

B&CE Financial Services Limited

Annual report and financial statements
for the year ended 31 March 2020



Company number: 02207140

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Company information

Directors	Non-executive Independent Chair: C Ramamurthy
	Non-executive Directors: J Allott P Billingham J Cullen J Hough J Islam J McKinnon J Southworth S Terrell
	(resigned 18 November 2019)
	Executive Director: P Heath-Lay
Company secretary	L Harratt K Palfrey J Dunlop
	(resigned 20 May 2019) (appointed 29 July 2019 and resigned 21 February 2020) (appointed 21 February 2020)
Registered office	Manor Royal Crawley West Sussex RH10 9QP
Company number	02207140 (England and Wales)
Independent auditor	KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London E14 5GL
Banker	HSBC Bank plc 60 Queen Victoria St London EC4N 4TR
Solicitor	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF

Strategic report for the year ended 31 March 2020

The Directors present their Strategic report of B&CE Financial Services Limited for the year ended 31 March 2020.

Business review and principal activities

B&CE Financial Services Limited (the Company) was a wholly owned direct subsidiary of People's Financial Services Limited (the Parent Company) during the year. B&CE Holdings Limited (the Ultimate Parent Company) and all its subsidiaries are collectively known as 'B&CE' or the 'Group'. The Ultimate Parent Company is the sole employer within the Group and pays for the majority of Group costs which are then recharged to the subsidiaries as deemed appropriately by management.

The main activity of the Company is to administer The People's Pension (the Scheme) and other financial products on behalf of the Group. The Scheme is an award-winning master trust pension that is growing rapidly by volume of assets and number of members. The Company expects the Scheme to continue growing and delivering a rising income stream to the Company over the long term.

The Company is also the promotional and marketing arm of the Group, distributing any products that are offered in partnership with other financial services providers.

Key performance indicators

Key performance indicators are set and monitored at Group level. The ones applicable to the Company are:

- grow the organisation, and particularly the assets managed within The People's Pension, so the Group can offer our members the benefits of scale.
- maintain the quality of customer service and satisfaction.

These are reviewed at a Group level by B&CE's Executive Committee and representatives of the Board.

For growth, the £8.3bn (2019: £6bn) of assets managed by The People's Pension at the year-end shows a significant increase throughout the year despite a reduction in the first quarter of 2020 as COVID-19 generated high levels of stock market volatility.

Our Customer Satisfaction Survey found that 72% (2019: 73%) of members that had interacted with the Scheme were satisfied with the service they received and only 3% (2019: 6%) were dissatisfied. When asked how easy to understand the information provided by the Scheme is, 73% of members said it was "good" and 2% said it was poor (no equivalent figures for 2019).

We also log and measure the type, number and proportion of complaints we receive. During the year, 344 employers and 1,504 members (2019: 290 and 1,624) complained. These are very low figures in relation to the ever increasing 94,000+ employers and 6.2 million members using our schemes and products.

While industry awards are not part of our KPIs, we note that in 2019 we won Multi-employer DC provider of the year from Pensions expert and Master trust offering of the year from the Pensions Age Awards.

Strategic report for the year ended 31 March 2020 (continued)

Key developments

The People's Pension has continued to grow and, mindful of the short to medium term challenges posed by COVID-19 and Brexit-related issues, we expect it will continue doing so over the long term, as members and employers contribute regularly to their pension pots. The Company receives a percentage fee income from the Scheme's assets under management – as the latter rises, so will the fee income receivable by the Company. Towards the end of the year, the Scheme commenced a rebate of the management charge where a member has more than £6,000 in their fund. Since year end, a new and additional flat £2.50 fee payable by all members of the Scheme will also generate a consistent income for the Company.

At the end of March 2020, the Scheme had 5.0 million members (2019: 4.4 million), 94,000 employer clients (2019: 86,700) and assets under management of more than £8bn (2019: more than £6bn) – a significant level of growth especially considering the impact of COVID-19 on global stocks markets and asset values. The People's Pension is one of the largest master trusts (multi-employer pension scheme) in the UK and gained master trust authorisation in August 2019. As part of the master trust authorisation process the Company now has additional capital requirements which are disclosed in note 16.

Towards the end of the financial year the COVID-19 pandemic started to affect the UK economy. In response, the Group prioritised core financial transactions and support for vulnerable customers, which meant reallocating some resource away from other areas of member support. This included making use of the Government's Coronavirus Job Retention Scheme support measures to retain employees, adaptations to processes to better facilitate home working and a temporary salary reduction for senior management.

During the year, the Directors made the decision to fully impair its intangible assets of £9.9m relating to the Company's digital infrastructure. This reflected the fact that the future value no longer existed following the close down of the development project. Furthermore, a provision of £1.2m for contract termination costs has been included.

Results

The results and financial position for the financial year are set out on pages 13 to 14. The loss for the financial year was £17.3m (2019: £7.0m) and net assets as at 31 March 2020 were £21.1m (2019: £38.4m).

Revenue has increased by 31.5% to £38.9m (2019: £29.6m). This is because the administration management charge from The People's Pension, which is calculated as a proportion of the funds under management, totalled £31.6m (2019: £21.6m). Throughout 2019/20 the average monthly contributions into The People's Pension exceeded £250m. It is likely that this revenue stream may experience short and medium-term disruption because of COVID-19 related economic shock and the impact on employment levels resulting in lower contributions into the Scheme.

Most other revenue streams of the Company remained fairly constant except for the employer charge for new employers joining The People's Pension which reduced from £1.9m to £1.3m. This is because most employers have now already automatically enrolled their employees in a workplace pension scheme – although new employers, those looking to change provider or members subject to re-enrolment are joining The People's Pension. Further information can be found within the notes.

Operating costs have increased by 26% to £46.8m (2019: £37.2m). The main contributor to the increase was an increase in the costs of operating The People's Pension, which are borne by the Company as the appointed administrator. An administration fee is levied in respect of this service – although to date the fee has been significantly lower than the costs incurred which is the main driver for recent losses. As the assets managed by The People's Pension continue to grow (and therefore our administration fees) combined with recent management actions we are expecting to be close to breakeven in the coming financial year. A further contributor was the inclusion of a £1.2m (2019: nil) provision for contract termination costs has been included

Throughout the year the Company exceeded its FCA capital requirement and the cash and cash equivalent levels disclosed in note 16.

Future developments

The biggest short to medium-term impact on the Company is the economic impact of the COVID-19 pandemic. As a Group, B&CE has responded as outlined above.

Strategic report for the year ended 31 March 2020 (continued)

Future developments (continued)

The UK's departure from the European Union, although accompanied by economic uncertainty, is not expected to have a material impact on the Company – given it's a UK-domiciled entity serving UK-based customers.

We'll also continue to invest in our digital capabilities. We've been upgrading our existing infrastructure and resilience, such as in the controls around member transactions to ensure continued compliance with master trust authorisation, and we're also seeking to make member interactions smoother and easier, such as with new telephony. The master trust authorisation means that the Company is now required to hold cash and cash equivalents of £8m each day and confirm this to the Trustee of the Scheme on a regular basis.

Risk management

Our approach to risk management

The Directors have responsibility for internal controls and risk management. To meet this responsibility, the Group has adopted risk policies for the Group and all its subsidiary companies which are subject to the Directors' approval and to ongoing review by management. The Board is committed to identifying, analysing, evaluating and managing risks and for implementing and maintaining control procedures to reduce significant risks to an acceptable level.

Principal risks and uncertainties

The specific risks faced by the Company are driven by what the Group chooses to do and how we as a Company do it, as well as the wider environment in which we operate.

We focus on two risk categories:

- Operational. There are four main areas of operational risk:
 - the impairment or impediment of IT systems and infrastructure that can efficiently process the required transactions to the required degree of accuracy (a risk we manage by having controls in place to ensure the integrity and efficiency of systems - coupled with a comprehensive disaster recovery plan);
 - cyber attacks (which we manage through investment in IT security, IT systems and IT governance);
 - an inability to recruit and / or retain motivated and talented staff members (managed through robust policies on issues such as diversity, equal opportunities, the provision of learning and development opportunities and regular reviews and monitoring); and
 - regulatory or legislative changes that could adversely affect the Group's or the Company's business (we operate in a highly regulated environment and work hard to ensure the organisation's voice, and therefore that of our members, is represented - and that we obtain fair warning of any changes that might necessitate alterations to systems or processes).
- Financial. The principal financial risks are market risk, credit risk and liquidity risk. At a Group level we review these risks on an ongoing basis and hold capital against them. We also stress test our resilience to financial risk. These are explained in the Directors' report.

Strategic report for the year ended 31 March 2020 (continued)

Risk management (continued)

Principal risks and uncertainties (continued)

The nature of the Group structure means that the Ultimate Parent Company is a key provider of personnel and services to the Company. This is a deliberate decision, taken by the Board to ensure a simple and cost-efficient structure that can deliver benefits to members as smoothly as possible.

Risk governance

Enterprise risk management framework

Our enterprise risk management (ERM) framework enables a holistic, risk-based approach to managing our business. It integrates concepts of strategic planning and operational management into the following framework elements:

- Strategic risk management
- Emerging risks
- Control processes
- Risk culture

Risk and control framework

Frameworks for risks and controls are key components of the ERM. The Company's success is dependent on the proper identification, assessment and ongoing management of risk. Risks are managed at the Group level and B&CE has established a framework of policies, procedures and internal controls that apply to subsidiary companies over the process of risk management and acceptance.

All risk policies are subject to the Board of Directors' approval and ongoing review by management and the risk management team.

Three lines of defence

We operate a 'three lines of defence' model of risk management, with clearly defined roles and responsibilities for individuals and committees.

Section 172(1) statement

The Directors of B&CE Financial Services Limited believe, both individually and collectively, that they have acted in good faith in a manner most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors take the following into consideration:

- a) The likely consequences of any decision in the long term

We consistently take decisions that focus on providing benefit to members and other stakeholders in the long term: this is a core business value as a not-for profit Group. An example of a long-term decision is the recent changes to the charging structure of The People's Pension, given the evolution of the Scheme, the market in which it operates and the challenges posed by the economic environment. The Scheme now has an annual management charge made up of a 0.5% management charge, a rebate on that charge, dependent on pot size, and an annual charge for all qualifying members. This new structure is designed not only to incentivise long-term saving but also support existing active members by reducing the cross subsidy of the growing number of small, inactive pension pots created by auto-enrolment. It is also expected to increase the stability of fee income to the Company.

Strategic report for the year ended 31 March 2020 (continued)

Section 172(1) statement (continued)

b) The interests of the company's employees

The Company has no employees as the Ultimate Parent Company is the sole employer within the Group. The Strategic Report within the Group Annual report and financial statements includes a section on employees.

c) The need to foster the company's business relationships with suppliers, customers and others

Supplier relationships are mostly managed at a Group level and information on these can be found within the Strategic Report of the Group Annual report and financial statements. Given the nature of the Company there are a limited number of customers whereby the majority of income is received from B&CE schemes and products.

The Directors are aware of the importance of these relationships and ensure that the Company provides good customer service to the employers and members using those schemes and products. During May 2019 B&CE was awarded 'Multi-Employer DC Provider of the Year' by Pensions Expert and 'Master Trust Offering of the Year' at the Pensions Age Awards.

d) The impact of the company's operations on the community and the environment

As part of a not-for-profit Group we give back to our members and community. The Strategic Report within the Group Annual report and financial statements includes sections on 'Caring about the environment and investing in our local community', 'Charitable Trust' and 'Putting People First'.

e) The desirability of the company maintaining a reputation for high standards of business conduct

Our Group's reputation for putting members first and providing good quality products has been hard won. This is based on a set of values that we try to adhere to on a daily basis. Central to this is a desire to keep high standards of business conduct at the forefront of our employees' day-to-day work. The Company is regulated by the Financial Conduct Authority and the Directors are aware and fully supportive of their requirements. All Group employees are assigned mandatory learning courses, such as the Senior Managers Certification Regime and Treating Customers Fairly, appropriate to their position within B&CE and compliance is monitored regularly.

f) The need to act fairly between members of the company

The Company has one member, People's Financial Services Limited which is the sole shareholder, hence acting fairly between members does not require consideration.

On behalf of the Board:



Director
29 July 2020

PATRICK HEATH-LAY

Directors' report for the year ended 31 March 2020

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Directors

The Directors who held office during the year and up to the date of signing this report are shown on page 1.

Directors' liability insurance

The Directors have the benefit of an indemnity. This is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the year and at the date of approval of the financial statements.

Dividends

No dividends were paid to the Parent Company during the year (2019: nil). The Directors do not recommend the payment of a final dividend (2019: nil).

Regulator

The Company is regulated by the Financial Conduct Authority (FCA). The products administered by the Company may be regulated by other regulators (in the case of the Scheme, the regulator is The Pensions Regulator).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2019: nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the incumbent auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effect of:

- Credit risk

The Company's sterling cash deposits, investments and trading transactions with customers expose it to the risk that the counterparty may not repay the amounts owed. For sterling cash deposits and investments, the Company only deals with a list of highly rated UK counterparties to reduce the risk that the counterparty will not repay the deposit. Regarding the risk of a counterparty defaulting, the Ultimate Parent Company manages this risk on behalf of the Group by active credit control. Counterparty risk may also arise from revenue that can't be recovered from products administered by the Company. This risk is managed through active credit control and cashflow monitoring.

- Liquidity risk

The Company maintains a short-term sterling cash deposit facility to address liquidity. The Parent Company has agreed to fund the Company so it can fulfil operational requirements through its growth phase. Cash flow forecasts are prepared quarterly to ensure that the Company has sufficient liquid funds to continue its operations.

Directors' report for the year ended 31 March 2020 (continued)

Financial risk management (continued)

- Market risk – interest rate

The short-term sterling cash deposits are sensitive to interest rate changes, but the Company is not reliant on interest receivable for its income. The Company has access to fixed-term notice accounts to try to increase interest earned on cash deposits.

In relation to interest risk on liabilities, the Company does not have any interest bearing loans.

- Market risk – price and currency

Given the nature of the Company's operations, no significant exposure to price or currency risk exists.

Future developments

An indication of likely future developments in the business of the Company is given in the Strategic report.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board:


Director
29 July 2020

PATRICK HEATH-LAY

Company number: 02207140

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of B&CE Financial Services Limited

Opinion

We have audited the financial statements of B&CE Financial Services Limited ("the company") for the year ended 31 March 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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").

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

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of B&CE Financial Services Limited (continued)

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.

Directors' responsibilities

As explained more fully in their statement set out on page 9, 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.

Independent auditor's report to the members of B&CE Financial Services Limited (continued)

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.



William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 July 2020

Statement of comprehensive income for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Revenue	3	38,893	29,573
Distribution costs		(7,176)	(7,806)
Administrative expenses	5	(39,605)	(29,425)
Impairment of intangible asset	7	(9,919)	-
Other income		602	269
Loss before interest and taxation	5	(17,205)	(7,389)
Finance income		114	99
Loss before taxation		(17,091)	(7,290)
Tax (charge) / credit on loss	6	(221)	206
Loss for the financial year		(17,312)	(7,084)
Other comprehensive income			
Revaluation of financial instruments		62	-
Total tax on components of other comprehensive expense		-	-
Other comprehensive income for the year, net of tax		62	-
Total comprehensive expense for the year		(17,250)	(7,084)

The notes and information on pages 16 to 25 form part of these financial statements.

Statement of financial position as at 31 March 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	7	-	9,919
Financial instruments – available for sale	8	-	3,953
		<u>-</u>	<u>13,872</u>
Current assets			
Financial instruments – available for sale	8	-	16,000
Trade and other receivables	9	14,048	4,678
Cash and cash equivalents		18,304	11,960
		<u>32,352</u>	<u>32,638</u>
Current liabilities			
Trade and other payables	10	(10,044)	(6,900)
Provision for contract termination costs	11	(1,194)	-
		<u>(11,236)</u>	<u>(6,900)</u>
Net current assets		<u>21,116</u>	<u>25,738</u>
Total assets less current liabilities		<u>21,116</u>	<u>39,610</u>
Non-current liabilities	12	-	(1,244)
Net assets		<u>21,116</u>	<u>38,366</u>
Equity			
Ordinary shares	13	36,079	36,079
Share premium account		28,971	28,971
Profit and loss account		(43,934)	(26,684)
Total equity		<u>21,116</u>	<u>38,366</u>

The notes and information on pages 16 to 25 form part of these financial statements.

The financial statements were approved by the Board of Directors on 29 July 2020 and were signed on its behalf by:



Director

PATRICK HEATH-LAY

Company number: 02207140

Statement of changes in equity for the year ended 31 March 2020

	Ordinary shares £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 31 March 2018	16,079	28,971	(19,600)	25,450
Loss for the year	-	-	(7,084)	(7,084)
Total comprehensive expense for the year	-	-	(7,084)	(7,084)
Proceeds from issue of ordinary shares	20,000	-	-	20,000
Total transactions with owners recognised directly in equity	20,000	-	-	20,000
Balance as at 31 March 2019	36,079	28,971	(26,684)	38,366
Loss for the year	-	-	(17,312)	(17,312)
Other comprehensive income for the year	-	-	62	62
Proceeds from issue of ordinary shares	-	-	(17,250)	(17,250)
Balance as at 31 March 2020	36,079	28,971	(43,934)	21,116

The notes and information on pages 16 to 25 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

1. General information

B&CE Financial Services Limited (the Company) is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Manor Royal, Crawley, West Sussex, RH10 9QP. The Company was a wholly owned direct subsidiary of People's Financial Services Limited (the Parent Company) during the year. Collectively B&CE Holdings Limited (the Ultimate Parent Company) and all its subsidiaries are known as 'B&CE' or the 'Group'.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared under the historical cost convention as modified by the revaluation of financial instruments available for sale to fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in 'Critical accounting judgements and key sources of estimation uncertainty' on page 18.

Going concern

Notwithstanding a loss for financial year ended 31 March 2020 of £17.3m (2019: £7.0m), the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts, for a period of at least 12 months from the date of approval of these financial statements. These forecasts have been updated to take into account the potential economic impact of the COVID-19 pandemic on members and the employer base, which in turn could affect the level of income received by the Company. Collectively, this analysis indicates that, taking account of severe but plausible downside scenarios, the Company will have sufficient funds through funding from its Parent Company, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on B&CE Holdings Limited providing additional financial support through the Company's Parent Company during that period. B&CE Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the above, and after considering the impact of COVID-19 on the Company, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of B&CE Holdings Limited which are publicly available.

Notes to the financial statements for the year ended 31 March 2020 (continued)

2. Summary of significant accounting policies (continued)

Exemption for qualifying entities under FRS 102 (continued)

As a qualifying entity, the Company has taken advantage of the following exemptions in its individual financial statements from the requirement to:

- (i) prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- (ii) present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- (iii) present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- (iv) disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Revenue

Revenue represents administration, registrar and referral fees, and employer charge measured at fair value of the services provided, net of VAT (if applicable), and accounted for on an accrual basis when the right to consideration has been earned. Revenue is recognised to the extent that services have been provided in the year. Any revenue receivable in advance of the full service being rendered, such as employer charges where employers are yet to use The People's Pension, is recognised in the Statement of financial position as deferred income.

Net operating expenses

The majority of the overhead costs in relation to the Company, including recharges from the Ultimate Parent Company, are reported under administration expenses. This is considered to be the most appropriate allocation for disclosure purposes and understanding of the financial results.

Any costs relating to obtaining new business are disclosed as distribution costs.

Tax

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

- *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated based on tax rates and laws that have been enacted or substantively enacted by the period end.

- *Deferred tax*

Deferred tax arises from timing differences between the taxable profits/losses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it's probable that they'll be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements for the year ended 31 March 2020 (continued)

2. Summary of significant accounting policies (continued)

Intangible assets and amortisation

- *Research and development*

Expenditure on research activities is recognised in the Statement of comprehensive income as an expense as incurred. Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised can include the cost of external contractors, direct employee costs within the Group and an appropriate proportion of overheads. Other development expenditure is recognised in the Statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

- *Other intangible assets*

Other intangible assets that are acquired by the Company, such as software, are stated at cost less accumulated amortisation and less accumulated impairment losses. If an impairment is identified then the value of the intangible asset is reduced to its net realisable value with any impairment recognised in the Consolidated statement of comprehensive income.

- *Amortisation*

Amortisation is charged to the Statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Capitalised development costs	10 years
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The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired. If an impairment is identified then the value of the intangible asset is reduced to its net realisable value with any impairment recognised in the Statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Notes to the financial statements for the year ended 31 March 2020 (continued)

2. Summary of significant accounting policies (continued)

Financial instruments

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 and the disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

- *Classification*

The Company classifies its financial assets as available for sale financial assets. Management determines the classification of its investments at initial recognition. Financial liabilities are measured at fair value through profit or loss.

- *Recognition and de-recognition*

Purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

- *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Available-for-sale financial assets are subsequently carried at fair value and gains or losses arising from changes in the fair value are recognised in other comprehensive income.

- *Measurement (continued)*

At initial recognition, the Company measures a financial liability at its fair value net of any directly attributable transaction costs. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

- *Impairment*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in Statement of comprehensive income.

Impairment losses on equity instruments that were recognised in Statement of comprehensive income are not reversed through Statement of comprehensive income in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in Statement of comprehensive income, the impairment loss is reversed through Statement of comprehensive income.

Notes to the financial statements for the year ended 31 March 2020 (continued)

2. Summary of significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates:

- *Deferred tax assets*

Deferred tax assets are assessed based on the current trading performance and expected future taxable profits of the Group. Management have decided to only recognise a deferred tax asset where profits are reasonably expected in the following reporting period.

- *Deferred income*

Revenue, which is receivable in advance of the full service being rendered, is recognised in the Statement of financial position as deferred income.

Judgements:

- *Impairment of intangible assets*

Intangible assets are reviewed annually for impairment or where changes in circumstances indicate impairment (or impairment reversal). The recoverable amount is estimated when the impairment review is conducted. Judgement is required in applying estimates to assess the level of provision needed, specifically in relation to discount rates and future growth rates. Further detail is provided in note 7.

Notes to the financial statements for the year ended 31 March 2020 (continued)

3. Revenue

	2020 £000	2019 £000
Administration fees for The People's Pension	31,572	21,567
Administration fees for the Benefits Scheme	3,115	3,102
Registrar fees for the Contracted-out pension scheme	1,573	1,612
Employer charge for The People's Pension	1,280	1,943
Administration fees for the ELC Scheme	787	822
Administration fees for insurance products	517	475
Referral fees	30	27
Administration fees for EasyBuild	19	25
	<u>38,893</u>	<u>29,573</u>

The origin and destination of all revenue is within the UK.

4. Employee information and Directors' remuneration

The Company had no employees during the year (2019: nil).

The Directors of the Company who were in office during the year are listed on page 1. The Directors' remuneration in respect of their services for the Company during the year were:

	2020 £000	2019 £000
Aggregate remuneration	<u>619</u>	<u>343</u>

The aggregate remuneration for the highest paid Director was:

Aggregate remuneration	212	216
Accrued pension at year end	<u>46</u>	<u>42</u>

The figures above comprise an apportionment of Non-Executive and Executive Directors' remuneration in respect of their services to the Company during the year, all of which is paid by the Ultimate Parent Company. The increase in aggregate remuneration is because the Company is now the most significant component of the Group and is recharged a larger proportion of Directors remuneration, which has also increased during the year. No compensation payments for loss of office were paid to Directors who resigned during the year (2019: nil).

Notes to the financial statements for the year ended 31 March 2020 (continued)

5. Expenses and auditor's remuneration

The significant fluctuation in administration costs principally relates to the recognition of an intangible asset in 2019, which reduced administration expenses by £9.9m. Further information can be found in the Strategic report and note 7. Administration costs also include a provision for contract termination costs of £1.2m (2019: nil).

Included in Statement of comprehensive income are the following:

	2020 £000	2019 £000
Services provided by the Company's auditor		
Audit of the Company's financial statements	41	41
Audit-related assurance services*	<u>16</u>	<u>13</u>

* Audit related assurance services are for the CASS audit.

The Ultimate Parent Company pays most of the overheads of the Group and recharges a proportion of those costs to its subsidiaries. The total recharge for the Company for the year amounted to £35.2m (2019: £36.4m).

6. Tax on loss

Current tax		
Credit for loss surrendered to Group	-	(296)
Adjustment in respect of previous years	221	90
Total current tax charge / (credit)	<u>221</u>	<u>(206)</u>

The tax assessed for the year is higher (2019: higher) than the standard effective rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained below:

Loss before taxation	<u>(17,091)</u>	<u>(7,290)</u>
Loss multiplied by standard rate of corporation tax in the United Kingdom 19% (2019: 19%)	(3,247)	(1,385)
Effect of:		
Unrecognised tax losses	3,247	1,089
Adjustment in respect of previous years	221	90
Total current tax charge / (credit)	<u>221</u>	<u>(206)</u>

The Company has not surrendered any tax losses to other Group companies during the year (2019: £1.6m). The Company had unutilised tax losses of £35.7m (2019: £17.3m) available for offset against future trading profits. No deferred tax assets or liabilities were recognised at the year-end (2019: nil).

Factors affecting future tax changes

At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

Notes to the financial statements for the year ended 31 March 2020 (continued)

7. Intangible assets

	Capitalised developme nt costs £000	Total £000
Cost		
As at 1 April 2019	9,919	9,919
Impairment	(9,919)	(9,919)
As at 31 March 2020	<u>-</u>	<u>-</u>
Net book value		
As at 31 March 2020	<u>-</u>	<u>-</u>
As at 31 March 2019	<u>9,919</u>	<u>9,919</u>

Capitalised development costs, such as third-party contractors and elements of staff costs, are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18. Amortisation will commence when the intangible asset is brought in to use.

During the year, the Company paused all major projects to enable resources to be reviewed and prioritised appropriately. Furthermore, the Company completed an impairment review at the year-end which concluded that the most effective method of delivering future member benefits would be through upgraded existing assets, and this necessitated a write off for capitalised development costs.

8. Financial instruments – available for sale

	2020 £000	2019 £000
At 1 April	19,953	4
Additions	502	20,011
Disposals	(20,517)	-
Revaluation deficit transferred to reserves	-	-
Reversal of impairment recognised in the Statement of comprehensive income	62	(62)
At 31 March	<u>-</u>	<u>19,953</u>
Investments include the following:		
Non-current assets		
Units in unit trusts	-	<u>3,953</u>
	-	<u>3,953</u>
Current assets		
Units in unit trusts	-	<u>16,000</u>
	-	<u>16,000</u>

During the year all financial instruments were disinvested to reduce the risk profile of the Company.

Notes to the financial statements for the year ended 31 March 2020 (continued)

9. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	9,934	1,382
Amounts owed by Group undertakings	-	19
Other receivables	3,979	2,602
Prepayments and accrued income	135	675
	<u>14,048</u>	<u>4,678</u>

The significant increase in Trade receivables relates to administration fees due from The People's Pension, which have now been paid in full.

Amounts owed by Group undertakings are unsecured, interest free and payable on demand.

10. Trade and other payables

	2020 £000	2019 £000
Amounts owed to Group undertakings	8,171	5,660
Other payables	358	175
Accruals and deferred income	1,513	1,065
	<u>10,042</u>	<u>6,900</u>

Amounts owed to Group undertakings are unsecured, interest free and payable on demand.

11. Provision for contract termination costs

	2020 £000	2019 £000
Provision for contract termination costs	<u>1,194</u>	<u>-</u>

A provision for contract termination costs have been included in relation ongoing discussions with a key supplier of the capitalised development costs disclosed in note 7. This provision includes license costs previously recognised as a non-current liability.

12. Non-current liabilities

	2020 £000	2019 £000
Other payables	<u>-</u>	<u>1,244</u>

The non-current liabilities, relating to a long-term license, have been reduced to nil during the year and form part of the provision for contract termination costs disclosed in note 11.

13. Ordinary shares

	2020 £000	2019 £000
Allotted and fully paid		
36,079,000 (2019: 36,079,000) ordinary shares £1 each	<u>36,079</u>	<u>36,079</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Notes to the financial statements for the year ended 31 March 2020 (continued)

14. Related party transactions

In accordance with paragraph 33.1A of FRS 102, the Company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

15. Ultimate undertaking and controlling party

The ultimate parent and the controlling party during the year was B&CE Holdings Limited, a company limited by guarantee, registered and domiciled in England and Wales. The immediate parent company is People's Financial Services Limited.

B&CE Holdings Limited is the parent of both the largest and smallest group of undertakings to consolidate these financial statements as at 31 March 2020. The consolidated financial statements of B&CE Holdings Limited are available from the Company secretary at the registered office shown on page 1.

16. Guarantees

The Company is party to a guarantee provided to The People's Pension, an authorised master trust, in respect of the Company's role as administrator. The Company is required to hold at least £8m in either cash, cash equivalent, bonds or equities. The letter of guarantee is not recorded within the financial statements as it has not been called upon nor is it reasonably expected to be called upon.