

Registered Number 08019046

Pension Services Corporation Limited

**Annual Report and Financial Statements
For the year ended 31 December 2022**

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Pension Services Corporation Limited

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Strategic report for the year ended 31 December 2022

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 2022.

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. Its registered office is 14 Cornhill, London, EC3V 3ND.

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

Business Review and future developments

The Company made a pre-tax profit for the year of £24,795 (2021: loss of £1,957,648). After tax this resulted in a profit of £833,691 (2021: loss of £2,699,079).

Further details are included in the statement of comprehensive income.

The directors do not recommend the payment of a dividend for the year.

The directors consider the Company to be a going concern and to remain in its current state as a service company of PICG for the foreseeable future.

Strategy

The Company acts as a service provider to a number of companies within the Group. It sets its charging structure for services to ensure the costs of providing these services are fully covered. A margin for profit is included on the costs charged to PICG, but the Company does not apply a mark-up on expenses charged to Pension Insurance Corporation plc ("PIC").

Key Performance Indicators

The Company has identified profit before taxation as the key performance indicator and performance measurement. The Company made a pre-tax profit for the year of £24,795 (2021: loss of £1,957,648).

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 13 to the financial statements.

Section 172 Statement

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 (the "2006 Act") and also forms the directors' statement required under section 414CZA of the 2006 Act.

Strategic report for the year ended 31 December 2022 (continued)

Section 172 Statement (continued)

The directors are required to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its member as a whole, and in doing so have regard, amongst other matters, to the following:

- (a) The likely consequences of a decision in the long term;
- (b) The interests of the company's employees;
- (c) The need to foster the company's business relationships with suppliers, customers and others;
- (d) The impact of the company's operations on the community and the environment;
- (e) The desirability of the company to maintain a reputation for high standards of business conduct; and
- (f) The need to act fairly between members of the company.

As PSC is the service entity of the Group, its principal activity is the provision of services and personnel and therefore any decisions are considered from the perspective of the Company's employees, ensuring that decisions are favourable to this stakeholder group but also benefit the Group as a whole, whilst maintaining a reputation for high standards of business conduct. The internal 'People Policy' (the "Policy") defines the way the Group manages its human resources including, diversity and inclusion, learning and development and employee remuneration. As employees are the Group's biggest asset, the directors carefully considered the content of the Policy and how the Policy would promote the success of the Group and its shareholders through hiring the right people to support the Group's strategic and business objectives. After due consideration, the directors considered that the Policy was in the best interest of the Group, and it was approved.

Additional examples of how the Board have had regard to their duties pursuant to the 2006 Act can be found in the Pension Insurance Corporation Group Limited Report and Accounts.

On behalf of the Board



Dominic Veney
Director

14 Cornhill
London
EC3V 3ND

16 June 2023

Directors' report for the year ended 31 December 2022

Directors and their interests

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

Tracy Blackwell
Dominic Veney

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

Dividend

During the year, the Company did not declare any dividend (2021: £nil).

Creditor payment policy

Our suppliers are our partners in helping us fulfil our purpose over the long-term. Our business model is built on finding exceptional partners to help us deliver business critical services.

In 2022, we had 375 suppliers. Our standard payment terms are that we will endeavour to meet supplier's requested payment terms. In the event that no terms are agreed, we will make payment within the standard payment terms, which are 30 days.

We invest time and effort to build close and collaborative relationships with our suppliers. For the year ended 31 December 2022 the average time to pay invoices was 23 days, compared to 22 days for the prior year. As at year end, 98.6% (2021: 97.6%) of invoices received during the year from suppliers were paid.

Going Concern

Management have conducted an assessment of the Company's going concern status based on its current position and forecast result and have concluded that the Company has adequate resources to operate for at least the next 12 months from the approval of these financial statements. In making this assessment, management have reviewed PIC's going concern assessment, as PIC is the Company's main customer. Having reviewed the various risks identified management are satisfied the Group will continue to support the Company.

Qualifying third party indemnities

During the year, there were no qualifying third-party indemnities in force.

Political contributions and charitable contributions

The Company made no political contributions during the year. Charitable donations during the year totalled £ 1,571,461 (2021: £101,469).

Financial Instruments

During the year, the Company did not enter into any financial instrument contracts.

Employees

The Company had 461 employees as at 31 December 2022 (2021: 379).

Directors' report for the year ended 31 December 2022

Overseas branches

The Company does not have any branches outside of the United Kingdom.

Greenhouse Gas Emissions

In accordance with Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and Companies Act 2006 (Strategic Report and Directors' Report) Regulations, the required information is reported at PICG level and can be found in the Pension Insurance Corporation Group Limited Annual Report and Accounts.

Employee and other Stakeholder engagement

Details on PICG group-wide employee and stakeholder engagement practices, including the need to foster business relationships with suppliers, customers and others can be found in the Pension Insurance Corporation Group Limited Annual Report and Accounts.

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.

Future developments

The information that fulfils the reporting requirements relating to the likely future developments in the business of the Company is included in the Strategic Report, which is separate to this Directors' Report.

Disclosure of Information to Auditor

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 auditor is 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 auditor is 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



Dominic Veney
Director

14 Cornhill
London
EC3V 3ND

16 June 2023

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 Company 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 financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 for that period. In preparing the Company 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 international accounting standards in conformity with the requirements of the Companies Act 2006.
- 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 its 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Pension Services Corporation Limited

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 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect.

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Pension Services Corporation Limited

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

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

- Enquiring of directors, internal audit, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no management judgement or estimation involved in recording the revenue streams and the amounts are contractually derived.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorised users, approved by unauthorised approvers, those posted and approved by the same user, those including specific words based on our risk criteria, those journals which were unbalanced, those with no descriptions or user IDs, those posted to seldom used accounts, and unusual journal entries posted to cash accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity requirements, GDPR compliance, Health and Safety legislation, Employment and Social Security legislation, Fraud, corruption and bribery legislation, Misrepresentation Act, Environmental protection legislation, including emissions trading & Climate Change Act 2008 and certain aspects of company legislation recognizing the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operation regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect a breach.

No other matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, were identified.

Context of the ability of the audit to detect fraud or breaches of law or regulation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 those reports 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.

Pension Services Corporation Limited
Report of KPMG LLP 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.

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.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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.



James Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

16 June 2023

Pension Services Corporation Limited
Statement of comprehensive income
for the year ended 31 December 2022

	<i>Note</i>	2022	2021
		£000	£000
Revenue		209,993	176,193
Operating expenses	2-4	(209,124)	(177,232)
Finance costs	8	(844)	(919)
Profit / (Loss) before taxation		25	(1,958)
Tax credit / (charge)	6	809	(741)
Total comprehensive profit / (loss) for the year		834	(2,699)

The amounts shown above are in respect of continuing operations.

The accounting policies and notes on pages 15 to 31 form an integral part of these financial statements.

Pension Services Corporation Limited

Statement of changes in equity for the year ended 31 December 2022

31 December 2022	Share Capital £000	Capital Contribution £000	Other reserves £000	Retained profit £000	Total £000
At beginning of year	1		220	(1,457)	(1,236)
<i>Total comprehensive profit for the year</i>					
Profit for the year	-	-	-	834	834
					-
<i>Transactions with owners</i>					-
Share based payments	-	7,926	-	-	7,926
Recharge for share-based payments	-	(7,926)	-	-	(7,926)
Tax on share-based payments	-		893	392	1,285
At end of year	1	-	1,113	(231)	883

31 December 2021	Share Capital £000	Capital Contribution £000	Other reserves £000	Retained profit £000	Total £000
At beginning of year	1	-	191	874	1,066
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	-	(2,699)	(2,699)
<i>Transactions with owners</i>					
Share based payments	-	11,871	-	-	11,871
Recharge for share-based payments	-	(11,871)	-	-	(11,871)
Tax on share-based payments	-	-	29	368	397
At end of year	1	-	220	(1,457)	(1,236)

The accounting policies and notes on pages 15 to 31 form an integral part of these financial statements.

Pension Services Corporation Limited

Statement of financial position as at 31 December 2022

	Note	2022	2021
		£000	£000
Non-current assets			
Property, plant and equipment	7	703	1,191
Right of use asset	8	3,886	17,114
Deferred tax asset	10	4,849	3,642
		9,438	21,947
Current assets			
Trade and other receivables	9	136,178	120,632
Current taxation		436	-
Cash and cash equivalents		1,541	892
		138,155	121,524
Total assets		147,593	143,471
Equity			
Share capital	14	1	1
Other reserves	15	1,113	220
Retained profit	15	(231)	(1,457)
Total equity		883	(1,236)
Current liabilities			
Lease liability*	8	5,865	2,915
Trade and other payables	12	29,844	36,988
Current taxation		-	654
Accruals		107,804	86,999
Total current liabilities		143,513	127,556
Non-current liabilities			
Lease liability*	8	3,197	17,151
Total non-current liabilities		3,197	17,151
Total equity and liabilities		147,593	143,471

* The lease liability balance has been analysed between current and non-current liabilities

The accounting policies and notes on pages 15 to 31 form an integral part of these financial statements.

The financial statements were approved by the directors on 16 July 2023 and were signed on its behalf by:



Dominic Veney
Director

Registered Number 08019046

Pension Services Corporation Limited

Statement of cash flows

for the year ended 31 December 2022

	Note	2022	2021
		£000	£000
Cash flows from operating activities			
Profit / (Loss) for the year		834	(2,699)
Adjustments for:			
Depreciation	7-8	3,217	3,232
Loss on disposal of right of use lease	8	-	8
Current tax (credit) / charge in comprehensive income	6	(495)	1,140
Deferred tax credit in comprehensive income	6	(314)	(399)
Interest expense on lease liability	8	844	919
		3,252	4,900
Changes in operating assets and liabilities			
Increase in receivables		(15,546)	(27,449)
(Decrease)/Increase in other payables		(7,144)	14,701
Increase in accruals		20,805	11,391
Other movement in current tax provision		(203)	101
		(2,088)	(1,256)
Cash inflow from operating activities		1,998	945
Cash flows from investing activities			
Disposal of fixed assets		71	-
Cash outflow from investing activities		71	-
Cash flows from financing activities			
Payment of lease liabilities		(1,420)	(2,915)
Cash outflow from financing activities		(1,420)	(2,915)
Net decrease in cash and cash equivalents		649	(1,970)
Cash and cash equivalents at beginning of year		892	2,862
Cash and cash equivalents at end of year		1,541	892

The accounting policies and notes on pages 15 to 31 form an integral part of these financial statements.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. Management have conducted an assessment of the Company's going concern status based on its current position and forecast result and have concluded that the Company has adequate resources to operate for at least the next 12 months from the approval of these financial statements. In making this assessment, management are satisfied that its ultimate parent undertaking, Pension Insurance Corporation Group Limited, will continue to support the Company and have reviewed PIC's going concern assessment, as PIC is the Company's main customer and operating business of the Group.

The functional currency of the Company is GBP sterling. These financial statements have been presented in thousands of pounds sterling (£000) unless otherwise stated.

The Company has applied all IFRS and interpretations that are adopted by the UK and are effective for accounting periods beginning on or after 1 January 2022.

The application, in 2022, of "Reference to the Conceptual Framework" (Amendment to IFRS 3), "Property, Plant and Equipment – Proceeds before Intended Use" (Amendment to IAS 16), "Cost of Fulfilling a Contract" (Amendment to IAS 37), and "Annual Improvements to IFRS Standards 2018–2020" have had no impact on the Company.

Standards, interpretations and amendments to published standards, which are not yet effective have not been adopted early by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods or on foreseeable future transactions.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

b) Revenue

In line with the requirements of IFRS 15 'Revenue', revenue is recognised as the performance obligation of the provision of services and personnel is satisfied. 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 on a straight-line basis over the asset's estimated useful life. The estimated useful lives are as follows:

Office equipment	-	3 years or 5 years depending on asset type
Fixtures and fittings	-	3 years
Leasehold improvements	-	Over the term of the lease

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Accounting policies (continued)

d) 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.

e) Trade and other receivables

Receivables consists of intercompany debtors, trade debtors and prepayments. The business model is to hold these amounts to collect their contractual cash flows and they are therefore measured at amortised cost under IFRS 9.

Expected credit losses ("ECL") are recognised for receivables when there is objective evidence that the Company will not be able to collect all amounts due. The ECL is based on the simplified IFRS 9 approach which uses lifetime ECL for all receivables due from related companies and other receivables.

f) Foreign Currencies

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the foreign exchange rate ruling at the end of the financial year. Non-monetary assets and liabilities are translated into the functional currency using the historical rate. 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 tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of consolidated financial position together with adjustments to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The 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 in force at the date the timing difference is expected to reverse based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only 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 be available against which the asset can be utilised.

h) Accruals

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

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Accounting policies (continued)

i) Employee benefits

Equity settled share-based payment transactions

The fair value on the grant date of equity settled share-based payment awards granted to directors and employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount recognised as an expense is based on the number of awards that meet the relevant service conditions and performance conditions at the vesting date.

When the awards vest, any ordinary shares required to fulfil entitlements under the share-based payment awards are provided by Pension Insurance Corporation Group Limited.

Cash settled share-based payment transactions

Employer's national insurance contributions in relation to the equity settled schemes are treated as cash settled transactions, with the fair value recognised as an expense over the period that the employees become unconditionally entitled to the related equity award. Until the liability is settled on exercise of options, it is remeasured at fair value, with any changes in fair value recognised in profit or loss for the period.

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) Leases

The Company applied IFRS 16 from 1 January 2019. On transition, the Company elected to use the practical expedient to apply IFRS 16 only to contracts that were identified as leases under IAS 17 and does not apply IFRS 16 to leases of low value assets, comprising vending machines and franking machines.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. A right-of-use asset is depreciated on a straight-line basis over the lease term.

A lease liability is initially measured as the value of expected future lease payments, discounted using the Company's incremental borrowing rate.

k) Critical accounting policies, estimates and judgements

Included in the financial statements are certain critical estimates as described below:

Incremental borrowing rate

IFRS 16 requires all lease liability cashflows to be discounted using an incremental borrowing rate which is the rate of interest the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right of use asset.

The incremental borrowing rate is determined using interest rates from various external financing sources, which are adjusted to reflect the terms of the lease. Lease liabilities are measured at amortised cost using the effective interest method.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Accounting policies (continued)

Share-based payments

The fair value on the grant date of equity settled share-based payment awards is based on an estimated share price for the PICG Group. The number of awards expected to vest under the Long Term Incentive Plan ("LTIP") are also based on management's current best estimate of whether relevant performance conditions are expected to be met. Please refer to note 5 for further details.

2. Operating expenses

Operating expenses include the following charges:

	2022	2021
	£000	£000
Staff costs	68,799	57,460
Project costs	23,000	21,670
Investment charges and related expenses	21,113	20,477
Legal & Professional Fees	20,771	16,895
IT costs	19,360	16,979
Equity settled share-based payments	7,926	11,871
Depreciation of property, plant and equipment	3,217	3,232
Auditor's remuneration		
- Audit of these financial statements	27	25
Other expenses	44,911	28,623
	209,124	177,232

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:

	2022	2021
	No	No
Employees	414	349
Directors	2	2

The aggregate payroll cost of these persons was as follows:

	2022	2021
	£000	£000
Wages and salaries	57,678	48,387
Social security costs	7,938	6,383
Pension costs	3,183	2,690
	68,799	57,460

All of the above costs were recharged to Group companies.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

4. Directors' emoluments

	2022	2021
	£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 (2021: £40,000).

The aggregate emoluments of the highest paid director were £20,000 (2021: £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 (2021: two). None of these pension contributions were deemed to be in respect of their services to the Company (2021: none).

5. Share-based payments arrangements

The Group operates share-based incentive schemes for employees that meet the definition of equity settled share-based payments under IFRS 2 Share Based Payments.

All schemes contain clawback provisions, which allow the PIC Board Remuneration Committee to reduce or extinguish awards in certain specified circumstances.

The equity settled expense recognised in the Statement of comprehensive income for the period was £7,926k (2021: £11,871k). During the year cash settled employer's social security costs of £4,574k (2021: £nil) were incurred by the Company, and as at 31 December 2022, total liabilities in relation to cash settled employer's social security cost were £2,972k (2021: £nil).

Share Growth Plan 2017

The commercial objective of this plan was to deliver to participants (Directors and senior management of Group companies) a proportion of growth in value of the PICG above the value of PICG Company on implementation of the Plan ("Initial Company Value").

The fair value of the Growth Plan at inception was calculated to be £1.6 million, which was fully paid by the participants. As a result, no expense has been recognised in the Statement of Comprehensive Income in respect of this plan.

The Growth Shares, initially issued as 2,000 C shares at inception of the plan, vested on 1 January 2021 and were subsequently converted into 2,000 ordinary shares. An additional 3,208,330 ordinary shares were also issued to the participants as settlement of the plan.

Participants are able to sell their ordinary shares over the period 2021–2023.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

5. Share-based payments arrangements (continued)

Long Term Incentive Plan

This plan is designed to incentivise key individuals to grow the business and build a sustained and successful future for the Group by rewarding and retaining them through a long-term incentive arrangement. The plan has been in place since 2021 and awards are made on an annual basis, at the Company's discretion. The performance criteria are based on the Group's Market Consistent Embedded Value ("MCEV") and a Solvency II coverage underpin. MCEV is a measure of shareholders' interest in an insurance business, based on the present value of future after tax profits plus adjusted net asset value less an allowance for the cost of capital and the market value of debt.

Awards under the LTIP are in the form of a nil cost option over a fixed number of the Company's ordinary shares. The awards vest at the end of a three-year performance period and become exercisable after a further two years.

	2022	2021
	Number of options	Number of options
Outstanding at 1 st January	1,149,455	-
Awarded	1,197,238	1,149,455
Lapsed/forfeited	(65,384)	-
	<hr/>	<hr/>
Remaining at 31 st December	2,281,309	1,149,455
	<hr/>	<hr/>
Exercisable at 31 December	-	-
Weighted-average share price at grant/exercise (£)	£3.70	£3.65
Weighted-average remaining contractual life (years)	9.35	9.70

During the year to 31 December 2022, LTIP awards were made on 1 June 2022 and 1 December 2022. As these are nil cost options with non-market-based performance criteria, the key input to determine the fair value of the awards for the IFRS 2 share-based payment charge is the share price at grant date of £3.70 which was determined with the assistance of third-party valuation specialists.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

5. Share-based payments arrangements (continued)

Deferred Bonus Share Plan ("DBSP") (previously known as Performance Share Plan)

This plan is designed to incentivise key individuals to grow the business and build a sustained and successful future for the Group by rewarding and retaining them through a long-term incentive arrangement. The plan has been in place since 2013 and awards are made on an annual basis, at the Company's discretion. Awards under the DBSP are in the form of a nil cost option over a number of the Group's ordinary shares.

	2022	2021
	Number of options	Number of options
Outstanding at 1 st January	7,875,195	7,733,236
Awarded	1,368,354	1,933,596
Lapsed/forfeited	(52,510)	(249,513)
Exercised	(2,711,590)	(1,542,124)
Remaining at 31 st December	6,479,449	7,875,195
Exercisable at 31 December	1,126,964	1,441,537
Weighted-average share price at grant/exercise (£)	£3.70	£3.65
Weighted-average remaining contractual life (years)	7.58	7.67

2022 awards under the DBSP were made on 1 June 2022. As these are nil cost options with no specific performance criteria, the key input to determine the fair value of the awards for the IFRS 2 share-based payment charge is the share price at grant date of £3.70 which was determined with the assistance of third-party valuation specialists.

6. Corporation tax

	2022	2021
	£000	£000
Current taxation		
Corporation tax (receivable)/ payable for the current year	(44)	1,022
Prior year adjustment	(451)	118
Total current tax (credit)/charge	(495)	1,140
Deferred taxation		
Recognition of deferred tax asset on temporary timing differences	(314)	(399)
Total deferred tax credit	(314)	(399)
Tax (credit)/charge	(809)	741

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

6. Corporation tax (continued)

The effective tax charge for the year is lower (2021: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%). The differences are explained below:

	2022	2021
	£000	£000
<i>Reconciliation of total income to the applicable tax rate</i>		
Profit before taxation	25	(1,958)
Corporation tax at 19% (2021: 19%)	5	(372)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,565	2,212
Share-based payment deduction	(1,615)	(818)
Prior year under provision	(450)	118
Current year deferred tax movement	(314)	(399)
Corporation tax (credit) / charge	(809)	741

Factors that may affect future tax charges

Current taxation is provided on taxable profits at the corporation tax rate ruling in the year they are earned. The current UK corporation tax rate is 19%. From 1 April 2023, the rate of corporation tax will increase to 25%.

7. Property, plant and equipment

Property, fixtures, equipment	2022	2021
	£000	£000
<i>Cost</i>		
At beginning of year	2,231	2,290
Disposals during the year	(317)	(59)
At end of year	1,914	2,231
<i>Depreciation</i>		
At beginning of year	1,040	675
Charge for the year	417	424
Disposals during the year	(246)	(59)
At end of year	1,211	1,040
<i>Net book value</i>		
At end of year	703	1,191

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

8. Leases

The leases of the Company consist of office buildings and office equipment. Information about the leases for which the Company is a lessee is presented below.

Right-of-use assets

31 December 2022	Office buildings	Office equipment	Total
	£000	£000	£000
Cost			
At beginning of the year	24,953	190	25,143
Reassessment of lease term	(10,428)	-	(10,428)
At end of the year	14,525	190	14,715
Depreciation			
At beginning of the year	7,981	48	8,029
Charge during the year	2,752	48	2,800
At end of the year	10,733	96	10,829
Net book value			
At end of year	3,792	94	3,886

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

8. Leases (continued)

Right-of-use assets

31 December 2021

	Office buildings	Office equipment	Total
	£000	£000	£000
Cost			
At beginning of the year	24,953	171	25,124
Additions during the year	-	190	190
Disposals during the year	-	(171)	(171)
At end of the year	24,953	190	25,143
Depreciation			
At beginning of the year	5,229	93	5,322
Charge during the year	2,752	56	2,808
Disposals during the year	-	(101)	(101)
At end of the year	7,981	48	8,029
Net book value			
At end of year	16,972	142	17,114

The Company leases office space and office equipment to enable it to carry out its operations. The leases for the office space expire in February 2028 but include an option to terminate in July 2024. The lease term was reassessed during the year and as at 31 December 2022, the calculations of the right of use asset and lease assume cessation in July 2024 as the Company is not reasonably certain that the termination options will not be exercised.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

8. Leases (continued)

Lease liabilities

	2022	2021
	£000	£000
Balance at 1 st January	20,066	21,934
Additions for lease liabilities	-	190
Disposals of lease liabilities	-	(62)
Reassessment of lease term	(10,428)	-
Cash outflow for lease payments	(1,420)	(2,915)
Interest on lease liabilities	844	919
Balance at 31 st December	9,062	20,066
Expenses relating to low-value leases	-	-

	2022	2021
	£000	£000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	6,091	3,759
One to five years	3,256	14,930
More than five years	-	4,324
Total undiscounted lease liabilities at 31 st December	9,347	23,013
Balance at 31 st December	9,062	20,066
Current	5,865	2,915
Non-current	3,197	17,151

The Company's potential undiscounted cash flows relating to the lease term beyond the termination option date are £12,239,777 (2021: £nil). These have not been included in the 31 December 2022 liabilities above.

9. Trade and other receivables

	2022	2021
	£000	£000
Amounts due from fellow group undertakings	127,958	112,562
Other debtors	2,157	2,434
Prepayments	6,063	5,636
	<u>136,178</u>	<u>120,632</u>

All amounts due from fellow group companies are due within one year. The balance includes £127,021,000 (2021: £112,480,000) due from PIC for services provided during the year and £937,000 due from PIC Real Estate Ltd (2021: nil). There is no balance due from PIC Properties Limited Partnership (2021: £82,000).

As at 31 December 2022 and 2021, no trade and other receivables balances were impaired or overdue.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Deferred tax

The following table shows the deferred tax asset recognised in the statement of financial position and the related amounts recognised in the statement of comprehensive income:

	2022	2021
	£000	£000
At beginning of year	3,642	3,214
Recognition of deferred tax asset on temporary timing differences	1,207	428
	<hr/>	<hr/>
At end of year	4,849	3,642

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.

There is a deferred tax asset recognised in respect of temporary timing differences on equity settled share-based payments of £4,397,000 (2021: £3,104,000), with the remaining amount in respect of timing differences on fixed assets.

The company has no other timing differences or tax losses carried forward at 31 December 2022 which may give rise to reduced tax charges in future periods (2021: £nil).

The corporation tax rate will increase from 19% to 25% from 1 April 2023 as per The Finance Act 2021. The Company has considered when the timing differences are expected to reverse and used the appropriate tax rate in calculating the deferred tax.

11. Tax recognised directly in equity

The following table shows the tax recognised directly in equity, which all relates to equity settled share-based payments.

	2022	2021
	£000	£000
Current tax	392	368
Deferred tax	893	29
	<hr/>	<hr/>
	1,285	397

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

12. Trade and other payables

	2022	2021
	£000	£000
Amounts due to fellow group undertakings	25,714	30,820
Trade payables	1,903	2,563
Other taxes and social security	2,227	3,605
	<u>29,844</u>	<u>36,988</u>

13. 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 minimum requirements 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.

Credit risk exists on the amounts due from fellow group undertakings and other debtors balances. The maximum exposure to credit risk is represented by the carrying value of these balances and no expected credit losses are recognised at 31 December 2022 (2021: £nil).

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.

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 is committed to reviewing its staff policies on a regular basis and investing in training, development, succession planning and financial incentives for staff.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

13. Risk management (continued)

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.

14. Share capital

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

	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

15. Reserves

31 December 2022	Capital Contribution £000	Other Reserves £000	Retained profit £000	Total £000
At beginning of year	-	220	(1,457)	(1,237)
<i>Total comprehensive loss for the year</i>				
Loss for the year	-	-	834	834
<i>Transactions with owners</i>				
Share-based payments	7,926	-	-	7,926
Recharge for share-based payments	(7,926)	-	-	(7,926)
Tax on share-based payments	-	893	392	1,285
At end of year	-	1,113	(231)	882
31 December 2021	Capital Contribution £000	Other Reserves £000	Retained profit £000	Total £000
At beginning of year	-	191	874	1,065
<i>Total comprehensive loss for the year</i>				
Loss for the year	-	-	(2,699)	(2,699)
<i>Transactions with owners</i>				
Share-based payments	11,871	-	-	11,871
Recharge for share-based payments	(11,871)	-	-	(11,871)
Tax on share-based payments	-	29	368	397
At end of year	-	220	(1,457)	(1,237)

Capital contribution arises as a result of accounting for share-based payment transactions, for which the Company recognises an expense, and a subsequent increase in its equity as a contribution from the parent in accordance with the requirements of IFRS 2 Share-based Payment.

Other reserves are established to capture the deferred tax that arises from share-based payment transactions.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

16. Related party transactions

Throughout the year ended 31 December 2022, 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 key management personnel

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.

The Company had no other transactions with Directors and key management personnel during the period other than in relation to the Directors remunerations which are detailed in Note 4.

b) Transactions with fellow group undertakings

	2022	2021
	£000	£000
Expense recharges		
PIC	209,625	175,926
PICG	368	267

The Company is a provider of services and personnel to PIC.

In 2018, the Company issued a loan facility to PICG totalling £20 million. Interest is payable at the rate of 3% per annum plus SONIA on the outstanding balance and the balance is repayable by 31 December 2030. At the year-end PICG owed the Company £nil including interest (2021: £nil). The company received £nil interest income from PICG on the loan facility during the year (2021: £nil).

c) Balances with fellow group undertakings

	2022	2021
	£000	£000
PIC	127,021	112,480
PIC Real Estate Limited Partnership	937	-
PIC Properties Limited Partnership	-	82
PICG	(25,714)	(30,820)

The balances relate primarily to recharges of expenses. The balance with PIC is due within one year.

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.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

18. Subsequent Event

On 19th April 2023 the Company exchanged contracts to enter into a lease commitment commencing in Q4 2023 / Q1 2024 once the new building has been completed with a contractual term of 10 years.

The undiscounted lease commitment is for c.£56m including VAT. The transaction has had no impact on the Company's 2022 financial statements and will have minimal impact on the Company's future financial position or performance as the costs will be recharged to other Group companies.