Registered Number 08019046

Pension Services Corporation Limited

Annual Report and Financial Statements
For the year ended 31 December 2021

Pension Services Corporation Limited

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Strategic report for the year ended 31 December 2021

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 2021.

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 loss for the year of £1,957,648 *(2020: profit of £12,862)*. After tax this resulted in a loss of £2,699,079 *(2020: Loss of £1,468,979)*. The loss before tax in 2021 is due to the Company issuing a one-off credit note to Pension Insurance Corporation Plc ("PIC") of £1,970,366.

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.

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 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 loss for the year of £1,957,648 (2020: profit of £12,862).

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 15 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 2021 (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. During the year, the Board approved the internal 'People Policy' (the "Policy") which 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 Company and it was approved.

In addition, the Board also considered the implementation of a delegation of authority process relating to entering into contracts with new employees on behalf of the Company. The directors considered the risks that could arise from the delegation of authority but after careful consideration agreed that the delegation of authority was appropriate and in the best interest to the Company, the Group on a whole and would streamline the onboarding process for new employees.

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

14 Cornhill
London
EC3V 3ND

Tracy Blackwell
Director

11 March 2022

Directors' report for the year ended 31 December 2021

Directors and their interests

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

Tracy Blackwell
Robert Sewell (*resigned 30 November 2021*)
Dominic Veney (appointed 1 December 2021)

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 (2020: £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 2021, we had 360 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 and this remained key throughout the Covid-19 pandemic. For the year ended 31 December 2021 the average time to pay invoices was 22 days, compared to 25 days for the period between 1 July 2021 to 31 December 2021. As at year end, 97.6% (2020: 99.1%) 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, especially in light of the pandemic caused by Covid-19, 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 £101,469 (2020: £2,016,277).

Financial Instruments

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

Employees

The Company had 379 employees as at 31 December 2021 (2020: 311).

Directors' report for the year ended 31 December 2021

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 Group 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

T Blackwell

14 Cornhill
London
EC3V 3ND

Tracy Blackwell
Director

11 March 2022

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.

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 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, 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 2021 and of its loss 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:

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 such as valuation of insurance contract liabilities. 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 user, those including specific words based on our criteria, those journals which were unbalances, posted to seldom used accounts, those posted to unusual accounts, those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or revenue.
- 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.

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 as effect: regulatory capital and liquidity and certain aspects of Company legislation recognizing the financial 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 to 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.

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 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.

Philip Smart

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

15 Canada Square
Canary Wharf
London
E14 5GL

11 March 2022

Pension Services Corporation Limited

Statement of comprehensive income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue		**176,193**	185,001
Interest income		**-**	1
Operating expenses	*2-4*	**(177,232)**	(183,571)
Finance costs	*9*	**(919)**	(1,418)
(Loss) / Profit before taxation		**(1,958)**	13
Tax charge	*6*	**(741)**	(1,482)
Total comprehensive loss for the year		**(2,699)**	(1,469)

The amounts shown above are in respect of continuing operations.

The accounting policies and notes on pages 15 to 30 form an integral part of these financial statements.

Pension Services Corporation Limited

Statement of changes in equity
for the year ended 31 December 2021

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**
Total comprehensive loss for the year					
Loss for the year	-	-	-	**(2,699)**	**(2,699)**
Transactions with owners					
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)**

31 December 2020	**Share Capital £000**	**Capital Contribution £000**	**Other reserves £000**	**Retained profit £000**	**Total £000**
At beginning of year	1	-	491	2,022	2,514
Total comprehensive loss for the year					
Loss for the year	-	-	-	(1,469)	(1,469)
Transactions with owners					
Share based payments	-	6,870	-	-	6,870
Recharge for share-based payments	-	(6,870)	-	-	(6,870)
Tax on share-based payments	-	-	(300)	321	21
At end of year	1	-	191	874	1,066

The accounting policies and notes on pages 15 to 30 form an integral part of these financial statements.

Pension Services Corporation Limited

Statement of financial position
as at 31 December 2021

	Note	2021		2020 Restated*	
		£000	**£000**	*£000*	*£000*
Non-current assets					
Property, plant and equipment	*7*	**1,191**		1,615	
Right of use asset	*9*	**17,114**		19,802	
Deferred tax asset	*11*	**3,642**		3,214	
			21,947		24,631
Current assets					
Trade and other receivables	*10*	**120,632**		93,183	
Current taxation		**-**		219	
Cash and cash equivalents		**892**		2,862	
			121,524		96,264
Total assets			**143,471**		120,895
Equity					
Share capital	*16*	**1**		1	
Other reserves	*17*	**220**		191	
Retained profit	*17*	**(1,457)**		874	
Total equity			**(1,236)**		1,066
Current liabilities					
Lease liability	*9*	**2,915**		1,775	
Trade and other payables	*13*	**36,988**		22,287	
Current taxation		**654**		-	
Accruals	*14*	**86,999**		75,608	
Total current liabilities			**127,556**		99,670
Non-current liabilities					
Lease liability	*9*	**17,151**		20,159	
Total non-current liabilities			**17,151**		20,159
Total equity and liabilities			**143,471**		120,895

* The 2020 Lease liability balance has been analysed between current and non-current liabilities

The accounting policies and notes on pages 15 to 30 form an integral part of these financial statements.

The financial statements were approved by the directors on 11 March 2022 and were signed on its behalf by:

D V

Dominic Veney
Director

Registered Number 08019046

Pension Services Corporation Limited

Statement of cash flows
for the year ended 31 December 2021

	Note	2021		2020	
		£000	£000	£000	£000
Cash flows from operating activities					
Loss for the year			(2,699)		(1,469)
Adjustments for:					
Depreciation	7-9	3,232		2,811	
Loss on disposal of right of use lease	9	8		-	
Interest income from investing activities		-		(1)	
Current tax charge in comprehensive income	6	1,140		2,267	
Deferred tax credit in comprehensive income	6	(399)		(785)	
Interest expense on lease liability	9	919		1,418	
			4,900		5,710
Changes in operating assets and liabilities					
Increase in receivables		(27,449)		(17,935)	
Increase in other payables		14,701		8,252	
Increase in accruals		11,391		7,984	
Other movement in current tax provision		101		(1,094)	
			(1,256)		(2,793)
Cash inflow from operating activities			945		1,448
Cash flows from investing activities					
Interest received		-		1	
Acquisition of fixed assets		-		(972)	
Disposal of fixed assets				483	
Cash outflow from investing activities			-		(488)
Cash flows from financing activities					
Payment of lease liabilities		(2,915)		(2,543)	
Cash outflow from financing activities			(2,915)		(2,543)
Net decrease in cash and cash equivalents			(1,970)		(1,583)
Cash and cash equivalents at beginning of year			2,862		4,445
Cash and cash equivalents at end of year			892		2,862

The accounting policies and notes on pages 15 to 30 form an integral part of these financial statements.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2021

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 2021

No published accounting standards or interpretations that are not yet mandatory have been early adopted 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

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. Software is capitalised and amortised on a straight-line basis over its useful economic life of 3 years.

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Accounting policies (continued)

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) 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.

g) 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.

h) 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.

i) 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.

1. Accounting policies (continued)

j) 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.

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.

k) 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.

l) 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.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2. Operating expenses

Operating expenses include the following charges:

	2021	2020
	£000	£000
Staff costs	57,460	49,658
Project costs	21,670	29,126
Investment charges and related expenses	20,477	20,060
Equity settled share-based payments	11,871	6,870
Depreciation of property, plant and equipment	3,232	2,811
Auditor's remuneration		
- Audit of these financial statements	25	38
Other expenses	62,497	75,008
	177,232	183,571

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:

	2021	2020
	No	No
Employees	349	279
Directors	2	2

The aggregate payroll cost of these persons was as follows:

	2021	2020
	£000	£000
Wages and salaries	48,387	41,066
Social security costs	6,383	6,405
Pension costs	2,690	2,187
	57,460	49,658

All of the above costs were recharged to Group companies.

4. Directors' emoluments

	2021	2020
	£000	£000
Directors' emoluments	**40**	40
	40	40

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 (2020: £40,000).

The aggregate emoluments of the highest paid director were £20,000 (2020: £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 (2020: two). None of these pension contributions were deemed to be in respect of their services to the Company (2020: 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 Payment.

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

The expense recognised in the Statement of comprehensive income for the period was £11,871k (2020: £6,870k).

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 will only be able to sell their ordinary shares received from this plan in 2021, 2022 and 2023 in equal amounts, i.e. these shareholders will be able to sell a third each year.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

5. Share-based payments arrangements (continued)

Long Term Incentive Plan ("LTIP")

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 awards have been in place since 2021 and are made on an annual basis. The performance criteria are based on the Group's Market Consistent Embedded Value ("MCEV") and a Solvency II coverage underpin, with the first grant made during 2021.

The 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.

	2021
	Number of options
Outstanding at 1st January	-
Awarded	**1,149,455**
Lapsed/forfeited	-
Exercised	-
Remaining at 31st December	**1,149,455**
Weighted-average share price at grant/exercise (£)	£3.65
Weighted-average remaining contractual life (years)	9.70

During the year to 31 December 2021, awards under LTIP were made on 13 July 2021 and 26 October 2021. 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 £3.65.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2021 (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.

	2021	2020
	Number of options	Number of options
Outstanding at 1st January	**7,733,236**	7,756,148
Awarded	**1,933,596**	2,264,142
Lapsed/forfeited	**(249,513)**	(115,909)
Exercised	**(1,542,124)**	(2,171,145)
Remaining at 31st December	**7,875,195**	7,733,236
Weighted-average share price at grant/exercise (£)	**£3.65**	£3.05
Weighted-average remaining contractual life (years)	**7.67**	7.92

2021 awards under the DBSP were made on 27 April 2021. 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 payments charge is the share price at grant date of £3.65.

6. Corporation tax

	2021	2020
	£000	£000
Current taxation		
Corporation tax payable for the current year	**1,022**	102
Prior year adjustment	**118**	2,165
Total current tax charge	**1,140**	2,267
Deferred taxation		
Recognition of deferred tax asset on temporary timing differences	**(399)**	(785)
Total deferred tax credit	**(399)**	(785)
Tax charge	**741**	1,482

Notes to the financial statements for the year ended 31 December 2021 (continued)

6. Corporation tax (continued)

The current tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
Reconciliation of total income to the applicable tax rate		
Profit before taxation	(1,958)	13
Corporation tax at 19% (2020: 19%)	(372)	2
Effects of:		
Expenses not deductible for tax purposes	2,212	1,155
Share-based payment deduction	(818)	(1,055)
Prior year under provision	118	2,165
Current year deferred tax movement	(399)	(785)
Corporation tax charge	**741**	1,482

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	2021	2020
	£000	£000
Cost		
At beginning of year	2,290	2,469
Additions during the year	-	972
Disposals during the year	(59)	(1,151)
At end of year	2,231	2,290
Depreciation		
At beginning of year	675	817
Charge for the year	424	526
Disposals during the year	(59)	(668)
At end of year	1,040	675
Net book value		
At end of year	1,191	1,615

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Intangible assets

Computer software	2021	2020
	£000	£000
Cost		
At beginning of year	-	172
Disposals during the year	-	(172)
Depreciation		
At beginning of year	-	172
Disposals during the year	-	(172)
At end of year	-	-

9. 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 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*

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

9. Leases (continued)

Right-of-use assets

31 December 2020	Office buildings	Office equipment	Total
	£000	£000	£000
Cost			
At beginning of the year	24,953	171	25,124
Additions and disposal during the year	-	-	-
Disposals during the year	-	-	-
At end of the year	24,953	171	25,124
Depreciation			
At beginning of the year	2,986	51	3,037
Charge during the year	2,243	42	2,285
Disposals during the year	-	-	-
At end of the year	5,229	93	5,322
Net book value at end of the year	19,724	78	19,802

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 calculations of the right of use asset and lease liability assume the leases are held until the contractual expiry date, as the Group is 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 2021 (continued)

9. Leases (continued)

Lease liabilities

	2021	2020
	£000	£000
Balance at 1st January	**21,934**	23,059
Additions for lease liabilities	**190**	-
Disposals of lease liabilities	**(62)**	-
Cash outflow for lease payments	**(2,915)**	(2,543)
Interest on lease liabilities	**919**	1,418
Balance at 31st December	**20,066**	21,934
Expenses relating to low-value leases	-	18

	2021	2020
Maturity analysis - contractual undiscounted cash flows	**£000**	£000
Less than one year	**3,759**	2,909
One to five years	**14,930**	14,866
More than five years	**4,324**	8,031
Total undiscounted lease liabilities at 31st December	**23,013**	25,806
Balance at 31st December	**20,066**	21,934
Current	**2,915**	1,775
Non-current	**17,151**	20,159

10. Trade and other receivables

	2021	2020
	£000	£000
Amounts due from fellow group undertakings	**112,562**	82,581
Other debtors	**2,434**	5,165
Prepayments	**5,636**	5,437
	120,632	93,183

All amounts due from fellow group companies are due within one year. The balance includes £112,480,000 (*2020: £82,581,000*) due from PIC for services provided during the year and £82,000 due from PIC Properties Limited Partnership (*2020: Nil*).

The balance due from Company employees in relation to the personal tax liabilities settled by the Company on their behalf upon exercise of the share option awards was nil at 31.12.21 *(2020: £5,164,000*). Of this balance, nil relates to the directors of the Company (2020: 2,034,000).

As at 31 December 2021 and 2020, no trade and other receivables balances were impaired or overdue.

Notes to the financial statements for the year ended 31 December 2021 (continued)

11. 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:

	2021	2020
	£000	£000
At beginning of year	**3,214**	2,729
Recognition of deferred tax asset on temporary timing differences	**428**	485
At end of year	**3,642**	3,214

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 £3,104,000 (2020: £2,581,000), 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 2021 which may give rise to reduced tax charges in future periods (2020: £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.

12. Tax recognised directly in equity

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

	2021	2020
	£000	£000
Current tax	**368**	321
Deferred tax	**29**	(300)
	397	21

13. Trade and other payables

	2021	2020
	£000	£000
Amounts due to fellow group undertakings	30,820	19,844
Trade payables	2,563	1,113
Other taxes and social security	3,605	1,330
	36,988	22,287

14. Accruals

	2021	2020
	£000	£000
Operating expenses of the Company	86,999	75,608

15. 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 2021 (2020: £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.

Pension Services Corporation Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

15. Risk management (continued)

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.

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.

These plans came into action in 2020 and throughout 2021 as a pandemic risk event crystallised in the form of Covid-19. This required the Company to take a number of actions internally and with its outsourcing partners in accordance with its business continuity plans in order to maintain services to stakeholders, protect its staff and comply with national and regional measures. These measures ensured that the Company was able to continue to operate throughout the pandemic with no loss of performance.

16. Share capital

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

	2021	2020
	£000	£000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1	1

Notes to the financial statements for the year ended 31 December 2021 (continued)

17. Reserves

31 December 2021	**Capital Contribution £000**	**Other Reserves £000**	**Retained profit £000**	**Total £000**
At beginning of year	**-**	**191**	**874**	**1,065**
Total comprehensive loss for the year				
Loss for the year	-	-	**(2,699)**	**(2,699)**
Transactions with owners				
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)**

31 December 2020	Capital Contribution £000	Other Reserves £000	Retained profit £000	Total £000
At beginning of year	-	491	2,022	2,513
Total comprehensive loss for the year				
Loss for the year	-	-	(1,469)	(1,469)
Transactions with owners				
Share-based payments	6,870	-	-	6,870
Recharge for share-based payments	(6,870)	-	-	(6,870)
Tax on share-based payments	-	(300)	321	21
At end of year	-	191	874	1,065

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.

18. Related party transactions

Throughout the year ended 31 December 2021, 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. Amounts owed by the directors to the company in relation to personal tax settled by the company on their behalf are disclosed in Note 10.

b) Transactions with fellow group undertakings

	2021	2020
	£000	£000
Expense recharges		
PIC plc	**175,926**	184,747
PICG	**267**	254

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 *(2020: £nil)*. The company received £nil interest income from PICG on the loan facility during the year *(2020: £nil)*.

c) Balances with fellow group undertakings

	2021	2020
	£000	£000
PIC plc	**112,480**	82,581
PIC Properties Limited Partnership	**82**	-
PICG	**(30,820)**	(19,844)

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

19. 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.