

Registered Number 08019046

Pension Services Corporation Limited

**Annual Report and Financial Statements
For the year ended 31 December 2017**

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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

Strategic report for the year ended 31 December 2017

The directors present their Strategic Report, Directors' Report and the audited financial statements for Pension Services Corporation Limited (the "Company" or "PSC") registered number 08019046 for the year ended 31 December 2017.

Principal Activity

The principal activity of the Company is the provision of services and personnel to fellow members of the group headed by Pension Insurance Corporation Group Limited ("PICG" or the "Group"), the ultimate parent company.

PSC is a wholly owned subsidiary of PIC Holdings Limited which is a wholly owned subsidiary of PICG.

Business Review

The Company made a pre-tax profit for the year of £90,000 (2016: £187,000).

The directors do not recommend a dividend for the year.

Further details are included in the Statement of comprehensive income.

Strategy

The Company acts as a service provider to a number of companies within the PICG group. It sets its charging structure for services so as to ensure the 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.

Measures of profitability	2017	2016
<i>Cover all costs of the business plus a profit margin</i>	Profit margin 0.12%	Profit margin 0.28%

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 12 to the financial statements.

On behalf of the Board



Tracy Blackwell
Director

6 March 2018

14 Cornhill
London
EC3V 3ND

Pension Services Corporation Limited

Directors' report for the year ended 31 December 2017

Directors and their interests

The directors who served during the year and up to the date of signing this report were:

Rob Sewell

Tracy Blackwell

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

Political contributions

The Company made no political donations during the year.

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 LLP will therefore continue in office.

On behalf of the Board



Tracy Blackwell
Director

6 March 2018

14 Cornhill
London
EC3V 3ND

Pension Services Corporation Limited

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

The directors are responsible for preparing the Strategic Report, 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 as adopted by the European Union (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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 LLP to the members of Pension Services Corporation Limited

Independent Auditor's Report to the members of Pension Services Corporation Limited.

Opinion

We have audited the financial statements of Pension Services Corporation Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Report of KPMG LLP to the members of Pension Services Corporation Limited

Independent Auditor's Report to the members of Pension Services Corporation Limited.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



**Philip Smart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

6 March 2018

Pension Services Corporation Limited

Statement of comprehensive income for the year 31 December 2017

	<i>Note</i>	2017	2016
		£000	£000
Revenue		77,720	66,450
Operating expenses	2-4	(77,630)	(66,263)
Profit before taxation		90	187
Tax credit	5	1,251	671
Profit and total comprehensive income for the year		1,341	858

The amounts shown above are in respect of continuing operations.

The accounting policies and notes on pages 12 to 22 form an integral part of these financial statements.

Pension Services Corporation Limited

Statement of changes in equity for the year ended 31 December 2017

31 December 2017	Share Capital	Retained profit	Total
	£000	£000	£000
At beginning of year	1	978	979
Total comprehensive income for the year	-	1,341	1,341
	<hr/>	<hr/>	<hr/>
At end of year	1	2,319	2,320
	<hr/>	<hr/>	<hr/>

31 December 2016	Share Capital	Retained profit	Total
	£000	£000	£000
At beginning of year	1	120	121
Total comprehensive income for the year	-	858	858
	<hr/>	<hr/>	<hr/>
At end of year	1	978	979
	<hr/>	<hr/>	<hr/>

The accounting policies and notes on pages 12 to 22 form an integral part of these financial statements.

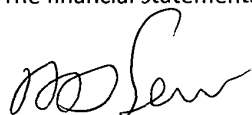
Pension Services Corporation Limited

Statement of financial position as at 31 December 2017

	Note	2017	2016
		£000	£000
Non-current assets			
Property, plant and equipment	6	220	321
Intangible assets	7	-	45
Deferred tax asset	9	355	252
		<hr/>	<hr/>
		575	618
Current assets			
Trade and other receivables	8	36,118	23,560
Current taxation		1,353	453
Cash and cash equivalents		4,662	8,201
		<hr/>	<hr/>
		42,133	32,214
		<hr/>	<hr/>
Total assets		42,708	32,832
		<hr/>	<hr/>
Equity			
Share capital	13	1	1
Retained profit	14	2,319	978
		<hr/>	<hr/>
Total equity		2,320	979
Current liabilities			
Trade and other payables	10	1,226	758
Accruals	11	39,162	31,095
		<hr/>	<hr/>
Total liabilities		40,388	31,853
		<hr/>	<hr/>
Total equity and liabilities		42,708	32,832
		<hr/>	<hr/>

The accounting policies and notes on pages 12 to 22 form an integral part of these financial statements.

The financial statements were approved by the directors on 6 March 2018 and were signed on its behalf by:



Rob Sewell
Director

Registered Number 08019046

Pension Services Corporation Limited

Statement of cash flows

for the year ended 31 December 2017

	Note	2017	2016
		£000	£000
Cash flows from operating activities			
Profit for the year		1,341	858
Adjustments for non-cash movements:			
Depreciation	6	101	235
Amortisation of intangible assets	7	45	235
Movement in tax provisions		(1,003)	(671)
		(857)	(201)
Changes in operating assets and liabilities			
(Increase)/decrease in receivables		(12,558)	4,285
Increase/(decrease) in other payables		468	(114)
Increase/(decrease) in accruals		8,067	(500)
		(4,023)	3,671
Cash (outflow)/inflow from operating activities		(3,539)	4,328
Investing activities			
Acquisition of tangible fixed assets		-	(267)
Cash outflow from investing activities		-	(267)
Taxation			
Taxation paid		-	(161)
Net (decrease)/increase in cash and cash equivalents		(3,539)	3,900
Cash and cash equivalents at beginning of year		8,201	4,301
Cash and cash equivalents at end of year		4,662	8,201

The accounting policies and notes on pages 12 to 22 form an integral part of these financial statements.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017

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.

The Company has applied all IFRSs and interpretations that are adopted by the EU and are effective for accounting periods beginning on or after 1 January 2016. There is no material effect on the results of the Company arising from the implementation of these standards.

The Company has not adopted the following standards which are not yet mandatory:

IFRS 9 – Financial Instruments – not yet endorsed by the EU, effective for accounting periods beginning on or after 1 January 2018.

The financial instruments held by the Company are classified as fair value through profit and loss, therefore the adoption of the standard will not have material impact on the results of the Company.

IFRS 15 – Revenue from Contracts with Customers – not yet endorsed by the EU, effective for accounting periods beginning on or after 1 January 2018.

The Company's principal source of revenue arises from recharges to the Group companies in respect of the services provided by the Company. The recognition criteria for this type of revenue remains the same under the new standard, therefore, the adoption of the standard is not expected to have a material impact on the results of the Company.

IFRS 16 – Leases – not yet endorsed by the EU, effective for accounting periods beginning on or after 1 January 2019.

As disclosed in Note 15, the Company has operating lease liabilities amounting to £18m. On adoption of the standard, these lease liabilities are expected to be recognised on the Statement of financial position as an asset with a corresponding liability of equal value.

IFRS 17 – Insurance Contracts – not yet endorsed by the EU, effective for accounting periods beginning on or after 1 January 2021.

The Company does not believe that this is relevant as it does not deal with insurance contracts.

The financial statements have been prepared on a going concern basis.

(b) Revenue

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

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

1. Accounting policies (continued)

(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 Statement of comprehensive income 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

(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.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

(h) Accruals

Accruals are made for the costs and expenses that have been incurred but for which no invoices have been processed prior to the reporting period end

(i) Employee benefits

Defined contribution pension plan

The Company operates a defined contribution pension plan into which the Company contributes 8% if the employee makes a minimum contribution of 2% of qualifying salary. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of comprehensive income in the period during which the related services are rendered by employees.

(j) 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 Statement of comprehensive income as an integral part of the total lease expense and are spread on a straight-line basis over the lease term.

2. Operating expenses

Operating expenses include the following charges:

	2017	2016
	£000	£000
Depreciation of property, plant and equipment	101	235
Amortisation of intangible assets	45	235
Auditor's remuneration		
- Audit of these financial statements	20	19
	<u>20</u>	<u>19</u>

All depreciation of property, plant and equipment relates to assets owned by the Company.

3. Staff headcount and expenses

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

	2017	2016
	No	No
Employees	152	139
Directors	2	2
	<u>152</u>	<u>139</u>

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

3. Staff headcount and expenses (continued)

The aggregate payroll cost of these persons was as follows:

	2017	2016
	£000	£000
Wages and salaries	23,677	21,269
Social security costs	4,191	3,401
Pension costs	1,134	955
	<u>29,002</u>	<u>25,625</u>

All of the above costs were recharged to Group companies.

4. Directors' emoluments

	2017	2016
	£000	£000
Directors' emoluments	40	40
	<u>40</u>	<u>40</u>

All directors of the Company provide services to the Company and other Group entities. Of the total emoluments paid to them by the Company, £40,000 was attributed to their activity as Directors of PSC.

The aggregate emoluments of the highest paid director were £20,000 (2016: £20,000).

Two Directors had money paid to a money purchase pension scheme or were provided a cash alternative where their lifetime limit had been reached (2016: two). None of these pension contributions were deemed to be in respect of their services to the Company (2016: None).

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

5. Corporation tax

	2017	2016
	£000	£000
Current taxation		
Corporation tax payable/(refundable) for the current year	(1,353)	(437)
Prior year adjustment	205	-
Total current tax	(1,148)	(437)
Deferred taxation		
Recognition of deferred tax asset on temporary timing differences	35	(234)
Prior year adjustment	(138)	-
Total deferred tax	(103)	(234)
Tax credit	(1,251)	(671)

The current tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£000	£000
<i>Reconciliation of total income to the applicable tax rate</i>		
Profit before taxation	90	187
Corporation tax at 19.25% (2016: 20%)	17	37
<i>Effects of:</i>		
Expenses not deductible for tax purposes	118	284
Share based payment deduction	(1,488)	(1,008)
Prior year under provision	205	22
Group losses relieved	-	(6)
Current year deferred tax movement	35	-
Prior year adjustment to deferred tax provision	(138)	-
Corporation tax credit	(1,251)	(671)

Factors that may affect future tax charges

UK corporation tax rates are 19% from 1 April 2017 (enacted 18 November 2015) and 17% from 1 April 2020 (enacted 15 September 2016). These rates will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

6. Property, plant and equipment

Property, fixtures, equipment	2017
	£000
<i>Cost</i>	
At beginning of year	2,071
Additions during the year	-
	<hr/>
At end of year	2,071
	<hr/>
<i>Depreciation</i>	
At beginning of year	1,750
Charge for the year	101
	<hr/>
At end of year	1,851
	<hr/>
<i>Net book value</i>	
31 December 2017	220
	<hr/>
31 December 2016	321
	<hr/>

7. Intangible assets

Computer software	2017
	£000
<i>Cost</i>	
At beginning of year	2,158
Additions during the year	-
	<hr/>
At end of year	2,158
	<hr/>
<i>Depreciation</i>	
At beginning of year	2,113
Charge for the year	45
	<hr/>
At end of year	2,158
	<hr/>
<i>Net book value</i>	
31 December 2017	-
	<hr/>
31 December 2016	45
	<hr/>

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

8. Trade and other receivables

	2017	2016
	£000	£000
Amounts due from fellow group undertakings	32,574	19,740
Other debtors	1,940	2,165
Prepayments	1,604	1,655
	<u>36,118</u>	<u>23,560</u>

All amounts due from fellow group companies are due within one year. The balance includes £27,678,000 (2016: £18,793,000) due from Pension Insurance Corporation ("PIC") for services provided during the year. Details of balances with other group companies are included in note 15.

£1,893,000 (2016: £2,123,000) of the balance included within Other debtors are the amounts owed by Company employees in relation to the personal tax settled by the Company on their behalf upon exercise of the share option awards, of which £398,000 relates to the directors of the Company (2016: £383,000).

9. Deferred tax

At 31 December 2016 the Company's deferred tax balances calculated in accordance with IAS 12 "Income Taxes" were as follows:

	Asset £'000	Liability £'000	Total £'000
31 December 2017			
Additional reserves	355	-	355
	<u>355</u>	<u>-</u>	<u>355</u>
31 December 2016			
Additional reserves	252	-	252
	<u>252</u>	<u>-</u>	<u>252</u>

The movement in the deferred tax balance during the year was as follows:

	2017	2016
	£'000	£'000
At beginning of year	252	18
Prior year adjustment	138	-
Recognition of deferred tax asset on temporary timing differences	(35)	234
	<u>355</u>	<u>252</u>
At end of year	355	252

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

9. Deferred tax (continued)

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that sufficient future taxable profits will arise from which the underlying temporary differences can be deducted.

At 31 December 2017, an unrecognised deferred tax asset of £2,388,000 (2016: £2,879,000) existed within the Group, representing an estimate of the potential future tax deduction available on vesting of existing share incentive schemes.

The Company has no other timing differences or tax losses carried forward at 31 December 2017 which may give rise to reduced tax charges in future periods (2016: nil).

10. Trade and other payables

	2017	2016
	£000	£000
Trade payables	537	151
Other taxes and social security	689	607
	<hr/>	<hr/>
	1,226	758
	<hr/>	<hr/>

11. Accruals

	2017	2016
	£000	£000
Operating expenses of the Company	39,162	31,095
	<hr/>	<hr/>
	39,162	31,095
	<hr/>	<hr/>

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

12. 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 Prudential Regulatory Authority ("PRA") to write long term insurance business. As a result, PIC is subject to the regulatory capital requirements set by the PRA 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.

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 November 2016. 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 for the administration 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.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

13. Share capital

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

	2017	2016
	£000	£000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

14. Reserves

Retained profit	2017	2016
	£000	£000
At beginning of year	978	120
Total comprehensive income	1,341	858
	<u>2,319</u>	<u>978</u>

15. Financial commitments and contingencies

Operating lease commitment

Operating lease rentals commitments arise where the company is the lessee in respect of non-cancellable operating lease agreements. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2017 £000s	31 December 2016 £000s
Not later than 1 year	2,736	1,157
Later than 1 year and no later than 5 years	10,835	10,734
Later than 5 years	4,219	6,883
	<u>17,790</u>	<u>18,774</u>
Total Minimum Lease Payments	17,790	18,774

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

16. Related party transactions

Throughout the year ended 31 December 2017, the Company was part of a group headed by PICG. This is the largest group of which the Company is a member and for which group financial statements are prepared.

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

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 year was £75,822,000 (2016: £62,512,000). At 31 December 2017 the Company had an outstanding debt due from PIC of £27,678,000 (2016: £18,793,000) in respect of the charge for services provided during the year. This amount is due within one year.

b) Transactions with PICG

During the year the Company made charges to PICG totalling £1,898,000 (2016: £3,938,000). The Company has an outstanding debt of £4,896,000 (2016: £947,000) due from PICG at 31 December 2017.

c) Transactions with Directors

During the year, certain share based payment schemes operated by PICG in respect of employees of the Company have vested. Two directors of the Company were participants in these schemes and received a total of 594,418 (2016: 8,190,779) ordinary shares of PICG upon vesting in line with the scheme rules. The two directors also received 889 'C' shares in PICG during the year (2016: nil).

The amounts owed by the directors to the company in relation to personal tax settled by the company on their behalf are disclosed in Note 8.

17. Parent company and ultimate controlling party

The Company is a wholly owned subsidiary of PIC Holdings Limited, which is incorporated in England and Wales.

The directors regard Pension Insurance Corporation Group Limited, a limited company incorporated in England, as the ultimate parent undertaking and ultimate controlling party for which group financial statements are prepared.

The consolidated financial statements of Pension Insurance Corporation Group Limited are available to the public and may be obtained from 14 Cornhill, London, EC3V 3ND.