Under the terms of the NPT sale, contingent consideration of up to £7.5 million may be paid to the Group, subject to business performance over the two years following completion.

Based on the strength of our financial performance and our balance sheet, we are proposing a 19% increase in the total full-year dividend for the year in line with our progressive dividend policy.

As mentioned earlier, growth at the divisional level has been across all areas of the business posting double-digit increases in full-year revenues: Pensions Actuarial & Consulting up 21% to £93.4 million (FY 2023: £77.4 million); Pensions Investment Consulting up 13% to £20.3 million (FY 2023: £18.0 million); Pensions Administration up 25% to £71.9 million (FY 2023: £57.5 million); and SIP up 17% to £11.0 million (FY 2023: £9.4 million). All of our divisions have benefited from contractual fee increases in line with various inflationary measures.

Awards

In another award winning year, we have earned a number of prestigious awards for great client service, innovation and looking after our people.

This award acknowledges the initiatives we have undertaken that best promote diversity and inclusion for our colleagues, as well as contributed to industry-wide initiatives.

Recognition for the excellent provision of service to evaluate, select and monitor fiduciary managers.

Recognition for highest level of innovation, performance of third party administration service to occupational pension schemes.

We won the Best Pensions Adviser of the Year recognising our expertise and innovation in corporate advice to defined benefit and defined contribution pension schemes.

Radar – Our actuarial software won Software of the year at the Actuarial Post awards for the second year running.

XPS/Penfida won the Sponsor Covenant Provider of the Year at the Pensions Age Awards.

XPS has been named as one of the Best Places to Work 2023 by The Sunday Times.

XPS successfully retained signatory status to the UK Stewardship Code for the third consecutive year.

Growing profitability continued

Specific drivers of growth beyond this are:

Pensions Actuarial & Consulting: the switch from a low to a high interest rate/inflationary environment has driven a need for advice. Clients require guidance on how best to navigate the new macro backdrop and reset their strategies accordingly. In some cases, this has involved de-risking, fuelling further strong growth in risk transfer revenues. De-risking activity also continues to generate work directly for insurance companies as they take on pension scheme liabilities.

Pensions Investment Consulting: further tailwinds were experienced from the autumn 2022 gilt market crisis, leading to strong demand for portfolio rebalancing work and hedging strategy reviews as well as new mandates for independent oversight of fiduciary managers.

Pensions Administration: several new client wins late in the previous financial year came on stream during this year and increased the number of members under administration to 1.1 million. During the year we won John Lewis Partnership (JLP) with approximately 165,000 members, a new client that will transition between now and 2025. This win represents a major endorsement of both our offering and our new Aurora platform which we launched during the year on time and on budget. Aurora is a cloud-based proprietary system that drives efficiencies, further bolsters security and provides clients and members with enhanced online access.

We also won work in the public sector including a one-off project to support schemes to implement the McCloud judgement on behalf of approximately 32,000 members. We have assigned material resources to this project to ensure we meet the 2025 delivery target.

SIP: strong organic growth and a full-year contribution from our inclusion on the panel of recommended SIPP providers for St James' Place, one of the UK's leading financial advisers, have both been tailwinds. So too has the high bank base rate as, in line with standard industry practice, our SIP business is paid in part through interest generated from client deposits, although we have elected to cap this at a level that is currently well below prevailing rates and caps our peers typically have in place.

National Pensions Trust (NPT): following the November 2023 sale of NPT to SEI, a best-of-breed service provider, we continue to provide a wide range of services to both NPT and SEI. The rationale behind the sale is to create a market-leading master trust for the benefit of clients and members. Under the strategic partnership with SEI, we will continue to provide pensions administration and consultancy services.

> **"The pensions and insurance world are increasingly overlapping, offering us a major avenue of growth, not just one for tomorrow, but also today too."**
>
> **Ben Bramhall**
> Co-Chief Executive Officer

Growing markets

Our end markets are large, growing, predictable and, as our long track record of revenue growth demonstrates, non-cyclical. This is primarily due to the presence of two key structural drivers.

Ongoing regulatory change: recent years have seen much activity on the regulatory front including the Pension Schemes Act 2021, which focuses on how corporates finance their arrangements and how schemes are treated following M&A; the 2018 GMP equalisation ruling that trustees must correct the unequal treatment of men and women in relation to elements of defined benefit schemes that built up in the 1980s/90s; and the CMA Review which recommended schemes seek independent advice about fund managers engaged on a fiduciary management basis. Further change is on the horizon, including a new Funding Code due no later than September 2024, which may have quite a profound impact on how pension schemes operate.

Changes to rules and regulations governing pension schemes have a lasting effect. Often bespoke advice is required to understand how changes affect individual schemes with the significant flows of business generated tending to run for several years. Furthermore, as the regulatory landscape gets more complex, in-house schemes can be open to outsourcing administration to specialist partners such as us.

Ongoing market-driven change: similar to regulation, when there is lasting change in financial markets, clients require advice on how best to navigate the new environment. The fundamental shift from low to high interest/inflation rates has largely been positive for pensions schemes – the aggregate funding level across all UK defined benefit schemes has improved by c.20% over the last 2 years. As schemes look to lock in their surpluses and/or consider their options, demand for the services we provide, such as de-risking, rises. The number of schemes in the pensions eco-system is declining as they transfer out their liabilities to insurers but it's a gradual headwind for the industry and it continues to create a surge in demand for de-risking advice.

The bulk annuities market is one area that is benefiting from the move by pension schemes to de-risk and offload liabilities – bulk annuity transaction volumes are currently between £50-60 billion a year, compared to £30-40 billion previously.

> "We're excited to be at the heart of the debate with the UK Government regarding how pensions can safely invest in productive finance, and to assist our clients in benefiting from the opportunities generated."
>
> **Paul Cuff**
> Co-Chief Executive Officer

As de-risking via bulk annuities or other insurance solutions increases, so too does the overlap between the pensions and insurance industries. Like all pension scheme clients, insurers need best-in-class advice and solutions. Working with insurance companies is therefore a long-term growth opportunity for the business.

As the above demonstrates, there is no shortage of growth opportunities to go for within our markets. To maximise the opportunity set before us, we have in place four core strategic pillars.

Regulatory change as a driver of activity: providing thought leadership, XPS is often at the heart of the regulatory debate and therefore well placed to offer up-to-date guidance and advice. This year, we have been involved in discussions with the Pensions Regulator, the UK Government, HM Treasury and the Institute for Fiscal Studies on how to drive greater investment of pension scheme assets into productive finance. Our research proposal "How DB pension schemes can support UK growth and protect members" sets out how regulations and a code of practice could deliver £100 billion in surplus to benefit members and the economy. While discussions on our straightforward and safe approach continue, we are already helping schemes benefit now and are building relationships with sponsors of large schemes (£1 billion plus) with which we are exploring run-on for their DB pensions.

Growing market share: the overall fee market stands at over £2.5 billion and has historically grown 3-4% per year, although, recently, this rate has picked up due to inflation and elevated levels of regulatory and market change. Based on full-year revenues of £199.4 million, our market share stands at 8%. Considerable scope remains for us to increase this and, as our 21% revenue growth for the year shows, this is what we are doing.

Growing markets continued

Growth through expanding services: the increasing overlap between the pensions and insurance industries as well as broader life insurance opportunities outside of bulk annuities offer clear avenues of growth. To capture this, we need to ensure we have a continually expanding offering. Technology plays a key role here both in terms of maximising the commercial value of our proprietary solutions in new ways and in developing new platforms.

The year under review saw us pioneer the use of AI in our industry. Our AI Driven Actuary (AIDA) tool revolutionises the assessment of member options for pension schemes by quickly analysing large volumes of members' data and providing clear information on which members are eligible for, and likely to engage with and benefit from, member options. The tool simplifies and accelerates the process for clients and trustees and allows action to be taken at speed when needed, either on buy-out or more generally to ensure fairness to members as market conditions change. Because it can be used by schemes of all sizes, AIDA helps trustees give more choice to all members.

Partnerships are another route to capturing market-driven growth. In line with this, we have been working with one of the leading UK bulk annuity providers to create a solution that enables small pension schemes to access insurance solutions efficiently.

"We have a successful track record of identifying, acquiring and embedding businesses. We look at potential M&A opportunities that meet our investment criteria and strategic objectives as and when they arise. As our sub 10% market share demonstrates, however, we have plenty of organic growth to go for."

Ben Bramhall
Co-Chief Executive Officer

This will involve us providing wide ranging support - including pricing, transition and administration services.

The partnership serves as another demonstration of the growing overlap between the pensions and insurance industries and with it the expanding opportunity set before us. To better reflect our growing overlap between the pensions and insurance industries and the expanding opportunity set ahead of us, we are making a small change to our brand identity to trade as XPS Group. There will be no change to our legal registered company name.

"Our performance is on the rise, as evidenced by increasing revenues, improved operational efficiency, progress toward carbon neutrality, and higher employee Net Promoter Scores. This consistent growth across our primary indicators reflects our commitment to excellence and sustainable development."

Paul Cuff
Co-Chief Executive Officer

Growth through M&A: alongside the range of organic growth opportunities, we have a successful track record of identifying, acquiring and integrating businesses. We look at potential M&A opportunities that meet our investment criteria and strategic objectives as and when they arise. As our sub 10% market share demonstrates, however, we have plenty of organic growth to go for. As we expand our services in tangential markets such as insurance consulting, the M&A landscape stretches beyond the pensions advisory and administration space.

Growing sustainably

Growing track record, growing profitability, growing markets - all are key to the XPS investment case. So too is growing sustainably. By growing sustainably, we can secure the long-term future of the Group.

To grow sustainably, we need to safeguard the wellbeing of our people and our environment.

People: the year under review saw the number of our people grow by more than 100 to over 1,700.

We are proud of all our people for the contributions they have made to the success of the Group over the years and to the record set of results we are reporting today. We are also proud of our people for what they do outside of their everyday work - volunteering, fundraising, and participating in or leading the many DEI networks that are active across the Group. Regarding this last point, we are particularly proud of the high DEI (90%+) score we registered as part of our employee survey. DEI was also one of the criteria assessed by The Sunday Times as part of its evaluation process. We view our subsequent inclusion in the publication's list of Best Places to Work as recognition of our ongoing commitment to ensure that all our people feel valued and included at XPS.

Environment: FY 2024 was the third year in which XPS has been a carbon-neutral business. As with previous years this was achieved through continued reduction in our own emissions as well as the purchase of UN-approved carbon credits that cover Scope 1 and 2 emissions, as well as Scope 3 emissions produced by suppliers.

Our ultimate aim is to achieve a significant reduction in our direct carbon footprint. In 2023, we submitted our net zero ambitions to the Science Based Targets initiative for review and certification. Our approach is to source 100% of our electricity from renewable sources by 2030 and promote a low-carbon culture amongst staff and suppliers.

Outlook

The regulatory and market drivers behind our dependable business model remain in place. The scale and reputation we have built in our markets, the thought leadership we provide on regulatory issues and the proprietary technologies and solutions we have developed, position us well to capitalise on the long-term opportunities in front of us. We have seen continued strong demand of our services since the beginning of the year and maintain an active new business pipeline. We have continued to grow market share, but with this still under 10% there is considerable scope for us to grow further.

The increasing overlap between the pensions and insurance industries through bulk annuities as well as broader life insurance opportunities offer further meaningful avenues of growth. To better reflect our growing overlap between the pensions and insurance industries and the expanding opportunity set ahead of us, we are making a small change to our brand identity to trade as XPS Group*.

We are proud to be joining the FTSE 250 effective from 24 June which is a significant milestone for XPS and is a testament to the hard work of our colleagues and the backing of our clients and shareholders.

The strong momentum from FY 2024 has continued into the new financial year and we remain confident in delivering against our expectations for the current year.

Paul Cuff Co-Chief Executive Officer 19 June 2024	**Ben Bramhall** Co-Chief Executive Officer 19 June 2024

* No change to our legal registered company name.

Engaging with our stakeholders

Section 172 Statement

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

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

b. the interests of the Company's employees;

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

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

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

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

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

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

You can read about the Group's principal risks and key mitigations, including those in relation to clients, employees and suppliers, on pages 47 to 52.

	Key interests	Engagement strategy
Clients	• Products and services • Service performance and efficiency • Competitiveness and value • Compliance and data protection • Sustainable products	The Company engages with clients through key contacts who work day to day with the clients. We also complete client satisfaction surveys every two years, and the Board reviews the results. We hold conferences, webinars and training exercises for clients throughout the year, of which we see a fantastic uptake. Ben Bramhall (Co-CEO) is Scheme Actuary on some of our largest client accounts, and Paul Cuff (Co-CEO) also works on corporate advisory projects from time to time.
Shareholders	• Financial performance and growth • Dividends • Timely and relevant communications • Sound corporate governance and stewardship • Strategy aligned with long-term sustainability and value creation	We engage with our shareholders in various ways throughout the year including results roadshows hosted by the Executive Directors, and regulator meetings with analysts, investors and potential investors. The Investors section of the XPS website is updated throughout the year, to include useful information for our shareholders. The Board also attends the Annual General Meeting and is available to answer shareholder questions. This year the Board also attended the General Meeting held in March 2024. Margaret Snowdon OBE, as the Remuneration Committee Chair, engages through consultation and meetings with major shareholders in relation to executive remuneration. This year, Margaret and Alan Bannatyne, as Chairman, engaged with the Company's 20 largest shareholders in relation to the updated Directors' Remuneration Policy, approved at the March 2024 General Meeting. The Board recognises that a small number of shareholders voted against Director re-elections and the Directors Remuneration Policy during the year, and the Chairman and the Senior Independent Director have engaged at length to understand their views.
Regulators	• Transparency and openness • Proactivity and engagement in consultation • Compliance with regulation and legislation	The Company works with the regulators by responding to requests and consultations, submitting returns and attending industry meetings. Margaret Snowdon OBE is an adviser to The Pensions Regulator and regularly updates the Board on industry developments. In November 2023, we completed the sale of NPT. We engaged with the regulator as required throughout the disposal and approval was granted prior to completion of the sale. The FCA Consumer Duty has continued to be a pertinent issue for the Board this year, and during the year the role of Consumer Duty Champion was handed over from Margaret Snowdon OBE to Aisling Kennedy (Non-Executive Director). Aisling has engaged with the relevant teams and subsidiary Boards to oversee the Group's compliance with Consumer Duty regulation.

	Key interests	Engagement strategy
Employees	• Engagement • Reward • Career opportunities • Training and development • Wellbeing • Equality, inclusion and diversity • Work-life balance and flexibility	Margaret Snowdon OBE is appointed as the Designated Employee Engagement Non-Executive Director. Margaret is Chair of the Employee Engagement Group (EEG) and updates the Board after each EEG meeting. Employees complete an annual employee survey, the results of which are analysed in detail and shared with the Board, and an action plan is agreed. An external and anonymous whistleblowing hotline is available to employees 24/7; any reports can be escalated to the Board as required. You can read more about employee engagement on pages 22 to 26. During the year, Imogen Joss (Non-Executive Director) supported the Group's Values in Practice awards as Chair to the panel.
Suppliers	• Responsible procurement and ethics • Fair contract and payment terms • Cost efficiency and value	The Group has a designated Procurement team and an external company which engages with and carries out due diligence on its suppliers. We conduct formal and transparent tender processes when required. An annual review of existing suppliers, which provide services that are deemed as higher risk (i.e. process large amounts of our data or have access to our offices), is completed in addition to quarterly performance reviews with key suppliers, and the Board is made aware of any issues in relation to supplier performance or agreements. Our Supplier Code of Conduct communicates what we expect from our suppliers. The Board annually approves the XPS Modern Slavery Statement.
Communities, charities and environment	• Local and worldwide social and environmental impact • Health and safety	The Sustainability Committee is a Committee of the Board, and the majority of members are Board members. The Committee Chair updates the Board following each meeting. You can read the Committee report on pages 70 and 71. XPS is excellently positioned to ensure our positive impact is wider than the Group itself as we advise our clients on sustainable investments; you can read about this on pages 32 and 33. You can read the Group's TCFD report on pages 35 to 39, and our commitment to net zero on pages 28 and 29. You can also read about our community support on page 27.

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

Executive Directors' remuneration:

Shareholders – Our shareholders' key interests are the growth of the Group and value creation. The Group Chairman and Remuneration Committee Chair engaged extensively throughout the year to understand our shareholder views and introduced an element of bonus deferral into the approved Directors' Remuneration Policy as a result of shareholder feedback.

Employees – Employees are interested in the alignment of employee and Executive remuneration. The Board engages on this topic via the Employee Engagement Group, chaired by the Remuneration Committee Chair.

Regulators – We pride ourselves on our high standards of corporate governance and compliance, including linked to Executive remuneration.

National Pension Trust sale:

Shareholders – The proceeds of the sale of NPT were used to reduce net debt, further strengthening the Group's balance sheet.

Employees – As part of the transaction, a small number of XPS employees transferred to become employees of the acquiring firm. It was important to us to ensure cultural alignment of the Company and their new employer, SEI.

Clients – We continue to support NPT and SEI with a wide range of services including pensions administration and consultancy services, for the benefit of clients and members of the trust.

Regulators – The transaction was subject to regulatory approval, we engaged proactively and effectively with the regulator to ensure a smooth transaction, in line with all regulatory requirements.

Shaping a better future

Our purpose is to shape and support safe, robust and well-understood pension schemes for the benefit of people and society. It follows, therefore, that sustainability is integral to delivering on our purpose. With this in mind, we made significant progress towards further embedding sustainability across our business last year.

"Doing the right thing lies at the heart of XPS. In line with this, during the year we reviewed what is material to our business and stakeholders, strengthened our sustainability framework and continued to advance sustainability across our business, working closely with clients, communities and colleagues as we did so."

Snehal Shah
Chief Financial Officer

Sustainability supports the Group's mission and strategy. It is embedded into our business model so that by delivering on our mission to be leaders in pensions, investment consulting and administration, we are able to achieve better outcomes for all our stakeholders. This is not just for our clients and members, but also for our colleagues, the communities in which we operate and the environment.

Reviewing our material issues

Last year, XPS conducted a dynamic materiality review to assess whether the material issues underpinning our sustainability framework were still relevant. The process involved engaging with internal stakeholders as well as conducting a thorough peer and landscape review. This has resulted in a re-confirmation of our material issues.

Driving sustainability action

Ultimate responsibility for our sustainability strategy rests with the Board of Directors. Oversight of the implementation, progress and performance of the strategy has been delegated by the Board to the Sustainability Committee. You can read a report on the activities of this Board Committee, which met five times last year, on pages 70 and 71. Supported by Executive sponsor Snehal Shah, a dedicated Working Group is responsible for implementing the sustainability framework as well as measuring and reporting progress and performance.

Our material topics

Governance:

- Business ethics and values
- Corporate governance
- Cyber security and data privacy
- Human rights and modern slavery

Clients:

- Sustainable products and services
- Responsible investment
- Advising clients and members

Environment:

- Climate change and our environment
- Environmentally friendly culture

People:

- Employee engagement
- Inclusion, equality and diversity
- Learning and development
- Employee health and wellbeing

Communities:

- Community engagement
- Charitable giving
- Supply chain engagement

Strengthening our framework

Building on the findings of the materiality assessment, we refreshed our sustainability framework to ensure it reflects our corporate priorities. Working with external advisers, we developed a stronger narrative around "shaping a better future" within the framework as well as clear ambitions for each of its pillars.

Empowering our people to thrive

XPS promotes a diverse and inclusive culture, enabling people to realise their fullest potential.

Material issues

Employee engagement, inclusion, equality and diversity, learning & development, employee health & wellbeing

Strengthening our communities

XPS contributes to the local communities near our offices, working together for a better future.

Material issues

Community engagement, Charitable giving

Protecting our environment

XPS works to mitigate climate change by minimising its impact on the environment.

Material issues

Climate change & environment, Environmentally friendly culture

Supporting our clients and members

XPS supports its clients and members to optimise outcomes.

Material issues

Sustainable products & services, Responsible investment, Advising clients & members

Being a responsible business

XPS has a culture of strong governance that minimises risk, upholds high standards in conduct and complies with legal standards.

Material issues

Business ethics & values, Corporate governance, Cyber security & data privacy, Human rights & modern slavery, Supply chain management

Ambitions and targets

Empowering our people to thrive	XPS promotes a diverse and inclusive culture, enabling people to realise their full potential Ambitions and targets: • Reach 37% female senior managers by 2028 • Maintain employee approval rating of at least 90%
Strengthening our communities	XPS supports the people living near our business operations with the challenges they face Ambitions and targets: • Increase our charitable giving and employee volunteering
Protecting our environment	XPS works to mitigate climate change by minimising its impact on the environment Ambitions and targets: • Achieve net zero by 2050
Supporting our clients and members	XPS supports its clients and members to optimise outcomes Ambitions and targets: • Maintain satisfaction level of at least 80% • Encourage sustainable investment

Empowering people to thrive

Our people are fundamental to our success. XPS is committed to fostering a positive and collaborative work environment, one in which all our people are valued members of diverse and inclusive teams. Our goal is to enable colleagues to flourish and excel.

"XPS has cultivated an environment where "doing the right thing" and trust are not just valued, they are the bedrock of our culture. It is an ethos that empowers colleagues to contribute meaningfully, driving impactful innovations that resonate across our organisation and beyond, and helps shape a better future."

Rachel Gillion
HR Director

We empower colleagues to take control of their careers, whilst aligning with organisational goals. An important part of this is considering the specific needs of each individual so that their full potential can be unlocked and positive outcomes can be achieved. As such our strategy is to foster a culture of autonomy and trust within a diverse and inclusive workplace. We do this by clarifying our vision and goals, encouraging open feedback, supporting colleagues to set personal and professional targets and recognising and celebrating their achievements. This way we help our people to meet their goals and at the same time we maintain a strong and resilient talent pool and pipeline.

Engaging our people

XPS believes creating a positive and collaborative work environment is essential to achieving business success and meeting client expectations. Engaging with colleagues through various channels, such as the Employee Engagement Group, ensures that their voices are heard and their interests are considered in the decision-making process, while regular communication from leadership, including regular messages from our Co-CEOs and town halls, promotes transparency and trust.

The use of tools such as "The Happiness Index", a comprehensive feedback platform, exemplifies the Group's commitment to constant improvement and employee wellbeing. Tools such as these not only provide a platform for and facilitate continuous feedback, but also drive engagement and organisational agility. They also ensure employees are motivated to contribute to the overall success and sustainability of the business.

The positive feedback received from XPS colleagues is a testament to the Company's commitment to creating a supportive and rewarding work environment. With 98% of employees affirming that XPS is a good place to work (FY 2023: 98%) along with a 99% commitment rate to the Company's success (FY 2023: 99%), our culture fosters a strong sense of belonging and dedication.

Our Values in Practice (VIP) Awards, which have now been running for four years, provide us with a formal platform with which to recognise and reward employees' contributions, further embedding the values of excellence and teamwork within the Company's culture. This year we had over 110 nominations from across the business.

In terms of incentivising employees, we have adopted a comprehensive approach to ensure personal achievements are aligned with the Company's broader business objectives. Our holistic strategy, which includes bonus schemes, share plans and competitive remuneration packages, motivates colleagues, and also aligns their efforts with the Company's goals, fostering a unified drive towards continued success and growth.

Promoting learning and development

This year, our commitment to empowering colleagues in their career development journey has been stronger than ever. Through increasing the suite of third-party learning and development opportunities, we have seen our colleagues flourish and our organisation thrive.

98%
think “XPS is a good place to work”

111
apprentices at XPS in FY 2024

31,000+
hours of training in FY 2024

The Group’s learning and development approach centres around nurturing the skills our people need to execute our organisational strategy effectively. Our goal is twofold: firstly, to establish a strong pipeline of emerging talent; secondly, to prepare future senior leaders. Both goals are achieved by fostering behaviours that are aligned with our core values.

In addition to our graduate Actuarial and Administration programmes, we continued to support early career talent through our fast-growing apprenticeship programme. Apprentices are integral to every aspect of our business and by the end of FY 2024 we had welcomed 111 apprentices across various disciplines, an 85% increase on the previous year.

We already have an established induction programme, but FY 2024 saw us launch our internal XPS Mentoring Programme to help individuals become their best and to encourage a high-performance culture that is underpinned by continuous learning and development. Currently, we have 40 pairs engaged in this programme.

We support the development and career aspirations of our people at all levels through technical training as well as management development programmes for our more senior colleagues. Support is also provided for colleagues studying for professional qualifications via bespoke technical programmes across all areas of our business. During FY 2024, we recorded over 31,000 hours of training, 13% higher than FY 2023.

Empowering people to thrive continued

XPS is committed to promoting equality, diversity and inclusion in the workplace. We foster a culture of belonging, where everyone within XPS is encouraged to share, with confidence, their opinions and ideas in a way that respects the value of our differences.

Improving gender equality

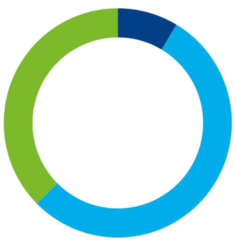
Our journey towards a more diverse workplace is marked by tangible actions and measurable progress. Last year, for example, XPS launched its gender equality plan. Endorsed by the Co-CEOs, the plan sets out specific measures to drive diversity. To underline this, we became a signatory of the Women in Finance Charter in FY 2024 and we set ourselves the target to have 37% female representation in senior management by 2028. We are already making progress here – by the end of FY 2024, 35% of our senior management positions were held by women (FY 2023: 31%).

Progress is also being made in terms of closing the mean gender pay gap across the Group – this was reduced by a further 2.1% to 22.1% last year. We also rolled out mandatory diversity training for managers, respectful behaviour training for all colleagues and internal and external mentoring programmes, and we reviewed our people policies to ensure family-friendly commitments such as flexible working, the buying and selling of holiday and swapping bank holidays are firmly established across the Group.

Gender diversity at XPS

	Males		Females		
	No.	%	No.	%	
Board	5	56%	4	44%	
Group	890	50%	904	50%	
Partners & Managing Consultants	85	65%	45	35%	Excludes NEDs
Other employees	802	51%	859	49%	

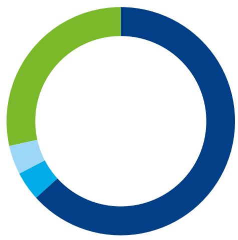
Disability diversity at XPS



Disability
(63.0% staff disclosure)

- Yes 8.5%
- No 53.3%
- Undisclosed 37.0%

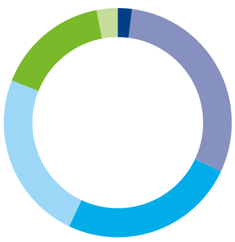
Sexual diversity at XPS



Sexual orientation
(71.6% staff disclosure)

- Heterosexual 63.1%
- LGBT+ 4.1%
- Prefer not to say 4.4%
- Undisclosed 28.4%

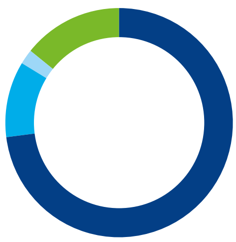
Age diversity at XPS



Age distribution

- <20 2%
- 21-30 30%
- 31-40 25%
- 41-50 24%
- 51-60 16%
- 61+ 3%

Ethnic diversity at XPS



Ethnicity
(85.8% staff disclosure)

- White 72.9%
- Ethnic minority 10.7%
- Prefer not to say 2.1%
- Undisclosed 14.2%

Promoting disability inclusion

In addition to gender, we enhanced our approach to disability inclusion. We have put in place a workplace adjustment policy. We provide reasonable adjustments for disabled job applicants and we guarantee interviews for disabled candidates who meet the essential job requirements. We were recognised for our efforts by achieving Disability Confident Employer Level 2 in FY 2024.

Becoming a menopause-friendly employer

Last year, XPS initiated comprehensive menopause training for managers, focusing on engagement, culture enhancement and policy improvement. Additionally, we launched new tools and guidance on our intranet. We also spread awareness with the introduction of menopause champions. As a result, XPS achieved Menopause in the Workplace accreditation in FY 2024.

Celebrating inclusion and diversity

Alongside our diversity action, XPS promotes an inclusive workplace so that everyone feels welcome and involved. Actions taken include investing in our six employee networks. Over the course of the year, our networks organised over 23 webinars with experts covering issues such as gender equality, menopause, mental health, disability, neurodiversity, ethnicity and LGBTQIA+. Our networks also ran monthly discussion groups and podcasts where colleagues share their views on subjects including allyship and what inclusion means to them. Reflecting our colleagues' efforts to foster a culture of inclusivity, we were honoured to receive the Diversity and Inclusion Excellence Award at the UK Pensions Awards last year.

"Being recognised with the Diversity and Inclusion Excellence Award at the UK Pensions Awards underscores our commitment to promoting diversity and inclusion within both XPS and the broader industry."

Charlotte West
Head of Employee Engagement

4.6/5 stars

XPS rating on Glassdoor for diversity and inclusion

Our partnerships

See more information about our partners on our website:
www.xpsgroup.com/sustainability/employees/

Empowering people to thrive continued

Driving health and wellbeing

Our commitment to colleague wellbeing underpins our efforts to foster a supportive environment for all at XPS. Our comprehensive approach includes providing our employees with the resources, tools and advice they need to achieve a healthy body and mind, a fair work-life balance, healthy relationships and sound finances. In our FY 2024 survey, we observed a promising improvement in work-life balance. Favourable work-life balance scores increased by 4%, a positive result that can be attributed to several strategic actions taken by XPS:

- The business proactively focused on allocating resources and recruiting to bridge gaps. By strategically addressing talent shortages, we ensured that colleagues received the necessary support.
- Our flexible working arrangements empowered colleagues to balance their professional and personal commitments effectively to help achieve a healthier work-life equilibrium. We gave colleagues the option to use bank holidays flexibly as well as greater flexibility around their precise working hours between 8.00am and 6.30pm. Colleagues are also able to reduce their working hours if it suits their personal needs. We were early adopters of the new legislation on the rights for employees around flexible working and paid and unpaid leave.
- We have actively promoted an environment where colleagues can have transparent conversations about work-life balance with their line managers. We have launched wellness initiatives that address physical, mental, financial and emotional wellbeing, recognising that a balanced life encompasses more than just work.

Looking ahead

For FY 2025, we will continue to invest in tailored training and development initiatives to encourage continuous learning, upskilling and increased use of technology (including AI). Our focus is on health and wellbeing centres, enhancing manager effectiveness with an emphasis on people skills and providing robust support for team wellbeing, prioritising employee mental health through wellness events and cultivating an environment of active listening.

Action plans developed in response to the FY 2024 employee engagement survey target key areas such as career progression, learning and development and a request for stronger office communities. Inclusion and diversity efforts continue to shape our culture.

Strengthening our communities

XPS is deeply committed to supporting its local communities, not just because the talent we need to attract (and therefore our continued success) depends on the communities in which we operate, but also because it is the right thing to do.

"I am proud that we increased our employee volunteering last year. It has a measurable impact on engagement for our people and of course delivers positive impacts for our charitable partners."

Charlotte West
Head of Employee Engagement

Our proactive approach aims to create positive change. Through active community involvement, fundraising initiatives and responsible supplier management, we can collaboratively tackle the challenges our local communities face.

Encouraging volunteering

The XPS Volunteering Initiative was successfully launched in FY 2023 and we were able to increase our support of local communities further in FY 2024. As part of the Initiative, 40 employees from across the country took the opportunity to take a day's paid leave to take part in a volunteering activity organised by XPS (FY 2023: 15 colleagues). Activities ranged from beach cleaning in Lough Shore, Northern Ireland, to renovating a community centre in Leeds and handing food parcels to the homeless in London.

Supporting communities financially

At XPS, we support charities nationally. We also undertake fundraising activities for charities in the local communities where we operate. Last year, we introduced a matched fundraising commitment to encourage our employees to support charities of their own choosing. As part of our commitment, funds raised are matched by XPS up to a certain value.

During the year, more than 50 employees and teams raised funds for 30 different charities including the Roxburghe House Day Care Centre, Portsmouth Down Syndrome Association, Maddy's Mark and many more. In total, the Group contributed over £67,000 (FY 2023: £58,000).

30

charities supported in FY 2024

From abseiling down buildings and running marathons to head shaving and sleeping out, our employees have gone above and beyond to raise money for these worthy causes and more. Our biggest fundraising effort this year saw employees raise over £5,000 for Macmillan Cancer Support in September, a sum which was matched by the Company.

Creating a sustainable supply chain

We continue to improve procurement governance to extend our diversity and sustainability goals further into the supply chain. In FY 2024, we updated the Supplier Code of Conduct to include references to modern slavery and over the coming years we will include environment, social and governance and diversity, equity and inclusion references too.

Looking ahead

As part of our ongoing commitment to strengthening our local communities, we plan to expand our volunteering opportunities further. Upcoming initiatives include local conservation projects, job coaching with Business in the Community and career planning sessions in schools. From a procurement point of view, we will continue to include additional sustainability considerations in our Supplier Code of Conduct.

Protecting our environment

We are focused on mitigating our environmental impact and promoting a green and stable future for our business and communities through effective stewardship. Through decisive and meaningful actions, especially regarding our climate impacts, we are building a strong foundation for a sustainable future.

"This year we formally submitted our climate plan and commitments to the Science Based Targets Initiative (SBTi), a major milestone in our journey to net zero."

Matt Wellbelove
Environmental System Manager

As part of our commitment to have a positive impact on the environment, XPS deployed the XPS Planet Group, a Group-wide Environmental Management System, to address our environmental risk and compliance obligations as well as drive performance. The XPS Planet Group, which was externally certified to ISO 14001 in seven of the Group's offices by the end of FY 2024 (FY 2023: four), utilises the integrated risk management and internal control framework to manage risks. We are aiming to obtain certification for all our office locations by the end of FY 2025.

Developing our net zero pathway

Last year, XPS developed a net zero roadmap in accordance with current scientific demands to limit warming to a level consistent with a 1.5˚C core temperature increase by 2100. This formed the basis for the formal submission of our ambitions to the Science Based Targets initiative (SBTi) for review and certification. Our submission underscores our dedication to operating in a manner that is both environmentally responsible and economically sustainable. In future we anticipate that, with the support of the SBTi, we will be in a position to disclose our net zero pathway in more detail.

Our net zero journey to date

October 2021
Carbon neutrality achieved for the first time across our entire value chain for the FY 2020–FY 2021 period

July 2022
First TCFD disclosure

June 2023
XPS commits to 100% renewable electricity by 2030 and alignment with SDGs

December 2023
XPS officially submits its near-term target setting framework to the SBTi

60%

60% of our square footage is supplied by certified renewable energy in FY 2024

We are currently working towards hitting the interim milestones we have set ourselves: achieving 100% renewable electricity by 2030; and retiring gas heating from our direct emissions inventory by 2040. Our climate ambition therefore relies on our continued efforts to secure renewable electricity and heating sources for our offices, and also the deployment of efficient property technology. By the end of FY 2024, 60% of our electricity consumption across our estate was generated from renewable sources.

Additionally, we recognise we must tackle our indirect emissions by applying greater scrutiny to our suppliers, evolving our product offering and improving our technological efficiency.

Our approach is to deliver net zero at the soonest opportunity whilst avoiding adverse impacts on our operations, quality and cash flow. In line with this and for the third year in a row, FY 2024 saw us offset our remaining direct and indirect greenhouse gas emissions. retiring high quality Gold Standard carbon credits for sustainable projects that support the group's commitment to global sustainability and the UN's Sustainable Development Goals. Our most recent projects include investment in sustainable biofuel solutions and clean wind energy.

Our future goals

2030
Achieve 100% renewable electricity

2035
Reduce direct emissions by 60% and indirect emissions in supply chain by 40%

2040
Achieve complete phase-out of natural gas in all properties

Improving our environmental performance

Reducing our emissions in FY 2024

During FY 2024, XPS achieved a fourth successive year of combined Scope 1 and 2 carbon reductions, owing to our focused transition to renewable electricity and more sustainable properties. We made the strategic decision to decommission two of our legacy properties - Wokingham and Bristol Cote House - as the facilities no longer aligned with our brand ethos or sustainability objectives, or met our threshold for commercial justification.

Scope 1 emissions for FY 2024, relating to gas-fuelled heating, increased slightly due to the changing carbon intensity of natural gas as a result of the Ukraine war. We expect this to decrease next year to reflect a full year without the two legacy properties mentioned above.

Scope 2 emissions for FY 2024 decreased year on year due to more efficient equipment and office capacity use. Adjusted for renewable electricity, they decreased even more as we increased our renewable consumption.

There was a slight increase in FY 2024 in Scope 3 emissions from business travel and employee commutes. This can be attributed to the resurgence of office-based work following the Covid-19 pandemic and the expansion of our business. Nonetheless, emissions from travel have maintained a significant downturn compared to the baseline figures of FY 2020, with the intensity of travel emissions per full-time equivalent employee continuing to decline year over year.

Annual greenhouse gas emissions and energy use data from UK-based activities under SECR for FY 2024:

	FY 2024	FY 2023	FY 2022
Scope 1 emissions (tCO_2e)	**161**	157	212
Scope 2 emissions – Defra location based (tCO_2e)	**193**	215	350
Scope 2 emissions adjusted for renewable energy[1]	**106[1]**	185[1]	350
Energy consumption used to calculate emissions (kWh)	**1,812,093**	1,976,286	2,655,443
Scope 3 emissions (tCO_2e)	**1,191**	1,189	1,928
Total gross emissions	**1,545**	1,561	2,490
Total net emissions	**1,458**	1,531	2,490

Intensities	**FY 2024**	FY 2023	FY 2022
Revenue intensity – Scope 1 & 2 (tCO^2e/£m)	**1.7**	2.1	3.2
Revenue intensity – Scope 1, 2 & 3 (tCO_2e/£m)	**7.7**	9.2	14.2
FTE intensity – Scope 1 & 2 (tCO_2e/FTE)	**0.2**	0.2	0.3
FTE intensity – Scope 1, 2 & 3 (tCO_2e/FTE)	**0.9**	1.0	1.4

Notes:

All activities are UK based. tCO_2e = tonnes of CO_2 equivalent. Unless otherwise noted all conversion to carbon is based on current Department for Education, Food and Rural Affairs ('Defra') factors. Calculations are made in accordance with the SECR guidance and the GHG Protocol. FTE = Full time employees as at 31 March 2024.

1 XPS has transitioned to certified renewable energy in a number of its locations, enabling the Group to claim zero-emissions relating to associated energy consumption, as per the market-based accounting method. In addition to the progress made on renewable electricity, our market-based Scope 2 emissions declined further last year, reflecting the adoption of the more accurate supplier "fuel-based" conversion rate as supported by the GHG Protocol. This conversion rate uses data direct from suppliers (where available) to better estimate non-renewable supply. We have applied this methodology to prior disclosures and found that a discrepancy of less than 1% occurred.

Embedding sustainability in our culture

Integrating a sustainability philosophy and embedding a green culture throughout the business is fundamental to the Group achieving its environmental ambitions. The business continues to incentivise the green cultural transition by offering benefits as part of the Group's salary sacrifice options including cycle to work, electric car and tree planting schemes.

During the past year, XPS organised its first environmentally focused volunteering day, led and organised by our local XPS Planet Group Champions. The successful pilot scheme contributed to the development and roll-out of the new Group-wide Volunteering Policy, which encourages and facilitates local volunteering across the UK for causes that are meaningful to our colleagues whilst continuing to align with the Group's culture and values.

Looking ahead

For FY 2025, we will continue to develop our net zero roadmap, which will be submitted for verification with the SBTi. In addition, we will focus on gaining additional ISO 14001 certifications across our property portfolio. We will continue to develop and deploy our sustainable procurement policies. We will also prepare the business ahead of forthcoming environmental and climate regulatory demands such as the IFRS Sustainability disclosure standards S1 and S2 and Transition Plan Taskforce disclosure requirements.

Supporting our clients and members

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

"The investment markets play a significant role in addressing pressing societal challenges such as climate change, and considering these issues is key to ensuring secure long-term outcomes for scheme members. We provide our clients with comprehensive information and advice on sustainability considerations to inform how they manage their schemes."

Alex Quant FIA
Head of ESG Research – Investment

Our goal is to help clients and scheme members achieve positive long-term outcomes. Our culture and values help us promote sustainable services for our clients. We incorporate sustainability into our client services and solutions, and we ensure sustainability considerations are embedded in all our investment research and advice. We also focus on keeping all our clients' money safe from scams and fraud.

Helping clients navigate sustainability

Sustainability considerations are embedded into all the investment recommendations and client advice we provide for the £104 billion assets we have under advisement. We deliver detailed sustainability reporting to all clients. In addition to feedback on their sustainability ratings, we detail wider sustainability factors (such as exposure to sin industries, climate transition alignment and engagement on sustainability across the portfolio) as well as carbon emissions reporting. We have partnered with a market-leading climate change data provider so that we can provide enhanced reporting and analysis of climate change risks – we have used this to support certain clients with their regulatory climate change reporting requirements, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

During the year, we carried out our fourth annual sustainability ratings exercise, which involved reviewing 227 funds run by 53 investment managers. In the interest of transparency and raising the bar for the industry, we provided feedback to all those managers who submitted. We also held follow-up face-to-face meetings with those managers who received a red rating, as well as many others, to discuss areas for improvement.

Driving sustainable investment

For those clients who wish to go further, we have a growing number of buy-rated funds that target environmental and social outcomes alongside their financial objectives. In FY 2024, we formalised our Impact Designation, which is a label we award funds that achieve our Sustainable Designation but go further by having explicit non-financial targets alongside their financial objectives. For example, funds that set net zero targets can earn our Sustainable or Impact Designations. We awarded three investment funds our Impact Designation. We have now awarded our Sustainable Designation to 39 funds across all asset classes (FY 2023: 34) to help our clients meet their financial objectives whilst targeting long-term social and environmental outcomes.

At the end of FY 2024, XPS had 36 clients in sustainable funds representing £2.6 billion (FY 2023: 23 clients, £1.9 billion) in assets under advisement.

Creating a sustainable pensions industry

In FY 2024, we joined the Net Zero Investment Consultant Initiative and we worked to action the commitment we have made to take net zero considerations to all our investment clients and to embed these into our research framework. We also retained our status as a signatory of the UK Stewardship Code, having been successful at the first time of asking in 2021. We contributed to a number of public consultations relating to sustainability issues, including the DWP Taskforce for Social Factors guidance and the FCA consultation on Finance for Positive Sustainable Change.

Signatory of:

£104bn
assets under advisement with XPS clients

39
funds awarded Sustainable Designation by XPS

10,000+
members' transfers protected by XPS

Keeping members safe

We remain focused on keeping the members of the pension funds we administer safe. Our Scam Protection Service continues to support trustees and our clients' members by identifying and managing suspicious activity in relation to transfers. In particular, our Scam Protection team uses a phone call with scheme members to obtain robust information about their transfer and uses this to identify any suspicious activity. In addition, XPS is an advisory member of the Pension Scams Industry Board. Our service goes beyond what is required in the regulations and we continually look out for trends in behaviour to help spot warning signs of new potential scams. Our Scam Protection Service has helped protect over 10,000 members' transfers to date, totalling over £2 billion.

To minimise social engineering threats, XPS rolled out Abnormal Email Security, which uses AI and behaviour analysis to detect malicious emails. In FY 2024, all our colleagues undertook mandatory training on protecting client, employee and corporate information, including regular phishing awareness exercises. Our Information Security Management System (ISMS) was certified to ISO 27001 in FY 2022 and the effective deployment of our ISMS is independently verified through our Cyber Essentials Plus certification and BitSight risk scoring.

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

Looking ahead

For FY 2025, our focus remains on further embedding sustainability within the advice and services we give to our clients, whilst keeping on top of the fast-evolving regulatory landscape.

Being a responsible business

Good governance underpins both our approach to sustainability and the purpose and strategy of our business. At XPS, we pride ourselves on our strong culture and values, which are fully integrated throughout our business. Both our culture and values promote the right behaviours, whilst delivering our strategy and supporting our stakeholders.

Ensuring strong governance

We are proud to comply with the UK Corporate Governance Code. Starting at the top of our business and our Board of Directors, we uphold high standards of governance. This year, we strengthened our Board with the appointment of two additional Non-Executive Directors, and are proud to have maintained the gender diversity of our Board at 44% female. You can read more about the governance and composition of our Board on pages 56 to 62.

During the year, we also continued to demonstrate our sustainability commitments by including sustainability within our Executive Directors' bonus objectives and share incentive award vesting criteria. You can read about remuneration on pages 72 to 95.

Maintaining a culture of compliance

We have core policies and procedures in place that ensure we uphold high standards of governance and act as a responsible business with all our stakeholders in mind. Our Business Code of Ethics outlines the principles and values that we expect all our people to adhere to in relation to matters such as treating customers fairly, inclusion and diversity, financial crime and dealing with vulnerable customers. We also have an Anti-Bribery and Corruption Policy in place, outlining our zero tolerance for activities and behaviours that are not in line with our values, especially in relation to financial dealings.

Each year, all our employees are required to complete modern slavery training, which outlines the expectations of our business and our suppliers to behave in a way that is respectful of human rights. This year our supplier onboarding process has been strengthened and adherence to our Supplier Code of Conduct is now a condition of doing business with XPS. We publish our Modern Slavery Statement annually and you can read it on our website at https://www.xpsgroup.com/modern-slavery-statement/.

All our employees are required to complete an annual programme of compliance training, covering topics such as financial crime, bribery and corruption, insider trading, modern slavery, data protection and cyber security. During FY 2024, the 100% training completion rate across the Group was maintained (FY 2023: 100%).

100%
compliance training rate in FY 2024

This report includes disclosures consistent with the TCFD framework and all 11 TCFD recommendations (pursuant to LR 9.8.6 R (8)). The most recent TCFD and FCA-related guidance has been considered and appropriately informs the content of this disclosure. Some elements of disclosure refer to extracts within this report that should be read in conjunction with this disclosure. This report, together with the statements throughout this report, meets the requirements of TCFD.

Governance	
a) Describe the board's oversight of climate-related risks and opportunities.	XPS recognises that strong risk governance is fundamental to the success of the business including those risks relating to the environment and climate change. XPS utilises a number of traditional management committees to ensure risks within the business are appropriately controlled including the Sustainability Committee, Risk Management Committee, Audit & Risk Committee and the Remuneration Committee. The Board-level Sustainability Committee, chaired by Non-Executive Director Sarah Ing, provides a dedicated mechanism for sustainability-related risks and opportunities, such as climate, to be reported to the Board on at least a quarterly basis. The Committee is also responsible for establishing the XPS sustainability framework, overseeing its implementation and the ongoing monitoring of progress on related topics. You can find a detailed report of Sustainability Committee on pages 70 and 71. The Risk Management Committee and Audit & Risk Committee are integral to the governance structure within the business. These Committees are responsible for Group risk management and the internal control framework and have oversight of identified risks, including those relating to climate change. You can find a detailed report on the Risk Management Committee and Audit & Risk Committee on pages 66 to 69. The Remuneration Committee determines executive remuneration including approval of executive incentive schemes, which incorporate sustainability performance objectives. You can find a detailed report on the Remuneration Committee on pages 72 to 95.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	The Group manages all risk in an integrated fashion, including those relating to climate, via its risk management and internal control framework which is detailed on page 48. The Group's sustainability framework, which incorporates the Group's climate risk, strategy and ambitions, is integrated within all management-level decision-making ensuring sustainability and climate considerations around risks and opportunities are an appropriately weighted input into group-level decision making, strategy, budgeting, objectives, remuneration and, where appropriate, major capital expenditures and acquisitions. The Group's certified Environmental Management System acts as the unified mechanism to report relevant climate-related progress to management as well as the Board via its regular auditing activities, data analytics and assessments, helping to assess the success of mitigating climate-related risk. Management has established a Sustainability Working Group that brings together, on a regular basis, representatives from across the business to monitor progress and performance on managing climate-related risks and opportunities.

Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	XPS's definition of short, medium and long term is aligned with those defined by the Group's net zero trajectory and informed by the Science Based Targets initiative boundaries: short term being 0–5 years, medium term being 5–10 and long term being anything 10 years and over.

Strategy continued	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. continued	In the short term up to 2030, the climate-related risk profile for XPS remains consistently low across different climate change scenarios, with the swiftest transition to a 1.5-degree pathway posing the greatest risk. This is due to the expected demands for enforced technological upgrades affecting equipment, early retirement of properties and additional compliance needs requiring additional investment and resource posing a capital and reputational risk whilst navigating an anticipated negative reaction within the marketplace due to the capital required globally to transition at pace. The sustainability framework and net zero commitment of XPS are strategically designed to transition at pace and enable the Group to act proactively and to operate effectively in adverse swift transition environments. There is an opportunity within slower moving transitions for XPS to bolster its reputation and client appeal and retention by acting in advance of the marketplace as well as opportunities to make efficiency related savings. Early adoption of new technology, yet to be determined, is likely to be accompanied by a risk to capital and effectiveness. XPS will ensure new technology is appropriately assessed before any deployment so that the Group's investment and operations are protected and appropriate. In the mid-term, spanning from 2030 to 2035, the Group's comprehensive plan for achieving net zero will most likely pre-emptively mitigate major climate-risks from the global shift in the timeframe. There is some expectation that markets will recede in this period due to legislation and transitional activities posing both a cash flow and compliance risk as well behavioural changes potentially influencing consumer selection. The cost of business in general is expected to increase posing a potential risk to profitability but the Group currently expects this incremental cost to be immaterial to its operations and the cost of the XPS transition to sustainable energy and facilities to present a low impact on XPS cash flow and operations. Looking further ahead, from 2035 to 2050, XPS anticipate to be working on the addressing and eradicating the Group's residual emissions, with a heavy reliance on technological advancements for carbon capture, removal, and sequestration. The efficiency and affordability of such technologies are currently uncertain, presenting a potential risk of capital demands. A successful XPS transition will be reliant upon local infrastructure achieving its own ambitions. This presents a risk of XPS failing to achieve its net zero objectives and generating excessive residual emissions. A risk of significant carbon taxation is viable in this period and may pose a significant potential risk should XPS fail to meet its net zero objectives due to internal or external influencing factors. Potential market downturn during this period is likely to impact global cash flow potentially affecting profitability. XPS plans to significantly reduce emissions ahead of this scenario, forecast to require modest treatment for residual emissions, reducing the potential for considerable outlay.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. continued	In all scenarios beyond 2050, there will be a significant increase in adverse climate events impacting many industries and societies including agriculture, accommodation, infrastructure, logistics and manufacture. It is likely that some of these impacts are already unavoidable. XPS does not expect its direct operations to be critically impacted by these events. However, XPS does expect the cost of business to increase, significantly for the Group's supply chain operating or investing in vulnerable industries or geographies. There is a risk that these suppliers, or those with connections to these suppliers, experience service interruptions or significantly increased cost of service which may impact the Group's ability to provide services itself. XPS plans to manage this risk and its supply chain carefully in the interim to reduce its third-party risk in this area. The Group's supply chain risk is currently considered low due to the type of services procured and the geographic suppliers selected however XPS will continue to deploy its approach to further minimise this risk by seeking suppliers that reflect the long term XPS morals and have sufficiently resilient operations ensuring XPS continue to have a robust supply chain. The most optimistic outlooks foresee a considerable reduction in GDP and market conditions. XPS currently consider its operations to be financially equipped and robust to operate effectively in these conditions; however, the financial landscape is yet to be foreseen and trading conditions are anticipated to be universally impacted posing a potential risk to the XPS operations and its capital. Opportunities have been identified within the Group's analysis which suggest XPS's proactive approach will bolster the Group's reputation and facilitate client retention and appeal within the marketplace as well as offering cost saving opportunities by deploying more efficient technology. Opportunities are most beneficial in slower moving marketplaces. For more information, see the Risk Management section on pages 47 to 52 and refer to the Environment section of the Sustainability section on pages 28 to 31.

Strategy continued	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The Group's sustainability framework ensures that climate-related risks and opportunities are considered within Group-level decision making, strategy, budgeting, objectives, remuneration and, where appropriate, major capital expenditures and acquisitions. Whilst some mitigating steps will require proactive action by XPS, the Group anticipates a considerable volume of the XPS transition to net zero will be delivered with the adaptation of the market and infrastructure. Recognising the Group's risks, opportunities and commitments as an input, the Group acknowledges the adaptations required, specifically within the Group's key climate risks such as the XPS supply chain - ensuring XPS suppliers complement XPS's net zero trajectory, use of technology in XPS offices and applications - allowing XPS to reduce energy consumption to a level consistent with a 1.5 degree scenario, selection of property - ensuring XPS facilities are suitably efficient and environmentally friendly to the Group's surroundings, and the Group's approach to investments - ensuring investments meet the Group's moral commitments and their actions align with the XPS 1.5 degree ambitions. The Group's sustainability framework ensures that these mitigation steps are taken without a material financial impact on revenues and assets and act at an appropriate pace. Whilst the transitional steps present the anticipated need for modest additional investment and resource at the outset posing a low risk, the business anticipates energy efficiencies and long-term cost savings to be delivered post transition. XPS expect an increased risk of environmental and climate compliance demands and associated disclosure expectations in the short to medium term which will require additional resource and investment, however, the Group currently believe its strategy is prepared, well equipped and financially able to make such a transition resulting in a managed low risk to the business. The opportunities that exist up to 2050 present XPS with a potential to bolster its reputation resulting in improved client appeal and retention whilst its transition to green technology and buildings is likely to offer long term cost savings relating to a more efficient operation.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	XPS considers that its business model and operations are resilient in the most common climate change scenarios. In order to assess the resilience of the Group, three different commonly used climate scenarios were used: a rapid change aimed to curtail warming at 1.5 degrees; an orderly shift to a 2-degree limit and a scenario where the transition is only partially successfully, leading to temperature rises beyond 2 degrees. XPS scenario analysis model assessed conceivable risks and opportunities, including those listed in Table A1.1 of the TCFD Implementation Guidance, in each decade to 2100 in differing paces of transition to understand the conceptual materiality and impact to the business considering transitional and physical risks and opportunities. Using data and projections from, but not limited to, scientific papers published by IPCC, Institute and Faculty of Actuaries and BNEF as an input, the Group has been able to determine key opportunities and risks likely to be faced in the future. The Group has committed to an ambitious pathway informed by scientific data, aiming to achieve emissions associated with a maximum temperature rise of 1.5 degrees Celsius. This approach is expected to be proactive, outpacing the broader market and statutory obligations, thereby establishing the Group as strong and adaptable to swift climate-related demands, as well as changes in legislation and consumer behaviour. By prioritising the transition of the business's highest risks, such as the Group's engagement with renewable energy sources, preparing to meet forthcoming compliance obligations and ensuring financial resilience to market downturns, XPS is strategically positioning itself favourably across conceivable climate outcomes. Pensions are an inherently stable product that can withstand economic downturns and market volatility, maintaining a consistent demand due to their essential nature. Guided by scenario analysis, the Group is assured that the XPS business structure, financial resources, and strategic approach are currently resilient and sufficiently robust. XPS scenario analysis suggest that a smooth transition, likely to result in a 2˚C temperature rise, is the most favourable pathway for XPS and global markets. A rapid or delayed reaction is likely to result in unfavourable market conditions potentially impacting XPS's capital and profitability.

Risk management	
a) Describe the organisation's processes for identifying and assessing climate related risks. b) Describe the organisation's processes for managing climate related risks. c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	The Group's integrated approach identifies, manages and addresses all risks, climate and otherwise, in a consistent manner as specified with in the Risk Management and Internal Control Framework section of this report on pages 47 to 52. The Group deploys a plan, do, check, act procedure which the ISO 14001 certified Environmental Management System utilises within its identification and assessment of climate risk in accordance with the established risk framework. The Environmental Risk Register contains an assessment of all of the risks contained within table A1.1 of the TCFD Implementation Guidance as a minimum as well as other risks identified as part of the risk management process. The assessment considers the short-, medium- and long-term effect a risk may constitute to capital, revenue, reputation, environmental performance, business continuity and information security. Climate risks often present a risk in multiple facets which are assessed individually in a consistent and integrated manner with traditional risks to ensure appropriate and consistent weighting, treatment and priority is applied based upon a risk's materiality. Utilising the existing risk matrix and framework, climate assessments are repeatable and consistent with risk management processes facilitating a unified approach to treatment, management, acceptance or rejection of a risk. The approach is aligned for climate and other risks and enables the group to effectively identify any material risks to its operation and capital. A similar approach is deployed to establish opportunities, assessing the risk to benefit ratio and enabling the business to ascertain the most beneficial pathways and actions available to it. Specifically relating to climate, existing and emerging regulatory requirements are managed as an emerging risk as well as the possible change in market appetite.

Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	XPS actively manages and monitors its sustainability performance to ensure the business is acting upon its framework and ambitions. XPS's most recent SECR disclosure can be found on page 30. The success of the XPS climate ambition requires top-down management and implementation. To support this approach 10% of executive remuneration is tied to the Group's annual emissions and the performance against the Group's carbon objectives. XPS has not established internal carbon pricing but it is continuing to assess the benefits of carbon pricing within the landscape.
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	The most prevalent KPI within the climate space for XPS's is the Group's carbon inventory. The XPS carbon footprint is measured and reported using the Greenhouse Gas Protocol methodology and aligned with ISO 14064, measuring comprehensive emissions sources such as travel emissions, energy consumption, energy sources, waste generation, waste treatment, water treatment, water consumption and downstream emissions within the Group's supply chain.
c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	XPS has committed to the SBTi target framework, which provides the business with a clear and unambiguous pathway to a science-based net zero status. Utilising the 1.5˚C emissions corridor, XPS has set emissions performance objectives for all identified emissions sources. Any non-conformance with the approved transition corridor is treated as a risk and managed and addressed within the above-mentioned risk process. Prior to verification of the Group's transition plan, it would not be suitable for XPS to disclose draft targets in full detail; however, the high-level journey and anticipated milestones are disclosed on pages 28 to 29. Key objectives include the transition to renewable electricity seeking zero electricity emissions by 2030, the transition to green heating methods resulting in zero heating emissions by 2040 and the reduction of supply chain emissions by 40% by 2035 initially and 90% by 2050 subject to approval. Noted objectives are measured via KPI performance of tCO_2e generated and represent absolute reductions as required by the IPCC and SBTi frameworks. Performance targets/KPIs have been established annually between 2024 and 2030 and 5 yearly thereafter, in an accelerating fashion that aligns with the SBTi emissions corridor. Carbon emissions are quantified using industry standard methods aligned with the Greenhouse Gas Protocol, ISO 14064 and the SBTi. The information disclosed in this report and being developed internally all refers to a base year of FY 2020. Internally, the Group is developing its transition plan approach to ensure compliance with forthcoming regulation such as the anticipated Transition Plan Taskforce and ISSB.

This section of the Annual Report and Accounts constitutes the XPS Group Non-Financial and Sustainability Information Statement, produced to comply with Sections 414CA and 414CB of the Companies Act 2006.

The following table sets out where, within our Annual Report and Accounts, we provide further detail on matters required to be disclosed under the sections above. In particular, it covers the impact we have on the environment, our employees, social matters, human rights, anti-corruption and anti-bribery matters, policies pursued and the outcome of those policies, and principal risks that may arise from the Company's operations and how we manage these, to the extent necessary for an understanding of the Company's development, performance and position and the impact of its activity.

Reporting requirement	Relevant policies, documents, or reports that set out our approach	Section(s) and page(s)
Anti-bribery and corruption	• Bribery and gifts policy • Whistleblowing policy • Financial crime policy	See our "Being Responsible Business" section on page 34
Business Model		Business Model, see page 6
Employees	• Recruitment and selection policy • Inclusion and diversity • Flexible working policy • Harassment and bullying prevention policy • Grievance policy • Health and safety policy • Agile working policy • Family friendly policy • Sabbatical policy	See our "Empowering our people to thrive" section on page 22-26
Environmental matters	• Environmental policy	See our "Protecting the environment" section on page 28-31
Description of principal risks and impact on business activity		Helping the transition to a sustainable low-carbon economy: Risk management – see page 47 Principal risks - see pages 49-52
Respect for human rights	• Data privacy policy • Modern slavery policy[1] • Information & cyber security policy	See our "Being a Responsible Business" section on page 34 and our website www.xpsgroup.com/modern-slavery-statement
Social matters	• Matched fundraising • Corporate volunteering policy	See our "Strengthening our Communities" section on page 27
Non-financial key performance indicators		Operating responsibly for all our stakeholders, see page 20-34

Strong financial performance delivering on our growth strategy

Snehal Shah
Chief Financial Officer

The business has continued to perform strongly with like-for-like revenues growing 21% year on year (20% including revenues from the National Pension Trust (NPT) business, which was disposed of in November 2023). All divisions have posted strong year on year growth driven by high client demand for our services. Operational gearing has also continued to come through with adjusted diluted EPS and adjusted EBITDA growth exceeding revenue growth for the second consecutive year. We disposed of the NPT business for a consideration of £35.0 million and used the proceeds to reduce net debt – further strengthening the balance sheet and providing greater flexibility for continuing our growth trajectory. We have continued to develop our own administration platform which will further enhance our operational gearing in the future.

Group income statement

	Adjusted[1]			As reported		
	FY 2024 £m	FY 2023 £m	Change %	**FY 2024 £m**	FY 2023 £m	Change %
Revenue						
Pensions Actuarial & Consulting	**93.4**	77.4	21%	**93.4**	77.4	21%
Pensions Investment Consulting	**20.3**	18.0	13%	**20.3**	18.0	13%
Total Advisory	**113.7**	95.4	19%	**113.7**	95.4	19%
Pensions Administration	**71.9**	57.5	25%	**71.9**	57.5	25%
SIP	**11.0**	9.4	17%	**11.0**	9.4	17%
NPT	**—**	—	—	**2.8**	4.3	(35%)
Total revenue	**196.6**	162.3	21%	**199.4**	166.6	20%
EBITDA	**54.8**	41.4	32%	**79.8**	35.1	127%
Depreciation & amortisation	**(5.8)**	(5.5)	(5%)	**(12.8)**	(12.4)	(3%)
EBIT[1]	**49.0**	35.9	36%	**67.0**	22.7	195%
Net finance expense	**(4.5)**	(3.6)	(25%)	**(4.5)**	(3.6)	(25%)
Profit before tax	**44.5**	32.3	38%	**62.5**	19.1	227%
Income tax expense	**(11.4)**	(6.0)	(90%)	**(8.3)**	(3.3)	(152%)
Profit after tax	**33.1**	26.3	26%	**54.2**	15.8	243%

1 Adjusted measures exclude the impact of exceptional and non-trading items: acquisition-related amortisation, share-based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence. They also exclude the Group's NPT business, which was sold in November 2023. See note 6 for details of exceptional and non-trading items.

Revenue

Total Group revenues grew 20% year on year, 19% organically. Excluding NPT, total Group revenues grew 21% year on year.

Pensions Actuarial & Consulting is the Group's largest business, accounting for 47% of Group revenues in FY 2024. The division achieved 21% year on year growth in revenues, due to high client activity levels driven by continued regulatory changes, expansion of our service offering, in particular; Risk Transfer, and inflationary increases in fees.

Pensions Investment Consulting had another strong year with continued demand driven by regulatory changes as well as inflationary fee increases. Revenues in this division grew 13% year on year.

Pensions Administration revenues grew 25% year on year with a number of new client wins coming on stream during the year and increased levels of project work such as GMP equalisation and the McCloud judgement rectification. As with the Advisory business, inflationary increases in fees also helped to drive the growth in the year. Pensions Administration accounted for 36% of the Group revenues (FY 2023: 35%).

SIP revenues were up 17% on prior year, due to strong underlying sales, and increases in commission due to the base rate increases in the year.

The NPT business was sold in November 2023.

Operating costs

Total operating costs (excluding exceptional and non-trading items) of £150.0 million (FY 2023: £129.7 million) grew by 16% year on year. The main drivers for the cost increases are an increase in headcount as the business grew (1,712 FTE v. 1,574 last year), inflationary/market driven pay increases, higher bonus cost commensurate with the strong financial performance, and inflationary increases in other operating costs.

Adjusted EBITDA

Despite the continuing inflationary pressures on our costs, the Group has delivered further operational gearing with adjusted EBITDA growing by 32% year on year - ahead of the Group adjusted revenue growth of 21%. Adjusted EBITDA margin was 27.9% (FY 2023: 25.5%).

Adjusted profit before tax grew by 38% year on year benefiting from the strong trading and continued operational gearing.

Exceptional and non-trading items

Exceptional and non-trading items excluding the gain on sale of NPT in the year totalled £15.0 million (FY 2023: £14.2 million). Amortisation of acquired intangible assets amounted to £7.0 million (FY 2023: £6.9 million).

Share-based payment charges were £6.3 million (FY 2023: £4.7 million) with higher levels of vesting expected due to the strong financial performance of the Group and a higher National Insurance charge resulting from the Group's strong share price.

The Group also incurred corporate transaction costs of £1.7 million in the year, which related to contingent consideration in respect of the acquisition of Penfida Limited (FY 2023: corporate transaction costs of £2.9 million, of which £2.1 million was in relation to the acquisition of Penfida Limited and £0.8 million related to contingent consideration). The maximum contingent consideration of £3.4 million would be payable on the second anniversary of the acquisition subject to business performance which includes retention of clients as well as continued employment of key employees. As continued employment is one part of the contingent consideration test, according to IFRS 3, the entire contingent consideration must be treated as a post-transaction employment cost accruing over the deferment period of two years. The contingent consideration is material in size and it is one-off in nature. As such, in line with the Group's accounting policies, it has been classified as an exceptional item. If the entire contingent consideration is not payable at the end of the two-year period, any resulting credit will also flow through the exceptional category.

Tax on the exceptional and non-trading items was a credit of £3.2 million (FY 2023: £2.9 million). This is driven by the unwinding of deferred tax liabilities linked to intangible assets acquired in previous periods, deferred tax relating to share-based payments, and corporation tax on corporate transaction costs.

In November 2023 the Group disposed of its NPT business. The exceptional gain on the disposal totalled £34.6 million and was offset by related corporate transaction fees of £2.1 million. More information on the transaction can be found in notes 6 and 7 of the consolidated financial statements as well as in the Co-Chief Executives' Review.

Net finance costs

Net finance costs for the year were £4.5 million (FY 2023: £3.6 million). The increase is due to the higher bank base rate during the year compared to the prior year. The loan balance was significantly reduced in the year following the sale of the NPT business; this led to lower interest costs in the second half of the year.

Taxation

A tax charge of £11.5 million (FY 2023: £6.2 million) was recognised on adjusted profits. This represents an effective tax rate of 26% (FY 2023: 19%). The Group also recognised a tax credit of £3.2 million (FY 2023: £2.9 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £8.3 million (FY 2023: £3.3 million). The increase in the corporation tax rate in FY 2024 to 25% drove an increase in tax charges in the year compared to the prior year.

Our businesses generate considerable tax revenue for the UK government. For the year ended 31 March 2024, we paid corporation tax of £11.3 million (FY 2023: £4.9 million); we collected employment taxes of £32.1 million (FY 2023: £27.0 million) and VAT of £31.9 million (FY 2023: £24.7 million). Additionally, we have paid £1.3 million (FY 2023: £1.2 million) in business rates. The total tax contribution of the Group was therefore £76.6 million (FY 2023: £57.8 million), which equates to 38% of revenue (FY 2023: 35%). Corporation tax paid in the year was higher due to the fact that the Group is now considered to be very large for tax payment on account purposes, and so an element of prior year tax was paid as well as the current years full year estimated liability. In FY 2025 corporation tax payments will normalise and will be in line with the related income statement charge.

EPS

Basic EPS for FY 2024 grew 240% year on year to 26.2p (FY 2023: 7.7p) owing to the strong financial performance of the Group and the gain on disposal of NPT. Basic EPS for the year excluding the gain on disposal of the NPT business is 10.5p. which gives growth in the year of 36%.

Adjusted fully diluted EPS grew 21% year on year to 15.3p in FY 2024 (FY 2023: 12.6p), enabled by the strong revenue growth as well as delivery of further operational gearing in the business. Excluding the NPT business sold in November 2023, the equivalent adjusted fully diluted EPS would be 15.1p in FY 2024 (FY 2023: 12.2p), showing growth of 24%.

Dividend

A final dividend of 7.0p is being proposed by the Board (FY 2023: 5.7p). The final dividend, which amounts to £14.6 million (FY 2023: £11.8 million), will be paid on 23 September 2024 to those shareholders on the register on 23 August 2024.

Cash flow, capital expenditure and financing

Non-GAAP cash flow	**31 March 2024 £m**	31 March 2023 £m
Operating		
Adjusted EBITDA	**55.3**	42.4
Change in net working capital[1]	**2.4**	(0.3)
Adjusted operating cash flow (OCF)[2]	**57.7**	42.1
OCF conversion	***104%***	*99%*
Financing & tax		
Net finance expense	**(4.3)**	(3.3)
Taxes paid	**(11.3)**	(4.9)
Repayment of/proceeds from new loans	**(44.0)**	4.0
Repayment of lease liabilities	**(2.7)**	(3.0)
Share-related movements	**(7.7)**	(1.0)
Net cash flow after financing	**(12.3)**	33.9
Investing		
Disposal/(acquisition)	**34.5**	(8.3)
Capex	**(7.5)**	(5.4)
Net cash flow after investing	**14.7**	20.2
Dividends paid	**(18.0)**	(15.3)
Exceptional items	**—**	(1.8)
Movement in cash	**(3.3)**	3.1
Net debt[3]	**14.0**	55.3
Leverage	**0.27x**	1.38x

1 Change in net working capital exclusive of corporate transaction costs detailed in note 6 to the consolidated financial statements.

2 Appendix 2 provides a reconciliation of this figure to the operating cash flow presented in the consolidated financial statements.

3 Net debt constitutes long-term borrowings and contingent consideration, less cash. See note 24 to the consolidated financial statements for a reconciliation of this figure.

Cash flow, capital expenditure and financing continued

FY 2024 has been another year of strong cash performance for the Group. Adjusted operating cash flow increased by £15.6 million driven by a £12.9 million increase in adjusted EBITDA and a £2.7 million decrease in net working capital year on year. Overall, this resulted in adjusted operating cash flow conversion of 104% compared to 99% in the prior year.

Taxes paid in the year of £11.3 million (FY 2023: £4.9 million) were significantly higher than the prior year. During the year the Group became a "very large company" as defined by HMRC for corporation tax purposes, meaning tax is due in the year to which it relates rather than six months in arrears as has previously been the case. Therefore, this re-base, as well as the increase in headline rate from 19% to 25%, has led to the increase.

During the year, the Group repaid £44.0 million of the RCF. £0.2 million was spent on extending the current loan facility for a further year (to October 2026). Interest paid on the loan balance amounted to £3.9 million (FY 2023: £3.0 million), and £0.3 million was paid on interest relating to leases in the year (FY 2023: £0.3 million), offset with £0.1 million of interest income received. Capital expenditure in the year amounted to £7.5 million (FY 2023: £5.4 million) with £1.9 million spent on leasehold improvements and office fit-outs and the remaining £5.6 million on software development, enhancements to our platforms, cyber security, and other IT equipment. £2.7 million relating to leases was paid in the year (FY 2023: £3.0 million).

In November 2023, the Group sold its NPT business for cash consideration of £35.0 million, and an additional £2.0 million in respect of the completion balance sheet; £2.1 million was paid out in transaction-related fees, and a further £0.4 million was paid out relating to contingent consideration for prior year acquisitions.

The Group spent £5.6 million (FY 2023: £2.2 million) on acquiring its own shares via its EBT, to be used to settle employee share options as they vest. £0.6 million (FY 2023: £0.5 million) was paid to employees as dividend equivalents on the vesting of share options as well as incurring £1.5 million of employer's National Insurance. After paying £18.0 million in dividends, the Group cash balance decreased by £3.3 million year on year to close at £10.0 million. The Group had drawn down £24 million of its £100 million RCF at 31 March 2024, resulting in net debt of £14.0 million, a decrease of £41.3 million year on year.

Going concern

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

Subsidiary undertakings

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

Snehal Shah
Chief Financial Officer
19 June 2024

Appendix: Reconciliation of reported/statutory results to alternative performance measures (APMs)

In order to assist the reader's understanding of the financial performance of the Group, it continues to present a range of results metrics to demonstrate its performance. These include those presented in accordance with International Accounting Standards (IFRS) and APMs. APMs exclude specific exceptional and non-trading items as set out in note 6 of the consolidated financial statements.

An explanation of the Group's key APMs has been detailed below:

APM	Closest equivalent statutory measure	APM definition and purpose
Adjusted EBITDA	Profit/loss from operating activities	**Definition:** Earnings before interest, tax, depreciation and amortisation excluding exceptional and non-trading items and excluding the NPT business disposed of in November 2023 as if a discontinued operation – see note 7 to the consolidated financial statements. **Purpose:** A recognised APM which has been central to the business over many years and through different ownership structures. It allows the Group to monitor the underlying trading performance of the business without the impact of external and exceptional and non-trading factors distorting the figures.
OCF conversion	Net cash from operating activities	**Definition:** The conversion of adjusted EBITDA into cash. **Purpose:** Measures how well the Group is managing its operating cash flows. Unlike net cash from operating activities, it excludes the impact of tax and exceptional and non-trading items and therefore allows for a direct and like for like comparison to the Group's key profit related APM, adjusted EBITDA.
Adjusted diluted EPS excluding the NPT business	Diluted earnings per share	**Definition:** Reflects the profit after tax, adjusted to remove the impact of exceptional and non-trading items and the NPT business disposed of in November 2023. Details of this can be found in note 6 of the consolidated financial statements as well as in the reconciliations on the following page of this Chief Financial Officer's review. **Purpose:** Presents an EPS measure used more widely by investors and analysts and more in line with how the Group's dividends are calculated.
Leverage	Cash and cash equivalents	**Definition:** Leverage ratio showing the amount of third-party debt excluding leases (net of cash held) relative to last twelve months adjusted pro-forma EBITDA. **Purpose:** Management can measure exposure to reliance on third-party debt. Leverage is the key measure in reporting to the Group's banks and driving the interest rate margin which is added to SONIA to determine the all-in rate payable.

A reconciliation of the Group's APMs to their closest statutory measures has been provided below:

1. Adjusted EBITDA excluding NPT

	31 March 2024 £m	31 March 2023 £m
Profit from operating activities	**67.0**	22.7
Depreciation and amortisation	**12.8**	12.4
Gain on disposal of NPT business[1]	**(32.5)**	—
Trading EBITDA in respect of NPT business[1]	**(0.5)**	(1.0)
Other exceptional and non-trading items	**8.0**	7.3
Adjusted EBITDA excluding NPT	**54.8**	41.4

Appendix: Reconciliation of reported/statutory results to alternative performance measures (APMs) continued

A reconciliation of the Group's APMs to their closest statutory measures has been provided below continued**:**

2. OCF conversion

	31 March 2024 £m	31 March 2023 £m
Profit from operating activities	**67.0**	22.7
Depreciation and amortisation	**12.8**	12.4
Other exceptional and non-trading cash items[2]	**8.0**	7.3
Gain on disposal of NPT business	**(32.5)**	–
Trading EBITDA	**55.3**	42.4
Net cash from operating activities	**42.9**	34.5
Income tax paid	**11.3**	4.9
Cash exceptional and non-trading items[3]	**3.5**	2.7
Adjusted operating cash flow	**57.7**	42.1
OCF conversion	**104%**	99%

3. Adjusted diluted EPS excluding NPT

	31 March 2024 £m	31 March 2023 £m
Profit after tax and total comprehensive income for the year	**54.2**	15.8
Adjustment for exceptional and non trading items (net of tax)[2]	**(20.7)**	11.3
Profit after tax from operating activities for NPT business[1]	**(0.4)**	(0.8)
Adjusted profit after tax	**33.1**	26.3
Dilutive weighted average number of shares ('000)	**219,621**	216,071
Adjusted diluted EPS excluding NPT (pence)	**15.1**	12.2

4. Leverage

	31 March 2024 £m	31 March 2023 £m
Cash and cash equivalents	**10.0**	13.3
Bank debt	**(24.0)**	(68.0)
Contingent consideration	**–**	(0.6)
Net debt[4]	**(14.0)**	(55.3)
Trading EBITDA	**55.3**	42.4
Impact of IFRS 16 ignored for bank covenants purposes[5]	**(3.0)**	(2.9)
Pro-forma impact of M&A transactions in year[6]	**(0.5)**	0.6
Adjusted EBITDA for covenant	**51.8**	40.1
Leverage	**0.27x**	1.38x

1 See note 7 of the consolidated financial statements.

2 See note 6 of the consolidated financial statements.

3 This is the cash element of exceptional and non-trading items: National Insurance on share-based payments (note 13 of the consolidated financial statements) and transaction costs relating to the NPT disposal in note 7 of the consolidated financial statements (FY 2023: National Insurance on share-based payments and other corporate transaction costs).

4 See note 24 of the consolidated financial statements.

5 The Group's banking facilities agreement ignores IFRS 16 for covenant test purposes. Debt excludes lease-related liabilities and to be on a consistent basis adjusted pro-forma EBITDA includes rent-related costs as an operating expense unlike in the statutory income statement where they are treated as depreciation of right-of-use assets with a related financing cost.

6 Pro-forma-related adjustments reflect the impact of M&A-related transactions as if they had been included for the whole financial year. The FY 2024 adjustment is to reflect the NPT sale taking place on 1 April 2023 (i.e. it removes the EBITDA that the NPT business contributed between 1 April 2023 and the point it was sold on 20 November 2023. The FY 2023 adjustment is to present the contribution that the Penfida acquisition would have made had the business been acquired on 1 April 2022 rather than the actual acquisition date of 20 September 2022.

Managing risk effectively

The risk management controls frameworks deployed across the Group continues to be developed and enhanced, ensuring it supports the growth of the business. Effective risk management provides the Group with fully articulated risks, enabling us to identify and embrace opportunity. They also ensure that internal controls are reviewed and developed to protect the Group and its customers from new and developing threats such as cyber crime.

Over the last year our risk management and internal controls frameworks have continued to operate effectively, enabling us to respond to the evolving risks inherent in day-to-day operations, alongside new opportunities and initiatives. The Group's risk environment is regularly reviewed by senior management alongside the internal controls frameworks in place. This ensures that they continue to be effective, and enhancements to address changes in the external threat environment are considered. Internal and external assurance frameworks support this, ensuring regular, planned reviews to validate control design and effectiveness, as well as highlighting opportunities for further improvements. Cyber crime continues to be a key focus for senior management, recognising the threats to the Group from phishing, ransomware and supply chain attacks.

We continuously develop our risk management capabilities to support the Group and address the evolving threats in our market. Since the last report there have been a number of significant enhancements, including:

- the rollout of a new Risk Management Policy which provides clear articulation to all staff of how the key components of the Group's risk management framework support its objectives. The introduction of new risk reporting templates will further support the business to articulate its risk profile, alongside highlighting and reporting on the effectiveness of key internal controls. This has been supported by an externally facilitated risk review project with senior management, resulting in a refreshed Group risk register;
- the enhancement of the existing external assurance frameworks to ensure that they continue to meet the developing needs of the business. This supported the recertification to the PASA pensions administration standard and the successful triennial ISO 27001 information security audit;
- the development of the existing Risk team, through the recruitment of an additional subject matter expert, alongside supporting existing team members to achieve and maintain this status. This ensures that the Group can effectively maintain its risk and controls frameworks and provide effective expert support and challenge to business areas as required;
- the development of the existing ISO 27001 information security frameworks to recognise new and emerging threats. This included those inherent with the in-house development of the Aurora platform and the controls frameworks required to support ongoing secure design, development and implementation;
- the development of the Group's ability to effectively respond to a major cyber incident. This was done through the introduction of Board-down testing, supported by an ongoing programme of activities to ensure operational resilience capabilities are in place, maintained and tested on a regular basis;
- the development of the internal controls frameworks in place to manage key risks such as fraud through the introduction of updated policies and guidance. This includes the identification and documentation of key controls as well as mandated controls, escalation and reporting processes;
- the development of the existing third-party assurance framework, recognising the importance of supply chain risk in relation to cyber and business resilience risks;
- the development of the Environmental Management System to both identify and manage our impact on the environment. This includes supporting TCFD reporting, assessment of the risks associated with climate change, and the Group's net zero strategy; and
- the ongoing development of the executive-level Risk Management Committee to support the identification of new and emerging risks as part of its quarterly meeting cycle. This includes inviting external experts to facilitate horizon scanning and deep dives on specific topics.

The Group continues to operate a three lines of defence model which supports the promotion of effective risk management taking into account the Group's risk appetite. The Board, with the support of the Audit & Risk Committee, has identified the principal risks that could materially impact the Group's ability to achieve its objectives and deliver its strategy. These include general business risks that are faced by the Group and are comparable to those that would be faced by similar businesses operating in the pensions sector. These general business risks include:

- **Political/economic/social** – risks created by the political, economic/ financial and social environment in which we operate, e.g. war, demographic trends, pandemics, government influence on business, currency changes, market volatility, interest rates, or liquidity.
- **Competition** – risks of change to the demand side of the business due to changes in customer demands or competitors, likely to influence the entire industry, e.g. aggressive competitor pricing, consolidation trends, major technological innovation, or substitute technologies. These changes may not directly affect the Group but could influence the entire industry.
- **Legal and regulatory** – risks associated with the criminal and civil judicial processes and contract law, e.g. not identifying changes required by new legislation, increased litigation in a particular field, or industrial accidents.
- **Environmental** – risks associated with climate-related change, how these changes can impact business models and how businesses in turn can manage the impact of their operations on the environment.

Change during the year:

- Increased risk
- Stable
- Improving

Links to strategy:

- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

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

Strategy

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

Strategic planning and execution

Description	Key mitigations	Rationale for change
Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications or poor management of change or projects.	The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates. Specific project management resources are used to deliver large-scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations.	XPS has continued to build out its frameworks to design and successfully deliver market-leading innovation and technology change. This continues to be evidenced by the ongoing rollout of the new Aurora administration system.

Financial performance

Description	Key mitigations	Rationale for change
Risks relating to the failure to monitor and appropriately manage the financial performance of the Group on an ongoing basis which could lead to poor management decisions, higher costs and/or inaccurate external financial reporting.	The Group has a highly qualified and experienced financial reporting team. There is an extensive financial controls framework in place and key controls are regularly tested by internal and external audits. The Group undertakes detailed bottom-up budgeting and reforecasting exercises with the final budget and reforecast approved by the Board. Management information is published on a regular basis and the Executive Committee reviews the financial performance of the Group at least monthly. The Board receives and scrutinises the financial performance of the Group at each Board meeting.	The Group has continued to improve its budgeting and forecasting frameworks, supporting growth. This is evidenced by consistent delivery of financial results in line with or ahead of market consensus.

Change during the year:
- Increased risk
- Stable
- Improving

Links to strategy:
- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Errors

Description	Key mitigations	Rationale for change
Risks relating to material mistakes made by staff, including non-compliance with established procedures, e.g. failure to calculate benefits correctly or not following peer review processes. These may not crystallise immediately and only become apparent a number of years after completion of work.	The Group recruitment process ensures only high-calibre staff are recruited, who are then supported by training programmes. Staff use standardised documented processes and checklists for key processes. Higher risk work is identified with peer review and additional sign-off required, with regular quality audits to confirm processes are being followed correctly. Insurance arrangements are in place to limit the loss should an error occur. Root cause analysis is used to identify where controls improvements are required, which are monitored through to implementation.	Stable

Theft and fraud (financial and physical assets)

Description	Key mitigations	Rationale for change
Risks relating to the safeguarding of Group and client financial and physical assets from malicious actors, e.g. stealing physical assets, deliberate misrepresentation leading to fraud or theft from Group or client bank accounts.	The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to prevent individuals from making fraudulent payments or transfers. These controls are supported with staff vetting, training and awareness and control frameworks are regularly independently audited. Insurance arrangements are in place to protect against larger claims.	Controls frameworks continue to be developed to manage this risk, addressing controls enhancements identified through audits and internal risk assessments. We continue to see attempts to impersonate pension scheme members, albeit in small numbers. These attempts are identified and prevented through the existing controls frameworks.

Information/cyber security

Description	Key mitigations	Rationale for change
Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. unauthorised access to or disclosure of staff or client information, denial of access to systems or data required or business continuity incidents caused by equipment breakdown/fire/flood.	The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This includes a range of technical controls policies and procedures, supported by a dedicated Cyber Security team, and a 24/7 Security Operations Centre. These are supported by regular independent audits and penetration tests. All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with a programme of training and testing initiatives, e.g. phishing awareness. The Group has dedicated business continuity frameworks and capabilities to minimise the impact of incidents affecting the Group's data, facilities or systems. These frameworks include incident management capabilities to allow the Group to effectively coordinate and communicate with stakeholders in the case of a significant incident.	The Group has continued to develop its capabilities, recognising the continued evolution of this risk. These activities are supported by regular threat assessments to ensure controls continue to address new and emerging threats. The annual cyber programme plans the implementation of new technical controls to meet these threats. It also takes into account the findings of regular penetration and purple team testing. Additional assurance is provided through the existing certification frameworks including ISO 27001 and Cyber Essential Plus certifications and by having appropriate insurance policies in place.

Staff/human resources

Description	Key mitigations	Rationale for change
Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence and management capability.	The Group's recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer-term incentives in place to aid retention. Regular key staff reviews ensure succession planning is kept up to date and remains appropriate. Staffing requirements are considered as part of the strategy and budgeting process to ensure alignment with business plans.	Stable

Third party supplier/outsourcing

Description	Key mitigations	Rationale for change
Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures or financial failure of supplier resulting in inability to deliver service.	The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party. The approvals and signing framework also ensure contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLAs and financial status. Where there is a reliance on a single supplier, contingency plans are in place to protect against impacts of outages or failure.	Stable

Change during the year:
- Increased risk
- Stable
- Improving

Links to strategy:
- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Client engagement

Description	Key mitigations	Rationale for change
Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client or poorly presented or uses out of date technologies, but not errors.	The Group client engagement process ensures that expectations are matched to Group capabilities. Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs. Client surveys are used to gather feedback and identify trends and insights.	Stable

Business conduct and reputation

Description	Key mitigations	Rationale for change
Risks that could lead to a breach of acceptable conduct or ethics, impacting the Group's brand, image or reputation. Failure to ensure services are appropriate for client's needs, any discrimination, or a poor response to a cyber incident or client complaint.	The Group's mission, vision and values clearly set out the tone from the top, highlighting to all staff the conduct and ethics that are expected from them at all times. This is supported by a recruitment strategy that seeks professional, experienced and qualified staff who fit with the Group's values. Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected. The Group has incident management processes in place to ensure that it is able to effectively respond to significant events that could impact its brand or reputation, which is regularly tested.	Stable

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

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

Viability Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the reports referred to in the Overview section on page 96 of the Directors' Report.

The Directors have assessed the long-term prospects of the Group based upon business plans and cash flow projections for the three-year period ending 31 March 2027. The three-year period was chosen as it is considered the longest time frame over which any reasonable view can be formed. The forecasts and cash flow projections being used to assess going concern cover the period up to October 2025. A 16-month period from the sign-off of the accounts is used for the going concern review as the Group produces more detailed budgets and forecasts for this time frame which have proved to be very reliable in the past. October is typically the lowest point in the Group's working capital and cash cycle, which is why the going concern review extends to October 2025.

The Group's current revolving credit facility extends to October 2026, which is within the viability period. Based on the previous refinancing experience and the financial strength of the Group, the Directors are confident that a new facility will be in place before the current facility comes to an end.

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

In forming their opinion, the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 47 to 52. In addition, note 2 on page 121 of the accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk, liquidity risk and market risk.

The Directors believe that dramatic changes in the future development and size of the pensions market which underpin the strategy of the Group as well as risks relating to cyber security including ransomware attacks could threaten the longer-term viability of the Group. These risks have been considered in detail, including potential mitigating actions and the direction of travel for these specific risks, on pages 49 to 52.

The Group had £10 million of cash at 31 March 2024 and a £100 million committed financing facility with an accordion of £50 million until October 2026. At 31 March 2024, £24 million of this facility was drawn. The facility is subject to two covenants: net leverage and interest cover. These covenants are forecast to be met throughout the viability period. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the financial statements and notes.

Having reviewed the identified risks, the Directors are confident that the business is robust and resilient enough to tackle any challenges that may arise over the three-year viability period in relation to the Group's exposure to credit risk, liquidity risk and market risk.

With regards to market risk, the Directors have assessed the current market conditions and the potential impact of regulatory changes, as discussed in the market overview section on pages 8 to 9. The Directors assessment of the market is that there is considerable opportunity, and any risks identified are managed by the Group's risk strategy and are not considered to be a material risk to the Group's viability over the next three years.

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

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

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

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

Paul Cuff
Co-Chief Executive Officer
19 June 2024

Ben Bramhall
Co-Chief Executive Officer
19 June 2024

Robust corporate governance is vital for sustainable growth and success

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

"The Board's primary focus is leading the XPS Group to deliver sustainable and profitable growth, and long-term value for our shareholders, whilst upholding high standards of corporate governance."

Alan Bannatyne
Chairman

Seven consecutive years of revenue growth may steal the headlines at the front end of this Annual Report, but it is not the only track record that we are proud of. We are also building a record of growing sustainably, particularly in terms of shaping and supporting safe pension outcomes as well as being rated highly by our people. Underpinning these is our adherence to high corporate governance standards. Overseeing a culture of strong governance is the Board's responsibility; leading by example is key.

Appointments

Leading by example starts with the make-up of the Board itself. In December 2023, we welcomed Imogen Joss and Martin Sutherland as Independent Non-Executive Directors after a comprehensive appointment process. Both have high-level leadership and oversight experience and skill sets that complement those of the existing Directors, thereby ensuring the Board continues to have the resources it needs to discharge its responsibilities effectively.

Directors' remuneration

Leading by example also concerns how Directors are remunerated. During the year, we undertook an extensive consultation exercise, which saw myself and Margaret Snowdon OBE, Chair of the Remuneration Committee, engage with our 20 largest shareholders accounting for c.85% of the Group's issued share capital. The resultant new Directors' Remuneration Policy, which takes on board shareholder views and introduces an element of bonus deferral, was approved by shareholders at the March 2024 General Meeting.

Continual improvement

As a Board, we recognise high governance standards are there to be continually improved upon. In line with this, we have commenced the process of incorporating the changes included in the new UK Corporate Governance Code, which was published in January 2024, ready for this to apply to XPS in FY 2026. For now, the following report outlines how the Company has applied the main principles of the 2018 Corporate Governance Code (the "Code"), and how it has complied with all relevant provisions of the Code during the reporting period.

Alan Bannatyne
Chairman
19 June 2024

Statement of compliance with the UK Corporate Governance Code 2018

In FY 2024, the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 as they applied to it as a "smaller company" (defined in the Code as being a company below the FTSE 350), during the year. The Code is publicly available at www.frc.org.uk.

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

(i) Board leadership and Company purpose: pages 56 to 60;

(ii) division of responsibilities: pages 60 to 61;

(iii) composition, succession and evaluation: pages 56 to 62;

(iv) audit, risk and internal control: pages 66 to 69; and

(v) remuneration: pages 72 to 95.

Board of Directors

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

Alan Bannatyne
Independent Non-Executive Chairman

Appointed: November 2022

Appointed to Board: January 2017

Committee membership

R N

Key strengths
- Chartered accountant
- Recent and relevant financial experience

Key experience
- Qualified with Deloitte & Touche
- Previous Commercial Manager of Primecom and Financial Director of Foresight – both subsidiaries of Primedia
- 20+ years at Robert Walters plc, Group Financial Controller 2002–2007, Chief Financial Officer 2007–2023

Current external listed company directorships/ key appointments
- None

Meetings attended

12/12

Paul Cuff
Co-Chief Executive Officer

Appointed: October 2016

Committee membership

n/a

Key strengths
- Qualified actuary with 20+ years of experience in the pensions industry
- Responsible for raising the profile of XPS in the market, generating new business and the Group strategy with regard to M&A opportunities and technology investment

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

Current external listed company directorships/ key appointments
- None

Meetings attended

14/14

Ben Bramhall
Co-Chief Executive Officer

Appointed: April 2014

Committee membership

n/a

Key strengths
- Qualified actuary with 25 years of experience in the pensions industry and Scheme Actuary to a number of large pension schemes
- Responsible for the day-to-day operation of the business, including provision of services to existing clients, revenue generation and the Group's people strategy

Key experience
- Eight years at KPMG
- 18 months leading pricing and deal team at Lucida, a former bulk annuity provider

Current external listed company directorships/ key appointments
- None

Meetings attended

13/14

Snehal Shah
Chief Financial Officer

Appointed: July 2019

Committee membership

S

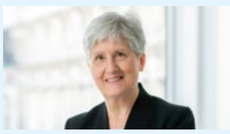
Key strengths
- Chartered accountant with 25+ years of experience

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

Current external listed company directorships/ key appointments
- None

Meetings attended

14/14



Margaret Snowdon OBE
Senior Independent Non-Executive Director

Appointed: November 2022

Appointed to Board: January 2017

Committee membership

A R N S

Key strengths
- 40+ years of experience in the pensions industry

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

Current external listed company directorships/ key appointments
- Non-Executive member of Phoenix Group With Profits Committee
- Advisory Board member of Moneyhub Financial Technology Limited
- Chair of Pension Scams Industry Group
- President of the Pensions Administration Standards Association

Meetings attended

13/13

Key to Committee membership

● Chair ● Member Ⓐ Audit & Risk Ⓡ Remuneration Ⓝ Nomination Ⓢ Sustainability

Sarah Ing

Independent Non-Executive Director

Appointed: May 2019

Committee membership

A R N S

Key strengths

- Chartered accountant
- 30+ years of experience in financial services including audit, corporate finance, investment banking and asset management
- Previously a top-rated equity research analyst covering the UK general financial services sector and also founded and ran a hedge fund investment management business
- Non-Executive Director of Gresham House plc until December 2023, where she chaired the Audit Committee

Current external listed company directorships/ key appointments

- Senior Independent Non-Executive Director of Marex Group since July 2021 where she chairs the Audit & Compliance Committee
- Non-Executive Director of CMC Markets plc since September 2017, where she chairs the Remuneration Committee
- Non-Executive Director of City of London Investment Group plc

Meetings attended

14/14

Aisling Kennedy

Independent Non-Executive Director

Appointed: February 2023

Committee membership

A R N S

Key strengths

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

Key experience

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

Current external listed company directorships/ key appointments

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

Meetings attended

14/14

Imogen Joss

Independent Non-Executive Director

Appointed: December 2023

Committee membership

A R

Key strengths

- Experience working for a range of technology and information services companies

Key experience

- Senior Independent Director of Gresham Technologies plc until 2020

Current external listed company directorships/ key appointments

- Chair of Grant Thornton UK LLP since 2021, where she was previously Non-Executive Director from 2017 to 2021
- Senior Independent Non-Executive Director of Fintel plc since 5 January 2021, where she chairs the Nomination, Remuneration and ESG and Wellbeing Committees
- Non-Executive Director of Envetec Sustainable Technologies since 2022
- Non-Executive Director of SThree plc since 2022
- Non-Executive Director of IPSX since 2017, where she chairs the Remuneration Committee

Meetings attended

2/4

Martin Sutherland

Independent Non-Executive Director

Appointed: December 2023

Committee membership

A R

Key strengths

- Delivering growth in services and consulting businesses through product innovation, market diversification and geographical expansion
- Extensive international experience at senior management and director level

Key experience

- Chief Executive Officer of Reliance Cyber Ltd 2020–2023
- Chief Executive Officer of De La Rue plc 2014–2019
- Managing Director of Detica Ltd 2008–2014

Current external listed company directorships/ key appointments

- Chair of Logiq Consulting Ltd since 2023
- Non-Executive Director of Forterra plc since 2017
- Non-Executive Director of Alliance Pharmaceuticals Ltd since 2023, where he chairs the Remuneration Committee

Meetings attended

3/4

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

The Company complied with the provisions of the Code for smaller companies below the FTSE 350 which requires the composition of the board of directors of a UK listed company to include at least two independent non-executive directors (excluding the chairman). We acknowledge that the Group will become a constituent of the FTSE 250 effective from 24 June 2024. We will report on our compliance with the Code, as this now applies, within our next annual report and accounts.

Imogen Joss and Martin Sutherland were appointed as Independent Non-Executive Directors as of 7 December 2023, following a recruitment process supported by Russell Reynolds Associates. Other than supporting the recruitment of the Group's Chairman and Non-Executive Directors, Russell Reynolds Associates has no other connection to the Group.

The Board considers that the Chairman, Alan Bannatyne, Senior Independent Director, Margaret Snowdon OBE, and Non-Executive Directors, Sarah Ing, Aisling Kennedy, Imogen Joss and Martin Sutherland, are each independent of management in character, judgement and opinion and are free from relationships or circumstances that could affect their judgement. The Board benefits from the wide experience of its Non-Executive Directors. Biographical details of all Board members are given on pages 56 to 57.

Board Committees

The Audit & Risk Committee's role is to assist the Board in discharging its oversight responsibilities by reviewing and monitoring the following: the integrity of the financial information provided to shareholders; the effectiveness of the Company's system of internal controls and risk management; the external audit process and auditor; and the processes for compliance with laws, regulations and ethical codes of practice.

Further details are given in the Audit & Risk Committee Report on **pages 66 to 69**

The role of the Remuneration Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that the Remuneration Policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to sustainability and statutory and regulatory requirements. The Committee recommends the policy the Board should adopt on executive remuneration and, within the terms of the Directors' Remuneration Policy approved by shareholders at the AGM in March 2024, determines and agrees with the Board the levels of remuneration for each of the Executive Directors, the Company Chairman and the Group's Executive Committee.

Further details are given in the Remuneration Report on **pages 72 to 95**

The role of the Nomination Committee is to undertake an annual review of succession planning and ensure that the membership, composition and diversity of the Board and its Committees, including the balance of skills, remain appropriate. The Committee also reviews the outcome of the annual Board effectiveness review to determine any changes required.

Further details are given in the Nomination Committee Report on **pages 63 to 65**

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

Further details are given in the Sustainability Committee Report on **pages 70 and 71**

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

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

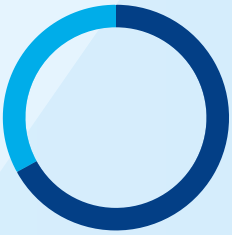
Executive Committee

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

Group governance at a glance

Board composition

Independence



- Non-Executives **67%**
- Executives **33%**

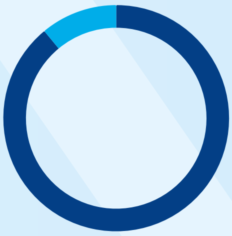
Non-Executive tenure

- Less than 3 years **50%**
- 3–6 years **17%**
- 6+ years **33%**

Age

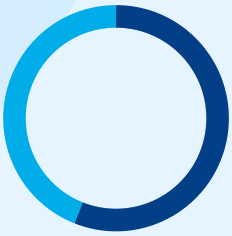
- 41–50 **33%**
- 51–60 **45%**
- 61+ **22%**

Ethnicity



- White **89%**
- Minority ethnic group **11%**

Gender



- Male **56%**
- Female **44%**

Board members' key skills:

Mergers and acquisitions

Risk management

Financial reporting

Workforce engagement

Prior FTSE experience

Pensions industry

Cyber security

Technology

Investor relations

Marketing

Corporate governance

Environmental and social sustainability

Business development

Operational management

Board operation and meetings

Decisions on operational matters are delegated by the Board to the Executive Directors, consistent with the schedule of matters reserved for Board approval. In advance of scheduled Board meetings, each Director receives documentation providing updates on Group strategy, finances, operations and business development. The Board meets at least seven times a year and at other times as and when necessary. During the year, all Board meetings were attended by all Directors, with the exception of meetings where conflicts of interest were present, or prior commitments prevented attendance.

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

Board operation and meetings continued

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

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

The Board is ultimately responsible for the effectiveness and monitoring of the Group's system of internal controls. The Audit & Risk Committee's role is to assist the Board with its oversight responsibility by reviewing and monitoring the Company's system of internal controls. It met four times in the financial year and at its meeting in June 2024 considered the internal controls assurance framework used during the financial year, concluding that it was sound and appropriate for the business.

Directors are reminded at the commencement of each meeting to notify the Board of any conflicts of interest. Any actual or potential conflicts of Directors with the interests of the Company that arise must be disclosed for consideration and, if appropriate, authorisation by the Board in accordance with the Company's Articles of Association. The Board may authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the meeting quorum and does not vote on the resolution to authorise. Directors are required to notify the Group Chairman when a conflict or potential conflict does arise in order that Board authorisation can be considered. If the Board determines that a conflict or potential conflict can be authorised, it may impose additional conditions on the Director concerned.

A formal induction programme has been developed and tailored for any new Directors joining the Board. The Chairman, with the support of the Company Secretary, ensures that the development and ongoing training needs of individual Directors and the Board as a whole are reviewed and agreed following the annual performance evaluation of the Board, its Committees and individual Directors.

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

Embedding culture

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

Division of responsibilities

The Board is focused on providing entrepreneurial and sustainable leadership to the Group. It is responsible for directing and controlling the Group and has overall authority for the effective and prudent management and conduct of the Group's business and the Group's strategy and development. The Board monitors performance and is responsible for ensuring that appropriate financial and human resources are in place for the Group to meet its objectives, and takes the lead in setting and embedding the Group's culture, values and standards. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls, and for reviewing the overall effectiveness of systems in place), and for the approval of any changes to the capital, corporate or management structure of the Group.

There is a formal schedule of matters reserved for Board approval which is subject to annual review and published on the Company's website: **www.xpsgroup.com**

The matters reserved for the Board include:

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

Board division of responsibilities

Alan Bannatyne

Alan Bannatyne
Chairman

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

Paul Cuff

Ben Bramhall

Paul Cuff
Co-Chief Executive Officer

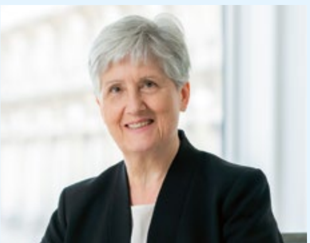
- Primarily responsible for raising the profile of XPS in the market and generating new business, both in traditional service areas and in the development of new services as the market evolves
- Develops the Group's strategy with regard to M&A opportunities and technology investment

Ben Bramhall
Co-Chief Executive Officer

- Primarily responsible for the day-to-day operation of the business, including the provision of services to existing clients, revenue generation and the Group's people strategy
- Develops the Group's internal strategy to pursue large opportunities within the market
- The Board considers that the Co-CEO structure works well with clear accountability of roles between the Executive Directors

Co-Chief Executive Officers

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



Margaret Snowdon OBE

Margaret Snowdon OBE
Senior Independent Non-Executive Director

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

Annual General Meeting

The Company's Annual General Meeting (AGM) will take place at 1.00pm on Thursday 5 September 2024 at the Group's Reading office. The AGM notice setting out the resolutions to be proposed at the meeting and including explanatory notes, together with this Annual Report and Accounts, will be available on the Company's website (www.xpsgroup.com) and distributed to shareholders who have elected to receive hard copies of shareholder information at least 20 working days prior to the date of the meeting.

Voting at the AGM will be conducted by way of a poll and the results will be announced through the London Stock Exchange Regulatory News Service and made available on the Company's website. All Board members are expected to attend the meeting and the Chair of each of the Board's Committees will be present to answer any questions put to them by shareholders.

2023 AGM and 2024 GM

At the Company's 2023 Annual General Meeting all resolutions were passed and there was strong support for the Directors' Remuneration Report reflecting the application of the 2020 Directors' Remuneration Policy. Ahead of the 2023 AGM, the Company withdrew the resolution to seek shareholder approval of the Directors' Remuneration Policy 2023 in favour of continuing to engage with shareholders.

The Remuneration Committee then continued to undertake an extensive shareholder consultation, ahead of the policy being approved at the March 2024 General Meeting (GM). During the consultation, the Group's 20 largest shareholders, covering c.85% of the Company's issued share capital and key proxy advisory firms, were invited to meet with the Chairman and the Remuneration Committee Chair. The policy approved at the GM is effectively a continuation of the previously approved policy, introducing an element of bonus deferral in line with evolving market practice, reflecting that the overwhelming majority of shareholders consulted felt that the existing policy was appropriate. The Board acknowledges that the policy received less than 80% support at the GM, and recognises that a small number of shareholders have differing views.

Following the 2023 AGM, during which the resolutions to re-elect Alan Bannatyne (Chairman) and Margaret Snowdon OBE (Senior Independent Non-Executive Director and Remuneration Committee Chair) received below 80% support, the Company has appointed two additional Independent Non-Executive Directors, Imogen Joss and Martin Sutherland to further strengthen the Board, and continued to engage with shareholders regarding Board composition.

Board evaluation

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

In 2024, the Board completed an internally facilitated evaluation, using questionnaires agreed by the Chairman and Company Secretary. The Senior Independent Director also met with each Board member to appraise the performance of the Chairman. The Board discussed the outcome of the evaluation at the May 2024 Board meeting, and agreed actions as follows:

- the Remuneration Committee to receive increased internal support from the HR function;
- the Nomination Committee to agree the best way to ensure smooth transition when the Chairman and Senior Independent Director reach nine years' tenure in January 2026; and
- the Sustainability Committee to report formally to the Board annually.

2023 Board evaluation outcomes and progress

The 2023 externally facilitated evaluation, supported by Ceradas Limited, identified the following areas for improvement; progress is reported as follows:

Actions from the 2023 evaluation	Improvements
The Board agenda to be developed to optimise the focus of discussions.	The Board's agenda has been re-ordered and a clearer focus on strategic items established.
Nomination Committee to consider planning for Non-Executive Director succession in the next three years.	In recognition of the Group's Chairman, Alan Bannatyne, and Senior Independent Director, Margaret Snowdon OBE, reaching nine years' tenure in January 2026, the Nomination Committee appointed two additional Independent Non-Executive Directors to the Board in December 2023. The Nomination Committee reviews the Board, including Non-Executive Director, succession plan bi-annually.
More formal feedback from the Employee Engagement Group to be shared with the Board.	The Designated Employee Engagement Non-Executive Director, Margaret Snowdon OBE, feeds back to the Board after each Employee Engagement Group meeting.

Succession planning for a sustainable future

This year, we strengthened our Board further with the recruitment of two additional Non-Executive Directors who bring excellent skill sets to complement the Board.

Alan Bannatyne
Chair of the Nomination Committee

Committee membership	Attendance
Chair	
Alan Bannatyne	**4/4**
Members	
Margaret Snowdon OBE	**4/4**
Sarah Ing	**4/4**
Aisling Kennedy	**4/4**

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2024.

The Committee has met four times during FY 2024 and all meetings were attended by all members of the Committee. The Committee intends to continue to meet at least twice annually with additional meetings as required. The members of the Committee are Margaret Snowdon OBE, Sarah Ing, Aisling Kennedy and myself as Chair.

The Nomination Committee assists the Board in determining the composition and make-up of the Board, including its skills, knowledge, experience and diversity.

It is responsible for developing and maintaining a formal, rigorous and transparent procedure for identifying appropriate candidates for Board appointments and making recommendations to the Board.

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

Non-Executive Director appointments

During the year, the Nomination Committee reviewed the composition of the Board and Committees and the Non-Executive Director succession plan and agreed to commence a search for two additional Non-Executive Directors. The recruitment process was led by the Nomination Committee and external search firm Russell Reynolds Associates, with which the Group and the Directors have no other connections. Following the completion of a successful recruitment process, we were delighted to welcome Imogen Joss and Martin Sutherland to the Board on 7 December 2023. Imogen and Martin also joined the Remuneration and Audit & Risk Committees at the same time. The Committee is satisfied that the Board and its Committees have the right balance of skills, experience, independence and knowledge required.

Recruitment process

- The Nomination Committee identified key skills required.
- Russell Reynolds Associates commenced a search for candidates.
- A shortlist of candidates was drawn up by Russell Reynolds Associates.
- Alan Bannatyne, Group Chairman and Nomination Committee Chair, interviewed a number of candidates.
- The Nomination Committee interviewed Imogen Joss and Martin Sutherland.
- The Executive Directors met with Imogen Joss and Martin Sutherland.
- All Directors fed back at a Nomination Committee meeting, and agreed to appoint both Imogen Joss and Martin Sutherland as Independent Non-Executive Directors and members of the Remuneration and Audit & Risk Committees.

Board evaluation

During the year, an internally facilitated Board evaluation was completed; further details of the process and the outcomes can be found on page 62. The Group conducted an externally facilitated Board evaluation supported by Ceradas Limited in 2023, and will continue to conduct an externally facilitated evaluation every three years going forward as required by the Corporate Governance Code.

Succession planning

During the year, the Nomination Committee reviewed detailed succession plans covering the roles considered key to the business, including those of the Executive Directors, the Non-Executive Directors and the Executive Committee. The Committee is satisfied that the contingency and talent management plans in place for key positions are appropriate and has agreed that the Group's succession planning will be kept under review, at least bi-annually.

Induction programme and training

A formal tailored induction for Non-Executive Directors is in place supported by a programme of training to further their knowledge of the Group, its business, culture, operations, employees and governance and to ensure awareness of their regulatory duties and obligations as a Director of a UK premium listed company.

Diversity, equality and inclusion

I am proud to confirm that XPS complies with the requirements of the FCA's diversity listing rules, with over 40% female representation on our Board (44%), one senior board position held by a female and one Board member from an ethnic minority background. Whilst we recognise that XPS has further progress to make in relation to the diversity of our Board and executive management, we are pleased to have made progress in recent years and continue reporting compliance with the listing rules. We have also committed to 37% of our senior management team being female by 2028 and are pleased to report good progress this year, with female representation increasing to 35% (FY 2023: 31%).

The Company has an established Inclusion and Diversity Committee, championed by Non-Executive Director Margaret Snowdon OBE and chaired by a senior female within the Group. The Committee has made great progress, has a significant impact across the business and is a key channel of communication and engagement for employees and management. You can read more about the Group's I&D strategy and commitment to further progress on page 25 of our Sustainability Report.

The Company acknowledges that there remains a gender pay gap within the business which reflects a higher proportion of males in higher paid roles than females.

Whilst this is partly a challenge of the UK industry in which the Company operates, with a male-dominated actuarial profession, the Board believes it has a responsibility to promote change, both within XPS and the industry more generally. The Group continued to recruit into the apprentice scheme during the year and hopes this continues to improve the diversity of the Group and profession in the future.

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

Alan Bannatyne
Chair of the Nomination Committee
19 June 2024

Table 1. Reporting table on sex/gender representation as at 31 March 2024

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	**5**	**56%**	**4**	**7**	**78%**
Women	**4**	**44%**	**1**	**2**	**22%**
Not specified/prefer not to say	**–**	**–**	**–**	**–**	**–**

Table 2. Reporting table on ethnicity representation as at 31 March 2024

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

Executive management is defined as the XPS Executive Committee.

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

Delivering independent oversight

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

Sarah Ing
Chair of the Audit & Risk Committee

Committee membership	Attendance
Chair	
Sarah Ing	**4/4**
Members	
Margaret Snowdon OBE	**4/4**
Aisling Kennedy	**4/4**
Imogen Joss	**1/1**
Martin Sutherland	**1/1**

Dear Shareholder,

I am pleased to present the report of the Audit & Risk Committee for the year ended 31 March 2024. The Committee met four times during FY 2024 and intends to continue to meet at least three times annually. All meetings were attended by all members of the Committee.

Membership of the Committee

Imogen Joss and Martin Sutherland were appointed to join the Board and the Committee in December 2023, and the Committee members are now Margaret Snowdon OBE, Aisling Kennedy, Imogen Joss, Martin Sutherland and me. The Board is satisfied that the Audit & Risk Committee as a whole has competence relevant to the sector in which the Company operates and that I have recent relevant financial experience as can be seen in our biographies included on pages 56 and 57 of the Annual Report.

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

The Committee's performance evaluation was conducted as part of the wider Board evaluation, you can read about this on page 62.

Significant accounting matters considered during the year

Carrying value of goodwill and intangible assets

Matters considered

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

Action

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

Revenue recognition, accrued income and trade receivables

Matters considered

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

Action

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

Business disposals

Matters considered

During the year, the Group disposed of its defined contribution master trust, National Pension Trust (NPT). The transaction completed on 20 November 2023 for an initial consideration of £35 million with an additional £7.5 million payable contingently based on the future performance of NPT.

The trade and transaction-related income and costs are not presented as a discontinued operation on the face of the consolidated income statement, as the NPT business does not meet the criteria set out in IFRS 5 (it does not constitute a separate cash-generating unit).

Further information can be found in note 7 to the financial statements on page 123.

Action

The Committee has reviewed management's assessment of the fair value of the assets and liabilities disposed of and the resulting profit on disposal. The Committee has reviewed the disclosures in respect of the disposal and considers the accounting and disclosures to be appropriate.

Presentation and disclosure of exceptional and non-trading items

Matters considered

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

Exceptional and non-trading items in the year totalled £15.0 million (FY 2023: £14.2 million). For more details, see note 6 to the financial statements on page 123.

Action

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

Letter from the Financial Reporting Council (FRC)

Matters considered

The Group received a letter from the FRC disclosing the results of a review undertaken of the Annual Report and Accounts for the year ended 31 March 2023. Whilst the FRC suggested some improvements could be made to aid a reader's understanding of the accounts, it was also clear that it did not have any specific questions or queries to raise.

Action

The Group has considered all points raised by the FRC and has implemented changes in the 31 March 2024 Annual Report and Accounts where appropriate. The Committee, in consideration with the Group's auditors, has reviewed the changes made by the Group and has sent an acknowledgement to the FRC in response to their letter.

Auditor

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

The Committee is responsible for making ran assessment on the independence of the Company's auditor, BDO LLP. In addition, the auditor has internal processes, which include peer reviews, to ensure that independence is maintained. The Committee will review the level of audit fees and non-audit fees on an ongoing basis. See note 5 to the financial statements on page 122.

The Committee has reviewed the approach to the annual audit at a meeting that the auditor attended ahead of the start of fieldwork. The auditor then attended a further Committee meeting at the completion stage of the audit to present its findings.

There is an open line of communication between the Chair of the Audit & Risk Committee and the audit engagement partner, and a closed session between the Audit & Risk Committee and the audit partner is held at the beginning of each Committee meeting, without the Executive Directors and management team present.

The audit partner is also invited to attend the Committee meetings for the duration of the meeting. The Committee assessed the effectiveness of the external audit process by obtaining feedback from parties involved in the process, including management and the external auditor.

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

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

Internal Audit

The Internal Audit function is provided using a co-sourcing agreement, with PwC reappointed in 2020 after a retender as it had been in place since 2017. It offers independent oversight of operational and risk management activities, with audit reports and relevant findings presented to the Committee. This year it focused on the Group's anti-money laundering (AML) controls and the integration of the recent Michael J Field acquisition, with no significant control weaknesses identified.

The Internal Audit program is integrated with the existing framework of internal and external assurance activities, e.g. CE+, AAF, IoA QAS, which are carried out by the Risk and Compliance teams. These activities focus on the design and effectiveness of internal controls for key processes.

> “The robust risk management and internal control framework deployed across the XPS Group ensures visibility of existing and emerging risks.”

Sarah Ing
Chair of the Audit & Risk Committee

Annual Report review

A final draft of the Annual Report is reviewed by the Committee prior to consideration by the Board and the Committee considered whether the 2024 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group’s position and performance, business model and strategy.

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

Effective 24 June 2024, the Group will become a constituent of the FTSE 250. The FRC’s minimum standard for Audit Committees and the External Audit will now apply to the Group on a comply or explain basis. We will report on this as required within our next annual report and accounts.

Risk management and internal control

The existing risk management and internal control framework deployed across the Group continues to be developed and enhanced to ensure it manages existing and emerging risks to the XPS Group. Effective communication of risk appetites and key controls are supported by clear direction from executive management, which drives a strong risk culture and active engagement from staff.

The framework supports a standardised risk management approach across all businesses and support functions in the Group, enabling clear and consistent reporting. This includes a clear articulation of the key controls required to ensure risks are managed within their stated appetites.

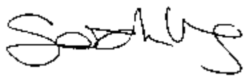
The use of a common approach for all risk types covers the full spectrum of the Group’s activities, and supports the achievement of the organisation’s objectives. The framework also highlights key processes and controls, supporting their regular review, with amendments made as required to reflect the findings of these reviews. All review findings are recorded centrally to ensure identified improvements are implemented consistently across the Group. Executive management is provided with regular updates on the Group’s overall risk profile and actions required to keep within appetite. This is supported by a rolling programme of deep dives on specific risks at the Risk Management Committee. These meetings are held on a regular basis and support the Audit & Risk Committee to ensure that the risk management and internal control framework meets the needs of the Group’s stakeholders.

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

The Audit & Risk Committee regularly reviews the wider internal control processes as part of its meeting cycle. The Committee enlists external support from specialist advisers to support these reviews when appropriate. To recognise the importance of operational resilience and protection of Group and client assets from cyber risks, the Committee considers this as a standing item at each meeting. This includes the performance of key controls and the independent assurance frameworks in place.

Whistleblowing

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



Sarah Ing
Chair of the Audit & Risk Committee
19 June 2024

Strengthening our approach to sustainability

We are embedding sustainability across the business to support our purpose: to shape and support safe, robust and well-understood pension schemes for the benefit of people and society. This year we focused on reviewing our strategic approach to sustainability as well as further developing our environmental, community and clients and members programmes.

"This year we refreshed our materiality and strengthened our sustainability framework by taking into account the views and interests of key stakeholders."

Sarah Ing
Chair of the Sustainability Committee

Committee membership	Attendance
Chair	
Sarah Ing	**5/5**
Members	
Margaret Snowdon OBE	**5/5**
Aisling Kennedy	**5/5**
Snehal Shah	**5/5**
Charlotte West	**5/5**
Adrian Davison	**5/5**
Alex Quant	**4/5**

Dear shareholder,

I am pleased to present the report of the Sustainability Committee for the year ended 31 March 2024.
The Committee met five times during the year and all meetings were attended by all members, with the exception of one meeting due to planned annual leave. The Committee intends to continue to meet at least twice yearly with additional meetings as required.

The Sustainability Committee takes into account the views and interests of all key internal and external stakeholders of the Group. Its role is to set the sustainability framework, oversee its implementation and drive improvements in reporting and communication in relation to environmental, social and governance (ESG) factors that have a positive impact on the business strategy and performance of the Group.

The membership of the Committee

The membership of the Committee during the year was Margaret Snowdon OBE (Senior Independent Non Executive Director), Aisling Kennedy (Independent Non-Executive Director), Snehal Shah (CFO), Charlotte West (Head of Employee Engagement), Adrian Davison (Head of Risk), Alex Quant (Head of ESG for the Investment business) and myself as Chair. Martin Sutherland (Independent Non-Executive Director appointed to Board on 7 December 2023) attended the Committee meeting in January 2024 and Imogen Joss (Independent Non-Executive Director appointed to the Board on 7 December 2023) attended the Committee meeting in March 2024 as part of their Board induction process. Imogen has joined the Committee as a member since 1 April 2024.

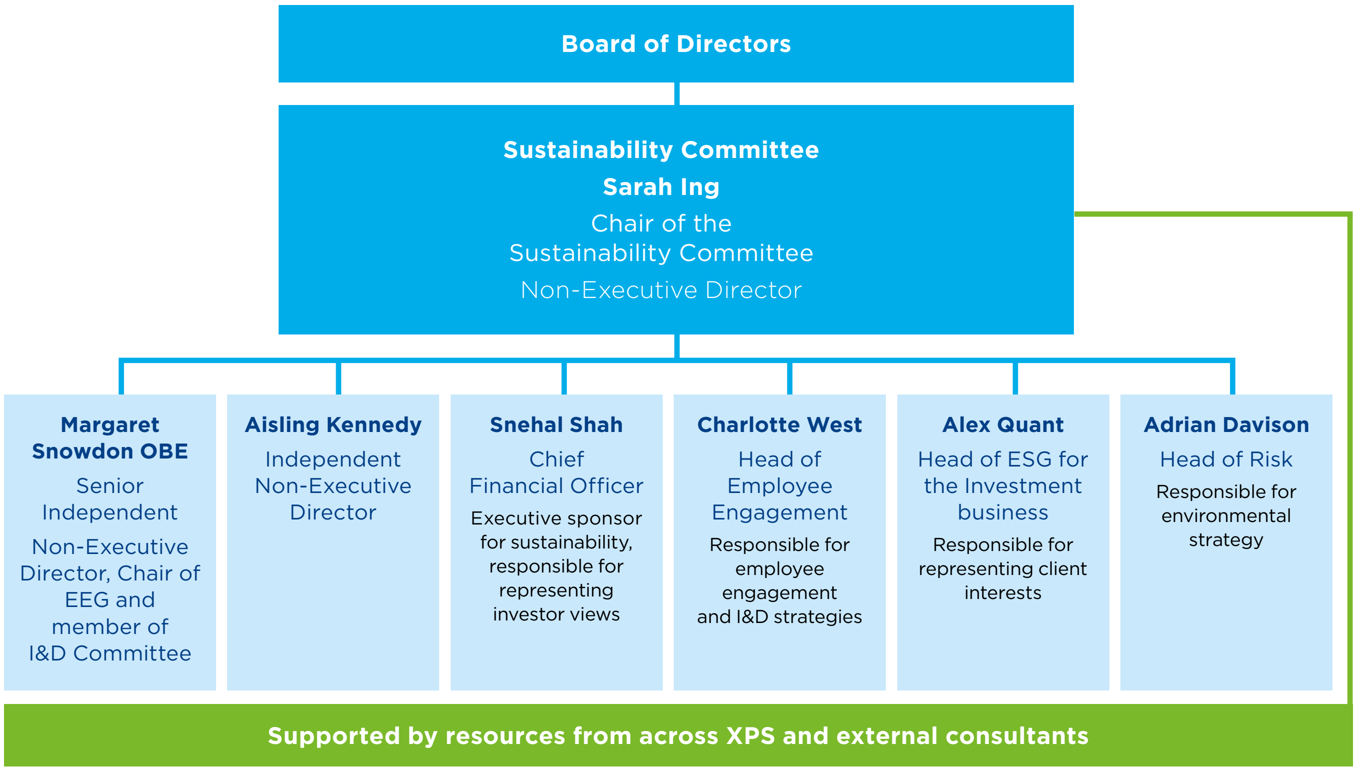
The focus of the Committee

During the year, the Committee tracked the performance on the Group's key sustainability issues: our employees, our environment, our communities, our members and clients and our governance. Its work plan included the following focus areas:

1. Refreshed materiality assessment

In an effort to ensure the Group's sustainability framework continues to be relevant, the Committee provided oversight on the completion of a dynamic materiality assessment. As part of the process, key stakeholder groups were asked to review which sustainability issues they thought were priorities and how they felt the Group was performing on them.

The Committee discussed the findings of the materiality assessment twice and approved a refreshed set of material issues, which are included on page 20.



2. Strengthened sustainability framework

The Committee continued to oversee the development of the Group's sustainability framework during the year. We took note of the key insights from the materiality assessment, which identified, inter alia, that stakeholders perceived the Group's impact on people and the environment to be strong, and that its impact on the community leaves room for improvement. In addition, stakeholders recognised that internal and external communication of the Group's strategic framework could be improved to drive engagement.

Over the year, we guided the update of the sustainability framework. As shown on page 21, the framework was reshaped to display our priorities clearly, building on the foundation of good governance. We also supported the adoption of a stronger communications framework around the narrative of "shaping a better future" and of ambition statements that outline our direction of travel.

3. Oversaw sustainability initiatives

A strong focus for the Committee this year was to provide oversight of the Group's activities on key priorities such as the environment, community and clients and members. We reviewed:

- progress on our net zero commitment and approved a detailed roadmap;
- performance on embedding sustainability considerations in our support to clients and members including compliance with the UK Stewardship Code; and
- charitable giving in the Group and, after reviewing alternatives, agreed to maintain the current approach.

Looking ahead

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

- overseeing the further integration of our sustainability framework across the Group, including stronger and more frequent communication to internal and external stakeholders;
- continuing to play a critical friend role in reviewing progress and performance, including the development of a regular sustainability dashboard for the Board;
- monitoring the Group's existing and emerging sustainability risks and opportunities and updating our approach where necessary;
- introducing a refreshed charitable giving policy to provide a more strategic approach to our current charitable giving practice; and
- continuing to engage with our key internal and external stakeholders to receive feedback on our sustainability performance.

At the end of this report, all that remains is for me to thank the members and the attendees of the Sustainability Committee for their hard work and contributions. I have handed the chair over to Aisling Kennedy, who took over the reins from 1 April 2024.

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

Sarah Ing
Chair of the Sustainability Committee
19 June 2024

Remuneration at a glance

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

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

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

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

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

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

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

FY 2024

Fixed pay

Base salary

Co-CEOs	CFO
£356,048	**£300,745**

Pension

Co-CEOs	CFO	Average employee
6%	**6%**	**6%**

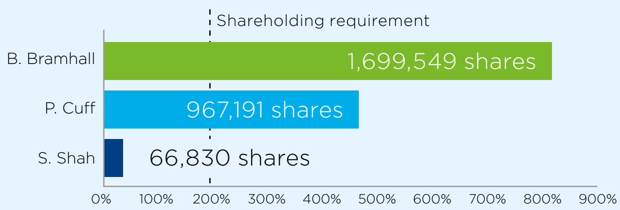
Benefits

Benefits currently include permanent health insurance, life insurance, private medical insurance and car allowance.

Shareholding

Actual level % of base salary at 31 March 2023

Ben Bramhall	Paul Cuff	Snehal Shah
817%	**465%**	**35%**



Annual bonus

2024 annual bonus

Co-CEOs	CFO
£534,072	**£375,931**
100% of maximum 150% of salary	100% of maximum 125% of salary

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Long-term incentive plan

2021 PSP estimated outcome*

Co-CEOs	CFO
100%	**100%**

Performance conditions:

EPS – 75% **TSR – 25%**

Subject to two-year holding period.

Malus and clawback provisions apply.

* Vesting 1 July 2024.

FY 2025

Fixed pay

Base salary

Co-CEOs	CFO	Average employee
£372,070	**£321,797**	
↑4.5%	↑7%	↑5.8%

Pension

No change for FY 2025.

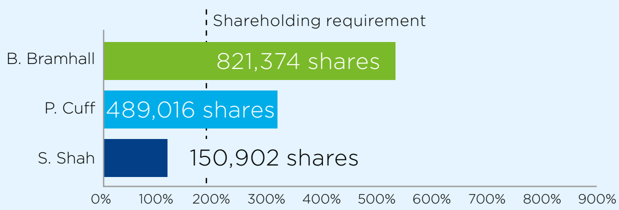
Benefits

No change for FY 2025.

Shareholding

Actual level % of base salary at 31 March 2024

Ben Bramhall	Paul Cuff	Snehal Shah
533%	**317%**	**116%**



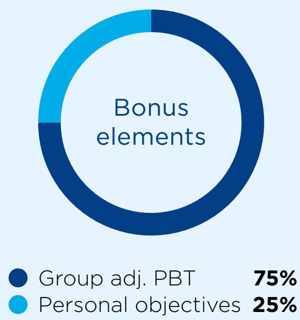
Annual bonus

2025 annual bonus

Co-CEOs
Maximum
150% of salary

CFO
Maximum
125% of salary

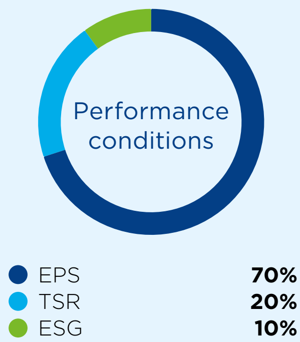
Bonus delivery
Beyond 100% of salary delivered in shares



Long-term incentive plan

Anticipated award grants as % of base salary

Co-CEOs	CFO
150%	**125%**



Aligning remuneration with sustainable success

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

Margaret Snowdon OBE
Chair of the Remuneration Committee

Committee membership	Attendance
Chair	
Margaret Snowdon OBE	**5/5**
Members	
Alan Bannatyne	**5/5**
Sarah Ing	**5/5**
Aisling Kennedy	**5/5**
Imogen Joss (appointed 7 December 2023)	**2/2**
Martin Sutherland (appointed 7 December 2023)	**2/2**

Dear Shareholder,

The Directors' Remuneration Report for the year ended 31 March 2024 contains:

- my annual statement;
- the Directors' Remuneration Policy, which was approved at the March 2024 General Meeting; and
- the annual report on remuneration which describes how the Directors' Remuneration Policy has been applied in FY 2024 and how it will be implemented in FY 2025.

At the 2024 AGM, in addition to the voting resolution on the advisory vote on the Directors' Remuneration Report, there will be a resolution asking shareholders to approve the new deferred bonus plan rules.

Operational highlights

During the year ended 31 March 2024, we produced an excellent year of robust financial performance. At a Group level, revenues increased 20% year on year and adjusted fully diluted EPS rose 21% year on year. This was delivered in a year where employee engagement and client satisfaction remained high.

The Company's strong operational and financial progress was reflected in the share price and value delivered to our shareholders. XPS ended the year as one of the top performers in the FTSE All-Share, delivering a total shareholder return of over 50% across the year.

Engaging with our stakeholders

Shareholders

At last year's Annual General Meeting held on 7 September 2023, the Remuneration Committee was pleased that shareholders approved the Remuneration Report with 85% of votes for.

The resolution to approve the Directors' Remuneration Policy was withdrawn from the AGM in favour of continuing to engage with shareholders, as outlined on page 62. We undertook an extensive consultation with our 20 largest shareholders in the lead up to the General Meeting held on 7 March 2024 where the Directors' Remuneration Policy 2024 was approved with 76% of votes in favour.

This 2024 Policy is effectively a continuation of the previously approved policy, introducing an element of bonus deferral in line with evolving market practice, reflecting that the overwhelming majority of shareholders consulted felt that the existing policy was appropriate. The Board acknowledges that 19.5% of the Group's total issued share capital was voted against the resolution and recognises that a small number of shareholders have differing views. I would like to thank those shareholders that participated in the consultation and will continue to engage as appropriate in the future.

Employees

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

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

Wider workforce remuneration

We continue to review the remuneration arrangements for the wider workforce and take these into account when considering remuneration arrangements for the Executive Directors and other members of senior management.

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

Annual bonus payments for FY 2024

The financial element of these bonuses is based on Group profit before tax (PBT). The reported Group adjusted PBT for FY 2024 has resulted in a bonus payment of 100% of the maximum for this element of the bonus.

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

	% of salary	% of maximum
Ben Bramhall	150%	100%
Paul Cuff	150%	100%
Snehal Shah	125%	100%

Vesting outcomes for the 2021 PSP awards

The July 2021 PSP award is subject to underlying EPS performance and relative TSR performance. The estimated overall vesting of the award is expected to be 100% of maximum.

The Committee considers that the policy operated as intended during FY 2024 and that remuneration outcomes are consistent with the Group performance and appropriately reflect performance delivered for our shareholders over the respective periods. The Committee felt that no discretion needed to be applied for these remuneration outcomes. With regard to the PSPs, the Committee considers that the increase in share price from the date of grant is aligned to the underlying performance of the business.

Operation of the Directors' Remuneration Policy for FY 2025

Looking forward into FY 2025, we have given consideration to actions on pay matters which we regard as appropriate and designed to support shareholders' interests over the long term.

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

The Committee agreed to award salary increases for the Co-CEOs of 4.5% and the CFO's salary has been increased by 7%, reflecting performance and the expansion of the role across risk and sustainability. This compares with an average increase over the year awarded to all staff of 5.8%.

The resultant salaries for the Executive Directors remain low against similarly sized companies, and annual target remuneration is low in comparison to senior leadership and senior client facing roles at some of the Group's competitors, which include Big 4 accounting firms and other equity partnerships.

The maximum bonus opportunities for the Co-CEOs and CFO will remain unchanged at 150% and 125% of salary respectively.

The PSP awards due to be made in July 2024 will revert to the normal award levels of 150% and 125% of salary for the Co-CEOs and CFO respectively.

Operation of the Directors' Remuneration Policy for FY 2025 continued

<table>
<tr><th>Component of remuneration</th><th>Summary of approach</th></tr>
<tr><td>Base salary and benefits</td><td>Base salary and benefits are reviewed annually on 1 April in light of a number of factors, including the approach to salary reviews more generally across the Group and the performance of the individuals and the Company. The base salaries of the Co-CEOs have been increased by 4.5% for FY 2025 and the CFO's salary has been increased by 7%, reflecting performance and the expansion of the role across risk and sustainability. This compares with an average increase over the year awarded to all staff of 5.8%.

Ben Bramhall – £372,070
Paul Cuff – £372,070
Snehal Shah – £321,797

The increase since 1 April 2018 remains below that of the general level of salary increases across the Group since then:
<table>
<tr><th></th><th>1 April 2019</th><th>1 April 2020</th><th>1 April 2021</th><th>1 April 2022</th><th>1 April 2023</th><th>1 April 2024</th><th>Annualised</th></tr>
<tr><td>Co-CEOs</td><td>0%</td><td>0%</td><td>9.0%</td><td>6.0%</td><td>7.0%</td><td>4.5%</td><td>4.4%</td></tr>
<tr><td>Average staff</td><td>3.0%</td><td>3.2%</td><td>3.2%</td><td>5.9%</td><td>12%</td><td>5.8%</td><td>5.5%</td></tr>
</table></td></tr>
<tr><td>Pension</td><td>Defined contribution/cash supplements of 6% are paid and are aligned with the levels available for new employees. This is well below the rate provided to many employees who have joined the business through the acquisitions we have made.</td></tr>
<tr><td>Annual bonus</td><td>Payable subject to the achievement of challenging financial/strategic/personal performance conditions. These are expected to incorporate sustainability, culture and technology-based goals. Malus and clawback provisions apply.

Maximum bonus opportunity:

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

Bonus above 100% of salary will be paid in shares, deferred over two years.</td></tr>
<tr><td>Long-term incentives</td><td>Annual awards of performance shares. Shares vest, subject to the achievement of the performance conditions, after three years and are subject to a further two-year holding period. Malus and clawback provisions apply.

Maximum grant levels FY 2025:

Ben Bramhall – 150% of salary
Paul Cuff – 150% of salary
Snehal Shah – 125% of salary</td></tr>
<tr><td>All-employee share plans</td><td>Executive Directors are entitled to participate in all of the Company's employee share plans, including the Share Save Plan, on the same terms as other employees.</td></tr>
<tr><td>Share ownership guidelines</td><td>Executive Directors are subject to a minimum shareholding requirement of 200% of salary with a requirement to maintain a shareholding post cessation of employment at 200% for one year and 100% for a second year.</td></tr>
</table>

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

Following a review, the Committee recognised that the fee paid for the Chairman of the Board was considerably lower than typically paid at companies of a similar size to XPS Group. Therefore, effective 1 April 2024, the Chair's fee was increased to £150,000. This fee is still below the typical Chair fee for comparable sized UK listed businesses.

The Board reviewed the fees paid to the Non-Executive Directors. The base fee for Non-Executive Directors remains unchanged at £60,000 p.a. The Board approved an increase to the additional responsibility fee levels resulting in a fee of £15,000 p.a. for the Chair of the Audit & Risk Committee and £10,000 p.a. for each of the Senior Independent Director, Chair of the Remuneration Committee and Chair of the Sustainability Committee.

These represent the first increases to Non-Executive fee levels since IPO.

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

Margaret Snowdon OBE
Chair of the Remuneration Committee
19 June 2024

Directors’ Remuneration Policy

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

The Directors’ Remuneration Policy as set out in this section of the Directors’ Remuneration Report was approved in March 2024 and took effect for all payments made to Directors with effect from the conclusion of the General Meeting at which it was approved. The Policy as approved can be found at xpsgroup.com/investors/shareholder-information/agms-and-general-meetings. We have reproduced it below for the convenience of our shareholders.

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

Directors' Remuneration Policy continued

Element and purpose	Policy and operation	Maximum	Performance measures
Annual bonus To motivate Executive Directors and support the delivery of the Group's financial and strategic business target over a one-year operating cycle	Annual bonus plan levels and the appropriateness of measures are reviewed annually to ensure they continue to support our strategy. Once set, performance measures and targets will generally remain unchanged for the year, except to reflect events (e.g. corporate acquisitions, other major transactions) where the Committee considers it to be necessary in its opinion to make appropriate adjustments. For financial years commencing following the approval of this Policy, bonus payments of up to 100% of salary are to be paid as cash with amounts in excess of this deferred into shares for two years. The value of the deferred awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period. Clawback and malus provisions apply as explained in more detail in the notes to this Policy table.	The maximum annual bonus opportunity is 150% of base salary. For FY 2025, the maximum opportunity will be 150% of base salary for the Co-CEOs and 125% for the CFO.	Bonuses will be payable subject to the achievement of performance conditions which will be set by the Remuneration Committee. The targets may be financial and/or personal and strategic. The intended weighting of these measures is not less than 60% financial. Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale to full payout for maximum performance. Bonus payments will also be subject to the Committee considering that the proposed bonus amounts, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the bonus outturn accordingly.
Performance Share Plan To motivate Executive Directors and incentivise the delivery of sustained performance over the long term, and to promote alignment with shareholders' interests	Awards under the PSP may be granted as nil/nominal cost options which vest to the extent performance conditions are satisfied over a period normally of at least three years. Awards will vest at the end of the specified vesting period at the discretion of the Remuneration Committee and are subject to a further holding period of two years (or such shorter period so that the period from the date of grant until the end of the holding period will be equal to five years). The PSP rules allow that the number of shares (or the cash equivalent) subject to vested PSP awards may be increased to reflect the value of dividends that would have been paid in respect of any record dates falling between the grant of awards and the expiry of any vesting period. Clawback and malus provisions applied are explained in more detail in the notes to this Policy table.	The market value of shares to be awarded to Executive Directors in respect of any year will normally be up to 150% of base salary, with awards of a maximum of 200% allowable in exceptional circumstances.	The Remuneration Committee may impose such conditions as it considers appropriate which must be satisfied before any award will vest. All awards made to Executive Directors will be subject to performance conditions which measure performance over a period normally no less than three years. No more than 25% of awards vest for attaining the threshold level of performance. The formulaic outcome of all PSP performance measures will also be subject to the Committee considering that the proposed levels, calculated by reference to performance against the targets, appropriately reflect the Company's overall performance and shareholders' experience. If the Committee does not believe this to be the case, it retains the discretion to adjust the PSP outturn accordingly.

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

Directors' Remuneration Policy continued

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

Notes to the Policy table

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

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

   - the Company materially misstated its financial results for any reason and that misstatement would result or resulted either directly or indirectly in an award being granted or vesting to a greater extent than would have been the case had that misstatement not been made;

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

Normally, clawback can operate for up to two years following the vesting of an award.

5. **Performance conditions:** The performance-related elements of remuneration take into account the Group's risk policies and systems, and are designed to align the senior executives' interests with those of shareholders. The Committee reviews the metrics used and targets set for the Group Executive Directors and senior management (not just the Executive Directors) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency.
6. **Differences between the policy in respect of remuneration for Directors and the policy on remuneration for other staff:** While the appropriate benchmarks vary by role, the Company seeks to apply the philosophy behind this policy across the Company as a whole. Where the Group's pay policy for Directors differs from its pay policies for groups of staff, this reflects the appropriate market rate position and/or typical practice for the relevant roles. The Company takes into account pay levels, bonus opportunity and share awards applied across the Group as a whole when setting the Executive Directors' Remuneration Policy.
7. **Committee discretions:** The Committee will operate the annual bonus plan and PSP according to their respective rules and the above Remuneration Policy table. The Committee retains discretion, consistent with market practice, in a number of respects, in relation to the operation and administration of these plans. This discretion includes, but is not limited to, the following:
   - the selection of participants;
   - the timing of grant of awards;
   - the size of an award/bonus opportunity subject to the maximum limits set out in the Remuneration Policy table and the rules of the relevant plan;
   - the determination of performance against targets and resultant vesting/pay-outs;
   - discretion required when dealing with a change of control or restructuring of the Company;
   - determination of the treatment of leavers based on the rules of the relevant plan and the appropriate treatment chosen;
   - adjustments required in certain circumstances (e.g. rights issue, corporate restructuring events and special dividends); and
   - the annual review of performance measures, weightings and targets from year to year.

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

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

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

Directors' Remuneration Policy continued

Remuneration policy on recruitment

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

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

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

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

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

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

All buy-outs, whether under the annual bonus plan, PSP or otherwise, will take due account of the service obligations and performance requirements for any remuneration relinquished by the individual when leaving a previous employer.

The Committee will seek, where it is practicable to do so, to make buy-outs subject to what are, in its opinion, comparable requirements in respect of service and performance. However, the Committee may choose to relax this requirement in certain cases, such as where the service and/or performance requirements are materially completed, or where such factors are, in the view of the Committee, reflected in some other way, such as a significant discount to the face value of the awards forfeited, and where the Committee considers it to be in the interests of shareholders.

Service contracts

Executive Directors

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

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

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

Chairman and Non-Executive Directors

The appointments of Alan Bannatyne and Margaret Snowdon OBE are subject to the terms of letters of appointment agreed between each of them and the Company dated 24 January 2017, the appointment of Sarah Ing is subject to the terms of a letter of appointment dated 19 March 2019, the appointment of Aisling Kennedy is subject to the terms of a letter of appointment dated 22 February 2023 and the appointments of Imogen Joss and Martin Sutherland are subject to the terms of letters of appointment dated 7 December 2023. They are not entitled to receive any compensation on termination of their appointment (other than payment in respect of a notice period where notice is served) and are not entitled to participate in the Company's share plans, bonus arrangements or pension schemes.

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

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

Remuneration policy on termination

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

Annual bonus plan

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

Deferred bonus awards are normally preserved in all leaver cases (unless an Executive Director ceases employment due to gross misconduct or gross negligence) but release will not typically be accelerated, except in the case of death in service. The Committee has the ability to release a leaver's awards early in exceptional circumstances.

Performance Share Plan (PSP)

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

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

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

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

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims.

In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements.

External appointments

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

Statement of consideration of employment conditions elsewhere in the Company

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

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

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

Statement of consideration of shareholders' views

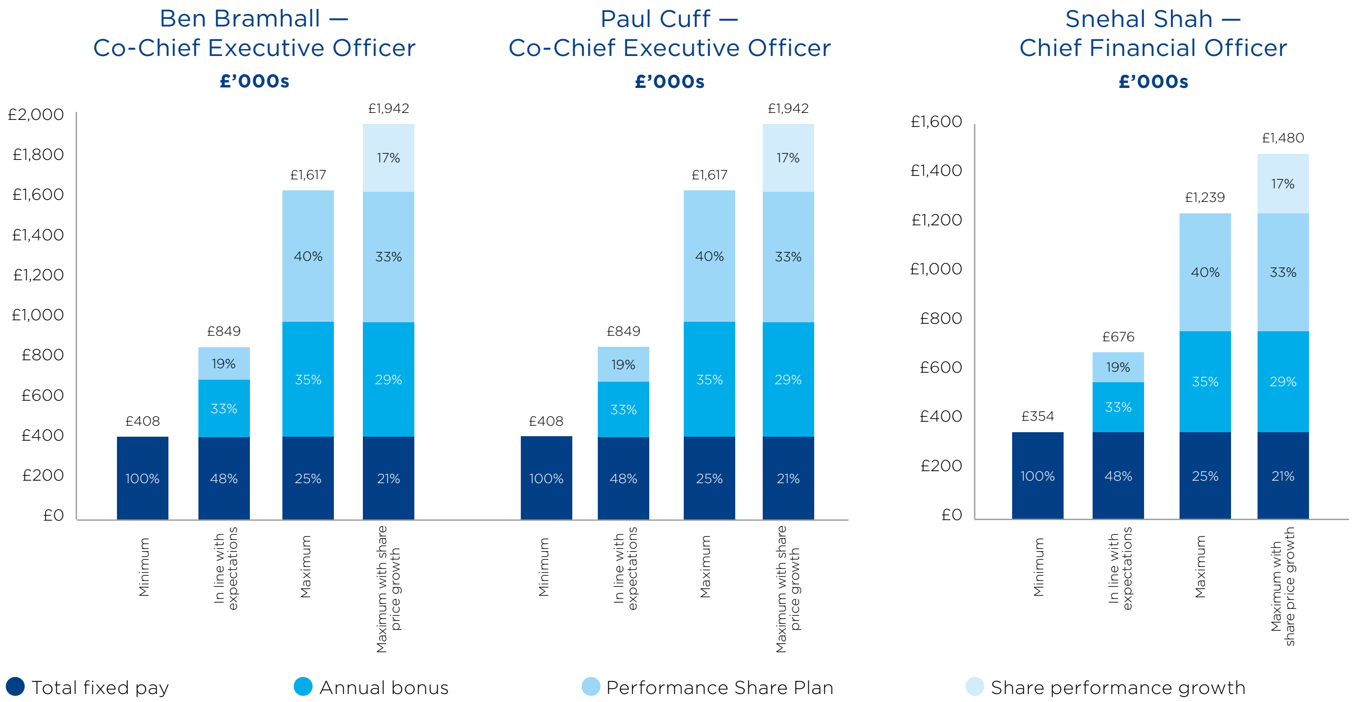
The Committee considers shareholder views received during the year and at each AGM, as well as guidance from shareholder representative bodies more broadly, when determining the Remuneration Policy and its implementation. The Committee seeks to build an active and productive dialogue with investors on developments on the remuneration aspects of corporate governance generally and it will consult with major shareholders in advance of any material change to the structure and/or operation of the Policy and will seek formal shareholder approval for any such change if required.

Directors' Remuneration Policy continued

Illustrations of application of the Directors' Remuneration Policy

The charts below show how the Remuneration Policy set out above will be applied for Executive Directors in FY 2025 based on three performance scenarios and using the assumptions below.

Minimum	Consists of base salary, benefits and pension: • base salary is the salary to be paid in FY 2025; • benefits measured as benefits paid in FY 2024; and • pension measured as the defined contribution or cash allowance in lieu of Company contributions of 6%.
Target	Based on what the Executive Director would receive if performance were in line with expectations or on target (excluding share price appreciation and dividends): • annual bonus: consists of the on-target bonus (50% of maximum opportunity used for illustrative purposes); and • PSP: consists of the threshold level of vesting (25% vesting) under the PSP.
Maximum	Based on the maximum remuneration receivable (excluding share price appreciation and dividends): • annual bonus: consists of maximum bonus of 150% of salary for the Co-CEOs and 125% of salary for the CFO; and • PSP: consists of the face value of awards (150% of base salary for Co-CEOs and 125% of base salary for the CFO) under the PSP.
Maximum with 50% share price growth	As the Maximum scenario plus the value resulting from a share price growth of 50% in relation to the PSP award.



Remuneration Committee membership

The Remuneration Committee is chaired by Margaret Snowdon OBE, who is Senior Independent Non-Executive Director. Alan Bannatyne, Sarah Ing, Aisling Kennedy, Imogen Joss and Martin Sutherland are also members of the Committee. Imogen Joss and Martin Sutherland were appointed to the Committee in December 2023. The Committee meets at least twice a year and at such other times as the Chair of the Committee shall require or as the Board may direct. The Committee met five times during the year. All members attended every Committee meeting they were eligible to attend throughout the year.

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

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

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

Advisers

FIT Remuneration Consultants LLP (FIT), signatory to the Remuneration Consultants Group's Code of Conduct, was appointed by the Committee. FIT has been retained to provide advice to the Committee on matters relating to executive remuneration. FIT provided no other services to the Company and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of FY 2024 were £73,958 (FY 2023: £54,282). FIT's fees are charged on the basis of the firm's standard terms of business for advice provided.

The following (audited) section provides details of how the Directors were paid during the financial year to 31 March 2024.

Director		Salary/fees £	Taxable benefits[1] £	Bonus[2] £	Long-term incentives[3] £	Pension[4] £	Total remuneration £	Total fixed pay £	Total variable pay £
Executive Directors									
Ben Bramhall	**2024**	**356,048**	**13,320**	**534,072**	**748,403**	**19,985**	**1,671,828**	**389,353**	**1,282,475**
	2023	332,755	12,993	499,133	598,029	18,701	1,461,611	364,449	1,097,162
Paul Cuff	**2024**	**356,048**	**13,120**	**534,072**	**748,403**	**19,985**	**1,671,628**	**389,153**	**1,282,475**
	2023	332,755	12,793	499,133	598,029	18,701	1,461,411	364,249	1,097,162
Snehal Shah	**2024**	**300,745**	**12,872**	**375,931**	**526,797**	**17,069**	**1,233,414**	**330,686**	**902,728**
	2023	281,070	12,523	316,203	412,702	15,994	1,038,492	309,587	728,905
Non-Executive Directors									
Alan Bannatyne[5] – Chairman of Board and Chair of Nomination Committee	**2024**	**120,000**	**–**	**–**	**–**	**–**	**120,000**	**120,000**	**–**
	2023	100,398	–	–	–	–	100,398	100,398	–
Margaret Snowdon OBE – Chair of Remuneration Committee, Senior Independent NED and Designated Employee Engagement NED	**2024**	**75,000**	**–**	**–**	**–**	**–**	**75,000**	**75,000**	**–**
	2023	72,822	–	–	–	–	72,822	72,822	–
Sarah Ing – Chair of Audit & Risk and Sustainability Committees	**2024**	**75,000**	**–**	**–**	**–**	**–**	**75,000**	**75,000**	**–**
	2023	70,644	–	–	–	–	70,644	70,644	–
Aisling Kennedy[6]	**2024**	**60,000**	**–**	**–**	**–**	**–**	**60,000**	**60,000**	**–**
	2023	6,250	–	–	–	–	6,250	6,250	–
Imogen Joss[7]	**2024**	**19,048**	**–**	**–**	**–**	**–**	**19,048**	**19,048**	**–**
Martin Sutherland[7]	**2024**	**19,048**	**–**	**–**	**–**	**–**	**19,048**	**19,048**	**–**
Tom Cross Brown[8] – former Chairman of Board	2023	52,727	–	–	–	–	52,727	52,727	–
Total	**2024**	**1,380,937**	**39,312**	**1,444,075**	**2,023,603**	**57,039**	**4,944,966**	**1,477,288**	**3,467,678**
	2023	1,249,421	38,309	1,314,469	1,608,760	53,396	4,264,355	1,341,126	2,923,229

Governance

Advisers continued

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

2 No element of annual bonus was deferred in respect of bonuses shown.

3 The outturn for the July 2021 PSP which vests in July 2024 is expected to be 100% and the vesting share price has been estimated at 219.33p, based on the three-month average share price ended 31 March 2024. The grant share price for the award was 138p and accordingly the relevant figures are reflective of an increase of 59% in the Company's share price comparing the award price to the vesting price. Details of the performance measures and targets applicable to the 2021 PSP are set out on page 87. The outturn for the November 2020 PSP which vested on 30 November 2023 was 66% and the value has been updated reflecting the actual vesting share price of 237p and the dividend equivalents.

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

5 Appointed Non-Executive Chairman on 30 November 2022.

6 Appointed to the Board on 22 February 2023.

7 Appointed to the Board on 7 December 2023.

8 Stepped down from the Board on 8 September 2022.

FY 2024 annual bonus (audited)

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

	Threshold £'000	Target £'000	Maximum £'000	Actual £'000	Payout (% of this element)
Group adj. PBT (75% of potential)	36,066	37,384	38,672	44,975	100%

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

Ben Bramhall and Paul Cuff – Co-CEOs

Measure	Target	Performance	Assessment
Maintain high level of staff satisfaction and morale	Maintain high employee satisfaction score in employee survey	Exceptional employee Net Promoter Score of +31 achieved	100%
Progress inclusion and diversity agenda	Reduce gender pay gap	Median and mean gender pay gaps fell by 0.6% and 2.1% respectively between April 2023 and 2024	100%
	Increase females in senior management roles	Significant increase in the percentage of females in the senior management team achieved	
Maintain high level of client satisfaction	High level of client retention to be maintained	Client retention remained very high with no material client losses due to service quality	100%
Continued effectiveness of client care program		Client care programme continues to be embedded across the client base	
Pursue and execute accretive M&A opportunities	Execute smoothly any opportunities approved by the Board	Successful sale of National Pension Trust achieved with a smooth transition for staff and clients, and positive feedback from shareholders. Strategic partnership with acquirer has been maintained	100%
Technology	Smooth client transition onto new administration platform to commence	Transition commenced and remains largely on track against the plan	100%

Snehal Shah – CFO

Measure	Target	Performance	Assessment
Support improved KPIs and financial analysis of performance in certain business areas	Improved financial reporting to the Board and Executive Committee	Significant improvement made with granular management information leading to better business decisions	100%
Maintain OCF conversion	Above 90%	Achieved	100%
Debt reduction	Continue de-leveraging	Debt reduced during the year and NPT sale resulted in de-leveraging to below 0.5x at the end of the year	100%
Continue to drive strong shareholder interest and engagement in XPS	Meet with non-holders and secure at least two new institutional investors	Met with over 50 non-holders and in excess of 15 new institutional investors added in the year	100%

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

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

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

		Outcomes		
	Weightings	Ben Bramhall	Paul Cuff	Snehal Shah
Financial performance (% of this element)	75%	100%	100%	100%
Strategic performance (% of this element)	25%	100%	100%	100%
Total actual performance outcome (% of maximum)		100%	100%	100%
Total actual performance outcome (% of salary)		150%	150%	125%
Total actual performance outcome (£)		£534,072	£534,072	£375,931

Statement of Directors' shareholding and share interests (audited)

For each Director, the total number of Directors' interests in shares at 31 March 2024 was as follows:

Director	Ben Bramhall	Paul Cuff	Snehal Shah	Alan Bannatyne	Margaret Snowdon OBE	Sarah Ing	Aisling Kennedy	Imogen Joss	Martin Sutherland
Number of ordinary shares held as at 31 March 2024	**821,374**	**489,016**	**150,902**	**36,594**	**30,303**	**15,000**	**—**	**—**	**—**
Share ownership requirement (% of salary)	200%	200%	200%	n/a	n/a	n/a	n/a	n/a	n/a
Share ownership requirement met?	Y	Y	N	n/a	n/a	n/a	n/a	n/a	n/a
Holding as % of March 2023 salary	**533%**	**317%**	**116%[1]**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Number of ordinary shares held as at 31 March 2023	1,699,549	967,191	66,830	36,594	30,303	15,000	—	—	—

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

The shareholdings above include those held by Directors and their respective connected persons. There were no changes in the Directors' interests in shares between 31 March 2024 and 19 June 2024.

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

Awards granted in the year under the PSP (audited)

The following nominal cost option PSP awards were granted in July 2023.

These awards vest in 2026 subject to performance relating to a mix of adjusted EPS, relative TSR and ESG-related targets. The details of these targets are shown in the "Outstanding share plan awards" section below.

Director	Date of grant	Basis of award (% of salary)	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Ben Bramhall	17 July 2023	175%	£623,084	333,200	July 2026
Paul Cuff	17 July 2023	175%	£623,084	333,200	July 2026
Snehal Shah	17 July 2023	150%	£451,117	241,239	July 2026

1 Based on the share price of £1.87 on 14 July 2023.

Outstanding share plan awards (audited)

Details of all outstanding PSP awards made to Executive Directors are set out below:

Director	Date of grant	Exercise price	Interests held at 31 March 2023	Interests awarded during the year	Interests vested during the year	Interests lapsed during the year	Interests held at 31 March 2024	Vesting period
Ben Bramhall	30 November 2020	0.05p	348,387	—	230,632[1]	117,755	—	November 2023
	1 July 2021	0.05p	341,217	—	—	—	341,217	July 2024
	1 July 2022	0.05p	383,948	—	—	—	383,948	July 2025
	17 July 2023	0.05p	—	333,200	—	—	333,200	July 2026
Paul Cuff	30 November 2020	0.05p	348,387	—	230,632[2]	117,755	—	November 2023
	1 July 2021	0.05p	341,217	—	—	—	341,217	July 2024
	1 July 2022	0.05p	383,948	—	—	—	383,948	July 2025
	17 July 2023	0.05p	—	333,200	—	—	333,200	July 2026
Snehal Shah	30 November 2020	0.05p	240,423	—	159,160[3]	81,263	—	November 2023
	1 July 2021	0.05p	240,181	—	—	—	240,181	July 2024
	1 July 2022	0.05p	270,260	—	—	—	270,260	July 2025
	17 July 2023	0.05p	—	241,239	—	—	241,239	July 2026

1 On 12 December 2023, Ben Bramhall exercised awards over 230,632 shares granted on 30 November 2020 and sold 108,807 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £2.20.

2 On 11 December 2023, Paul Cuff exercised awards over 230,632 shares granted on 30 November 2020 and sold 108,807 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £2.20.

3 On 11 December 2023, Snehal Shah exercised awards over 159,160 shares granted on 30 November 2020 and sold 84,072 shares to settle resultant tax and social security obligations. The closing share price on the day of exercise was £2.20.

Vesting outcomes for the FY 2022 PSP awards (granted in July 2021)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in July 2024 subject to performance relating to: (i) adjusted earnings per share (EPS) targets as to 75% of the award; and (ii) relative total shareholder return (TSR) targets as to the remaining 25% of the award.

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

Diluted adjusted EPS for the three-year period to the end of FY 2024	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 3% above CPI	0%
CAG of 3% above CPI	25%
CAG of between 3% and 7% above CPI	Between 25% and 100% on a straight-line basis
CAG of 7% or more above CPI	100%
Actual performance[1]: CAG of 12.6% above CPI	100%

1 Measured by normalising for the impact of IFRS 16 and on a constant tax rate basis, to ensure the outturn is an accurate reflection of operational performance.

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

2 Based on performance to the end of May. This is an estimate as TSR performance will be measured to the third anniversary of the date of grant which is 1 July 2024.

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

Based on the above the expected percentage of the total award vesting is 100% of maximum. Details of the shares under award and their estimated value (based on the three-month average share price at 31 March 2024 of 219.33p per share) are as follows:

Executive	Maximum number of shares	Number of shares to vest	Number of shares to lapse	Estimated value vesting £[1]
Ben Bramhall	341,217	341,217	—	748,403
Paul Cuff	341,217	341,217	—	748,403
Snehal Shah	240,181	240,181	—	526,797

1 Based on the three-month average share price to 31 March 2024.

The awards also receive the value of dividend equivalents.

FY 2023 PSP awards (granted in July 2022)

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

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

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

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

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

FY 2024 PSP awards (granted in July 2023)

These awards comprise nominal cost options with an exercise price of 0.05p per option and vest in 2026. These awards comprised a main award of 150% and 125% of salary for the Co-CEOs and the CFO respectively and a one-off additional award of 25% of salary.

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

For the main award, there are three performance criteria, with the vesting of 70% of the shares under this award subject to EPS performance, 20% subject to relative total shareholder return and the remaining 10% is based on a reduction of the Company's CO_2 emissions.

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

Diluted adjusted EPS[1] for the three-year period to the end of FY 2026	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 5%	0%
CAG of 5%	25%
CAG of between 5% and 10%	Between 25% and 100% on a straight-line basis
CAG of 10% or more	100%

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

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

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

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

XPS Group's CO_2 emissions[3] for the three-year period to the end of the FY 2026	Portion of award vesting
Below 20% reduction	0%
20% reduction	25%
Between 20% and 30% reduction	Between 25% and 100% on a straight-line basis
30% or more reduction	100%

3 The CO_2 emissions are based on Scope 1 and 2 emissions and will be calculated on an emissions per number of employees basis.

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

Diluted adjusted EPS[1] for the three-year period to the end of the FY 2026	Portion of award vesting
CAG of 10%	0%
CAG of between 10% and 15%	Between 25% and 100% on a straight-line basis
CAG of 15% or more	100%

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

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

External Board appointments

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

Payments to past Directors (audited)

There were no payments to past Directors in the financial year FY 2024 (FY 2023: £nil).

Payments for loss of office (audited)

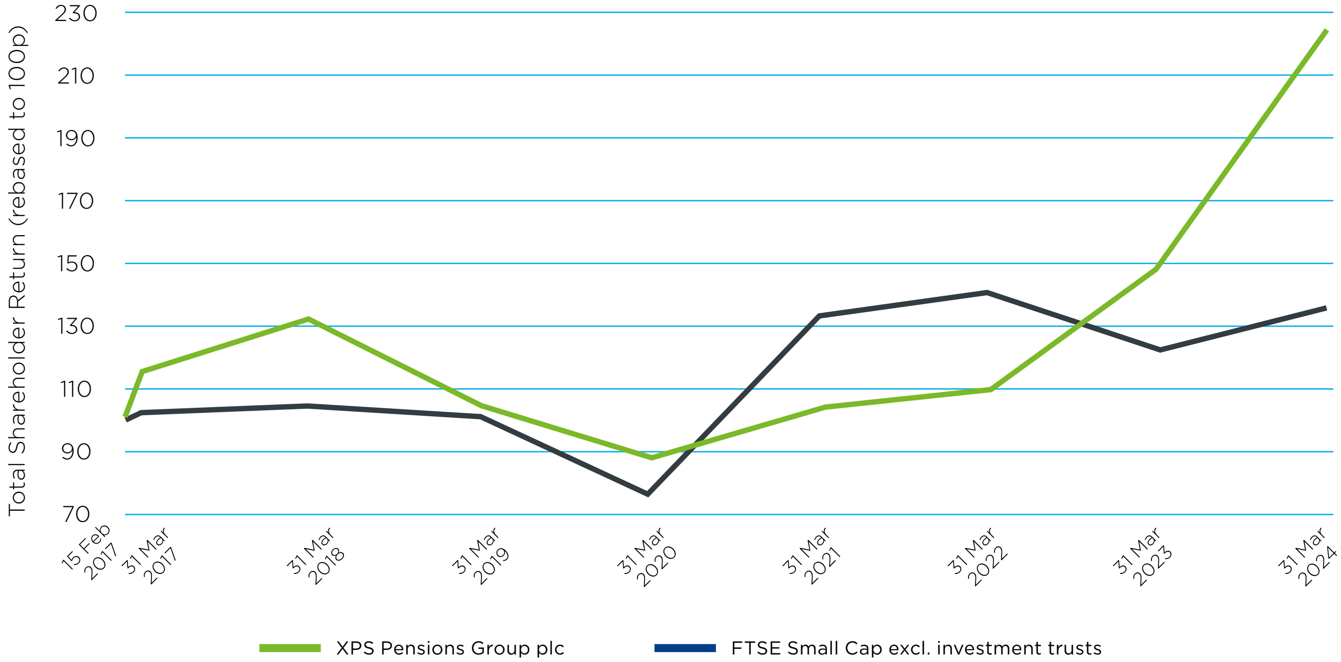
No payments were made to any Director in respect of loss of office in the financial year FY 2024 (FY 2023: £nil).

Review of past performance and CEO remuneration table (unaudited)

The graph below shows the TSR of the Company and the FTSE Small Cap Index (excluding investment trusts) over the period from admission to 31 March 2024. This is considered an appropriate comparator for XPS Group, which was a constituent of the FTSE Small Cap Index during the year.

Total shareholder return

Source: Refinitiv Eikon (an LSEG product)



Governance

Total shareholder return continued

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

		Single total figure of remuneration	Annual bonus payout as % of maximum	Long-term incentive vesting rates as % of maximum
2024	**Ben Bramhall**	**£1,671,828**	**100%**	**100%[1]**
	Paul Cuff	**£1,671,628**	**100%**	**100%[1]**
2023	Ben Bramhall	£1,461,611	100%	66%
	Paul Cuff	£1,461,411	100%	66%
2022	Ben Bramhall	£893,195	79%[2]	38%
	Paul Cuff	£892,995	79%[2]	38%
2021	Ben Bramhall	£692,741	68%	21%
	Paul Cuff	£692,541	68%	21%
2020	Ben Bramhall	£569,272	30%[3]	40%
	Paul Cuff	£569,272	30%[3]	40%
2019	Ben Bramhall	£362,803	12%[4]	n/a
	Paul Cuff	£362,803	12%[4]	n/a
2018	Ben Bramhall	£546,138	79%	n/a
	Paul Cuff	£545,724	79%	n/a
2017	Ben Bramhall	£286,882	31%	n/a
	Paul Cuff	£4,179,695	31%	n/a

1 The vesting rate relates to the July 2021 award that is due to vest in July 2024 and is, in part, based on estimated vesting levels at 31 March 2024.

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

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

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

Percentage change in remuneration of Directors and employees (unaudited)

The table on page 93 presents the year on year percentage change in remuneration received by each Director, compared with the change in remuneration received by all XPS Group staff.

The percentage changes are impacted where a Director has been in role for part of a year and for Non-Executive Directors are reflective of changes to individual committee and other responsibilities, as well as adjustments to fee levels.

	Percentage change in remuneration from 31/03/2020 to 31/03/2021			Percentage change in remuneration from 31/03/2021 to 31/03/2022			Percentage change in remuneration from 31/03/2022 to 31/03/2023			**Percentage change in remuneration from 31/03/2023 to 31/03/2024**		
	Base salary %	Benefits %	Bonus %	Base salary %	Benefits %	Bonus %	Base salary %	Benefits %	Bonus %	**Base salary %**	**Benefits %**	**Bonus %**
Ben Bramhall	0%	—	127%	9%	2%	27%	6%	18%	29%	**7%**	**3%**	**7%**
Paul Cuff	0%	(2)%	127%	9%	2%	27%	6%	18%	29%	**7%**	**3%**	**7%**
Snehal Shah	20%[1]	23%[1]	177%	9%	2%	27%	6%	17%	29%	**7%**	**3%**	**19%**
Tom Cross Brown	0%	—	—	0%	—	—	(56%)[2]	—	—	**—**	**—**	**—**
Alan Bannatyne	0%	—	—	0%	—	—	34%[3]	—	—	**20%[3]**	**—**	**—**
Margaret Snowdon OBE	4%	—	—	0%	—	—	4%	—	—	**3%**	**—**	**—**
Sarah Ing	14%[4]	—	—	0%	—	—	9%	—	—	**6%**	**—**	**—**
Aisling Kennedy	—	—	—	—	—	—	—	—	—	**860%[5]**	**—**	**—**
Imogen Joss[6]	—	—	—	—	—	—	—	—	—	**—**	**—**	**—**
Martin Sutherland[6]	—	—	—	—	—	—	—	—	—	**—**	**—**	**—**
All UK employees	3.2%	(8)%	68%	5.9%	(12)%	14%	10%	6%	46%	**8.4%**	**15%**	**11%**

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

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

3 Alan Bannatyne was appointed as Chairman on 30 November 2022, previously Non-Executive Director; accordingly, the percentage difference shown represents a partial year of the increased fee (FY 2023) and a full year (FY 2024).

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

5 Aisling Kennedy was appointed as Non-Executive Director on 22 February 2023; accordingly, the percentage difference shown represents a comparison between full year (FY 2024) and a part year (FY 2023).

6 Imogen Joss and Martin Sutherland were appointed to the Board on 7 December 2023.

CEO pay (unaudited)

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

Year	Method		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	**Option A**	**Total pay ratio**	**53:1**	**39:1**	**25:1**
2023	Option A	Total pay ratio	40:1	29:1	21:1
2022	Option A	Total pay ratio	31:1	22:1	15:1
2021	Option A	Total pay ratio	27:1	19:1	13:1
2020	Option A	Total pay ratio	24:1	13:1	11:1

Notes

The Company determined the remuneration figures at each quartile with reference to a date of 31 March 2024.

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

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

This year the ratios have increased compared to the previous year. This increase reflects the increase in the Co-CEOs' single figure of remuneration for 2024, which can be found on page 90.

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

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

	25th percentile	Median	75th percentile
Salary	£28,740	£48,617	£57,000
Total pay and benefits	£31,845	£60,109	£65,757

Relative importance of spend on pay (unaudited)

The table below details the change in total staff pay between FY 2023 and FY 2024 as detailed in note 10 of the financial statements, compared with distributions to shareholders by way of dividends, share buy-backs or any other significant distributions or payments. These figures have been calculated in line with those in the audited financial statements.

£'000	FY 2024	FY 2023	% change
Total gross staff pay	**97,467**	83,009	17
Distributions to shareholders	**18,025**	15,331	18

Statement of shareholder voting (unaudited)

The table below shows the outcome of the binding vote on the Directors' Remuneration Policy at the General Meeting held on 7 March 2024 and the advisory vote on the FY 2023 Directors' Remuneration Report held on 7 September 2023.

AGM resolution	Votes for	%	Votes against	Votes withheld
Directors' Remuneration Policy	131,060,632	76.44	40,386,688	4,362,067
Directors' Remuneration Report	162,820,119	84.71	29,399,220	35,033

Implementation of Policy for FY 2025 (unaudited information)

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in the year ending 31 March 2025.

Base salary

Base salaries are as follows with effect from 1 April 2024:

- Ben Bramhall – £372,070;
- Paul Cuff – £372,070; and
- Snehal Shah – £321,796.

Benefits in kind

Benefits will be paid in line with the Directors' Remuneration Policy. Details of the benefits received by Executive Directors are set out in the single figure table on page 90. There is no intention to introduce additional benefits in 2024/25.

Pension

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

Annual bonus

Bonus maxima of 150% of salary will be applied for the Co-Chief Executive Officers and 125% for the Chief Financial Officer. Bonus payments up to 100% of salary will be paid as cash with amounts in excess of this deferred into shares for two years.

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

In addition:

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

Owing to the Board's concerns about commercial sensitivity, we do not believe it is in shareholders' interests to disclose any further details of these targets on a prospective basis. However, the Company is committed to adhering to principles of transparency and will, provided disclosure of targets is not deemed to be commercially sensitive, make appropriate and relevant levels of disclosure of bonus targets and performance against these targets for the FY 2025 bonus in next year's report. The targets will be set to ensure both consistency and fairness to all stakeholders.

PSP awards

It is intended that the PSP awards will be made in FY 2025. The award levels will be no more than 150% of salary for the Co-CEOs and 125% for the CFO.

Vesting of the awards will be based on three performance criteria, with the vesting of 70% of the shares subject to EPS performance, 20% subject to relative total shareholder return and the remaining 10% based on a reduction of the Company's CO_2 emissions.

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

Diluted adjusted EPS[1] for the three-year period to the end of FY 2027	Portion of award vesting
Compound annual growth in EPS (CAG) of less than 5%	0%
CAG of 5%	25%
CAG of between 5% and 10%	Between 25% and 100% on a straight-line basis
CAG of 10% or more	100%

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

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

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

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

XPS Group's CO_2 emissions[3] for the three-year period to the end of FY 2027	Portion of award vesting
Below 20% reduction	0%
20% reduction	25%
Between 20% and 30% reduction	Between 25% and 100% on a straight-line basis
30% or more reduction	100%

3 The CO_2 emissions are based on Scope 1 and 2 emissions and will be calculated on an emissions per number of employees basis.

Minimum shareholding requirement

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

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

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

The following fee levels become effective from 1 April 2024.

Alan Bannatyne receives an annual fee of £150,000 for his role as Board Chairman.

The Non-Executive Directors are entitled to a fee of £60,000 p.a., with an additional fee of £15,000 p.a. for the Chair of the Audit & Risk Committee and £10,000 p.a. for each of the Senior Independent Director, Chair of the Remuneration Committee and Chair of the Sustainability Committee. The Designated Employee Engagement Non-Executive Director receives an additional £5,000 p.a.

This report was reviewed and approved by the Board of Directors on 19 June 2024 and was signed on its behalf by:

Margaret Snowdon OBE
Chair of the Remuneration Committee
19 June 2024

The Directors present their Annual Report on the activities of XPS Pensions Group plc (the "Group"), together with the audited financial statements for the year ended 31 March 2024.

The Governance section on pages 54 to 100 forms part of this Directors' Report. Other requisite components of this report are set out elsewhere in this Annual Report. The Strategic Report provides information relating to the Group's activities, its business and strategy, engagement with stakeholders, the principal risks and uncertainties faced by the business and environmental and employee matters. These sections, together with the Statement of Corporate Governance and Directors' Remuneration Report, provide an overview of the Group and give an indication of future developments in the Group's business, so providing a balanced assessment of the Group's position and prospects. These reports and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with such reports shall be subject to the limitations and restrictions provided by such law. XPS Pensions Group plc is a member of the FTSE All-Share Index, trading under the ticker symbol XPS.

The table on page 99 details where certain other information, which forms part of the Directors' Report, can be found within this Annual Report.

Going concern

Please refer to the Going Concern Statement in the Strategic Report on page 44 and the Viability Statement on page 53 for details on the assessment carried out by the Directors with regard to going concern.

Results and dividend

The Group's audited financial statements for the year ended 31 March 2024 are set out on pages 109 to 145 and the Company's audited financial statements are set out on pages 146 to 153. The Group's profit after taxation for the year ended 31 March 2024 was £54.2 million (FY 2023: £15.8 million). An interim dividend of 3.0p per ordinary share (FY 2023: 2.7p) was paid on 5 February 2024. The Directors recommend a final dividend for the year of 7.0p per ordinary share (FY 2023: 5.7p) to be paid on 23 September 2024 to shareholders on the register on 23 August 2024.

Further information regarding dividend policy and payments can be found in the Financial Review on page 43 and in note 36 to the financial statements on page 145.

Post balance sheet events

There have been no significant post balance sheet events to report since 31 March 2024.

Directors

The current Directors of the Company, with summaries of their key strengths and experience, are set out in the Governance section on pages 56 and 57. Directors on the Board during the year and up to the date of this report are as follows:

Alan Bannatyne
Ben Bramhall
Paul Cuff
Snehal Shah
Margaret Snowdon OBE
Sarah Ing
Aisling Kennedy
Imogen Joss (appointed 7 December 2023)
Martin Sutherland (appointed 7 December 2023)

Details of the Directors' service contracts are shown in the report of the Remuneration Committee on page 82.

Details of share options granted to Directors and the interests of the Directors in the ordinary shares of the Company are set out in the Remuneration Report on pages 87 to 91.

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

Information	Location within Annual Report
Likely future developments in the business of the Company	Strategic Report (pages 8 to 17)
Inclusion and diversity	Sustainability (pages 24 and 25), Nomination Committee (page 65)
Employee involvement	Sustainability (pages 22 to 26), Co-Chief Executive Officers' Review (page 17) and S172 Statement (pages 18 and 19)
Directors' share interests	Directors' Remuneration Report (pages 87 and 88)
Emissions and energy consumption	Strategic Report (page 30)
Financial risk management objectives and policies	Note 2 to the financial statements (page 122)
Directors' regard to foster business relationships	Strategic Report (page 18)

Capital structure

The Company's issued ordinary share capital and total voting rights at 31 March 2024 and the date of this report were 207,544,975 ordinary shares (each with a par value of 0.05p and all fully paid). There were no ordinary shares held in treasury. As at 31 March 2024 1,512,760 ordinary shares were held in the Employee Benefit Trust, and as at the date of this report, 1,388,956 shares were held in the Employee Benefit Trust. Further details of the Company's issued share capital are given in note 29 of the financial statements on page 140.

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

Restrictions on shares

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

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

As at the date of this report, the Trustee of the Group's Employee Benefit Trust holds 1,388,956 ordinary shares in the Company but has waived its entitlement to dividends and does not seek to exercise the voting rights on those shares.

Major interests in shares

The table on page 98 shows the interests in shares (whether directly or indirectly held) notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules as at 31 March 2024 and 31 May 2024 (being the latest practicable date prior to publication of this Annual Report).

Appointment and retirement of Directors

The Board may from time to time appoint one or more additional Directors so long as the total number of Directors does not exceed the limit of 12 prescribed in the Articles of Association. Any person so appointed will retire at the next Annual General Meeting and then be eligible for re-election. The UK Corporate Governance Code recommends that all Directors be subject to annual re-election by shareholders. All Directors will offer themselves for re-election at the 2024 Annual General Meeting.

Powers of Directors

The business of the Company shall be managed by the Directors, who may exercise all powers of the Company, subject to legislation, the provisions of the Articles of Association and any directions given by special resolution. The Articles of Association contain specific provisions governing the Company's power to borrow money and also provide the powers to issue shares and to make purchases of its own shares. In accordance with the authorities granted at the 2023 Annual General Meeting, the Directors are authorised, within certain limits, to allot shares or grant rights to subscribe for shares in the Company and to make market purchases of the Company's own shares representing up to 10% of its share capital at that time. Details of the proposed renewal of authorities of the Directors are set out in the Notice of the 2024 Annual General Meeting.

Political donations

No political contributions were made, or political expenditure incurred, by the Company and its subsidiaries during the year (FY 2023: £nil).

Provisions on change of control

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

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

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

Articles of Association

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

Auditor and disclosure of information to the auditor

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

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

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

Annual General Meeting

Details of the forthcoming Annual General Meeting are given in the Statement of Corporate Governance on page 62.

	At 31 March 2024		At 31 May 2024	
Shareholder	**Number of ordinary shares**	**Percentage of total voting rights**	Number of ordinary shares	Percentage of total voting rights
Gresham House Asset Management	**33,471,239**	**16.13**	33,471,239	16.13
Abrdn	**19,325,366**	**9.31**	21,458,916	10.34
Schroder Investment Management	**15,534,549**	**7.48**	15,560,013	7.50
J.P. Morgan Asset Management	**13,913,853**	**6.70**	15,595,917	7.51
BlackRock	**12,292,158**	**5.92**	12,332,856	5.94
Premier Miton Investors	**11,816,361**	**5.69**	10,263,839	4.95

Listing Rule (LR) disclosures

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

Item	Location
Interest capitalised	None
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Details of the Company's long-term incentive scheme can be found in the Remuneration Committee Report on page 76
Waiver of emoluments by a Director	None
Waiver of future emoluments by a Director	None
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Contracts of significance in which a Director is or was interested	None
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividend for the year and future dividends	Dividend waiver by the Trustee of the Group's Employee Benefit Trust – see page 97 of this report
Agreements with controlling shareholder	Not applicable

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

By order of the Board:

Snehal Shah
Chief Financial Officer
19 June 2024

Directors’ responsibility statement

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

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

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

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

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

Statement of the Directors in respect of the Annual Report and accounts

As required by the UK Corporate Governance Code, the Directors confirm that they consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes, including the following:

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

Responsibility statement

The Directors confirm that to the best of their knowledge:

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

Snehal Shah
Chief Financial Officer
19 June 2024

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of XPS Pensions Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2024 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Financial Position – Company, Statement of Changes in Equity – Company, Statement of Cash Flows – Company, Notes to the Consolidated Financial Statements and Notes to the Financial Statements – Company, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the Directors on 27 February 2013 to audit the financial statements for the year ended 31 March 2014 and subsequent financial periods, noting the listing of the Parent Company in the year ended 31 March 2016. The period of total uninterrupted engagement including retenders and reappointments is 11 years, covering the years ended 31 March 2014 to 31 March 2024. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

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

- Assessing the reasonableness of assumptions in preparation of cash flow forecasts, with consideration of historical performance, review and challenge of revenue growth rate assumptions and the Group's ability to meet working capital requirements over the going concern period;
- Assessing the current period actuals against the prior period forecasts and also assessing the period to May 2024 actuals against current period forecast to determine forecasting ability;
- Assessing the Directors' going concern assessment and mathematical accuracy of cash flow forecasts and sensitivities used in respect of the worst case and reasonable downturn scenario models using our knowledge of the business;
- Reviewing the terms and period of the Group's bank facility agreement and consideration of the sufficiency of the facility available throughout the going concern period;
- Considering the Group's compliance with banking covenants and related headroom in light of the Directors' worst case scenario modelled;
- Considering the options available to the Directors' to mitigate the impact of the worst case scenario and whether such actions are within their control; and
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure with the forecast and worst case scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Other matters

The corresponding figures in the Statement of Cash Flows – Company are unaudited.

Overview

Coverage	89% (FY 2023: 81%) of Total EBITDA less gain on disposal 89% (FY 2023: 96%) of Group revenue (EBITDA – calculated as profit before tax, less depreciation, amortisation and finance costs)		
Key audit matters		**2024**	2023
	Valuation of contract assets - accrued income	✓	✓
Materiality	Group financial statements as a whole 2024: £1,410,000 based on 3% of Total EBITDA less gain on disposal 2023: £1,000,000 based on 3% of Total EBITDA		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Significant components:

Component	Type of work performed
XPS Pensions Group plc	Full scope audit
XPS Pensions Consulting Limited	Full scope audit
XPS Pensions Limited	Full scope audit
XPS Investment Limited	Full scope audit
XPS Administration Limited	Full scope audit

All components are located in the UK and are centrally managed and controlled.

Non-significant components:

Other than the five significant components noted above, there were 12 other components within the Group which formed part of our Group audit.

The following two non-significant components were subject to a full scope audit on account of them being part of a non-small group and being entities that do not avail themselves of a parental guarantee from audit under s479A of the Companies Act 2006:

Component	Type of work performed
XPS SIPP Services Limited	Full scope audit
XPS Consulting (Reading) Limited	Full scope audit

All 10 of the remaining non-significant components were subjected to group procedures on revenue balances, procedures on financial statement area balances greater than the materiality thresholds, and desktop review procedures. All audit work on all entities (significant or non-significant) was undertaken by the Group audit engagement team.

Climate change

Our work on the assessment of potential impacts on climate-related risks on XPS Pensions Group plc's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the Annual Report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board, Audit & Risk Committee and Sustainability Committee meetings and other papers related to climate change, and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic Report may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in the Directors' going concern assessment and viability.

We also assessed the consistency of management's disclosures included as 'Statutory Other Information' including Task force Climate-Related Financial Disclosures (TCFD) and the Streamlined Energy and Carbon Reporting (SECR) within the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

An overview of the scope of our audit continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of contract assets – accrued income Refer to Note 1, Note 8 and Note 21 of the Financial Statements.	The Group has a total contract assets – accrued income of £16.7 million (FY 2023: £16.4 million) as disclosed in note 21 of the financial statements. Valuation of contract assets – accrued income was considered a fraud risk due to the recognition being highly subjective and involving management's judgements around the amount of revenue to be billed in the future and the subsequent recovery of the revenue being uncertain. Management's judgement relates to the time recorded against each client project versus the amount billed, as well as other factors including expected recoverability levels based on past experience, the nature of the work undertaken, and to what extent the performance obligations have been met. The risk around the valuation of contract assets – accrued income has been determined to be both over and understatement through judgements made by management in its valuation at year end, or in recording time that relates to work performed in the financial year that is not included in contract assets - accrued income at year end. This results in the valuation of contract assets – accrued income being assessed as an area of significant risk of material misstatement and therefore a key audit matter.	Year-end valuation was assessed by selecting a sample of contract assets - accrued income balances from the accrued income listing and agreeing the inputs in the calculation back to contracts with the customers, underlying timesheet data from the time recording system and where possible, subsequent invoices raised post year end with related statement of activity, to assess the reasonableness of the judgement applied by management in the valuation. In addition, where possible, we agreed our sample to subsequent cash receipt in the bank statements to assess the reasonableness of the judgement applied by management in assessing the recoverability of the balances. We also compared the time recorded in the March 2024 monthly timesheet report as extracted from the timesheet recording system, to the time recorded in the accrued income listing to assess if the valuation of accrued income was understated based on omitted time worked. We tested the operating effectiveness of the relevant control over the time recording system. **Key observations:** Based on the procedures undertaken, we did not identify any evidence that suggests that the judgement applied by management is inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our application of materiality continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2024	2023	2024	2023
Materiality	£1,410,000	£1,000,000	£1,057,000	£750,000
Basis for determining materiality	3% of Total EBITDA less gain on disposal	3% of Total EBITDA	4% of Company Net Assets capped at 75% of Group materiality.	4% of Company Net Assets capped at 75% of Group materiality.
Rationale for the benchmark applied	EBITDA less gain on disposal is considered to be the benchmark that is of the most interest to the majority of users of the financial statements based on investor and stakeholder expectations.		75% of Group materiality given the assessment of the component's aggregation risk.	
Performance materiality	£1,057,000	£700,000	£790,000	£525,000
Basis for determining performance materiality	75%	70%	75%	70%
Rationale for the percentage applied for performance materiality	These thresholds are based on our knowledge of the Group and Parent Company, control environment over financial reporting, history of misstatements in previous periods and management's attitude to proposed adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 32% and 60% (FY 2023: 36% and 62%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality, apart from the Parent Company, ranged from £450,000 to £850,000 (FY 2023: £360,000 to £620,000). In the audit of each component, we further applied performance materiality levels of 75% (FY 2023: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £56,000 (FY 2023: £40,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 44 and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 53.
Other Code provisions	• The Directors' statement is fair, balanced and understandable as set out on page 100; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 52; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 47 to 52 ; and • The section describing the work of the Audit & Risk Committee set out on pages 66 to 69.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Non-compliance with laws and regulations

Based on:

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

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

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, employment law, consumer protection laws and regulations, and the Financial Conduct Authority regulations, including client money rules.

Our procedures in respect of the above included:

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

Fraud

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

- Enquiry with management and the Audit & Risk Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of the Board of Directors 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
- Performing an assessment of the Group's IT environment and as part of this work, we tested the operating effectiveness of financial systems including the general ledger system and the time recording system. We also tested IT application level controls in relation to the time recording system in revenue.

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud continued

Fraud continued

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, specifically the risk of management overriding the control environment to either overstate or understate the EBITDA reported, and to overstate or understate the valuation of contract assets - accrued income.

Our procedures in respect of the above included:

- Selecting a sample of journal entries throughout the year which met a defined risk criteria, and testing these by agreeing to supporting documentation;
- In response to the risk of fraud in contract asset – accrued income, performing the procedures set out in the 'Key Audit Matters' section of this report; and
- Assessing in aggregate, material estimates and judgements made by management that affect EBITDA for bias.

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Andrew Radford
A42BFCDC38704BE...

Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
19 June 2024

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

Consolidated statement of comprehensive income
for the year ended 31 March 2024

	Note	Year ended 31 March 2024 Trading items £'000	Year ended 31 March 2024 Non-trading and exceptional items[1] £'000	Year ended 31 March 2024 Total £'000	Year ended 31 March 2023 Trading items £'000	Year ended 31 March 2023 Non-trading and exceptional items[1] £'000	Year ended 31 March 2023 Total £'000
Revenue	8	**199,432**	**—**	**199,432**	166,596	—	166,596
Other operating income	4	**—**	**92**	**92**	—	197	197
Operating expenses	9	**(149,960)**	**(15,128)**	**(165,088)**	(129,652)	(14,413)	(144,065)
Gain on disposal	7	**—**	**32,538**	**32,538**	—	—	—
Profit/(loss) from operating activities		**49,472**	**17,502**	**66,974**	36,944	(14,216)	22,728
Finance income	14	**50**	**—**	**50**	10	—	10
Finance costs	14	**(4,543)**	**—**	**(4,543)**	(3,596)	—	(3,596)
Profit/(loss) before tax		**44,979**	**17,502**	**62,481**	33,358	(14,216)	19,142
Income tax (expense)/credit	15	**(11,483)**	**3,169**	**(8,314)**	(6,215)	2,910	(3,305)
Profit/(loss) after tax and total comprehensive income/(loss) for the year		**33,496**	**20,671**	**54,167**	27,143	(11,306)	15,837
Memo							
EBITDA		**55,295**	**24,536**	**79,831**	42,448	(7,334)	35,114
Depreciation and amortisation		**(5,823)**	**(7,034)**	**(12,857)**	(5,504)	(6,882)	(12,386)
Profit/(loss) from operating activities		**49,472**	**17,502**	**66,974**	36,944	(14,216)	22,728

	Note	Pence		Pence	Pence		Pence
Earnings per share attributable to the ordinary equity holders of the Company:		**Adjusted**			Adjusted		
Profit or loss:							
Basic earnings per share	34	**16.2**	**—**	**26.2**	13.2	—	7.7
Diluted earnings per share	34	**15.3**	**—**	**24.7**	12.6	—	7.3

1 See note 6 for additional information regarding non-trading and exceptional items.

The notes on pages 113 to 145 form part of these financial statements.

Consolidated statement of financial position
as at 31 March 2024

	Note	**31 March 2024 £'000**	31 March 2023 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**3,976**	3,079
Right-of-use assets	17	**8,892**	9,684
Intangible assets	18	**208,070**	212,103
Other financial assets	20	**–**	1,847
		220,938	226,713
Current assets			
Trade and other receivables	21	**50,922**	43,765
Cash and cash equivalents	22	**10,005**	13,285
		60,927	57,050
Total assets		**281,865**	283,763
Liabilities			
Non-current liabilities			
Loans and borrowings	23	**23,386**	67,310
Lease liabilities	17	**7,295**	7,234
Provisions	27	**1,802**	1,869
Trade and other payables	25	**–**	845
Deferred income tax liabilities	19	**15,593**	18,445
		48,076	95,703
Current liabilities			
Lease liabilities	17	**1,872**	2,701
Provisions	27	**1,914**	2,009
Trade and other payables	25	**43,722**	31,218
Current income tax liabilities	26	**427**	2,280
Contingent consideration	28	**–**	568
		47,935	38,776
Total liabilities		**96,011**	134,479
Net assets		**185,854**	149,284
Equity			
Equity attributable to owners of the Parent			
Share capital	29	**104**	104
Share premium	30	**1,786**	1,786
Merger relief reserve	30	**48,687**	48,687
Investment in own shares held in trust	30	**(2,925)**	(1,350)
Retained earnings	30	**138,202**	100,057
Total equity		**185,854**	149,284

The notes on pages 113 to 145 form part of these financial statements.

The financial statements were approved by the Board of Directors on 19 June 2024 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
19 June 2024

Registered number: 08279139

Consolidated statement of changes in equity

for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Investment in own shares £'000	Accumulated (deficit)/ retained earnings £'000	Total equity £'000
Balance at 1 April 2022	103	116,804	48,687	(4,157)	(17,002)	144,435
Profit after tax and total comprehensive income for the year	—	—	—	—	15,837	15,837
Contributions by and distributions to owners:						
Share capital issued	1	1,786	—	—	—	1,787
Share premium reduction	—	(116,804)	—	—	116,804	—
Dividends paid (note 36)	—	—	—	—	(15,331)	(15,331)
Dividend equivalents paid on exercised share options	—	—	—	—	(549)	(549)
Shares purchased by Employee Benefit Trust for cash	—	—	—	(2,200)	—	(2,200)
Share-based payment expense – equity settled from Employee Benefit Trust	—	—	—	5,007	(4,137)	870
Share-based payment expense – IFRS 2 charge (note 13)	—	—	—	—	3,892	3,892
Deferred tax movement in respect of share-based payment expense (note 19)	—	—	—	—	258	258
Current tax movement in respect of share-based payment expense	—	—	—	—	285	285
Total contributions by and distributions to owners	1	(115,018)	—	2,807	101,222	(10,988)
Balance at 31 March 2023	104	1,786	48,687	(1,350)	100,057	149,284
Balance at 1 April 2023	104	1,786	48,687	(1,350)	100,057	149,284
Profit after tax and total comprehensive income for the year	—	—	—	—	54,167	54,167
Contributions by and distributions to owners:						
Dividends paid (note 36)	—	—	—	—	(18,025)	(18,025)
Dividend equivalents paid on exercised share options	—	—	—	—	(576)	(576)
Shares purchased by Employee Benefit Trust for cash	—	—	—	(5,621)	—	(5,621)
Share-based payment expense – equity settled from Employee Benefit Trust	—	—	—	4,046	(4,019)	27
Share-based payment expense – IFRS 2 charge (note 13)	—	—	—	—	4,910	4,910
Deferred tax movement in respect of share-based payment expense (note 19)	—	—	—	—	1,167	1,167
Current tax movement in respect of share-based payment expense	—	—	—	—	521	521
Total contributions by and distributions to owners	—	—	—	(1,575)	(16,022)	(17,597)
Balance at 31 March 2024	**104**	**1,786**	**48,687**	**(2,925)**	**138,202**	**185,854**

The notes on pages 113 to 145 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Cash flows from operating activities			
Profit for the year		**54,167**	15,837
Adjustments for:			
Depreciation	16	**892**	897
Depreciation of right-of-use assets	17	**2,887**	2,854
Amortisation	18	**9,061**	8,635
Finance income	14	**(50)**	(10)
Finance costs	14	**4,543**	3,596
Gain on sale of business	7	**(34,639)**	—
Loss on disposal of right-of-use assets	17	**117**	—
Share-based payment expense	13	**4,910**	3,892
Other operating income	4	**(92)**	(197)
Income tax expense	15	**8,314**	3,305
		50,110	38,809
Increase in trade and other receivables		**(7,462)**	(3,432)
Increase in trade and other payables		**11,993**	3,603
(Decrease)/increase in provisions		**(379)**	442
		54,262	39,422
Income tax paid		**(11,331)**	(4,866)
Net cash inflow from operating activities		**42,931**	34,556
Cash flows from investing activities			
Finance income received	14	**50**	10
Acquisition of subsidiary, net of cash acquired	28	**(405)**	(8,268)
Purchases of property, plant and equipment	16	**(1,851)**	(640)
Purchases of software	18	**(5,655)**	(4,814)
Increase in restricted cash balances – other financial assets	20	**—**	(33)
Disposal of business	7	**37,035**	—
Net cash inflow/(outflow) from investing activities		**29,174**	(13,745)
Cash flows from financing activities			
Proceeds from the issue of share capital		**—**	1,787
Proceeds from loans net of capitalised costs		**8,000**	11,000
Repayment of loans		**(52,000)**	(7,000)
Payment relating to extension of loan facility		**(200)**	—
Sale of own shares		**27**	870
Purchase of ordinary shares by EBT		**(5,621)**	(2,200)
Interest paid		**(3,905)**	(2,985)
Lease interest paid		**(331)**	(311)
Payment of lease liabilities		**(2,754)**	(2,957)
Dividends paid to the holders of the Parent	36	**(18,025)**	(15,331)
Dividend equivalents paid on exercise of share options		**(576)**	(549)
Net cash outflow from financing activities		**(75,385)**	(17,676)
Net (decrease)/increase in cash and cash equivalents		**(3,280)**	3,135
Cash and cash equivalents at start of year		**13,285**	10,150
Cash and cash equivalents at end of year	22	**10,005**	13,285

The notes on pages 113 to 145 form part of these financial statements.

1 Accounting policies

XPS Pensions Group plc (the "Company") is a public limited company incorporated in the UK. The principal activity of the Group is employee benefit consultancy and related business services. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the going concern basis.

The preparation of financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS) requires management to exercise its judgement in the process of applying the Group's accounting policies. There are no critical accounting estimates within these financial statements. 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 significant accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

Functional and presentation currency

The financial statements are presented in British pounds which is the Company's functional currency. Figures are rounded to the nearest thousand.

Measurement convention

The financial information is prepared on the historical cost basis.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

The consolidated financial information presents the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial information incorporates the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date, with the exception of right-of-use assets and lease liabilities, which are measured at the present value of the lease liability discounted at acquisition date incremental borrowing rate (a rate that represents the amount that would be charged to acquire an asset of similar value for a similar period), with an adjustment to right-of-use assets to reflect favourable/non-favourable lease terms. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. For items acquired as part of a business combination, cost comprises the deemed fair value of those items at the date of acquisition. Depreciation on those items is charged over their estimated remaining useful lives from that date.

Depreciation is charged to profit and loss in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Estimated useful lives are as follows:

- Office equipment — 3 to 10 years
- Leasehold improvements — Over the remaining life of the lease
- Fixtures and fittings — 3 to 10 years

1 Accounting policies continued

Going concern

IFRS accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the financial statements. The Directors have taken notice of the Financial Reporting Council guidance, "Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks", which requires the reasons for this decision to be explained.

Management has prepared cash flow forecasts up to 31 October 2025, which the Directors have approved. These include the 12-month period from the date of approval of these financial statements. These forecasts show that during that period the Group is expected to generate sufficient cash from its operations to settle its liabilities as they fall due without the requirement for additional borrowings. This period has been chosen as October is the lowest point in the Group's working capital and cash cycle. Inflationary increases have been modelled using the OBR inflation forecasts for that period, and interest rate increase has been included in the forecasts based on latest market projections.

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 expected in the cash flow forecast. The Group does not have any non-financial covenants.

Management has also performed some scenario modelling to further assess the liquidity of the Group. Firstly, management has modelled a scenario at which the banking covenants could potentially be breached, which is the point where going concern could be threatened. In this worst case scenario, revenue is modelled to decrease significantly, partially offset with a reduction in staff bonuses. The headroom between this scenario and current performance, and the budget, is significant and a decrease of this magnitude is considered to be extremely unlikely. In addition, the Group has several additional cost reduction and cash preservation levers it could utilise, which include managing staff costs through a hiring freeze or reduction in workforce, a reduction in capital expenditure, and a reduction of dividends if this worst case scenario was to happen. Another scenario modelled was a reasonable downside scenario, where no growth is experienced in revenues not related to compliance. The result of this reasonable downside scenario was that even with no actions to reduce costs in line with the revenue decrease, the Group remained profitable and complied comfortably with its banking covenants. This reasonable downside scenario is considered to be very unlikely, as historically the Group has always performed discretionary work for its customers.

The Directors have reviewed the historical accuracy of the Group's budgets. The Group's performance was compared to the budget, and actual revenue was within 1% of the forecast figure, and adjusted EBITDA was within 4% of the forecast figure. Actual results were ahead of forecast in both cases. This demonstrates that the Group's forecasting process is at a sufficient standard to be able to place reliance on it when making a going concern assessment. Post-year-end trading is in line with forecasts. The Directors, after reviewing the Group's budget and longer-term forecast models, including the worst case scenario referred to above, conclude that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing these annual financial statements.

In terms of the wider macroeconomic and financial situation, the increase in the rate of inflation has fallen significantly since the prior year although management is monitoring the situation with Russia and Ukraine as well as Israel, Palestine and Iran as any further escalations could trigger further price increases with potential for related interest rate increases. The Group does have protection for any increases in the inflation rate built into customer contracts, which stipulate that the price charged can be increased by an inflationary amount. Pricing on indexation-linked contracts continues to be reviewed and was uplifted accordingly as the contracts were renewed throughout the current year and into the following year. The Group demonstrated its ability to perform strongly in a high-inflation environment in both the prior and current years. Whilst higher interest rates have led to higher finance expenses, this has been modelled in the Group's forecasts and is not considered a significant risk, especially since the Group has paid down a significant portion of its debt in the year.

Intangible assets and goodwill

Goodwill represents amounts arising on acquisition, being the difference between the cost of the acquisition and the net fair value of the identifiable assets and liabilities acquired on a business combination. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing and is not amortised. It is tested annually for impairment.

Externally acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired software is valued based on replacement cost valuations where identifiable or at cost less accumulated amortisation and impairment. Internally produced software is valued at cost less accumulated amortisation and impairment.

Customer relationships are valued based on the net present value of the excess earnings generated by the revenue streams over their estimated useful lives.

1 Accounting policies continued

Intangible assets and goodwill continued

Amortisation is included in operating expenses in the statement of comprehensive income over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life, such as goodwill, are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Estimated useful lives are as follows:

• Goodwill	Indefinite life
• Customer relationships[1]	10 years, straight-line method
• Brands	10 years, straight-line method
• Software	5 to 10 years, straight-line method

1 Except for pensions and investment customer relationships acquired as part of the Punter Southall acquisition and customer relationships recognised in 2013, and the Penfida customer relationships recognised on acquisition in 2023, all of which have an estimated useful life of 20 years, on a straight-line basis.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

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

Amortised cost

Amortised cost includes non-derivative financial assets where they are held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and those contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. These assets are included in non-current assets if their maturity is greater than 12 months. Trade receivables are stated initially at fair value then measured at amortised cost less provisions for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Any impairment required is recorded in the statement of comprehensive income.

Cash and cash equivalents comprise cash balances

Restricted cash is cash which the Group is not entitled to receive, withdraw, transfer or otherwise deal with the deposit, save as expressly permitted by the blocked account agreement during the security period. The blocked account agreement is required due to regulatory rules on master trusts. The security period is the period beginning on the date of the deed and ending on the date on which the beneficiary is satisfied that the secured liabilities have been irrevocably and unconditionally paid and discharged in full and all agreements which might give rise to secured liabilities have terminated. The restricted cash had been included in non-current assets as it is expected that the cash will remain in the blocked account for more than 12 months after the end of the reporting period. As such, it is not included in cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows. This balance was disposed of in the year as part of the NPT sale, and so the Group does not hold any restricted cash balances at 31 March 2024.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

The Group does not currently have any liabilities which fall into this category.

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

Financial liabilities continued

Other financial liabilities continued

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

Provisions

The Group has provisions for the following items:

- dilapidations provisions relate to the estimated cost to put leased premises back to the required condition expected under the terms of the lease. These include provisions for required dilapidations along with provisions where leasehold improvements have been made that would require reinstatement back to the original status on exit. These are uncertain in timing as leases may be terminated early or extended. To the extent that exits of premises are expected within 12 months of the end of the year they are shown as current;
- professional indemnity provisions relate to complaints against the Group. The amount provided is based on management's best estimate of the likely liability. These are recognised as a gross amount, with any amounts covered by insurance recognised as an asset within current assets, in line with IAS 37; and
- social security costs provisions represent estimates of the Group's National Insurance contributions liability on the cost of the Group's Performance Share Plans and Senior Equity Plans.

Employee Benefit Trust (EBT)

As the Group is deemed to have control of its EBT, it has been aggregated within the accounts of XPS Pensions Group plc, and therefore consolidated for the purposes of the consolidated financial statements. The EBT's investment in the Group's shares is deducted from equity in the consolidated statement of financial position as if it were treasury shares. Consideration paid (or received) for the purchase (or sale) of these shares is recognised directly in equity. The cost of shares held is presented as a separate reserve (the "investment in own shares"). As the shares are typically used to satisfy vested share options, the difference between the option cost and the weighted average cost of the shares is charged to retained earnings.

The equity-settled share-based payment expense represents the amount of share awards made by the EBT on behalf of the sponsoring entity (XPS Pensions Group plc).

EBT equity-settled awards, which vest immediately on issue, are measured at the fair value of the shares issued on the date of the award, representing the bid price of the shares. The share-based payment expense is charged to the consolidated statement of comprehensive income.

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 consolidated statement of financial position as contract assets. This is work where there is no unconditional right to receive the cash, but work has been performed in line with performance obligations. Amounts billed in advance of work performed are recognised as deferred income and presented in the statement of financial position as contract liabilities.

Performance obligations and timing of revenue recognition

Performance obligations in contracts with customers are typically satisfied as services are rendered. Where work performed in a period has not yet been billed, the value of this will be included in contract assets - accrued income at the period end. In most cases, revenue is recognised on an over time basis. This is because effort has been expended by the business on fulfilling the performance obligations in the contract and the contracts would require payment for time and effort spent by the Group on progressing the contracts in the event of the customer cancelling the contract for any reason other than the Group's failure to perform its obligations under the contract. Invoices are in most cases raised monthly, based on timesheet data for Pensions actuarial and consulting and Pensions investment consulting. For Pensions Administration services, invoices are typically raised monthly based on services provided. Work relating to the McCloud judgement in Pensions Administration services has been billed in advance. Payment is typically due 30 days from date of invoice. Additionally, the Group has a SSAS and SIPP business which provides services to small self-administered pension schemes and self-invested pensions plans. The Group also receives income on corporate and customer bank deposits within the SSAS and SIPP business based on a rate linked to the Bank of England base rate. The Group also provided a defined contribution master pension trust for employers offering "full freedom and choice", called the National Pension Trust (NPT). Income from this NPT business is linked to the value of assets under management. The NPT business was disposed of in the year (see note 7).

The Group has a number of customers who are on a fixed price contract. This contract covers a number of services (pensions actuarial, administration and investment), most of which are ongoing and therefore require no revenue recognition adjustment to the regular invoice issued to the customer. These are recognised monthly at the time of billing, as the benefit the customer receives as the work is done is largely in line with the amount billed each month.

1 Accounting policies continued

Revenue continued

Performance obligations and timing of revenue recognition continued

For some fixed price customers, an element of the fixed fee includes the triennial valuation of their defined benefit pension schemes, which is a distinct performance obligation. Under IFRS 15, the Group has assessed these contracts and has determined that an adjustment is needed to recognise the revenue for the performance obligation relating to the triennial valuations in the specific periods that the work is undertaken.

For the fixed fee customers where an adjustment is required, payment is made monthly over a three-year period. The revenue recognition for triennial valuations takes place over the 15-month period after the valuation date, so there can be up to 35 months' variance between the date of billing and revenue recognition. Any variance between the timing of payment and the timing of revenue recognition will be recognised as either a contract asset (where the performance obligations met to date exceed the value billed from the contract to date), or as a contract liability (where the value billed to date from the contract exceeds the performance obligations met to date).

Determining the transaction price and allocating amounts to performance obligations

For the contracts where an adjustment is required, the Group has identified the element of the fixed fee that is attributable to the triennial valuation. This has been calculated based on the expected time required to perform these obligations for each specific customer. To ensure that the revenue is allocated to the relevant period, the Group has determined the time span 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 timesheet data to measure work performed over the three year contract window.

For the McCloud work being performed by the Administration business, judgement is required to assess the cost to complete and therefore the revenue to be recognised at a point in time.

The remainder of revenue from fixed fee contracts is recognised on a monthly basis, as the services provided tend to be evenly spread over the life of the contract.

Services provided under contracts which do not include a fixed fee are recognised at a price quoted within the contract which typically varies depending on the level of seniority of the employee providing the service. Commission income is recognised on renewal of scheme membership, as the performance obligations are met at the time the contract is won or renewed with the insurer.

There are no significant judgements relating to revenue recognition for the SIP business.

Alternative performance measures (APMs)

The Group presents APMs within its annual report and accounts, these APMs are not defined under the requirements of IFRS. These include those that are visible from the consolidated statement of comprehensive income and the following key APMs: adjusted EBITDA, adjusted EBITDA margin, adjusted diluted earnings per share, and cash conversion. Management believes that the presentation of these APMs provides stakeholders with additional information on the underlying performance of the business, as well as aiding comparability between reporting periods by adjusting for factors which affect IFRS performance measures. These APMs are not a substitute for or superior to IFRS measures. The Group's APMs are defined, explained and reconciled to the nearest statutory measure within the Chief Financial Officer's review.

Exceptional and non-trading items

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

- profits or losses on disposal of assets or businesses, which are considered to be non-trading in nature as these do not reflect the underlying performance of the Group. These transactions tend to be material in value, and the timing can be uncertain. The impact on the financial statements can be significant and can distort certain key performance indicators, such as basic EPS;
- corporate transaction and restructuring costs are considered to be exceptional in nature as these can be material and are not a reflection of the underlying performance of the Group. The timing of these costs can vary and amounts can differ significantly year on year, which can have a distortive impact on the statutory measures of performance;
- amortisation of acquired intangibles is considered to be non-trading as this is a material number and does not reflect the underlying performance of the Group, and users of the accounts expect to be able to assess the profitability and growth of the Group excluding this figure. Additionally this is a significant non-cash cost;

1 Accounting policies continued

Exceptional and non-trading items continued

- changes in the fair value of contingent consideration – these movements do not reflect underlying trade and the timing of these items can be significantly different from the date of the original transaction to which they relate. They do not reflect the underlying performance of the Group as a whole;
- expenses relating to deferred consideration deemed as post-acquisition remuneration under IFRS 3 are considered to be exceptional in nature. Without the link to continuing employment, these costs would have been treated as consideration and are material;
- share-based payments, which are considered a non-trading cost as they are a significant non-cash cost which are excluded from the results for the purposes of measuring performance for PSP awards and also dividend amounts. Additionally, the large non-cash-related credits go directly to equity and so have a limited impact on the reserves of the Group; and
- the related tax effect of these items.

Any other non-recurring items are considered individually for classification as non-trading or exceptional by virtue of their nature or size.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent and comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Group.

The non-trading items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 6.

Leases and payments

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) there is an identified asset;

(b) the Group obtains substantially all the economic benefits from use of the asset; and

(c) the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

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

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

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

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 27).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement.

1 Accounting policies continued

Leases and payments continued

Identifying leases continued

The carrying value of lease liabilities is also revised when the variable element of future lease payments dependent on a rate or index is revised; however, this will use the original discount rate. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

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

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

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement.

Where the lease liability changes due to change in lease term (for example, due to utilisation of an extension option) a new discount rate is used. This rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the Group's incremental borrowing rate at the date of reassessment if the interest rate implicit in the lease cannot be readily determined. The same rate is used for changes in index rates.

Share-based payment costs – Performance Share Plan and Senior Equity Plan

Share-based payment costs as referred to throughout these financial statements are a long-term employee benefit. The Group operates equity-settled, share-based compensation plans, under which the entity receives services from the Executive Directors and certain senior employees in consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted:

- including any market performance conditions (for example, an entity's share price); and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability and remaining a Director for a specified period of time).

The Senior Equity Plans (SEPs) do not have any market performance conditions or non-market performance vesting conditions, they only have service vesting conditions. The fair value for SEPs is the share price on the date of grant.

The total amount expensed to the Group is recognised over the vesting period of the award. Where a share award is cancelled, the share-based payment charge is accelerated at that point in time and all remaining unvested charge is immediately expensed to the Group.

Where a share award includes dividend equivalents, these are included within the IFRS 2 charge described above. The Group may settle these via cash or shares.

See the Employee Benefit Trust (EBT) policy above for information on the EBT element of share-based payment costs.

1 Accounting policies continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss in the statement of comprehensive income except to the extent that it relates to items recognised in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Changes in accounting policies – new standards, interpretations, and amendments effective from 1 April 2023

New and amended standards and interpretations issued by the IASB that apply for the first time in these annual financial statements do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies. These include:

- IFRS 17 Insurance Contracts;
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income taxes) (effective immediately upon the issue of the amendments and retrospectively).

The Group has reflected changes within its accounting policies as a result of implementing "Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)". No material changes resulted from this.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for 2024, and therefore have not been applied in preparing XPS Pensions Group's financial statements. They are not expected to have a material impact on the Group's consolidated financial statements. These include the following amendments effective for the year beginning 1 April 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-Current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning 1 April 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The Group is currently assessing the impact of these new accounting standards and amendments, but currently does not anticipate that these will drive any material changes to the Group's consolidated financial statements.

The other standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the UK) but not yet effective are not expected to have a material impact on the Group's consolidated financial statements.

1 Accounting policies continued

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions within the course of business. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. In the future, actual experience may differ from these estimates and assumptions. Significant judgements are separately identified where applicable. The Directors have reviewed the accounting estimates and judgements made, and have determined that there are two critical judgements. The first relates to the valuation of contract assets – accrued income within the unbilled element of pensions, investment and administration services. The second critical judgement relates to the disposal of the NPT business. There are no critical estimates.

Management will make a judgement as to whether a project is in an accrued or deferred position at the end of each month/reporting period. This judgement is based on the time recorded against each client project versus the amount billed, as well as other factors including expected recoverability levels based on past experience, the nature of the work undertaken, and to what extent the performance obligations have been met, all in line with IFRS 15.

The NPT business disposal was a significant transaction for the Group and resulted in a material gain. However, it has not been presented as a disposal of a discontinued operation. A discontinued operation must be a component of an entity that has been disposed of. A component is defined within IFRS 5 as a cash-generating unit (CGU), and cannot be smaller than a CGU. The NPT business did not form a single CGU; it was incorporated within CGU 1. Therefore, the Group cannot present the sale of the NPT business as a disposal of a discontinued operation.

2 Financial risk management

XPS Pensions Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, market risk and the effects of changes in interest rates on debt. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

The Group's principal financial instruments comprise sterling cash, lease liabilities and bank loans together with trade receivables and trade payables that arise directly from its operations.

Risk management policies are established for the XPS Pensions Group of companies and the Group Audit & Risk Committee oversees how management monitors compliance with these policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Further details relating to the current year position are provided in note 31.

Credit risk

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

Due to the nature of the business, the majority of the trade receivables are with trustees of pension schemes and large institutions and losses have occurred infrequently over previous years.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that the Group will have sufficient liquidity to meet its liabilities when due, within the going concern period, under both the normal and worst case scenario modelled. Cash flow forecasts are updated daily and reviewed regularly by management. Trade debtor balances are managed to ensure debtors are kept to terms as much as is possible, and management ensure sufficient cash is available to meet expected cash outflows. The Group has significant headroom within its current revolving credit facility.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its financial instruments. Market risk comprises three elements – interest rate risks, foreign exchange risks and pricing risks.

Interest rate risks are discussed in the cash flow interest rate risk below. The Group is exposed to movements in interest rate in its net finance costs and also in a small element of its operating revenue. Loans and borrowings are based on a rate linked to SONIA. The Group earns income in relation to client deposits as well as interest income on its own deposits.

The Group's financial instruments are currently in sterling; hence, foreign exchange movements do not have a material effect on the Group's performance.

Pricing risks are considered to be low – an element of resetting fees regularly includes an inflation measure, but as this is contractual it does not present a significant risk to the Group.

The Group does not hold its own position in trading securities, being involved only in arranging transactions on behalf of its clients.

The Group does not engage in holding speculative financial instruments or derivatives. Further quantitative disclosures are included in note 31.

2 Financial risk management continued

Cash flow interest rate risk

XPS Pensions Group is exposed to cash flow interest rate risk in two main respects: firstly, corporate and client bank deposits, which earn interest at a variable rate, although not at a material level; and secondly, interest expense arising on the revolving credit facility at a margin over SONIA.

3 Capital risk management

The Group is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Value adding opportunities to grow the business are continually assessed, although strict and careful criteria are applied.

The policy for managing capital is to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Group feels are achievable. The processes for managing capital are regular reviews of financial data to ensure that the Group is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to XPS Pensions Group's forecast which ensures future covenant test points are met. The Group continues to meet these test points and they have been achieved over the last year.

Due to the nature of some of the services provided, two subsidiaries within the Group were regulated by the Financial Conduct Authority (FCA) during the year. They are required to hold a minimum level of capital and this is monitored on a monthly basis. Formal compliance returns are submitted to the FCA in line with their reporting requirements. The Group was compliant with its capital requirements throughout the year.

4 Other operating income

Other operating income arose from the revaluation of the contingent consideration in the year for the MJF acquisition in February 2022. The balance of the contingent consideration was paid by the Group in August 2023. Since this is not considered to be part of the main revenue-generating activities of the Group, the Group presents this income separately from revenue.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Contingent consideration fair value adjustment (note 28)	**92**	197

5 Auditor's remuneration

During the period the following services were obtained from the Group's auditor at a cost detailed below:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Audit services		
Fees payable in respect of the Parent Company and consolidated accounts	**394**	328
Fees payable in respect of the subsidiary accounts	**166**	252
	560	580
Audit-related services	**42**	36
Other assurance services	**12**	12
Other non-audit services	**10**	30
Total	**624**	658

6 Non-trading and exceptional items

	Note	Year ended 31 March 2024 Total before tax £'000	Year ended 31 March 2024 Tax on adjusting items[6] £'000	Year ended 31 March 2024 Adjusting items after taxation £'000	Year ended 31 March 2023 Total before tax £'000	Year ended 31 March 2023 Tax on adjusting items[6] £'000	Year ended 31 March 2023 Adjusting items after taxation £'000
Corporate transaction costs[1]		**(1,718)**	**(212)**	**(1,930)**	(2,871)	216	(2,655)
Exceptional items		**(1,718)**	**(212)**	**(1,930)**	(2,871)	216	(2,655)
Contingent consideration write back[2]	4	**92**	**—**	**92**	197	—	197
Share-based payment costs[3]	13	**(6,376)**	**1,623**	**(4,753)**	(4,660)	1,370	(3,290)
Amortisation of acquired intangibles[4]	18	**(7,034)**	**1,758**	**(5,276)**	(6,882)	1,324	(5,558)
Gain on disposal[5]	7	**32,538**	**—**	**32,538**	—	—	—
Non-trading items		**19,220**	**3,381**	**22,601**	(11,345)	2,694	(8,651)
Total		**17,502**	**3,169**	**20,671**	(14,216)	2,910	(11,306)

1 The Group incurred total corporate transaction costs of £1,718,000 (2023: £2,871,000) in the year, of which £1,689,000 (2023: £845,000) related to amounts owed to the vendor as earn out in respect of the acquisition of Penfida Limited. The maximum payout of £3,379,000 would be payable on the second anniversary of the acquisition subject to business performance which includes retention of clients as well as continued employment of key employees. As continued employment is one condition of the share purchase agreement, then according to IFRS 3, the entire additional amount must be treated as a post-transaction employment cost accruing over the deferment period of two years to September 2024. This additional amount is material in size and it is one-off in nature. As such, in line with the Group's accounting policies, it has been classified as an exceptional item. If the entire amount is not payable at the end of the two year period, any resulting credit will also flow through the exceptional category. Additionally, the Group incurred £29,000 (2023: £2,026,000) of costs relating to other potential M&A activities explored by the Group during the year. The prior year included costs relating to the acquisition of Penfida Limited and other potential M&A opportunities explored by the Group in the year. The overall transaction costs are material and do not reflect the underlying performance of the Group. Users of the accounts expect these costs to be disclosed separately, to aid visibility of underlying performance. The timing of these costs can also vary and is normally not aligned with the related benefits of the transaction.

2 The contingent consideration write back relates to the revaluation of the contingent consideration for the Michael J Field (MJF) acquisition (note 4). This income is deemed to be exceptional in nature as it is linked to a payment set out in the business transfer agreement for the MJF acquisition in February 2022. This income is not related to underlying business performance and so is disclosed as non-trading income. Management does not include this figure in income when reviewing overall business performance. There are no further payments to be made in respect of this acquisition.

3 Share-based payment expenses and related National Insurance are included in non-trading and exceptional costs as they are significant non-cash costs which are excluded from the results for the purposes of measuring performance for PSP/SEP awards and dividend amounts. Additionally, the largely non-cash-related credits go directly to equity and so have a limited impact on the reserves of the Group. They are therefore shown as a non-trading item to give clarity to users of the accounts on the profit figures that dividends and PSP performance are based on.

4 During the year the Group incurred £7,034,000 of amortisation charges in relation to acquired intangible assets (customer relationships and brand) (2023: £6,882,000). As this figure is material, and is linked to non-trading activity, management excludes this cost when reviewing and reporting on the underlying performance of the Group. Similarly, users of the accounts expect to be able to assess the profitability and growth of the Group excluding this figure.

5 The gain on disposal relates to the NPT business disposal disclosed in note 7. This is a material figure which does not reflect the underlying performance of the Group and is non-recurring. This gain has a significant impact on basic EPS (26.2p including this gain, 10.5p excluding it).

6 The tax credit on exceptional and non-trading items of £3,169,000 (2023: £2,910,000) represents 18% (2023: 20%) of the exceptional and non-trading items incurred of £17,502,000 (2023: £14,216,000). This is different to the expected tax charge of 25% (2023: credit of 19%), as various adjustments are made to tax including for deferred tax and the exclusion of amounts not allowable for tax – in particular the gain relating to the sale of the NPT business in the year.

7 Gain on disposal

On 20 November 2023, the Group sold the NPT business to SEI. The sale is intended to create a market-leading defined contribution proposition for employers and pension scheme members. The sale creates a strategic partnership between XPS Pensions Group and SEI, under which the Group will provide wide ranging services to continue to support NPT and SEI.

The total cash consideration payable to the Group is up to £42.5 million, comprising £35.0 million initial consideration and contingent consideration of up to £7.5 million based on business performance over two years. This £7.5 million has not been recognised as the threshold for recognition has not been met at 31 March 2024.

The transaction positions the SEI Master Trust to continue delivering best-of-breed service at increased scale in partnership with NPT. The Group will continue to provide high-quality pensions administration and consultancy services to NPT and SEI which will ensure continuity of service to the members and clients. SEI will benefit from enhanced opportunities in the growing master trust space and XPS will benefit as a strategic partner of SEI.

7 Gain on disposal continued

The post-tax gain on disposal was determined as follows:

	Year ended 31 March 2024 £'000
Cash consideration received	37,035
Total consideration received and net cash inflow on disposal	**37,035**
Net assets disposed	
Intangible assets	(353)
Other financial assets – restricted cash	(1,847)
Trade and other receivables	(305)
Trade and other payables	109
	(2,396)
Corporate costs in relation to disposal	(2,101)
Pre-tax gain on disposal	32,538
Related tax expense	—
Gain on disposal	**32,538**

The amount reflected as the gain in the consolidated statement of cash flows is the £37,035,000 proceeds, less the £2,396,000 adjustment for balance sheet items disposed of.

Note 1 references the critical judgement applied to this transaction. Had this been treated as a discontinued operation, then the disposal of this business would have been presented as a profit on discontinued operation within the statement of comprehensive income, along with the trading results for the NPT business. The results of the NPT business are shown below.

	Year ended 31 March 2024			Year ended 31 March 2023		
	Trading items £'000	Non-trading and exceptional items £'000	Total £'000	Trading items £'000	Non-trading and exceptional items £'000	Total £'000
Revenue	2,759	—	2,759	4,332	—	4,332
Operating expenses	(2,374)	—	(2,374)	(3,451)	—	(3,451)
Gain on disposal	—	32,538	32,538	—	—	—
Profit from operating activities	385	32,538	32,923	881	—	881
Finance costs	(9)	—	(9)	—	—	—
Profit before tax	376	32,538	32,914	881	—	881
Income tax expense	(94)	—	(94)	(175)	—	(175)
Profit after tax	282	32,538	32,820	706	—	706
Memo						
EBITDA	454	32,538	32,992	1,013	—	1,013
Depreciation and amortisation	(69)	—	(69)	(132)	—	(132)
Profit from operating activities	385	32,538	32,923	881	—	881

8 Operating segments

In accordance with IFRS 8 Operating Segments, an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker (CODM) and for which discrete information is available. The Group's CODM is the Board of Directors.

The Group has one operating segment and one reporting segment due to the nature of services provided across the whole business being the same: pension and employee benefit solutions. The Group's revenues, costs, assets, liabilities and cash flows are therefore totally attributable to this reporting segment. The table below shows the disaggregation of the Group's revenue, by product line.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Pensions Actuarial & Consulting	**93,411**	77,388
Pensions Administration	**71,929**	57,444
Pensions Investment Consulting	**20,316**	18,009
SIP[1]	**11,017**	9,423
NPT[2]	**2,759**	4,332
Total	**199,432**	166,596

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

2 The NPT business was sold on 20 November 2023 (note 7) and so revenue in the year is up to that date.

9 Operating expenses

Included in the operating profit for the year are the following:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Expenses by nature		
Staff costs (note 10)	**120,357**	101,436
Depreciation and amortisation	**12,840**	12,386
Short-term and low-value lease costs	**308**	222
Premises costs (excluding rent accounted for under IFRS 16 Leases)	**3,233**	2,870
Professional fees	**7,652**	6,993
IT costs	**13,167**	10,731
Exceptional items	**29**	2,026
Other general business costs	**7,502**	7,401
Total	**165,088**	144,065

10 Staff numbers and costs

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

	Year ended 31 March 2024 Number of employees	Year ended 31 March 2023 Number of employees
Operational	**1,557**	1,435
Administration	**137**	125
Sales and marketing	**27**	24
Total	**1,721**	1,584

10 Staff numbers and costs continued

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Wages and salaries	**95,425**	81,142
Social security contributions	**10,175**	8,913
Defined contribution pension cost	**4,650**	4,009
Other long-term employee benefits	**2,042**	1,867
Post-acquisition remuneration (note 6)	**1,689**	845
Share-based payment costs (note 13)	**6,376**	4,660
Total	**120,357**	101,436

11 Employee benefits

Defined contribution plan

The Company operates a defined contribution pension plan. Outstanding contributions at the year end were £nil (2023: £nil).

12 Directors' emoluments

The Directors were remunerated for their services by the Group and their emoluments are disclosed below.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Aggregate emoluments excluding gain on exercise of share options	**2,854**	2,626
Gain on exercise of share options	**2,024**	987
Company contributions to defined contribution pension scheme	**30**	30
Total	**4,908**	3,643

Share-based payment expense for Directors was £1,233,000 (2023: £894,000).

	Year ended 31 March 2024 Number of Directors	Year ended 31 March 2023 Number of Directors
At 31 March 2024, retirement benefits are accruing to the following number of Directors under:		
Defined contribution pension schemes	**3**	3

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
The emoluments of the highest paid Director, including benefits and share-based payment charge	**1,379**	1,194

13 Share-based payment costs

The Group operates a number of equity-settled share-based remuneration schemes for employees: Performance Share Plans (PSP) for Executive Directors and other key senior personnel, and Deferred Share Plans (DSP) for key senior personnel from July 2020. In July 2023, the name of the DSP was changed to Senior Equity Plan (SEP). All references to SEP throughout these notes relate to both DSP and SEP awards as they are identical in all but name. All employees are also eligible to participate in the Save as You Earn (SAYE) scheme, the only vesting condition being that the individual remains an employee of the Group over the savings period. PSP schemes are no longer issued to employees other than Executive Directors; any staff PSP figures in this note relate to outstanding vested options not yet exercised.

The Executive PSP award expense relates to annual awards over shares that vest subject to certain stretching performance conditions, measured over a three-year period. Maximum "normal" grant level is 150% of salary, capped at a maximum of 200% in exceptional circumstances. Malus and clawback provisions apply. The fair value of awards granted during the year was determined using certain assumptions around vesting. More information about the Executive PSP can be found in the Remuneration Report section of this Annual Report.

13 Share-based payment costs continued

The only vesting criterion for the SEP is a service criterion. The fair value of awards under this scheme was determined using the share price on the date of grant.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
PSP awards, SEP awards and SAYE scheme	**4,910**	3,892
Social security cost on PSP awards and SEP awards (note 27)	**1,466**	768
Total share-based payments	**6,376**	4,660

The fair value of Executive PSP options granted during the period was calculated using different methods for different elements – the Black-Scholes method for the EPS and ESG elements, the Stochastic method for the TSR element, and the Chaffe method for the holding period. There is no change in the valuation methodology since the prior year. In the year there was also an additional award which is solely based on an EPS target. The fair value for this additional award was calculated using the Black-Scholes method. The inputs to the model were as follows:

	Year ended 31 March 2024					Year ended 31 March 2023		
	70% earnings per share (EPS)	**10% environmental, social and governance (ESG)**	**20% relative total shareholder return (TSR)**	**Two-year holding period**	**Additional award: 100% earnings per share (EPS)**	75% earnings per share (EPS)	25% relative total shareholder return (TSR)	Two-year holding period
Weighted average exercise price of options issued during the period (pence)	**0.05**	**0.05**	**0.05**	**0.05**	**0.05**	0.05	0.05	0.05
Expected volatility (%)	**n/a**	**n/a**	**36.44%**	**37.02%**	**n/a**	n/a	38.80%	37.03%
Expected life beyond vesting date (years)	**3**	**3**	**3**	**2**	**3**	3	3	2
Risk-free rate (%)	**n/a**	**n/a**	**4.88%**	**4.64%**	**n/a**	n/a	1.81%	1.77%
Dividend yield (%)	**—**	**—**	**—**	**—**	**—**	—	—	—

For the TSR element, the volatility is calculated over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant. For the holding period, this is calculated over the period commensurate with the holding period immediately prior to the date of grant.

The risk-free rate is calculated using the rate of interest obtainable from government securities (i.e. gilts in the UK) over a period commensurate with the expected term. For the holding period the risk-free rate is the rate obtained over a term equal to the vesting period plus the holding period.

No SAYE options were granted during the period. The fair value of SAYE options granted during the prior year was calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

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

The volatility assumption has been calculated over the period of time commensurate with the expected award term immediately prior to the date of grant.

13 Share-based payment costs continued

As at 31 March 2024, in respect of the Group's ordinary shares of 0.05p each, 2,886,258 Executive PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 178,655 staff PSP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 6,565,064 staff SEP options had been granted and remained outstanding, at an exercise price of 0.05p per share, 786,870 SAYE options had been granted and remained outstanding, at an exercise price of 111p per share, and 2,263,496 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 SEP option figures where applicable.

		2024 Weighted average exercise price (pence)	2024 Number	2023 Weighted average exercise price (pence)	2023 Number
Executive PSP	Outstanding at 1 April	0.05	3,037,475	0.05	3,098,236
	Granted during the year	0.05	948,483	0.05	1,084,873
	Forfeited during the year	0.05	(327,860)	0.05	(572,818)
	Exercised during the year	0.05	(620,424)	0.05	(553,445)
	Cancelled during the year	0.05	(21,715)	0.05	(19,371)
	Outstanding at 31 March	0.05	3,015,959	0.05	3,037,475
Staff PSP	Outstanding at 1 April	0.05	329,242	0.05	3,335,675
	Forfeited during the year	0.05	(3,869)	0.05	(752,892)
	Exercised during the year	0.05	(135,716)	0.05	(2,177,334)
	Cancelled during the year	0.05	(4,750)	0.05	(76,207)
	Outstanding at 31 March	0.05	184,907	0.05	329,242
Staff SEP	Outstanding at 1 April	0.05	6,306,014	0.05	3,976,462
	Granted during the year	0.05	2,590,302	0.05	2,392,868
	Forfeited during the year	0.05	(84,425)	0.05	(63,316)
	Exercised during the year	0.05	(1,887,415)	–	–
	Cancelled during the year	0.05	(66,059)	–	–
	Outstanding at 31 March	0.05	6,858,417	0.05	6,306,014
SAYE	Outstanding at 1 April	110.79	3,173,969	88.61	4,430,966
	Granted during the year	–	–	104.00	2,381,306
	Forfeited during the year	105.61	(50,382)	94.91	(70,384)
	Exercised during the year	87.47	(29,081)	78.01	(3,405,601)
	Lapsed during the year	–	–	82.51	(39,784)
	Cancelled during the year	106.01	(44,140)	106.14	(122,534)
	Outstanding at 31 March	111.17	3,050,366	110.79	3,173,969

The exercise price of options outstanding at 31 March 2024 ranged between £0.0005 (i.e. the nominal value of an ordinary share) in the case of the PSP and SEP and £1.110 in the case of the SAYE scheme (2023: £0.0005 to £1.110). Their weighted average contractual life was three years (2023: three years), and their weighted average exercise price was £0.25 (2023: £0.32).

Across all schemes, of the total number of options outstanding at 31 March 2024, 403,985 (2023: 356,263) had vested and were exercisable.

The weighted average fair value of each option granted during the year was £1.74 (2023: £1.24). The weighted average exercise price for exercisable options was 0.05p per share (2023: 0.26p per share). The weighted average share price at the date of exercise for share options exercised during the year was £1.88 (2023: £1.33).

14 Finance income and expense

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Interest income on bank deposits	**50**	10
Finance income	**50**	10
Interest expense on bank loans	**3,629**	2,758
Other costs of borrowing	**542**	498
Interest on leases	**323**	290
Other finance expense	**49**	50
Finance expense	**4,543**	3,596

Other costs of borrowing largely represent the amortisation expense of capitalised loan arrangement fees on the Group's bank debt.

15 Income tax expense

Recognised in the statement of comprehensive income

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Current tax expense		
Current year	**10,133**	5,153
Adjustment in respect of prior year	**(131)**	(223)
Total current tax expense	**10,002**	4,930
Deferred tax credit		
Origination and reversal of temporary differences	**(2,231)**	(1,403)
Adjustment in respect of prior year	**543**	—
Effect of tax rate changes	**—**	(222)
Total income tax expense	**8,314**	3,305

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit for the year	**54,167**	15,837
Total tax expense	**8,314**	3,305
Profit before income tax	**62,481**	19,142
Tax using the UK corporation tax rate of 25% (2023: 19%)	**15,620**	3,637
Non-deductible expenses	**510**	74
Other operating income not taxable	**(23)**	—
Gain on disposal not taxable	**(8,135)**	—
Fixed asset differences	**(70)**	39
Adjustment in respect of prior periods	**412**	(223)
Effect of tax rate change	**—**	(222)
Total tax expense	**8,314**	3,305

The standard rate of corporation tax in the UK was 25% (2023: 19%). The average effective tax rate was 13% (2023: 17%). The average effective rate in the year is impacted by the non-taxable gain on sale of the NPT business. Excluding this, the effective tax rate was 28%. This is higher than the standard rate due to the impact of costs not allowable for tax. Deferred tax assets and liabilities have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2024, which is 25% (2023: 25%). Deferred tax not recognised relates to £6.7 million (2023: £6.7 million) of finance expense losses in a prior year and their future recoverability is uncertain. At 31 March 2024 the total unrecognised deferred tax asset in respect of these losses was approximately £1.7 million (2023: £1.7 million).

£521,000 (2023: £285,000) of current year tax, and £1,167,000 (2023: £258,000) of deferred tax was recognised directly in equity; this relates to employee share options accounted for under IFRS 2.

16 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2023	3,502	1,595	901	5,998
Additions	992	733	64	1,789
Disposals	(38)	(248)	(59)	(345)
Balance at 31 March 2024	**4,456**	**2,080**	**906**	**7,442**
Accumulated depreciation				
Balance at 1 April 2023	1,755	739	425	2,919
Depreciation charge for the year	424	355	113	892
Disposals	(38)	(248)	(59)	(345)
Balance at 31 March 2024	**2,141**	**846**	**479**	**3,466**
Net book value				
Balance at 1 April 2023	1,747	856	476	3,079
Balance at 31 March 2024	**2,315**	**1,234**	**427**	**3,976**

	Leasehold improvements £'000	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 April 2022	3,217	1,472	891	5,580
Acquired through business combinations	—	59	17	76
Additions	285	511	(7)	789
Disposals	—	(447)	—	(447)
Balance at 31 March 2023	3,502	1,595	901	5,998
Accumulated depreciation				
Balance at 1 April 2022	1,440	639	314	2,393
Acquired through business combinations	—	59	17	76
Depreciation charge for the year	315	488	94	897
Disposals	—	(447)	—	(447)
Balance at 31 March 2023	1,755	739	425	2,919
Net book value				
Balance at 1 April 2022	1,777	833	577	3,187
Balance at 31 March 2023	1,747	856	476	3,079

17 Leases

Nature of leasing activities (in the capacity as lessee)

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

31 March 2024	**Lease contracts Number**	**Fixed payments %**	**Variable payments %**	**Sensitivity £'000**
Property leases with periodic uplifts to market rentals	**8**	**—**	**85**	**± 337**
Property leases with fixed payments	**7**	**11**	**—**	**—**
Leases of plant and equipment	**19**	**4**	**—**	**—**
	34	**15**	**85**	**± 337**

31 March 2023	Lease contracts Number	Fixed payments %	Variable payments %	Sensitivity £'000
Property leases with periodic uplifts to market rentals	7	—	83	± 309
Property leases with fixed payments	11	16	—	—
Leases of plant and equipment	1	1	—	—
	19	17	83	± 309

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

- the length of the lease term; and
- whether the location represents a new area of operations for the Group.

At 31 March 2024 and 31 March 2023, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was considered reasonably certain that the Group would not exercise its right to break the lease. Total undiscounted lease payments of £6,747,875 (2023: £6,170,938) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

17 Leases continued

Nature of leasing activities (in the capacity as lessee) continued

Right-of-use assets	Land and buildings £'000	Cars £'000	Office equipment £'000	Total £'000
At 1 April 2023	9,640	—	44	9,684
Additions	2,576	476	—	3,052
Depreciation	(2,740)	(103)	(44)	(2,887)
Effect of modification to lease terms	(311)	—	—	(311)
Disposal of lease	(627)	(19)	—	(646)
At 31 March 2024	**8,538**	**354**	**—**	**8,892**

Right-of-use assets	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2022	10,824	103	10,927
Additions	616	—	616
Depreciation	(2,795)	(59)	(2,854)
Effect of modification to lease terms	309	—	309
On acquisition	686	—	686
At 31 March 2023	9,640	44	9,684

Lease liabilities	Land and buildings £'000	Cars £'000	Office equipment £'000	Total £'000
At 1 April 2023	9,880	—	55	9,935
Additions	2,359	476	—	2,835
Interest expense	304	18	1	323
Effect of modification to lease term	(311)	—	—	(311)
Disposal	(511)	(19)	—	(530)
Lease payments	(2,915)	(114)	(56)	(3,085)
At 31 March 2024	**8,806**	**361**	**—**	**9,167**

Lease liabilities	Land and buildings £'000	Office equipment £'000	Total £'000
At 1 April 2022	11,565	115	11,680
Additions	616	—	616
Interest expense	287	3	290
Effect of modification to lease term	82	—	82
On acquisition	534	—	534
Lease payments	(3,204)	(63)	(3,267)
At 31 March 2023	9,880	55	9,935

	31 March 2024 £'000	31 March 2023 £'000
Short-term lease expense	**285**	211
Low-value lease expense	**23**	11
Aggregate expense for short-term leases	**308**	222

17 Leases continued

Nature of leasing activities (in the capacity as lessee) continued

The maturity of the lease liabilities is as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Up to 3 months	**471**	817
Between 3 and 12 months	**1,401**	1,884
Between 1 and 2 years	**1,640**	1,742
Between 2 and 5 years	**3,869**	4,135
More than 5 years	**1,786**	1,357
	9,167	9,935

The cash flows above are discounted and reconcile back to the lease liability. For the undiscounted cash flows, please see note 31.

18 Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2023	125,367	130,484	295	14,589	270,735
Adjustment to prior year business combination	(71)	—	—	—	(71)
Additions	—	—	—	5,450	5,450
Disposals	—	—	—	(1,420)	(1,420)
Balance at 31 March 2024	**125,296**	**130,484**	**295**	**18,619**	**274,694**
Accumulated amortisation					
Balance at 1 April 2023	—	55,254	99	3,279	58,632
Amortisation for the year	—	6,838	196	2,027	9,061
Disposals	—	—	—	(1,069)	(1,069)
Balance at 31 March 2024	**—**	**62,092**	**295**	**4,237**	**66,624**
Net book value					
Balance at 1 April 2023	125,367	75,230	196	11,310	212,103
Balance at 31 March 2024	**125,296**	**68,392**	**—**	**14,382**	**208,070**

Group	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
Balance at 1 April 2022	121,818	125,269	6,036	10,807	263,930
Acquired through business combinations	3,549	5,215	295	—	9,059
Additions	—	—	—	4,879	4,879
Disposals	—	—	(6,036)	(1,097)	(7,133)
Balance at 31 March 2023	125,367	130,484	295	14,589	270,735
Accumulated amortisation					
Balance at 1 April 2022	—	48,527	5,980	2,623	57,130
Amortisation for the year	—	6,727	155	1,753	8,635
Disposals	—	—	(6,036)	(1,097)	(7,133)
Balance at 31 March 2023	—	55,254	99	3,279	58,632
Net book value					
Balance at 1 April 2022	121,818	76,742	56	8,184	206,800
Balance at 31 March 2023	125,367	75,230	196	11,310	212,103

18 Intangible assets continued

Material customer relationship assets are broken down as follows:

	31 March 2024		31 March 2023	
	Remaining UEL years	Net book value £'000	Remaining UEL years	Net book value £'000
Acquisitions prior to January 2018 (CGU 1)	**9**	**16,028**	10	17,820
Punter Southall actuarial (CGU 2)	**14**	**38,104**	15	40,869
Punter Southall administrative (CGU 3)	**4**	**3,699**	5	4,677
Kier (CGU 3)	**5**	**1,423**	6	1,734
XPS Pensions RL Limited (CGU 1)	**6**	**1,574**	7	1,879
XPS Pensions Trigon Limited (CGU 1)	**6**	**1,202**	7	1,417
Michael J Field (CGU 1)	**8**	**1,538**	9	1,743
Penfida Limited (CGU 4)	**19**	**4,824**	20	5,085

Software assets held by the Group comprise internally generated or enhanced software for use in providing services to customers. The largest group of software assets relates to the Administration business, specifically the development of an in-house administration system. Software disposals in the year related to software disposed of as part of the NPT disposal (see note 7), and software which has reached the end of its useful economic life and is no longer in use.

Impairment test

Goodwill represents the excess of the consideration over the fair value of the net assets acquired on the purchase of the subsidiary companies listed in note 35, as well as goodwill which has arisen on the purchase of trade and assets by the Group. In accordance with IFRS, this balance is not amortised and is subject to annual impairment reviews.

The carrying value of goodwill was assessed based on the four cash-generating units that were identified in prior years.

The four CGUs to which goodwill has been allocated are:

CGU 1 – former Xafinity businesses, and Royal London, Trigon and Michael J Field acquisitions;

CGU 2 – PS Actuarial;

CGU 3 – PS Admin; and

CGU 4 – Penfida.

The cash-generating unit at each year end was assessed on the basis of value in use using the following assumptions, which reflect past experience of the Group:

	2024				2023			
	CGU 1	CGU 2	CGU 3	CGU 4	CGU 1	CGU 2	CGU 3	CGU 4
Discount rate pre-tax	**12.6%**	**12.6%**	**12.6%**	**12.6%**	13.1%	13.1%	13.1%	13.1%
Terminal rate after period 8	**2.0%**	**2.0%**	**2.0%**	**2.0%**	2.0%	2.0%	2.0%	2.0%
Period on which detailed forecasts are based	**3 years**	**3 years**	**3 years**	**3 years**	3 years	3 years	3 years	3 years
Growth rate during detailed forecast period (average)	**10.4%**	**8.5%**	**30.2%**	**20.8%**	7.7%	8.8%	31.2%	9.4%
Growth rate applied beyond approved forecast period to year 8	**5%**	**5%**	**5%**	**5%**	5%	5%	5%	5%

The discount rate comprises two elements, the cost of debt and the cost of equity, to derive a blended cost of capital demanded by all providers of capital. The cost of equity is based on the following components:

- beta: calculated to estimate how volatile the Group's equity is compared to the FTSE SmallCap index;
- risk-free rate: using a ten-year UK government bond yield as a proxy for the risk-free rate;
- equity risk premium: the implied rate as at 31 March 2024 is used to assess the price of risk in equity markets; and
- small company premium: an additional size premium is applied to the Group's cost of equity to account for extra risk.

The cost of debt represents the cost of capital for the Group's drawn revolving credit facility and is based on average borrowings during the year.

18 Intangible assets continued

Impairment test continued

The cash flows used for the value in use calculations incorporate the impact of inflation, and future assumptions regarding inflation which are based on the latest outlook from the UK government.

The growth rate beyond the forecast period is based on a blend of average growth rates experienced by the Group and management's assessment of industry and macroeconomic outlooks. Such forecast rates have been accurate in the past, so the Directors believe they will be sufficiently representative of actual results.

The growth rate is applied for up to eight years; this is due to the longevity of the customer relationships held by the Group. The growth rate of 5% is higher than the terminal rate due to expectations of market conditions and higher inflation in the medium term.

The impairment exercise demonstrated that there was significant headroom in all CGUs on this basis, particularly in CGUs 1, 2 and 3, and so the Directors are satisfied that no impairment has arisen during the financial period.

Goodwill allocated to cash-generating units:	**2024 £'000**	2023 £'000
Goodwill – XPS Pensions Consulting Limited, Xafinity SIPP Services Limited, Xafinity Pensions Consulting Limited and subsidiaries, XPS Pensions (RL) Limited, XPS Pensions (Trigon) Limited (CGU 1)	**30,007**	30,007
Goodwill – XPS Investment Limited, XPS Pensions Limited (CGU 2)	**79,314**	79,314
Goodwill – XPS Holdings Limited, XPS Administration Holdings Limited, XPS Administration Limited (CGU 3)	**12,497**	12,497
Goodwill – Penfida Limited (CGU 4)	**3,478**	3,549
Total	**125,296**	125,367

Sensitivity analysis of assumptions

The Group performed further sensitivity analysis by recalculating the fair value of the net assets of the Group on a worst case basis. For the Group, the worst case would be breaching the banking covenants on leverage, as that could lead to the Group's revolving credit facility being withdrawn. The size of the impact on revenue to reach this point was considered, alongside mitigating factors that the Group would take if necessary. This analysis showed that this potential worst case scenario is considered unlikely to materialise and so there was no requirement for impairment. The Group has also assessed the sensitivity of the discount rate and growth rates used in the impairment testing and determined that these were not sensitive.

19 Deferred income tax

Analysis of the breakdown and movement of deferred tax during the year is as follows:

	Balance at 1 April 2023 £'000	Recognised in income £'000	Recognised in equity £'000	**31 March 2024 £'000**
Property, plant and equipment	226	93	—	**319**
Capital gains	943	—	—	**943**
Other temporary and deductible differences – share-based payments	(1,806)	(526)	(1,167)	**(3,499)**
Other temporary and deductible differences – other	(10)	506	—	**496**
Customer relationships	19,092	(1,758)	—	**17,334**
	18,445	(1,685)	(1,167)	**15,593**

	Balance at 1 April 2022 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in period £'000	31 March 2023 £'000
Property, plant and equipment	90	136	—	—	226
Capital gains	943	—	—	—	943
Other temporary and deductible differences – share-based payments	(1,087)	(461)	(258)	—	(1,806)
Other temporary and deductible differences – other	(12)	2	—	—	(10)
Customer relationships	19,032	(1,304)	—	1,364	19,092
	18,966	(1,627)	(258)	1,364	18,445

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets and liabilities have been measured at the rate they are expected to unwind at, using a rate substantively enacted at 31 March 2024, which is not lower than 25% (2023: 25%).

20 Other financial assets

Following the sale of the NPT business, the restricted cash held of £1,847,000 was transferred to the new owners of the NPT. In the prior year, this restricted cash was presented as a non-current financial asset. This restricted cash was held by the Group as security for the NPT. For the NPT to gain approval to operate by the Pensions Regulator, the Group was required to demonstrate it could support the NPT in any eventuality. The Group therefore placed cash into a restricted bank account, which the trustees of the NPT are able to access in certain circumstances. There were no lifetime expected credit losses associated with this cash balance.

21 Trade and other receivables

	31 March 2024 £'000	31 March 2023 £'000
Trade receivables	**27,650**	21,642
Less: provision for impairment of trade receivables	**(602)**	(363)
Net trade receivables	**27,048**	21,279
Contract assets – accrued income	**16,706**	16,407
Contract assets – amounts recognised for triennial reviews	**1,355**	1,475
Total contract assets	**18,061**	17,882
Total financial assets other than cash and cash equivalents carried at amortised cost	**45,109**	39,161
Prepayments	**5,530**	4,498
Other receivables	**283**	106
Total trade and other receivables	**50,922**	43,765

The carrying value of trade and other receivables carried at amortised cost approximates to fair value.

31 March 2024	**Current £'000**	**Past due 0–30 days £'000**	**Past due 31–90 days £'000**	**Past due more than 90 day £'000**	**Total £'000**
Expected loss rate	**0%**	**1%**	**7%**	**41%**	
Gross carrying amount	**20,046**	**4,788**	**1,867**	**949**	**27,650**
Loss provision	**72**	**50**	**129**	**389**	**640**
Amendment for specific bad debt provision	**(72)**	**(50)**	**(129)**	**213**	**(38)**
Total	**—**	**—**	**—**	**602**	**602**

31 March 2023	Current £'000	Past due 0–30 days £'000	Past due 31–90 days £'000	Past due more than 90 days £'000	Total £'000
Expected loss rate	0%	1%	4%	18%	
Gross carrying amount	16,402	3,395	1,177	668	21,642
Loss provision	32	21	51	123	227
Amendment for specific bad debt provision	(32)	(21)	(51)	240	136
Total	—	—	—	363	363

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information affecting the Group's customers.

Once the IFRS 9 approach has been calculated, the Group then calculates a specific debt provision based on age of debt and specific client knowledge. The provision is then adjusted to take this detail into account.

Of the March 2023 contract asset balance relating to triennial reviews of £1,475,000, £1,246,000 was billed in the year, reducing the brought forward amount. A further £1,126,000 of revenue was recognised in the year. There are no other significant movements in the contract assets balance in the year. The March 2024 contract asset balance is expected to be billed in the year ending 31 March 2025 (£1,119,000), the year ending 31 March 2026 (£223,000) and the year ending 31 March 2027 (£13,000).

22 Cash and cash equivalents

	31 March 2024 £'000	31 March 2023 £'000
Cash and cash equivalents per statement of financial position	**10,005**	13,285
Cash and cash equivalents per statement of cash flows	**10,005**	13,285

The balance is comprised solely of cash at bank and on hand.

23 Loans and borrowings

31 March 2024	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years £'000	Sub-total (non-current) £'000	Total £'000
Drawn revolving credit facility	—	—	**24,000**	**24,000**	**24,000**
Capitalised debt arrangement fees	—	—	**(614)**	**(614)**	**(614)**
Total	—	—	**23,386**	**23,386**	**23,386**

31 March 2023	Due within 1 year (current) £'000	Due between 1 and 2 years £'000	Due after 2 years £'000	Sub-total (non-current) £'000	Total £'000
Drawn revolving credit facility	—	—	68,000	68,000	68,000
Capitalised debt arrangement fees	—	—	(690)	(690)	(690)
Total	—	—	67,310	67,310	67,310

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

Terms and debt repayment schedule

31 March 2024	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving credit facility	**24,000**	**GBP**	**1.25% above SONIA**	**2026**

31 March 2023	Amount £'000	Currency	Nominal interest rate	Year of maturity
Revolving credit facility	68,000	GBP	1.85% above SONIA	2025

At 31 March 2024 the Group had drawn down £24,000,000 (2023: £68,000,000) of its £100,000,000 revolving credit facility. The Group's revolving facility agreement is for £100 million with an accordion of £50 million. This facility had a four-year term which started in October 2021. In April 2023, a one-year extension to the term was agreed, extending it to October 2026. Interest is calculated at a margin above SONIA, subject to a net leverage test. The related fees for access to the facility are included in the consolidated statement of comprehensive income.

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

Bank debt is secured by way of debentures in the Group companies which are obligors to the loans. These are XPS Pensions Group plc, XPS Consulting (Reading) Limited, XPS Financing Limited, XPS Reading Limited, XPS Pensions Consulting Limited, XPS SIPP Services Limited, XPS Holdings Limited, XPS Pensions Limited, XPS Investment Limited, XPS Administration Holdings Limited and XPS Administration Limited. The security is over all the assets of the companies which are obligors to the loans.

24 Reconciliation of liabilities arising from financing activities

	31 March 2023 £'000	Cash flows £'000	Other non-cash changes £'000	Non-cash change: new leases/ interest this year £'000	31 March 2024 £'000
Drawn revolving credit facility	68,000	(44,000)	—	—	**24,000**
Capitalised debt arrangement fees	(690)	(200)	276	—	**(614)**
Interest payable on long-term borrowings	49	(3,905)	—	3,901	**45**
Lease liabilities	9,935	(3,085)	—	2,317	**9,167**
Total liabilities from financing activities	77,294	(51,190)	276	6,218	**32,598**

24 Reconciliation of liabilities arising from financing activities continued

	31 March 2022 £'000	Cash flows £'000	Other non-cash changes £'000	Non-cash change: new leases/ interest this year £'000	31 March 2023 £'000
Drawn revolving credit facility	64,000	4,000	—	—	68,000
Capitalised debt arrangement fees	(967)	—	277	—	(690)
Interest payable on revolving credit facility	57	(2,985)	—	2,977	49
Lease liabilities	11,680	(3,267)	—	1,522	9,935
Total liabilities from financing activities	74,770	(2,252)	277	4,499	77,294

Net debt for bank reporting purposes:

	31 March 2024 £'000	31 March 2023 £'000
Drawn revolving credit facility	**24,000**	68,000
Contingent consideration	**—**	568
Less: cash	**(10,005)**	(13,285)
Net debt	**13,995**	55,283

For banking covenant purposes, net debt includes any amounts owed as contingent consideration but excludes lease liabilities.

25 Trade and other payables

	31 March 2024 £'000	31 March 2023 £'000
Trade payables	**2,839**	4,752
Accrued expenses	**17,215**	14,561
Accrued earn out consideration relating to Penfida	**2,534**	845
Interest payable	**89**	49
Other payables	**495**	471
Total financial liabilities excluding leases, loans and borrowings classified as financial liabilities at amortised cost	**23,172**	20,678
Other payables – tax and social security payments	**2,411**	2,178
Other payables – VAT	**7,358**	5,892
Contract liabilities	**10,781**	3,315
Total trade and other payables	**43,722**	32,063
Due within one year or less	**43,722**	31,218
Due between one and three years	**—**	845

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value.

In the prior year, the Penfida accrued earn out consideration was disclosed as a non-current liability; however, in the current year this is a current liability as payment is due within 12 months of the year end.

The March 2024 contract liability balance is expected to be recognised in the year ended 31 March 2025 (£10,435,000), 31 March 2026 (£250,000) and 31 March 2027 (£96,000). Of the March 2023 contract liability balance of £3,315,000, £3,011,000 was recognised in revenue in the year to 31 March 2024, £251,000 will be recognised in the year to 31 March 2025, and £53,000 will be recognised in the year to 31 March 2026.

26 Current income tax liabilities

	31 March 2024 £'000	31 March 2023 £'000
Tax payable	**427**	2,280
	427	2,280

27 Provisions for other liabilities and charges

31 March 2024	Social security costs on PSP/SEP £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Balance at 1 April 2023	**1,155**	**1,911**	**812**	**3,878**
Provisions made during the year	**1,466**	**317**	**923**	**2,706**
Provisions used during the year	**(764)**	**(675)**	**(986)**	**(2,425)**
Provisions released unused during the year	**—**	**(200)**	**(243)**	**(443)**
Balance at 31 March 2024	**1,857**	**1,353**	**506**	**3,716**
Due within one year or less	**954**	**454**	**506**	**1,914**
Due after more than one year:				
Between one and three years	**903**	**73**	**—**	**976**
Over three years	**—**	**826**	**—**	**826**
	1,857	**1,353**	**506**	**3,716**

31 March 2023	Social security costs on PSP/SEP £'000	Dilapidations £'000	Professional indemnity £'000	Total £'000
Balance at 1 April 2022	995	1,631	391	3,017
Provisions made during the year	765	247	558	1,570
Provisions used during the year	(605)	(44)	(93)	(742)
Provisions released unused during the year	—	(116)	(44)	(160)
On acquisition	—	193	—	193
Balance at 31 March 2023	1,155	1,911	812	3,878
Due within one year or less	658	539	812	2,009
Due after more than one year:				
Between one and three years	497	288	—	785
Over three years	—	1,084	—	1,084
	1,155	1,911	812	3,878

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 Group's shares at the date of exercise;
- the number of options that will be exercised; and
- the prevailing rate of National Insurance at the date of exercise.

Dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised within the depreciation of the right-of-use asset over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

The dilapidations provision will be utilised after the end of the lease of the asset to which it relates.

The Group is involved in a small number of potential professional indemnity claims. The amount provided represents the Directors' best estimate of the Group's liability, after having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, the Directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Group's position in defending the cases brought against it. The provision relating to potential professional indemnity claims is updated depending on the status of each individual claim.

28 Contingent consideration

	Balance at 1 April 2023 £'000	Fair value adjustment £'000	Settled in year £'000	**31 March 2024 £'000**
Contingent cash consideration	568	(92)	(476)	**–**
	568	(92)	(476)	**–**

	Balance at 1 April 2022 £'000	Fair value adjustment £'000	Settled in year £'000	31 March 2023 £'000
Contingent cash consideration	765	(197)	–	568
	765	(197)	–	568

The contingent cash consideration liability recognised at 31 March 2023 relates to the Michael J Field acquisition in February 2022. The liabilities were calculated based on terms agreed in the business purchase agreement for Michael J Field, which were dependent on certain revenue and cost targets being met in the 12 months following the acquisition date. A final settlement of £476,461 was paid in the year, with the remaining balance being recognised as other operating income in the statement of comprehensive income.

The amount disclosed in the cash flow is the £476,461 noted above, net of £71,000 received from the sellers of Penfida Limited, due to a purchase price adjustment received in 2024.

29 Share capital

	31 March 2024		31 March 2023	
	Ordinary shares '000	**Ordinary shares £'000**	Ordinary shares '000	Ordinary shares £'000
In issue at the beginning of the year	**207,443**	**104**	205,151	103
Issued during the year	**102**	**–**	2,292	1
In issue at the end of the year	**207,545**	**104**	207,443	104

	31 March 2024		31 March 2023	
	'000	**£'000**	'000	£'000
Allotted, called up and fully paid				
Ordinary shares of 0.05p (2023: 0.05p) each	**206,032**	**103**	206,427	103
Shares held by the Group's Employee Benefit Trust				
Ordinary shares of 0.05p (2023: 0.05p) each	**1,513**	**1**	1,016	1
Shares classified in shareholders' funds	**207,545**	**104**	207,443	104

The number of shares allotted in the year is 101,835 (2023: 2,291,669).

The Group has invested in the shares for its Employee Benefit Trust (EBT). These shares are held on behalf of employees and legal ownership will transfer to those employees on the exercise of an award. This investment in own shares held in trust is deducted from equity in the consolidated statement of changes in equity.

30 Reserves

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

Reserve	Description and purpose
Retained earnings/ accumulated deficit:	All net gains and losses recognised through the consolidated statement of comprehensive income.
Share premium:	Amounts subscribed for share capital in excess of nominal value.
Merger relief reserve:	The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies.
Investment in own shares:	Cost of own shares held by the EBT.

31 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 2024 £'000	Carrying amount 31 March 2023 £'000
Trade receivables	**27,650**	21,642
Provision for impairment of trade receivables	**(602)**	(363)
Net trade receivables due	**27,048**	21,279
Contract assets – accrued income	**16,706**	16,407
Contract assets – amounts recognised for triennial reviews	**1,355**	1,475
Cash and cash equivalents	**10,005**	13,285
Non-current financial asset	**—**	1,847
Total	**55,114**	54,293

Credit risk mitigation

The ageing of trade receivables at the reporting date was:

	31 March 2024 £'000	31 March 2023 £'000
Not past due	**20,046**	16,402
Past due 0–30 days	**4,788**	3,395
Past due 31–90 days	**1,867**	1,177
Past due more than 90 days	**949**	668
Total	**27,650**	21,642
Movement in impairment allowance for trade receivables		
Balance at start of the year	**363**	330
Increase during the year	**510**	359
Receivable written off during the year as uncollectable	**(107)**	(105)
Reversal of allowances	**(164)**	(221)
Balance at end of the year	**602**	363

The Group prepared a forward-looking impairment model using a provision matrix based on historical data. Using this, the Group believes that an impairment allowance of £602,000 (2023: £363,000) is adequate in respect of trade receivables. Those debts which have not been provided against are considered recoverable by the Group. In accordance with IFRS 9, the expected credit loss (ECL) model was used to calculate the impairment loss.

The Group has considered whether any provision needs to be made for credit losses on contract assets, and concluded that there are none.

Cash flow risk

The Group is exposed to cash flow interest rate risk in two main respects. Firstly, corporate and client bank deposits, which earn interest at a variable rate, although not at a material level. Secondly, interest expense arising on the Group's revolving credit facility at a margin over SONIA.

Interest rate risk

The interest rate on the Group's revolving credit facility is a margin over SONIA and as such the Company is at risk from SONIA increases. The sensitivity of the interest rate risk has been assessed and it is not material.

31 Financial instruments continued

Liquidity risk

Liquidity risk arises from the Group's working capital and the finance charges and principal repayments on its debt instruments. It is the risk the Group will encounter difficulty in meeting its financial obligations as they fall due.

The following table sets out the contractual maturities (representing undiscounted cash flows) of financial liabilities:

	Up to 3 months £'000	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**	**31 March 2024 £'000**
Trade and other payables	**23,172**	**—**	**—**	**—**	**—**	**23,172**
Leases	**555**	**1,604**	**1,888**	**4,321**	**1,952**	**10,320**
Loans and borrowings	**—**	**—**	**—**	**24,000**	**—**	**24,000**
Bank interest	**396**	**1,127**	**1,522**	**973**	**—**	**4,018**
	24,123	**2,731**	**3,410**	**29,294**	**1,952**	**61,510**

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	31 March 2023 £'000
Trade and other payables	20,678	—	—	—	—	20,678
Leases	1,009	2,067	1,926	4,337	1,500	10,839
Loans and borrowings	—	—	—	68,000	—	68,000
Bank interest	1,000	3,425	3,936	2,364	—	10,725
Deferred consideration	568	—	—	—	—	568
	23,255	5,492	5,862	74,701	1,500	110,810

The Group does not have any concerns over meeting its liabilities as they fall due, as the forecasts prepared indicate sufficient cash receipts in each period to cover liabilities.

Capital risk

The Group's objective when managing capital is to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern. Total capital is calculated as total equity in the statement of financial position.

Management of capital

	31 March 2024 £'000	31 March 2023 £'000
Total equity	**185,854**	149,284

32 Notes supporting statement of cash flows

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Cash at bank available on demand	**10,005**	13,285

33 Related party transactions

Key management emoluments during the year

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the Board of Directors.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Emoluments	**4,509**	3,310
Share-based payment	**1,233**	894
Company contributions to defined contribution pension plans	**30**	30
Social security costs	**530**	376
	6,302	4,610

33 Related party transactions continued

Non-executive emoluments during the year

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Emoluments	**368**	303
Social security costs	**45**	39
	413	342

34 Earnings per share

	31 March 2024 £'000	31 March 2023 £'000
Profit for the year	**54,167**	15,837

	31 March 2024 '000	31 March 2023 '000
Weighted average number of ordinary shares in issue	**206,760**	205,448
Diluted weighted average number of ordinary shares	**219,621**	216,071
Basic earnings per share (pence)	**26.2**	7.7
Diluted earnings per share (pence)	**24.7**	7.3

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

Reconciliation of weighted average ordinary shares in issue to diluted weighted average ordinary shares:

	Year ended 31 March 2024 '000	Year ended 31 March 2023 '000
Weighted average number of ordinary shares in issue	**206,760**	205,448
Dilutive impact of share options vested up to exercise date	**940**	802
Dilutive impact of PSP and SEP options not yet vested	**9,226**	7,920
Dilutive impact of dividend yield shares for PSP and SEP options	**1,246**	1,069
Dilutive impact of SAYE options not yet vested	**1,449**	832
Diluted weighted average number of ordinary shares	**219,621**	216,071

Share awards were made to the Executive Board members and key management personnel in each year since the year ending 31 March 2017; these are subject to certain conditions and each tranche of awards vest three years after the award date. Dividend yield shares relating to these awards will also be awarded upon vesting of the main awards. Further shares have been issued under SAYE share schemes in the years ending 31 March 2022 and 2023, these will vest in the years ending 31 March 2025 and 2026 respectively. These shares are reflected in the diluted number of shares and diluted earnings per share calculations.

Adjusted earnings per share

	31 March 2024 £'000	31 March 2023 £'000
Adjusted profit after tax	**33,496**	27,143
Adjusted earnings per share (pence)	**16.2**	13.2
Diluted adjusted earnings per share (pence)	**15.3**	12.6

The adjusted profit after tax is taken from the trading column of the income statement, and excludes the impact of the exceptional and non-trading items disclosed in note 6.

35 Subsidiaries

The following are the wholly owned companies consolidated within the financial statements of XPS Pensions Group plc:

Company name	Company number	Principal activity	Registered address
XPS Financing Limited	08279274	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB

The subsidiaries below are indirectly owned by other Group companies:

Company name	Company number	Principal activity	Registered address
XPS Reading Limited	08279362	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Consulting (Reading) Limited	08287502	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions Consulting Limited	02459442	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS SIPP Services Limited	SC069096	Employee benefit consultancy	Scotia House, Castle Business Park, Stirling, Stirlingshire FK9 4TZ
Xafinity Pensions Consulting Limited	04436642	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Xafinity PT Limited	00232565	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Entegria Limited	05777554	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Xafinity Pensions Trustees Limited	01450089	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (AT) Services Limited	SC420031	Employee benefit consultancy	Scotia House, Castle Business Park, Stirling, Stirlingshire FK9 4TZ
Hazell Carr (SG) Services Limited	01867603	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (ES) Services Limited	02372343	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (PN) Services Limited	00236752	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Hazell Carr (SA) Services Limited	SC086807	Dormant	Scotia House, Castle Business Park, Stirling, Stirlingshire FK9 4TZ
Xafinity Trustees Limited	04305500	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Xafinity Employee Benefit Trust 2013	n/a	Trust	JTC Trustees Limited, Elizabeth House, 9 Castle Street, St Helier, Jersey JE4 2QP
XPS Holdings Limited	04807951	Holding Company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Administration Holdings Limited	09655671	Holding Company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Administration Limited	09428346	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Investment Limited	06242672	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions Limited	03842603	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions (RL) Limited	05817049	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
XPS Pensions (Trigon) Limited	12085392	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
MJF Pension Trustees Limited	03394648	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
MJF SSAS Trustees Limited	04089958	Dormant	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Pensions Software Solutions Limited	11482474	Software development	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB
Penfida Limited	08020393	Employee benefit consultancy	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB

35 Subsidiaries continued

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the "Act") relating to the audit of individual accounts by virtue of Section 479A of the Act.

Company name	Company number
XPS Financing Limited	08279274
XPS Reading Limited	08279362
Hazell Carr (AT) Services Limited	SC420031
XPS Holdings Limited	04807951
XPS Administration Holdings Limited	09655671
XPS Pensions (RL) Limited	05817049
XPS Pensions (Trigon) Limited	12085392
Pensions Software Solutions Limited	11482474
Penfida Limited	08020393

The Company will guarantee all outstanding liabilities that these subsidiaries are subject to as the financial year ended 31 March 2024 in accordance with Section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, the Company will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

36 Dividends

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

	31 March 2024 £'000	31 March 2023 £'000
Final dividend for the year ended 31 March 2023: 5.7p per share (2022: 4.8p per share)	**11,825**	9,763
Interim dividend for the year ended 31 March 2024: 3.0p (2023: 2.7p) per ordinary share was paid during the year	**6,200**	5,568
	18,025	15,331

The recommended final dividend payable in respect of the year ended 31 March 2024 is £14.6 million or 7.0p per share (2023: £11.8 million or 5.7p per share).

The proposed dividend has not been accrued as a liability as at 31 March 2024 as it is subject to approval at the Annual General Meeting.

	31 March 2024 £'000	31 March 2023 £'000
Proposed final dividend for year ended 31 March 2024	**14,630**	11,825

The Trustee of the Xafinity Employee Benefit Trust has waived its entitlement to dividends.

The Company statement of changes in equity shows that the Company has positive reserves of £166,081,000. Therefore there are sufficient distributable reserves in XPS Pensions Group plc in order to pay the proposed final dividend.

37 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

Statement of financial position – Company

as at 31 March 2024

	Note	**31 March 2024 £'000**	31 March 2023 Restated £'000	31 March 2022 Restated £'000
Assets				
Non-current assets				
Investments	5	**38,478**	33,831	29,681
Trade and other receivables	6	**259,006**	243,660	229,163
		297,484	277,491	258,844
Current assets				
Trade and other receivables	6	**–**	5	5
Cash and cash equivalents	7	**1,623**	1,704	–
		1,623	1,709	5
Total assets		**299,107**	279,200	258,849
Liabilities				
Non-current liabilities				
Trade and other payables	8	**44,464**	41,257	42,366
		44,464	41,257	42,366
Current liabilities				
Trade and other payables	8	**–**	204	–
Current tax liabilities	9	**3,294**	1,273	744
		3,294	1,477	744
Total liabilities		**47,758**	42,734	43,110
Net assets		**251,349**	236,466	215,739
Equity and liabilities				
Share capital	10	**104**	104	103
Share premium	11	**1,786**	1,786	116,804
Merger relief reserve	11	**48,687**	48,687	48,687
Investment in own shares	11	**(2,925)**	(1,350)	(4,157)
Other reserve	11	**37,616**	32,969	28,818
Retained profit	11	**166,081**	154,270	25,484
Total equity		**251,349**	236,466	215,739

The notes on pages 149 to 153 form part of these financial statements.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The profit for the financial year of the holding Company, as approved by the Board, was £33,855,000 (2023: £31,450,000).

These financial statements were approved by the Board of Directors on 19 June 2024 and were signed on its behalf by:

Snehal Shah
Chief Financial Officer
19 June 2024

Registered number: 08279139

Statement of changes in equity – Company
for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Investment in own shares £'000	Other reserve £'000	Retained profit £'000	Total £'000
Balance at 1 April 2022 (as previously stated)	103	116,804	48,687	—	28,818	28,073	222,485
Adjustment for aggregation of Employee Benefit Trust	—	—	—	(4,157)	—	(2,589)	(6,746)
Balance at 1 April 2022 (as restated)	103	116,804	48,687	(4,157)	28,818	25,484	215,739
Comprehensive income and total comprehensive income for the year (as restated)	—	—	—	—	—	31,450	31,450
Contributions by and distributions to owners							
Share capital issued	1	1,786	—	—	—	—	1,787
Share premium reduction	—	(116,804)	—	—	—	116,804	—
Shares purchased by Employee Benefit Trust for cash	—	—	—	(2,200)	—	—	(2,200)
Share-based payment expense – equity settled from Employee Benefit Trust	—	—	—	5,007	—	(4,137)	870
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	—	—	—	—	3,893	—	3,893
Deferred tax movement in respect of long-term incentives	—	—	—	—	258	—	258
Dividends paid	—	—	—	—	—	(15,331)	(15,331)
Total contributions by and distributions to owners	1	(115,018)	—	2,807	4,151	97,336	(10,723)
Balance at 31 March 2023 as restated	104	1,786	48,687	(1,350)	32,969	154,270	236,466
Balance at 1 April 2023	104	1,786	48,687	(1,350)	32,969	154,270	236,466
Comprehensive income and total comprehensive income for the year	—	—	—	—	—	33,855	33,855
Contributions by and distributions to owners							
Shares purchased by Employee Benefit Trust for cash	—	—	—	(5,621)	—	—	(5,621)
Share-based payment expense – equity settled from Employee Benefit Trust	—	—	—	4,046	—	(4,019)	27
Share-based payment expense – IFRS 2 charge in respect of long-term incentives	—	—	—	—	4,910	—	4,910
Deferred tax movement in respect of long-term incentives	—	—	—	—	(263)	—	(263)
Dividends paid	—	—	—	—	—	(18,025)	(18,025)
Total contributions by and distributions to owners	—	—	—	(1,575)	4,647	(22,044)	(18,972)
Balance at 31 March 2024	**104**	**1,786**	**48,687**	**(2,925)**	**37,616**	**166,081**	**251,349**

The balance at 1 April 2022 has been restated following an accounting policy change in the year to aggregate the Employee Benefit Trust (EBT) within the Company. Further information on this change can be found in note 1. The impact on opening retained earnings of £2,589,000 is due to the loss on disposal of shares incurred by the EBT when shares acquired at market value were used to satisfy share options at nominal value in prior periods. The change in policy lead to a £44,000 reduction in comprehensive income for the year ended 31 March 2023 (£31,494,000 before the restatement).

The appropriate filing of interim accounts showing sufficient reserves to pay the £15,331,000 dividend was undertaken.

The notes on pages 149 to 153 form part of these financial statements.

Statement of cash flows – Company
for the year ended 31 March 2024

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 Unaudited Restated £'000
Cash flows from operating activities		
Profit for the year	**33,855**	31,450
Adjustments for:		
Finance income	**(15,876)**	(7,090)
Finance costs	**2,727**	1,339
Income tax expense	**3,294**	1,101
Dividend income	**(24,000)**	(26,800)
Net cash inflow from operating activities	**–**	–
Cash flows from investing activities		
Finance income received	**17**	–
Net cash inflow from investing activities	**17**	–
Cash flows from financing activities		
Purchase of ordinary shares by the EBT	**(5,621)**	(2,200)
Loans with related parties	**5,523**	3,904
Net cash (outflow)/inflow from financing activities	**(98)**	1,700
Net (decrease)/increase in cash and cash equivalents	**(81)**	1,704
Cash and cash equivalents at start of year	**1,704**	–
Cash and cash equivalents at end of year	**1,623**	1,704

The prior year has been restated due to the accounting policy change to aggregate the Employee Benefit Trust within the XPS Pensions Group plc Company financial statements. Previously, no cash flow statement was presented as XPS Pensions Group plc does not hold a bank account. However, as the EBT holds a bank account for the purposes of acquiring shares in the Group on behalf of XPS Pensions Group plc, a cash flow statement has been presented, along with the comparative year.

The dividends are paid from a subsidiary company, as the Company itself does not hold a bank account.

The notes on pages 149 to 153 form part of these financial statements.

1 Accounting policies

XPS Pensions Group plc (the "Company") is a public company incorporated in the UK. The principal activity of the Company is that of a holding company. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB.

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The financial statements have been prepared under the going concern basis.

The preparation of financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no critical judgements or estimates to disclose.

The prior year cash flow statement is unaudited. This is because in the prior year, the Employee Benefit Trust (EBT) was unaggregated, and the Company itself does not hold a bank account. Due to the aggregation of the EBT in the year (see below for more detail), a cash flow statement has been presented in these financial statements, along with a comparative year.

Measurement convention

The financial statements are prepared on the historical cost basis.

Investments in subsidiaries

Investments in subsidiaries are carried at cost, plus capital contributions to the Group's subsidiary companies in respect of share-based payment charges and related deferred tax, less any provisions for impairment.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid and in the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit and loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Change in accounting policy: aggregation of Employee Benefit Trust

In the year, management has reviewed the accounting treatment of its Employee Benefit Trust (EBT). Accounting standards in this area provide no clear guidance and so it is down to management to determine the most appropriate way to present the EBT. Under the previous permitted accounting policy, the EBT was excluded from the financial statements of XPS Pensions Group plc. Management have decided that it is appropriate to aggregate the assets and the liabilities of the EBT within XPS Pensions Group plc. This decision has been made to provide users of the accounts with more transparency over the EBT and its transactions. XPS Pensions Group plc currently gifts the EBT with cash (via another Group entity) and instructs the EBT to use this cash to purchase XPS Pensions Group plc shares from the market. These shares are then used to settle vested employee share options. As the EBT can only operate on the explicit instruction of XPS Pensions Group plc, the EBT is acting as an agent of XPS Pensions Group plc and therefore meets the criteria for aggregation. As the EBT holds cash balances where it has not yet fulfilled the wishes of XPS Pensions Group plc, aggregation allows management to disclose this cash balance in the Company-only financial statements, providing more information to users of these accounts.

This change has had no impact on the Group's consolidated financial statements, as the EBT was previously consolidated within the Group accounts. The change impacts XPS Pensions Group plc's Company-only financial statements, and therefore as a result of this change, the prior year statement of financial position and statement of changes in equity have been restated. Additionally, a cash flow statement is now disclosed for the Company, as the EBT holds a bank account.

Changes in accounting policies – new standards, interpretations, and amendments effective from 1 April 2023

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.

1 Accounting policies continued

New standards and interpretations adopted and not yet adopted

A number of new standards, amendments to standards and interpretations are not effective for 2024, and therefore have not been applied in preparing XPS Pensions Group plc's financial statements. These standards, interpretations and amendments issued by the IASB (of which some are still subject to endorsement by the UK) but not yet effective are not expected to have a material impact on the Company's financial statements.

2 Financial risk management

The Company is a holding company and has limited exposure to financial risks. Details of the financial risks management are contained in the Group accounts (note 2) and details of their application to the Company are included in Company note 13.

3 Capital risk management

The Company is a holding company and will apply the risk management policies of the Group contained in the Group's financial statements.

4 Staff numbers and costs

The Company had no employees other than Directors in the year to 31 March 2024 (2023: nil).

No Directors received remuneration for their services to the Company during the year. Directors were remunerated for their services to the Group by a subsidiary company. See Group accounts note 12 for more information.

Pension contributions of £nil (2023: £nil) were paid on behalf of the Directors in the Company.

5 Investments in subsidiaries

	31 March 2024 £'000	31 March 2023 £'000	31 March 2022 £'000
At the beginning of the year	**33,831**	29,681	26,345
In relation to XPS Pensions Consulting Limited	**2,765**	2,403	1,894
In relation to XPS SIPP Services Limited	**94**	100	89
In relation to XPS Pensions Limited	**1,040**	983	818
In relation to XPS Administration Limited	**618**	560	454
In relation to XPS Investment Limited	**114**	80	65
In relation to XPS Pensions (RL) Limited	**11**	14	11
In relation to XPS Pensions (Trigon) Limited	**5**	10	5
At the end of the year	**38,478**	33,831	29,681

Subsidiary	Ownership	Country of incorporation	Class of shares held	Principal activities	Registered address
XPS Financing Limited	100%	England and Wales	Ordinary	Holding company	Phoenix House, 1 Station Hill, Reading, Berkshire RG1 1NB

The additions to investments during the year represent amounts in respect of Performance Share Plan and Senior Equity Plan awards.

All other subsidiaries disclosed in note 35 of the Group accounts are indirectly owned by other Group companies.

6 Trade and other receivables

	31 March 2024 £'000	31 March 2023 Restated £'000	31 March 2022 Restated £'000
Receivables due from related parties	**259,006**	243,660	229,163
Other receivables	**–**	5	5
Total	**259,006**	243,665	229,168
Non-current receivable	**259,006**	243,660	229,163
Current receivable	**–**	5	5
Total	**259,006**	243,665	229,168

The prior year has been restated as a result of the aggregation of the Employee Benefit Trust (EBT). Had the EBT not been aggregated, then the current year receivable would have increased by £27,860,000 to £275,493,000 as at 31 March 2024, the 31 March 2023 receivable would have increased by £13,776,000 to £247,633,000, and the balance at 31 March 2022 was £233,857,000, an increase of £16,734,000 in the year. The receivable at 31 March 2023 would have been restated from £251,335,000 to £247,635,000 to reflect an error in the way the EBT received funds after September 2022.

7 Cash and cash equivalents

	31 March 2024 £'000	31 March 2023 Restated £'000	31 March 2022 £'000
Cash and cash equivalents per statement of financial position	**1,623**	1,704	–
Cash and cash equivalents per statement of cash flows	**1,623**	1,704	–

The prior year has been restated as a result of the aggregation of the Employee Benefit Trust (EBT). The EBT holds a bank account, and the amounts above represent the cash held within this account.

8 Trade and other payables

	31 March 2024 £'000	31 March 2023 Restated £'000	31 March 2022 Restated £'000
Payables due to related parties	**44,464**	41,257	42,366
Other payables	**–**	204	–
Total trade and other payables	**44,464**	41,461	42,366
Non-current payable	**44,464**	41,257	42,366
Current payable	**–**	204	–
Total	**44,464**	41,461	42,366

The prior year has been restated as a result of the aggregation of the Employee Benefit Trust (EBT). Had the EBT not been aggregated, then the current year payable would have increased by £6,282,000 to £45,588,000 as at 31 March 2024, the 31 March 2023 payable would have decreased by £1,003,000 to £39,306,000, and the balance at 31 March 2022 would have been £40,309,000, an increase of £1,997,000 from the balance at 31 March 2021.

9 Current tax liabilities

	31 March 2024 £'000	31 March 2023 £'000	31 March 2022 £'000
Corporation tax payable	**3,294**	1,273	744

10 Share capital

Details on the share capital of the Company are contained in the Group financial statements.

11 Reserves

Reserve	Description and purpose
Share premium:	Amount subscribed for share capital in excess of nominal value.
Other reserve:	The other reserve represents the amount in respect of the equity-settled awards made by the Employee Benefit Trust to subsidiary companies as instructed by the Company.
Merger relief reserve:	The merger relief reserve represents the difference between the fair value and nominal value of shares issued on the acquisition of subsidiary companies.
Investment in own shares:	Cost of own shares held by the EBT. See note 12 for more information.
Retained profit:	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

12 Investment in own shares

	31 March 2024 £'000	31 March 2023 Restated £'000	31 March 2022 Restated £'000
Balance at 1 April	**1,350**	4,157	2,563
Acquired during the year	**5,621**	2,200	3,325
Utilised during the year	**(4,046)**	(5,007)	(1,731)
Balance at 31 March	**2,925**	1,350	4,157

Investment in own shares represents the cost of shares in the Company purchased in the market and held by the Employee Benefit Trust (EBT) to satisfy awards under the Group's employee share option plans (see note 13 to the Group's consolidated financial statements).

During the year, 3,067,346 (2023: 1,691,703) shares with a total value of £5,621,000. (2023: £2,200,000) have been purchased by the EBT. 2,570,801 (2023: 3,844,709) shares were used in the year to satisfy vested employee share options. The number of ordinary shares held by the EBT at 31 March 2024 was 1,512,760 (2023: 1,016,215).

13 Financial instruments

The fair values and the carrying values of financial assets are the same. All restated amounts in the note below relate to the aggregation of the EBT (see note 1).

Credit risk

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

	Carrying amount 31 March 2024 £'000	Carrying amount 31 March 2023 Restated £'000	Carrying amount 31 March 2022 Restated £'000
Receivables due from related parties	**259,006**	243,660	229,163

Loans from related parties are repayable on demand. Credit risk for receivables due from related parties has not increased significantly since their initial recognition.

Liquidity risk

The Company does not have any significant liquidity risk, as its receivables and payables are all with related parties.

Interest rate risk

The Company does not have any significant interest rate risk, as its receivables and payables are all with related parties.

13 Financial instruments continued

Capital risk management

As part of XPS Pensions Group, the Company is focused on delivering value for its shareholders whilst ensuring the Group is able to continue effectively as a going concern. Total capital for the Company comprises total equity.

The policies for managing capital are to increase shareholder value by maximising profits and cash. The policy is to set budgets and forecasts in the short and medium term that the Company ensures are achievable. The processes for managing capital are regular reviews of financial data to ensure that the Company is tracking the targets set and to reforecast as necessary based on the most up-to-date information. This then contributes to XPS Pensions Group's forecast which ensures future covenant test points are met. XPS Pensions Group continues to meet these test points and they have been achieved over the last 12 months. Further information can be found within the consolidated financial statements of XPS Pensions Group plc.

Management of capital	**31 March 2024 £'000**	31 March 2023 Restated £'000	31 March 2022 Restated £'000
Total equity	**252,779**	236,466	215,739

14 Related party transactions

Amounts receivable from/(payable to) related parties at the balance sheet date

	31 March 2024 £'000	31 March 2023 Restated £'000	31 March 2022 Restated £'000
Loans to related parties	**259,006**	243,660	229,163
Loans from related parties	**(44,464)**	(41,257)	(42,366)
	214,541	202,403	186,797

Movement in loans to related parties in the year are as follows:

	31 March 2024 £'000	31 March 2023 £'000	31 March 2022 £'000
Interest income	**15,860**	7,090	3,565
Increase in loans to related parties	**(24,515)**	(19,393)	(16,241)
Intercompany dividends received	**24,000**	26,800	27,000
	15,345	14,497	14,324

Of the increase in loans to related parties, £5,525,000 (2023: £3,900,000) was cash funded to XPS Pensions Group plc. The rest of the movements were non-cash.

Movement in loans from related parties in the year are as follows:

	31 March 2024 £'000	31 March 2023 £'000	31 March 2022 £'000
Interest expense	**(2,684)**	(1,295)	(690)
(Increase)/decrease in loans from related parties	**(523)**	2,404	(2,232)
	(3,207)	1,109	(2,922)

All of the increase in loans from related parties in the current and the prior year were non-cash movements.

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. 6.50% was applied in the year (2023: 3.96%). All related parties are part of XPS Pensions Group.

15 Ultimate controlling party

The Directors do not consider that there is an ultimate controlling party.

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