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Pension Insurance Corporation Group Limited ("PICG"): Supplementary note for the 2021 financial statements.

This document constitutes a supplementary note for the purposes of section 454 of the Companies Act 2006 and the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

This supplementary note revises footnote 2 of the Investment in subsidiaries' note of the financial statements found on page 170 of PICG's original Annual Report and Accounts for the year ended 31 December 2021, (see appendix 1), and is to be treated as forming part of those financial statements.

The financial statements have been revised as at the date on which the original financial statements were approved by the board of directors and not as at the date of the revision and accordingly do not deal with events between those dates.

The original financial statements failed to comply with the Companies Act 2006 in as much as the subsidiary audit exemption referred to in footnote 2 should have referenced section 479A of the Companies Act 2006, but instead referred to section 479.

The supplementary note was approved by the Board of Directors of PICG on 5 December 2022.

Revision to Note 2 – Investments in subsidiaries of the financial statements.

2. Investments in subsidiaries

2 Denotes entities that have claimed exemption from audit by virtue of either section 479A of the Companies Act 2006, or Regulation 7 of the Partnerships (Account) Regulations.

Tracy Blackwell

Director

Registration number: 09740110

Independent auditor's report to the members of Pension Insurance Corporation Group Limited ("PICG") Limited

Opinion

We have audited the revised group and parent company financial statements (the "revised financial statements") of Pension Insurance Corporation Group Limited (the "company") for the year ended 31st December 2021 which comprise the statement of comprehensive income for the Group, statement of financial position for the Group and Company, the statement of changes in equity for the Group and Company, the Group and Parent statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

- the revised group financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group's affairs as at 11 March 2022 and of its profit for the period then ended;
- the revised group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 seen as at the date the original financial statements were approved;
- the revised parent company financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the parent company's affairs as at 11 March 2022;
- the revised parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006 seen as at the date the original financial statements were approved;
- the revised financial statements have been prepared in accordance with the Companies Act 2006 as it has effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ("the Regulations"); and
- the original financial statements for the year ended 31st December 2021 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in the supplementary note

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.

Emphasis of matter – revision of Investment in subsidiaries' note

We draw attention to the disclosures made in the supplementary note concerning the need to revise the Investment in subsidiaries' note found on page 170 of PICG's original Annual Report and Accounts 2021. The revised financial statements replace the original financial statements approved by the directors on 11 March 2022 and consist of the attached supplementary note together with the original financial statements which were circulated to members on 11 March 2022. They have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ("the Regulations") and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved on 11 March 2022 . Our previous report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report. Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or to cease their operations, and as they have concluded that the group 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 their ability to continue as a going concern for at least a year from the date of approval of the original financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and 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; and
- 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 group '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 group 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:

• Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

• Reading Board, Audit Committee, Risk Committee, Investment and Origination and Credit Committee 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 order to address the risk of fraud specifically as it relates to the valuation of insurance contract liabilities, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the business, trends in experience, policyholder behaviour and economic conditions and also by reference to market practice. Further detail in respect of these is set out in the audit response to the risks associated with this key audit matter in section 2 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-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 unbalanced, 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 Group'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 Group 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.

Secondly, the Group 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 and certain aspects of Group legislation recognizing the financial nature of the Group'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 operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect a breach.

For the revision of the financial statements matter discussed in the supplementary note we assessed disclosures against the requirements of Companies (Revision of Defective Accounts and Reports) Regulations 2008.

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 those revised reports;

- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the revised 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 revised parent company 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

The directors are responsible for: the preparation of the revised 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 revised financial statements that are free from material misstatement, whether due to fraud or error; assessing the group'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 group or to cease operations, or have no realistic alternative but to do so. Under section 454 of the Companies Act 2006 the directors have the authority to revise financial statements if they do not comply with the Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. These require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the revised 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 audit of revised financial statements also includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 and as required by paragraph 7 of the Regulations. 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 such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

15 Canada Square
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5 December 2022