23 November 2023

XPS Pensions Group plc

Unaudited interim results for the half year ended 30 September 2023

Continuing to deliver strong and sustainable growth

Financial highlights:

Half year ended 30 September	**2023**	**2022**	**YoY**
Pensions Actuarial and Consulting	£44.4m	£34.4m	29%
Pensions Investment Consulting	£10.2m	£8.1m	26%
Total Advisory	**£54.6m**	**£42.5m**	**28%**
Pensions Administration	£32.4m	£28.0m	16%
SIP	£5.4m	£4.4m	23%
NPT	£2.1m	£2.1m	–
Total Group revenue	**£94.5m**	**£77.0m**	**23%**
Adjusted EBITDA(1)	£22.7m	£17.8m	28%
Profit before tax	£8.1m	£6.8m	19%
Basic EPS	2.6p	2.9p	(10%)
Adjusted diluted EPS	**5.9p**	**5.3p**	**11%**
Interim dividend	3.0p	2.7p	11%

(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. See note 3 for further details.

- High levels of client activity, new wins, inflationary fee increases and bolt on M&A drove 23% growth in Group revenues to £94.5 million (organic growth of 19% year on year)
- Operational gearing continuing with adjusted EBITDA of £22.7 million (+28% YoY) despite continuing inflationary pressures in our cost base in addition to investment in people and technology
- Eighth consecutive half year of YoY growth in revenues across Advisory and Administration:
    - Highest YoY growth in Pensions Actuarial and Consulting revenues (+29% YoY, +22% organic)
    - Continued strong growth in Investment Consulting revenues (+26% YoY)
    - Pensions Administration revenue growth of 16% YoY with continued success in new business wins and strong growth in project work
- SIP revenues increased 23% YoY due to bank base rate increases and growth in underlying SIP sales
- Adjusted diluted EPS was up 11% YoY to 5.9 pence (despite higher interest and increased rate of corporation tax)
- Increased interim dividend of 3.0 pence (2022: 2.7 pence) per share declared by the Board, reflecting XPS's progressive dividend policy and our continued confidence in the Group's prospects

Operational highlights:

- Strong client demand, continued success in winning new business and inflationary fee increases continue to drive profitable and sustainable growth
- Continued strengthening of the brand, enhanced by industry awards - 'Third Party Administrator of the Year', 'Fiduciary Evaluator of the Year' and 'Diversity and Inclusion Excellence Award'
- Our proprietary administration platform Aurora delivered on time and on budget with first new large client onboarded. Aurora is also driving success in winning new appointments
- Continued focus on ESG within the business, notable milestones achieved:
    - Retained signatory to the FRC's Stewardship Code in the period
    - Reduced our own emissions and remain fully carbon neutral (Scope 1, 2 and 3 emissions)

Post period end:

- Continued success in the first-time administration outsourcing market with the landmark appointment to the John Lewis Partnership pension scheme
- Sale of NPT to SEI (completed 20 November 2023) has significantly reduced leverage while creating a valuable long term commercial relationship with SEI

Outlook

The strong first half financial performances underscores the resilience and predictability of the XPS business model. We expect the demand for our services to remain high underpinned by both market and regulatory tailwinds as well as the strength of our brand. The business continues to trade well in H2 and combined with the completion earlier this week of the EPS accretive sale of NPT, the Board are confident of achieving overall full year results ahead of its previous expectations.

Paul Cuff, Co-CEO of XPS Pensions Group, commented:

"We are very pleased with the first half performance of the Group, with strong profitable growth being achieved across all core divisions. To continue to achieve growth at these levels, even when measured against what was a very strong prior year, is really pleasing.

We made progress in many areas during the half year, as we continued to invest in our business, welcoming new people and new clients, and successfully implementing new technology. A real highlight though was the awards we won for our culture - all our people should be really proud, as put simply our culture is all of us.

The future for XPS looks very exciting. There is much discussion of the need for change in our industry, and we are pleased to be at the heart of the debate as it develops, with wide ranging capabilities to help our clients with all their needs."

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Notes to Editors:

XPS Pensions Group is a leading pension consulting and administration business focused on UK pension schemes. XPS combines expertise, insight and technology to address the needs of over 1,500 pension schemes and their sponsoring employers on an ongoing and project basis. We undertake pensions administration for over one million members and provide advisory services to schemes and corporate sponsors in respect of schemes of all sizes, including 81 with assets over £1bn.

Forward Looking Statements

This announcement may include statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by the Listing Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring after the date such statements are published.

CO-CHIEF EXECUTIVES' REVIEW

We are very pleased with the performance of the Group in the first six months of the financial year. Revenue growth of 23%, of which 19% is organic, has been delivered with impressive growth rates across all our business units. This was a significant achievement against what was a strong comparator in HY23 - the momentum we have been carrying for a couple of years now has been sustained and has even strengthened.

Our growth has been profitable - 23% revenue growth has given rise to a 28% increase in adjusted EBITDA on the prior period, reflecting both a mix of business effect, with our strongest growth in higher margin activities, and work done to increase efficiency in our business.

Validation and development of our business model

As we have stated in previous releases, our ambition is to achieve strong profitable growth against any economic backdrop. Given the current challenging economic backdrop it is worth repeating the key features of our business model that give rise to this opportunity.

At the core of our business, we provide non-discretionary recurring advisory and administration services to pension scheme clients. We also provide high value consulting services to help clients improve the position for pension scheme members or address the challenges created by regulatory changes and market volatility. As such we are a non-cyclical business. Furthermore, our contracts typically enable us to pass on inflationary increases meaning we have an inherent protection against a high inflation environment. The half year we are reporting on today is a validation of this business model.

We are of course pleased to have grown total group revenues materially above inflation rates. This has been achieved by keeping close to our clients, and continually ensuring we evolve to have the expertise and experience to be able to provide support to them against a backdrop of market and regulatory volatility. This leads to high levels of client demand for the wide range of services we now offer.

We have been particularly pleased with the progress we have made in the risk transfer market, where we have proven that we are now capable of winning large mandates against tough competition. This had been achieved by a combination of senior hires and the development of talented junior colleagues to create a formidable team that continues to grow strongly.

As this market evolves, there is increasing activity from insurers, particularly as the bulk annuity market grows and they take on the risk from pension funds. We have been developing our capability to provide the support that both established firms and potential new entrants need, across our advisory and administration businesses. We have had initial success with this strategy and expect to continue to grow in this area.

As we look forwards, we continue to develop new services to meet market demands. A simple example is our GMP offering which we are expanding against a backdrop of high market demand, and in the area of public sector pensions administration, where clients need support on large rectification projects in response to recent court cases that have ruled that changes to member benefits need to be implemented.

We are growing our administration business. For example, there continues to be a large opportunity to take on the administration of large defined benefit schemes through 'first time outsourcing'. We were delighted to announce our partnership with the John Lewis Partnership to do just this, the latest large scheme we will take on - once onboarded it will be our largest administration client, with over 160,000 members, an increase of 15% on our current total.

Delivery of our new administration system

We achieved a significant milestone in the development of our new administration system (called 'Aurora') during H1, with our first client successfully onboarded. The first phase of this large IT project has been delivered on time and on budget.

We continue to develop the system and will be working through our clients in an orderly fashion to move them to the new system over the coming years. In time this will deliver efficiencies, as we will cease to pay license fees to third parties whose systems we currently use.

We have also begun to use Aurora in new business opportunities, including the successful John Lewis Partnership discussions referenced above.

The sale of NPT, and the de-leveraging of our balance sheet

During H1 we announced the sale of our defined contribution master trust, National Pension Trust (NPT), to the US asset management and technology firm SEI. This transaction completed on 20 November, and we have received the initial £35m consideration payable (with an additional £7.5m payable contingently based on future performance of NPT). This has materially reduced our borrowing by approximately a half.

This was not however simply a sale of a business unit - retaining exposure to the growing Mastertrust market through provision of core services was a key objective and so, as part of the deal, we have signed a long-term contract with SEI to remain a service provider to NPT (including continuing to provide administration and investment advisory services) and more widely. We will remain very close to NPT and will provide support to help it thrive long into the future.

The combination of the reduction in interest costs and the continuation of parts of the NPT revenue through our partnership with SEI mean that the transaction is expected to be immediately EPS accretive.

Continued industry recognition, and a strong culture

We have had success in recent years in winning industry awards for what we do, and this year was no different. We were delighted to win 'Third Party Administrator of the Year' at the Professional Pensions Awards - the second year in a row we have won this. At the same event, our investment consulting business also won an award, and we were delighted to win an award recognising our work on the diversity and inclusion agenda. This latter award is important to us, as it reflects the wide ranging effort, we put in to being a great place to work, for everyone.

On the topic of culture, we have just seen the first cut of the data from our annual staff survey. We are delighted to have achieved an employee net promoter score of +31, a figure that we are told is very high indeed for a professional services firm. This year we entered The Sunday Times 'best companies to work for' and were pleased to be an award winner in the 'best large companies' category. This is truly a win for everyone at XPS - we are all our culture, and we should all be really proud of the firm that together we have created.

We are passionate about this - it is the right thing to do, and it also drives good retention and recruitment and good business performance more widely. Happy, motivated people look after each other and our clients well.

A sustainable business

As well as advancing sustainability across our business, we continue to work with our clients, communities, suppliers, and colleagues to do the right thing, focusing on areas that are material to all our stakeholders and where, as a business, we can make an impact.

Our sustainability framework and ambitions have strong alignment with the UN Sustainable Development Goals. Our Investment Consulting business advises on pension assets in excess of £94 billion. We incorporate sustainability into our investment strategy solutions, and we continue to be signatory to the FRC's UK Stewardship Code.

As a large employer, we recognise that we have a responsibility to address the environmental impacts of our operations and our investments. In line with the Paris Agreement, we are committed to a science-based net zero strategy that limits our operational emissions to a level consistent with or below a 1.5°C global temperature rise. We have continued to reduce our own emissions and have continued to invest in high quality UN approved carbon offsets to achieve carbon neutrality across our entire value chain, covering our Scope 1, 2 and 3 emissions.

Developments in our wider market

During the last two years we have seen significant changes in the economic backdrop, with material increases in both long term interest rates and inflation. These changes have had profound impacts on UK pension schemes of all types.

In general, most defined benefit schemes are in a healthier financial position than they were. Schemes continue to need to re-look at their long-term objectives and strategies to reflect the 'new world' of higher long term interest rates and funding levels. This has driven significant demand for advisory services, and we expect this to continue. XPS is well placed to meet this demand with the depth of capability we have.

Pension funds have also been the subject of Government scrutiny and newspaper headlines, with focus on asset allocation and whether changes could be made so that the very large sums of money in the pension system make an increased contribution to long term growth in the UK economy. This is a live, ongoing debate with cross party support for change and we have been pleased to be an active participant including attending meetings with Treasury and the Bank of England. The timing and extent of future developments is still unclear, however any changes to the system are expected to drive demand for advice from our clients.

Outlook

The strong first half financial performances underscores the resilience and predictability of the XPS business model. We expect the demand for our services to remain high underpinned by both market and regulatory tailwinds as well as the strength of our brand. The business continues to trade well in H2 and combined with the completion earlier this week of the EPS accretive sale of NPT, the Board are confident of achieving overall full year results ahead of its previous expectations.

Financial Review

Half year ended 30 September	2023	2022	Change YoY
Revenue	£94.5m	£77.0m	23%
Adj. Administration expenses[1]	(£71.8m)	(£59.2m)	(21%)
Adj. EBITDA[1]	**£22.7m**	**£17.8m**	**28%**
Adj. Depreciation & amortisation[1]	(£2.8m)	(£2.6m)	(8%)
Adj. operating profit [1]	**£19.9m**	**£15.2m**	**31%**
Exceptional and non-trading items	(£9.2m)	(£7.0m)	(31%)
Operating profit	**£10.7m**	**£8.2m**	**30%**
Net finance expense	(£2.6m)	(£1.4m)	86%
Profit before tax	**£8.1m**	**£6.8m**	**19%**
Tax	(£2.6m)	(£0.9m)	(189%)
Profit after tax	**£5.5m**	**£5.9m**	**(7%)**
Basic EPS	2.6p	2.9p	(10%)
Adj. diluted EPS	**5.9p**	**5.3p**	**11%**
Interim dividend	3.0p	2.7p	11%

(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.

Group revenue

Group revenue for the six months ended 30 September 2023 was up 23% year on year to £94.5 million (2022: £77.0 million). Organically, group revenue grew 19%.

Pension Actuarial and Consulting

Revenue has grown 29% YoY (22% organically) to £44.4 million (2022: £34.4 million). The growth reflects continued high levels of client activity, driven in part by continued regulatory changes and demand for advice in response to volatility in financial markets and changes in pension scheme funding levels. Inflationary fee increases have also contributed to the growth. The Penfida acquisition completed in September 2022 has contributed £2.5 million to revenue in H1.

Pension Investment Consulting

Continued high client demand in the face of regulatory and financial market changes, combined with inflationary fee increases, has helped revenues grow 26% YoY to £10.2 million (2022: £8.1 million).

Pension Administration

Revenue has grown 16% year on year to £32.4 million (2022: £28.0 million) on the back of new client wins coming on stream, strong demand for project work and inflationary fee increases. Number of members under administration were c. 1,048,000 at 30 September 2023 (2022: c. 990,000) and average fee per member has grown 7% year on year.

SIP

Revenue has grown 23% to £5.4 million (2022: £4.4 million), driven by strong underlying sales and the impact of the increase in the bank base rate.

NPT

Revenues were flat year on year impacted by competitive price pressures. We announced the sale of the NPT business to SEI in July 2023 pending regulatory approvals. The Pensions Regulator approved the sale in October 2023 and the sale completed on 20 November 2023.

Operating costs

Total operating costs (excluding exceptional and non-trading items) for the Group grew by 21% or £12.6 million year on year. Organically, total operating costs grew 18% year on year, below the organic growth in group revenues evidencing the continued improvement in operational gearing. Factors contributing to the cost growth include higher number of employees from ongoing recruitment as well as bolt on acquisitions, higher bonus accrual commensurate with trading performance, and inflationary increases in other cost lines.

Adjusted EBITDA

Adjusted EBITDA of £22.7 million is up 28% YoY (2022: £17.8 million) with an increase in the margin to 24.0% (2022: 23.1%).

Exceptional and non-trading items

During the half year ended 30 September 2023 the Group incurred £9.2 million (2022: £7.0 million) of exceptional and non-trading charges (see note 3 for further details).

Net finance expenses

Net finance expense of £2.6 million was £1.2 million higher than the prior year, largely due to increases in the bank interest rate and a higher average net debt in the period.

Taxation

Tax charge on adjusted profit before tax for the half year was £4.4 million (2022: £2.6 million) equating to an effective corporation tax rate of 25.4% (2022: 18.7%).

The tax charge on statutory profits was £2.6 million (2022: £0.9 million). The increase is largely due to the impact of the increase in corporation tax rate from 19% to 25% from April 2023, and the increase in taxable profits.

Basic EPS

Basic EPS in the half year ended 30 September 2023 was 2.6p (2022: 2.9p). The variance is largely due to the impact of the increase in corporation tax rates to 25% from April 2023. On a like for like 19% corporate tax rate, basic EPS was 3.0p.

Adjusted fully diluted EPS

Adjusted fully diluted EPS in the half year ended 30 September 2023 was 5.9p (2022: 5.3p). On a like for like basis at 19% corporate tax rate, adjusted fully diluted EPS was 6.3p.

Dividend

An interim dividend of 3.0p has been declared by the Board (2022: 2.7p), reflecting XPS's progressive dividend policy and our confidence in the Group's prospects. The interim dividend amounting to £6.2 million (2022: £5.6 million), will be paid on 5 February 2024 to those shareholders on the register on 12 January 2024.

Cash-flow, capital expenditure and net debt

The Group generated £11.3 million from operating activities. After £4.1 million on capital expenditure; paying £11.8 million dividends; £2.2 million of interest, £1.3 million of lease liabilities; £0.4 million dividend equivalents on vesting of employee share schemes; £4.3 million on repurchasing own shares, £0.4 million net payments relating to previous period acquisitions, £0.2 million on fees relating to extension of the loan facility for a further year, partially offset by a £6.0 million drawdown of committed facility, the net decrease in cash was £7.4 million at 30 September 2023.

At 30 September 2023 net debt (as defined for RCF covenants and therefore excluding IFRS 16) was £68.2 million (2022: £72.9 million. The leverage ratio for financing covenants was 1.55x (2022: 2.09x). At 30 September 2023, the Group had £26.0 million of undrawn committed facility. The Group's RCF expires in October 2026.

As a result of the completion of the NPT sale, current net debt is approximately £30 million, representing a significant reduction in the Group's leverage ratio to approximately 0.7x.

Principal risks and uncertainties affecting the business

The principal risks and uncertainties affecting the Group's business activities remain those detailed within the Principal Risks and Uncertainties section of the Annual Report and Accounts for the year ended 31 March 2023 (pages 46-51).

Condensed Consolidated Statement of Comprehensive Income

for the period ended 30 September 2023

		6 month period ended 30 September 2023			6 month period ended 30 September 2022		
		Trading items	**Non-trading and exceptional items**	**Total**	Trading items	Non-trading and exceptional items	Total
		Unaudited	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	4	**94,510**	**–**	**94,510**	76,998	–	76,998
Other operating income	3	**–**	**92**	**92**	–	–	–
Administrative expenses		**(74,650)**	**(9,247)**	**(83,897)**	(61,784)	(7,050)	(68,834)
Profit/(loss) from operating activities		**19,860**	**(9,155)**	**10,705**	15,214	(7,050)	8,164
Finance income		**20**	**–**	**20**	–	–	–
Finance costs		**(2,577)**	**–**	**(2,577)**	(1,334)	–	(1,334)
Profit/(loss) before tax		**17,303**	**(9,155)**	**8,148**	13,880	(7,050)	6,830
Income tax (expense)/credit		**(4,375)**	**1,693**	**(2,682)**	(2,646)	1,703	(943)
Profit/(loss) after tax and total comprehensive income for the period		**12,928**	**(7,462)**	**5,466**	11,234	(5,347)	5,887
Memo							
EBITDA		**22,733**	**(5,634)**	**17,099**	17,799	(3,706)	14,093
Depreciation and amortisation		**(2,873)**	**(3,521)**	**(6,394)**	(2,585)	(3,344)	(5,929)
Profit/(loss) from operating activities		**19,860**	**(9,155)**	**10,705**	15,214	(7,050)	8,164

		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	5	**6.2**		**2.6**	5.5		2.9
Diluted earnings per share	5	**5.9**		**2.5**	5.3		2.8

Condensed Consolidated Statement of Financial Position

as at 30 September 2023

	Note	**30 September 2023 Unaudited £'000**	31 March 2023 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		**4,006**	3,079
Right-of-use assets		**8,664**	9,684
Intangible assets		**210,834**	212,103
Other financial assets		**1,847**	1,847
		225,351	226,713
Current assets			
Trade and other receivables		**46,783**	43,765
Cash and cash equivalents		**5,796**	13,285
		52,579	57,050
Total assets		**277,930**	283,763
Liabilities			
Non-current liabilities			
Loans and borrowings	6	**73,248**	67,310
Lease liabilities		**6,682**	7,234
Provisions for other liabilities and charges		**1,297**	1,869
Trade and other payables		**–**	845
Deferred tax liabilities		**17,049**	18,445
		98,276	95,703
Current liabilities			
Lease liabilities		**2,540**	2,701
Provisions for other liabilities and charges		**2,115**	2,009
Trade and other payables		**30,285**	31,218
Current income tax liabilities		**3,310**	2,280
Deferred consideration		**–**	568
		38,250	38,776
Total liabilities		**136,526**	134,479
Net assets		**141,404**	149,284
Equity			
Equity attributable to owners of the parent			
Share capital	7	**104**	104
Share premium	8	**1,786**	1,786
Merger relief reserve	8	**48,687**	48,687
Investment in own shares held in trust	8	**(2,805)**	(1,350)
Retained earnings	8	**93,632**	100,057
Total equity		**141,404**	149,284

Condensed Consolidated Statement of Changes in Equity

for the period ended 30 September 2023

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Investment in own shares £'000	Accumulated deficit/ retained earnings £'000	Total equity £'000
Balance at 1 April 2023	**104**	**1,786**	**48,687**	**(1,350)**	**100,057**	**149,284**
Profit after tax and total comprehensive income for the period	–	–	–	–	5,466	5,466
Contributions by and distributions to owners						
Shares purchased by employee benefit trust for cash	–	–	–	(4,277)	–	(4,277)
Dividends paid (note 9)	–	–	–	–	(11,825)	(11,825)
Dividend equivalents paid on exercised share options	–	–	–	–	(438)	(438)
Share-based payment expense – equity settled from employee benefit trust	–	–	–	2,822	(2,806)	16
Share-based payment expense – IFRS2 charge	–	–	–	–	2,408	2,408
Deferred tax movement in respect of share-based payment expense	–	–	–	–	466	466
Current tax movement in respect of share-based payment expense	–	–	–	–	304	304
Total contributions by and distributions to owners	–	–	–	(1,455)	(11,891)	(13,346)
Unaudited balance at 30 September 2023	**104**	**1,786**	**48,687**	**(2,805)**	**93,632**	**141,404**

	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 period	–	–	–	–	5,887	5,887
Contributions by and distributions to owners						
Share capital issued	1	1,786	–	–	–	1,787
Shares purchased by employee benefit trust for cash	–	–	–	(1,000)	–	(1,000)
Dividends paid (note 9)	–	–	–	–	(9,763)	(9,763)
Dividend equivalents paid on exercised share options	–	–	–	–	(413)	(413)
Share-based payment expense – equity settled from employee benefit trust	–	–	–	3,066	(2,669)	397
Share-based payment expense – IFRS2 charge	–	–	–	–	1,571	1,571
Deferred tax movement in respect of share-based payment expense	–	–	–	–	20	20
Total contributions by and distributions to owners	1	1,786	–	2,066	(11,254)	(7,401)
Unaudited balance at 30 September 2022	**104**	**118,590**	**48,687**	**(2,091)**	**(22,369)**	**142,921**

	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	–	–	–	–	(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 - IFRS2 charge	–	–	–	–	3,892	3,892
Deferred tax movement in respect of share-based payment expense	–	–	–	–	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**

Condensed Consolidated Statement of Cash Flows

for the period ended 30 September 2023

	Note	**Period ended 30 September 2023 Unaudited £'000**	Period ended 30 September 2022 Unaudited £'000
Cash flows from operating activities			
Profit for the period		**5,466**	5,887
Adjustments for:			
Depreciation		**394**	442
Depreciation of right-of-use assets		**1,572**	1,288
Amortisation		**4,374**	4,198
Loss on disposal of right-of-use assets		**54**	–
Finance income		**(20)**	–
Finance costs		**2,577**	1,334
Share-based payment expense		**2,408**	1,571
Other operating income		**(92)**	–
Income tax expense		**2,682**	943
		19,415	15,663
Increase in trade and other receivables		**(3,025)**	(3,608)
Decrease in trade and other payables		**(2,187)**	(3,014)
Decrease in provisions		**(621)**	(281)
		13,582	8,760
Income tax paid		**(2,280)**	(2,209)
Net cash inflow from operating activities		**11,302**	6,551
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	(8,267)
Payment of deferred consideration		**(406)**	–
Purchases of property, plant and equipment		**(743)**	(219)
Purchases of software		**(3,369)**	(2,125)
Net cash outflow from investing activities		**(4,518)**	(10,611)
Cash flows from financing activities			
Proceeds from the issue of share capital on exercise of share options		**–**	1,787
Proceeds from existing loans	6	**6,000**	11,000
Payment relating to extension of loan facility		**(200)**	–
Repurchase of own shares		**(4,277)**	(1,000)
Proceeds from the exercise of share options settled by EBT shares		**16**	397
Interest paid		**(2,235)**	(1,037)
Lease interest paid		**(119)**	(149)
Payment of lease liabilities		**(1,195)**	(1,236)
Dividends paid to the holders of the parent	9	**(11,825)**	(9,763)
Dividend equivalents paid on vesting of share options		**(438)**	(413)
Net cash outflow from financing activities		**(14,273)**	(414)
Net decrease in cash and cash equivalents		**(7,489)**	(4,474)
Cash and cash equivalents at start of the period		**13,285**	10,150
Cash and cash equivalents at end of period		**5,796**	5,676

Notes to the Condensed Consolidated Financial Statements

for the period ended 30 September 2023

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 that of an employee benefit consultancy and related business services. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB. The Condensed Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation and statement of compliance with IFRS

The annual financial statements are prepared in accordance with UK adopted International Accounting Standards ("IAS"). These condensed financial statements have been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting'. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the latest audited financial statements, for the year ended 31 March 2023.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023, except for the following amendments which apply for the first time in 2023/24. However, the below are not expected to have a material impact on the Group's financial statements as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and amendments are effective for the period beginning 1 April 2023:

• IFRS 17 Insurance Contracts;
• Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
• 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)

Going concern

IFRS accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the interim financial statements. The Directors have taken notice of the Financial Reporting Council guidance 'Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks' which requires the reasons for this decision to be explained.

The Directors have prepared cash flow forecasts up to 31 March 2025, which includes the 12-month period from the date of approval of these interim financial statements which 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. The period to 31 March 2025 has been chosen as it covers the current and next financial years and includes the 12-month period from the date of signing these interim accounts. Inflationary increases have been modelled using the OBR inflation forecasts for that period, and interest rate increases have been included in the forecast based on latest market projections. Additionally, the Directors have modelled a scenario at which the banking covenants could potentially be breached, which is the point at which going concern would be threatened. In this scenario, revenue is modelled to decrease significantly, partially offset with a reduction in staff bonuses. The headroom between this scenario and current performance, and the budget and latest forecast, 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 a reduction in workforce, a reduction in capital expenditure, and a reduction of dividends.

The cash flow forecasts discussed above do not factor in the impact of the sale of the NPT business (see note 12). The impact on EBTIDA for the Group is expected to be immaterial, however the cash received on completion of the sale of the business would result in a reduction in Group debt. This would lead to interest saving and a related improvement in banking covenant test outcomes, which already showed a position of headroom.

The Group's current revolving credit 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 period, nor are any breaches forecast. The Group does not have any non-financial covenants.

Notes to the Condensed Consolidated Financial Statements (continued)

1 Accounting policies (continued)

The Directors have reviewed the historical accuracy of the Group's budgets/forecast. The Group's prior year performance was compared to the budget/forecast, and actual revenue was within 3% of the forecast figure, and adjusted profit after tax was within 8% of the forecast figure. Actual results were ahead of forecast in both cases. This demonstrates that the Group's forecasting process is at a sufficient standard to be able to place reliance on it when making a going concern assessment. The financial performance in the current period has been favourable when compared to budget. 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 interim financial statements.

In terms of the wider macroeconomic and financial situation, the main impact on the Group is the high level of inflation currently being experienced in the UK, and also the related increases in interest rates, albeit the interest rates are now expected to stabilise. The Group is largely protected from a high inflation environment because of its contractual ability to increase revenue from the majority of customers by an amount linked to inflation. Whilst higher interest rates have led to higher finance expenses this has been modelled in the Group's forecasts and is not considered a significant risk.

Non-trading and exceptional items

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

- corporate transaction and restructuring costs;
- amortisation of acquired intangibles;
- changes in the fair value of contingent consideration;
- share-based payments;
- profits or losses on disposal of assets or businesses; 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.

The non-trading and exceptional items have been included within the appropriate classifications in the consolidated income statement. Further details are given in note 3.

Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments 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 have been no material revisions to the nature and amount of estimates of amounts reported since 31 March 2023 except for the estimates relating to the business combination that related specifically to the comparative period.

The sale of the NPT business has been reviewed, and it is the Director's assessment that at 30th September 2023, the NPT business is not classified as held for sale, as the criteria under IFRS 5 had not been met. This judgement is due to several factors, but the key element was that the Pensions Regulator had not given their approval at this date, and approval could not be considered to be customary.

Functional and presentation currency

The Financial Statements are presented in British Pounds which is the functional currency of all Group entities. Figures are rounded to the nearest thousand.

Notes to the Condensed Consolidated Financial Statements (continued)

2 Financial information

The financial information in this report was formally approved by the Board of Directors on 22 November 2023. The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts prepared under UK adopted IFRS for the year ended 31 March 2023 for XPS Pensions Group plc have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information in respect of the period ended 30 September 2023 is unaudited but has been reviewed by the Group's auditor. Their report is included at the end of this document. The financial information in respect of the period ended 30 September 2022 was unaudited but was reviewed by the Group's auditor.

3 Non-trading and exceptional items

	Period ended 30 September 2023 Unaudited £'000	Period ended 30 September 2022 Unaudited £'000
Corporate transaction costs [1]	**(2,611)**	(1,894)
Exceptional items	**(2,611)**	(1,894)
Contingent consideration write back [2]	**92**	—
Share-based payment costs	**(3,115)**	(1,812)
Amortisation of acquired intangibles	**(3,521)**	(3,344)
Non-trading items	**(6,544)**	(5,156)
Total exceptional and non-trading items before tax	**(9,155)**	(7,050)
Tax on adjusting items [3]	**1,693**	1,703
Non-trading and exceptional items after taxation	**(7,462)**	(5,347)

[1] Included within this is £845,000 of contingent consideration in respect of the acquisition of Penfida Limited (H1 2022/23: £nil). The maximum contingent consideration of £3,379,000 would be payable on the second anniversary of the acquisition subject to business performance which includes retention of clients as well as continued employment of key employees. As continued employment is one part of the contingent consideration test, according to IFRS 3, the entire contingent consideration must be treated as a post transaction employment cost accruing over the deferment period of two years. The contingent consideration is material in size and it is one-off in nature. As such, in line with the Group's accounting policies, it has been classified as an exceptional item. If the entire contingent consideration is not payable at the end of the two year period, any resulting credit will also flow through the exceptional category. The remainder of the costs in the current period largely relate to the disposal of the NPT business (see note 12). The costs in H1 2022/23 relate to the Penfida acquisition, as well as other potential M&A opportunities explored by the Group in the period.

[2] Contingent consideration revaluation credit of £92,000 relating to the reduction in the deferred cash-settled consideration for the MJF acquisition (H1 2022/23: £nil).

[3] The tax credit on exceptional and non-trading items of £1.7 million (H1 2022/23: £1.7 million) represents a credit of 18% (H1 2022/23: 24%) of the non-trading and exceptional items incurred of £9.2 million (H1 2022/23 £7.1 million).

Notes to the Condensed Consolidated Financial Statements (continued)

4 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.

Revenue from external customers	**Period ended 30 September 2023 Unaudited £'000**	Period ended 30 September 2022 Unaudited £'000
Pensions Actuarial and Consulting	**44,422**	34,432
Pensions Administration	**32,370**	27,990
Pensions Investment Consulting	**10,185**	8,123
National Pension Trust (NPT)	**2,118**	2,063
SIP [1]	**5,415**	4,390
Total	**94,510**	76,998

[1] Self Invested Pensions (SIP) business, incorporating both SIPP and SSAS products.

In the second half of the prior year, there was a change in the way that divisional revenues are reported to the CODM which is more reflective of the responsibilities and operations of the business. As a result related revenue to the period ended 30 September 2022 of £0.7 million has been reallocated from the Pensions Actuarial and Consulting division to the Pensions Administration division. The above prior year comparative has been restated to reflect this reallocation.

5 Earnings per share

	30 September 2023 Unaudited £'000	30 September 2022 Unaudited £'000
Profit for the period	**5,466**	5,887
Weighted average number of shares:	**'000**	'000
Weighted average number of shares in issue	**206,947**	204,091
Effects of:		
Outstanding share options	**12,687**	9,464
Diluted weighted average number of ordinary shares	**219,634**	213,555
Basic earnings per share (pence)	**2.6**	2.9
Diluted earnings per share (pence)	**2.5**	2.8

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.

Notes to the Condensed Consolidated Financial Statements (continued)

5 Earnings per share (continued)

Adjusted earnings per share

	30 September 2023 Unaudited £'000	30 September 2022 Unaudited £'000
Adjusted profit after tax	**12,928**	11,234
Adjusted basic earnings per share (pence)	**6.2**	5.5
Diluted adjusted earnings per share (pence) – total	**5.9**	5.3

The adjusted profit after tax is the trading profit after tax and excludes the exceptional and non-trading items disclosed in note 3.

6 Loans and borrowings

At 30 September 2023, the Group had drawn down £74 million (31 March 2023: £68 million) of its £100 million revolving credit facility. The current Revolving Facility Agreement was entered into on 12 October 2021 and had a 4 year term, which was extended in April 2023 by one year to October 2026. Interest is calculated at a margin above SONIA (Sterling Overnight Index Average), subject to a net leverage test.

The related fees for access to the facility were capitalised at the point they were incurred and are amortised over the life of the loan to which they relate.

Total debt net of capitalised arrangement fees was £73.2 million (31 March 2023: £67.3 million).

7 Share capital

	Ordinary shares ('000) 30 September 2023	**Ordinary shares (£'000) 30 September 2023**	Ordinary shares ('000) 31 March 2023	Ordinary shares (£'000) 31 March 2023
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

	30 September 2023 ('000)	**30 September 2023 (£'000)**	31 March 2023 (000)	31 March 2023 (£'000)
Allotted, called up and fully paid				
Ordinary shares of 0.05p (March 2023: 0.05p) each	**206,027**	**103**	206,427	103
Shares held by the Group's Employee Benefit Trust				
Ordinary shares of 0.05p (March 2023: 0.05p) each	**1,518**	**1**	1,016	1
Shares classified in shareholders' funds	**207,545**	**104**	207,443	104

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.

Notes to the Condensed Consolidated Financial Statements (continued)

8 Reserves

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

Reserve	Description and purpose
Retained earnings:	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.

9 Dividends

Amounts recognised as distributions to equity holders of the parent in the period

	30 September 2023 Unaudited £'000	30 September 2022 Unaudited £'000
Final dividend for the year ended 31 March 2023: 5.7p per share (2022: 4.8p)	**11,825**	9,763

	30 September 2023 Unaudited £'000	30 September 2022 Unaudited £'000
Interim dividend for the year ending 31 March 2024 of 3.0p (2023: 2.7p)	**6,209**	5,568

The final dividend for 2022/23 was paid on 21 September 2023. The final dividend has been reflected in the Statement of Changes in Equity.

The interim dividend was approved by the Board on 22 November 2023 and has not been included as a liability at 30 September 2023.

10 Related party transactions

Key management emoluments during the year

	30 September 2023 Unaudited £'000	30 September 2022 Unaudited £'000
Emoluments	**536**	503
Share-based payments	**772**	261
Company contributions to money purchase pension plans	**15**	15
Social security costs	**71**	73
	1,394	852

Directors' bonuses are not included in the emoluments figure at 30 September 2023 or 30 September 2022 as the bonus amount is dependent on full year results and is also at the discretion of the Remuneration Committee.

Non-executive emoluments during the year

	30 September 2023 Unaudited £'000	30 September 2022 Unaudited £'000
Emoluments	**165**	162
Social security costs	**20**	22
	185	184

Notes to the Condensed Consolidated Financial Statements (continued)

11 Financial Instruments

The carrying values of financial assets and liabilities approximates fair value.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The Group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer.

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents
- Loans and borrowings
- Deferred consideration

12 Post balance sheet events

On 14th July 2023, the Group announced that it has entered into an option agreement to sell the National Pension Trust (“NPT”), to SEI. The intention is to create a market leading defined contribution proposition for employers and pension scheme members. The deal 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 transaction is subject to regulatory approval.

The total cash consideration payable to the Group upon completion following regulatory approval is up to £42.5 million, comprising of £35.0 million initial consideration and deferred earn-out consideration of up to £7.5 million based on business performance over two years.

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 key service provider to SEI.

Gross assets attributable to NPT were £2.5 million (including the regulatory capital cash account) and the adjusted EBITDA contribution from NPT to the XPS Group in the year ended 31 March 2023 was £0.9 million.

At 30th September 2023 regulatory approval had not yet been received and the Directors still believed that approval was uncertain. The agreement received regulatory approval on 13th October 2023, and the sale was completed on 20 November 2023.

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and provide a true and fair view as required by DTR 4.2.10;
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of the important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

On behalf of the Board,

Snehal Shah
Chief Financial Officer
22 November 2023

INDEPENDENT REVIEW REPORT TO XPS PENSIONS GROUP PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2023 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the

Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants

London UK

22 November 2023

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