Registered Number 08019046

Pension Services Corporation Limited

Annual Report and Financial Statements
For the period ended 31 December 2012

Pension Services Corporation Limited

Incorporated and registered in England & Wales Registered Number 08019046

Registered Office The registered office of the Company is 14 Cornhill, London EC3V 3ND, United Kingdom

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Pension Services Corporation Limited

Directors' report for the period ended 31 December 2012

The directors present their annual report and the audited financial statements for Pension Services Corporation Limited, registered number 08019046, (the "Company" or "PSC") The Company was formed on 4 April 2012 and the financial statements cover the period from this date to 31 December 2012 As this is the first year of trading, no comparatives have been presented

Principal activity

The principal activity of the Company is the provision of services and personnel to fellow members of the group headed by Pension Corporation Group Limited ("PCG" or the "Group"), the ultimate parent company It also provides similar services to a number of other external parties

Business Review

The Company was formed on 4 April 2012 and began trading on 1 October 2012 following the acquisition of the trading assets and liabilities, including staff contracts, of Cornhill Corporation LLP ("PC LLP") (formerly Pension Corporation LLP), a UK limited partnership and the former service provider to the same group of companies, on 30 September 2012 The value of net assets acquired by the Company was £1, the same as the consideration paid to PC LLP

The Company made a pre-tax profit for the period of £251,000

The directors do not recommend a dividend for the period

Further details are included in the Statement of comprehensive income

Strategy

The Company acts as a service provider to a number of companies, primarily those within the PCG group but also some entities outside the group It sets its charging structure for services so as to ensure its own costs of providing these services are fully covered plus a margin for profit

Key Performance Indicators

The Company has identified the following key performance indicators and performance measurement metrics that it considers relevant at this point in its development As the business continues to develop, management will determine whether these indicators remain the most appropriate measures by which to manage the risk and profitability of the business

	Period ended 31 December 2012
Measures of profitability	
Cover all costs of the business and make a small profit margin	**Profit margin 2.4%**

Directors and their interests

The directors who served during the period were

John Coomber	(appointed 4 April 2012)
Rob Sewell	(appointed 4 April 2012)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company

Directors' report for the period ended 31 December 2012 (continued)

Principal risks and uncertainties

The principal risks affecting the Company's business and its strategy for managing those risks are set out in detail in Note 11 to the financial statements

Creditors policy

The Company's policy in relation to its suppliers is to set the terms of payment at 30 days and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions Where specific terms and conditions have been agreed which vary from the Company's standard payment terms, it accepts responsibility to comply with them

Political and charitable contributions

The Company made no charitable or political donations during the period

Employees

Employment of disabled persons

It is the policy of the Company to encourage good employment practices with regard to disabled persons, in accordance with government recommended guidelines Where existing staff become disabled, it is the policy of the Company, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled staff wherever appropriate

Training and development

As part of its business planning process, the Company continues to place emphasis on the development and training of its staff, to meet its needs both now and in the future

Disclosure of Information to Auditors

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

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office

On behalf of the Board

John Coomber
Director

25 March 2013

Pension Services Corporation Limited

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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

Report of KPMG Audit Plc to the members of Pension Services Corporation Limited

Independent auditor's report to the members of Pension Services Corporation Limited.

We have audited the financial statements of Pension Services Corporation Limited for the period ended 31 December 2012 set out on pages 8 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Report of KPMG Audit Plc to the members of Pension Services Corporation Limited

Independent auditor's report to the members of Pension Services Corporation Limited.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M Wilson

Mostyn Wilson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

KPMG Audit Plc
15 Canada Square,
London,
E14 5GL

25 March 2013

Pension Services Corporation Limited

Statement of comprehensive income
for the period ended 31 December 2012

	Note	Period ended 31 December 2012 £000
Revenue		**10,314**
Operating expenses		**(10,063)**
Profit before taxation		**251**
Income tax charge	*5*	**(33)**
Profit for the period		**218**
Other comprehensive income		**-**
Total comprehensive income		**218**

The amounts shown above are in respect of continuing operations

The accounting policies and notes on pages 12 to 20 form an integral part of these financial statements

Pension Services Corporation Limited

Statement of changes in equity
for the period ended 31 December 2012

31 December 2012	Share Capital £000	Accumulated surplus £000	Total £000
Initial capital subscribed	1	-	1
Total comprehensive income for the period	-	218	218
At end of period	**1**	**218**	**219**

The accounting policies and notes on pages 12 to 20 form an integral part of these financial statements

Pension Services Corporation Limited

Statement of financial position
as at 31 December 2012

	Note	**31 December 2012**	
		£000	**£000**
Non-current assets			
Property, plant and equipment	*7*	**496**	
Intangible assets	*8*	**1,563**	
			2,059
Current assets			
Trade and other receivables	*9*	**4,347**	
Cash and cash equivalents		**839**	
			5,186
Total Assets			**7,245**
Equity			
Share capital	*12*	**1**	
Accumulated surplus	*13*	**218**	
Total Equity			**219**
Current Liabilities			
Trade and other payables	*10*	**775**	
Accruals	*10*	**6,218**	
Current taxation		**33**	
Total Liabilities			**7,026**
Total Equity and Liabilities			**7,245**

The accounting policies and notes on pages 12 to 20 form an integral part of these financial statements

The financial statements were approved by the directors on 25 March 2013 and were signed on its behalf by

Rob Sewell
Director

Pension Services Corporation Limited

Statement of cash flows
for the period ended 31 December 2012

	Note	Period ended 31 December 2012	
		£000	£000
Cash flows from operating activities			
Profit for the period			**218**
Adjustments for non-cash movements.			
Movement in tax provisions		33	
			33
Changes in operating assets and liabilities			
Acquisition of property, plant and equipment		(496)	
Acquisition of intangible assets		(1,563)	
Increase in receivables		(3,811)	
Increase in prepayments		(536)	
Increase in other payables		775	
Increase in accruals		6,218	
			587
Cash (outflow)/inflow from operating activities			**838**
Cash inflow from financing activities			
Proceeds from issue of share capital			1
Net increase in cash and cash equivalents			**839**
Cash and cash equivalents at beginning of period			-
Cash and cash equivalents at end of period			**839**

The accounting policies and notes on pages 12 to 20 form an integral part of these financial statements

Pension Services Corporation Limited

Notes to the financial statements for the period ended 31 December 2012

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS As this is the first year of trading, no comparatives have been presented

The Company has applied all IFRSs and interpretations adopted by the EU at 31 December 2012, with the exception of the following, which are not yet mandatory,

Implementation of IFRS 10 –Consolidated Financial Statements – effective for accounting periods beginning on or after 1 January 2014 Amendment to IAS 27- Separate Financial Statements

Implementation of IFRS 11 –Joint Arrangements – effective for accounting periods beginning on or after 1 January 2014 Amendment to IAS 28 Investments in Associates and Joint Ventures

Implementation of IFRS 12 –Disclosure of Interests in Other Entities – effective for accounting periods beginning on or after 1 January 2014

Implementation of IFRS 13 – Fair value management – effective for accounting periods beginning on or after 1 January 2013

Amendment to IFRS 9 – Financial Instruments – Classification and Measurement – effective for accounting periods beginning on or after 1 January 2015

Amendment to IAS 1 – Presentation of financial statements – effective for accounting periods beginning on or after 1 July 2012

Amendment to IAS 19 –Employee benefits – effective for accounting periods beginning on or after 1 January 2013

The Company believes the adoption of the above Accounting Standards and amendments to existing standards will not materially impact the results of the Company

(b) Revenue

Revenue comprises amounts invoiced for services provided by the Company exclusive of value added tax

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Depreciation is charged to write off the cost, less any residual value, of property, plant and equipment to the income statement on a straight-line basis over the estimated useful lives of each part of an item Land is not depreciated The estimated useful lives are as follows

Office equipment	-	3 years
Leasehold improvements	-	equal installments over the term of the lease
Fixtures and fittings	-	equal installments over the term of the lease

1. Accounting policies (continued)

(d) Intangible assets

Intangible assets comprise software that is separable and not integral to hardware platforms Software is stated at cost less accumulated amortisation and impairment losses Externally acquired computer software is capitalised and amortised on a straight-line basis over its useful economic life of 3 years

Costs relating to development of software for internal use are capitalised once the software is technically feasible and the Group has sufficient resources to complete development When the software is available for its intended use, these costs are amortised over the estimated useful life of the software

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash balances, including any overdrawn balances, and deposits held at call with banks with less than 90 days maturity from date of acquisition

(f) Foreign currencies

The functional currency of the Company is pounds sterling The Company has chosen to present its financial statements in this currency

Assets and liabilities denominated mainly in a foreign currency are translated into the functional currency at the foreign exchange rate ruling at the end of the financial year All revenue and expense items are reflected in the Statement of comprehensive income at the rate effective at the date the transaction took place

(g) Taxation

Current taxation is provided on taxable profits at the corporation tax rate ruling in the year they are earned

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 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 ruling at the date the timing difference is expected to reverse

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised

(h) Employee benefits

The Company offers employees access to a group stakeholder pension scheme which is a money purchase scheme The Company's obligation for contributions are recognised as an expense in the income statement in the period they are incurred

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are spread on a straight-line basis over the lease term

2 Operating profit

Operating profit has been arrived at after charging	Period ended 31 December 2012 £000
Depreciation of property, plant and equipment	139
Amortisation of intangible assets	193
Operating lease rentals payable	
- Property	266
- Equipment	24
Auditor's remuneration	
- Audit of these financial statements	8

All depreciation of property, plant and equipment relates to assets owned by the Company Amounts charged against profit for operating lease rentals of property and equipment relate to contract still held with PC LLP These are in the process of being transferred to PSC

3. Staff headcount and expenses

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows

	Period ended 31 December 2012 No
Employees	85
Directors	2

The aggregate payroll cost of these persons was as follows

	Period ended 31 December 2012 £000
Wages and salaries	5,838
Social security costs	800
Pension costs	63
	6,701

All of the above costs were recharged to Group companies and other customers from outside the Group

Pension Services Corporation Limited

Notes to the financial statements for the period ended 31 December 2012 (continued)

4. Directors' emoluments

	Period ended 31 December 2012 £000
Directors' emoluments	10
Pension contributions	-
	10

The aggregate of emoluments of the highest paid director was £5,000 The Company made no pension contributions on his behalf

5. Income tax

	Period ended 31 December 2012 £000
Current taxation	
Income tax payable for the current period	33
Income tax charge	33

The current tax charge for the period is lower than the standard rate of corporation tax in the United Kingdom of 24% The differences are explained below

	Period ended 31 December 2012 £000
Reconciliation of total income to the applicable tax rate	
Profit before taxation	251
Income tax at 24%	60
Effects of	
Expenses not deductible for tax purposes	2
Excess of capital allowances over depreciation	(29)
Income tax charge	33

Factors that may affect future tax charges

The Budget of 23 March 2011 included provisions to reduce the UK corporation tax rate to 23% over the next four years A reduction from 26% to 24% effective from 6 April 2012 and a further reduction to 23% effective from 6 April 2013 was enacted during 2012

As the Company commenced trading in October 2012, a rate of 24% has been used in calculating its tax liability for the period

6. Acquisition of assets and liabilities from PC LLP

On 30 September 2012 the Company acquired all of the trading assets and liabilities of PC LLP and accepted the novation of the majority of PC LLP's contractual obligations, including employment contracts The cash consideration paid to PC LLP was £1, the same as the fair value of net assets acquired

The following table sets out the book values of the identifiable assets and liabilities acquired There were no revaluation differences between book value and fair value

	Book value £000
Non-current assets	
Property, plant and equipment	607
Intangible assets	1,684
Current assets	
Trade and other receivables	808
Cash and cash equivalents	24
Total assets	**3,223**
Current Liabilities	
Trade and other payables	(617)
Amounts owed to group undertakings	(658)
Accruals	(1,948)
Total liabilities	**(3,223)**
Net assets	-
Satisfied by	
Cash consideration	-

Amounts owed to group undertakings comprises a non- interest bearing current account balance with Pension Insurance Corporation Limited ("PIC")

Net cash inflow in respect of the acquisition comprised

	£000
Cash consideration	-
Cash at bank and in hand acquired	24
Net cash inflow on acquisition of PC LLP net assets	24

Following this acquisition, the Company commenced trading on 1 October 2012

7. Property, plant and equipment

	Fixtures, equipment and vehicles £000
Cost	
Acquired during the period	2,812
Additions	28
At end of period	2,840
Depreciation	
Acquired during the period	2,205
Charge for period	139
At end of period	2,344
Net book value	
At end of period	**496**
At start of period	-

8. Intangible assets

	Computer software £000
Cost	
Acquired during the period	6,573
Additions	72
At end of period	6,645
Amortisation	
Acquired during the period	4,889
Charge for period	193
At end of period	5,082
Net book value	
At end of period	**1,563**
At start of period	-

9. Trade and other receivables

	Period ended 31 December 2012 £000
Amounts due from fellow group undertakings	3,796
Other debtors	15
Prepayments	536
	4,347

10 Trade and other payables

	Period ended 31 December 2012 £000
Trade payables	756
Other taxes and social security	19
Accrued expenses	6,218
	7,026

11. Risk management

As a provider of services and personnel to a number of companies, both related and external to the Group, the Company's business involves the acceptance and management of risk to achieve its strategic objectives

The principal risk factors which affect the Company's operating results and financial condition are financial risks which include credit risk and liquidity risk, and other risks which include staff capabilities and operational risk

The directors have overall responsibility for the management of the exposure to these risks

Credit risk

Credit risk is the risk of loss due to the default of another party in performing its financial obligations to the Company

The Company's main customer is PIC which is authorised by the Financial Services Authority ("FSA") to write long term insurance business As a result it is subject to the regulatory capital requirements set by the FSA for all member firms that set a minimum ratio by which the assets of members firms must exceed their liabilities PIC continually monitors its compliance with the requirements so as to ensure it can meet its liabilities, including amounts due to PSC for services

11. Risk management (continued)

Liquidity risk

The Company incurs many of its expenses in advance of billing its customers The potential liquidity risk is managed within a flexible group funding strategy on the basis of the Company's cash flow forecasts which ensure that cash for services provided is received in time for payments in respect of salaries and suppliers to be settled on a timely basis

Staff capabilities and retention

The Company recognises that it must continue to attract, retain and motivate the best staff with the right capabilities at all levels of the business The Company redrafted its staff policy in September 2012, prior to acquiring the employment contracts of former partners and employees of PC LLP It is committed to reviewing these policies on a regular basis and investing in training, development, succession planning and financial incentives for staff

Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes, people and systems, or from external events The Company's internal control processes are supported by the maintenance of a central risk register and an independent internal audit review The risk of internal fraud is managed through a number of processes including the screening of staff at recruitment, a continuous training programme, segregation of duties and whistle-blowing policies

The Company has significant outsourcing arrangements of payrolls and certain other functions These arrangements are subject to agreements with formal service levels, operate within agreed authority limits and are subject to regular review by senior management

Emergency and business continuity plans have also been established to counter external occurrences which may disrupt the business

12. Share capital

The allotted, called up and fully paid share capital of the Company is

	31 December 2012 £000
Allotted, called up and fully paid	
1,000 ordinary shares of £1 each	1

13. Reserves

	Accumulated surplus £000
At beginning of period	-
Total comprehensive income	218
At end of period	218

14. Related party transactions

As at 31 December 2012, the Company is part of a group headed by PCG This is the largest group of which the Company is a member and for which group financial statements are prepared

The directors therefore regard PCG as the ultimate parent and ultimate controlling party and all other entities within this group to be related parties

PC LLP was under common ownership with the Company and therefore a related party for the period to 30 September 2012

a) Transactions with PIC

The Company is a provider of services and personnel to PIC The total amount invoiced to PIC for the services received during the period was £10,202,784 At 31 December 2012 the Company had an outstanding debt due from PIC of £3,694,735 in respect of the charge for services provided in December

b) Transactions with PCG

The Company has an outstanding debt of £100,000 due from PCG at 31 December 2012 in respect of temporary funding of PCG expenses

c) Transactions with PHC 2

At the balance sheet date the Company was owed £1,000 by Pension Holding Company (UK) 2 Limited ("PHC 2") in respect of unpaid share capital

d) Transactions with PC LLP

The Company acquired the trading assets and liabilities, including staff contracts, of PC LLP on 30 September 2012 for a cash consideration of £1 Details of this transaction are included in note 6 to the financial statements

15 Parent company and ultimate controlling party

The Company is a wholly owned subsidiary of Pension Holdings Company (UK) 2 Limited ("PHC 2"), which is incorporated in England and Wales
The directors regard Pension Corporation Group Limited ("PCG"), a limited company incorporated in Guernsey as the ultimate parent company and controlling party PCG is the largest and smallest group of which the Company is a member and for which group financial statements are prepared The consolidated financial statements of PCG are available to the public and may be obtained from Western Suite, Ground Floor, Mill Court, La Charroterie, St Peter Port, GY1 1EJ