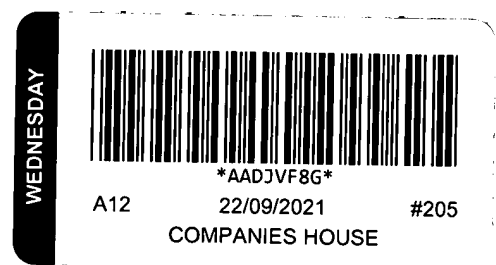




B&CE Holdings Limited

**Annual report and financial statements
for the year ended 31 March 2021**



Company number: 00377361

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An introduction to B&CE

We are a different financial services business with a strong heritage. Structured without shareholders, we use our profits to provide straightforward, accessible, trusted, products and support that really help people, today and tomorrow.

We work with employers and those who advise them, making it easy for employers to set up and manage our products and for employees to be part of and benefit from them.

We're here to help people build financial foundations for life.

Group structure

B&CE Holdings Limited (the Company) owns and controls a number of subsidiaries. Collectively the Company and all its subsidiaries are known as 'B&CE' or the 'Group'. The main subsidiaries are as follows:

- People's Financial Services Limited is an intermediate holding company for 3 companies:
 - B&CE Financial Services Limited is the primary subsidiary company, delivering administration services for The People's Pension and other pension schemes and financial products operated by the Group.
 - B&CE Insurance Limited offers a small range of insurance products to construction workers. Formerly the largest part of the Group, it has reduced in size significantly following the closure of RapidCash and Personal Accident Insurance in September 2020 and the EasyBuild Stakeholder Scheme in March 2020.
 - The People's Pension Trustee Limited is the corporate trustee of The People's Pension, one of the largest master trusts (multi-employer pension scheme) in the UK.

The Company also administers the Building and Civil Engineering Charitable Trust.

Lastly, two smaller subsidiaries, People's Health Limited and Constructing Better Health, ceased trading on 31 August 2020.

Who we are

We offer simple financial products for our members. Today, we're best known for The People's Pension, a successful master trust pension scheme for use by any company, of any size, in any industry. Our heritage goes back to 1942, when we launched a scheme to help construction workers build up holiday pay, and we've been supporting our members ever since.

As at 31 March 2021, we had over 6.5 million members across all financial products and schemes, including The People's Pension and our legacy financial products, offered or managed by B&CE. We now manage £14.5bn for them, including £13.7bn within The People's Pension.

An introduction to B&CE (continued)

Directors

The following served as Directors of B&CE Holdings Limited during the year, and up to the date of signing of the financial statements, unless otherwise stated. The attendance at Board meetings between 1 April 2020 to 31 March 2021 is shown for each Director.



Chandrasekhar Ramamurthy

Independent Chair

Attendance 10/10



Bob Blackman MBE

Industrial employee representative

Nominated by Unite the Union

Attendance 10/10



Graham Dow

Appointed 1 December 2020

Industrial employee representative

Nominated by GMB

Attendance 3/3



Harry Frew

Industrial employee representative

Nominated by Unite the Union

Attendance 10/10



Keir Greenaway

Resigned 1 December 2020

Industrial employee representative

Nominated by GMB

Attendance 7/7



James O'Callaghan OBE

Employer representative

Nominated by Civil Engineering Contractors Association

Attendance 10/10



Jerry Swain

Industrial employee representative

Nominated by Unite the Union

Attendance 9/10



John Allott

Industrial employee representative

Nominated by Unite the Union

Attendance 9/10



David Booth

Resigned 1 December 2020

Employer representative

Nominated by Build UK

Attendance 7/7



Kyla Farmer

Appointed 1 December 2020

Employer representative

Nominated by Build UK

Attendance 3/3



James Gilmour

Employer representative

Nominated by Federation of Master Builders

Attendance 10/10



Vaughan Hart

Appointed 1 December 2020

Employer representative

Nominated by Scottish Building Federation

Attendance 3/3



David Smith

Resigned 1 December 2020

Employer representative

Nominated by Scottish Building Federation

Attendance 5/7



Stephen Terrell

Employer representative

Nominated by National Federation of Builders

Attendance 10/10

An introduction to B&CE (continued)

Executive Committee

The Executive Committee is responsible for setting high-level strategic direction (outcomes and success criteria) together with accountability for overall business performance and successful delivery of all business plan activities. The following are the current members of that team:



Patrick Heath-Lay

Chief Executive Officer



Nico Aspinall

Chief Investment Officer



David Brown

Chief Strategy and Innovation Officer



Jo Carter

Chief Human Resources Officer



Sue Hunter

Chief Finance Officer



Roy Porter

Chief Sales and Marketing Officer

Company Secretary and Registered Office

Jane Dunlop
Company Secretary
B&CE Holdings Limited
Manor Royal
Crawley
West Sussex
RH10 9QP

Banker

HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

Independent auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square
London
E14 5GL

Solicitor

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Strategic report for the year ended 31 March 2021

The Directors present the Strategic report of B&CE Holdings Limited for the year ended 31 March 2021.

The business model

As a business set up without shareholders, we take a long-term view so that we can deliver on our purpose – to help people build better foundations for life. We invest our profits back into what we do, constantly looking for better, more efficient ways to deliver great products that really help people.

We provide our members with straightforward, accessible, trusted products and support.

Principal activities

The Group administers The People's Pension (the Scheme) and other financial products. The Scheme is an award-winning master trust pension that is growing by volume of assets under management and number of members. The Group expects the Scheme to continue growing and delivering a rising income stream to B&CE over the long run.

Key performance indicators (KPIs)

The Group has 4 key performance indicators which are reviewed regularly by our Executive Committee and representatives of the Board.

1. The customer (including employers and members of the financial products being administered).

We place the utmost emphasis on ensuring our 6.5 million members (2020: 6.2 million) have the best possible experience as they save for retirement. The majority of our KPIs met or bettered their targets in the financial year:

- The number of logins to the My Products section of The People's Pension website has increased 13.9% in the last year, and we have increased the services available.
- Complaints were at 60% (2020: 75%) of the expected level of less-than-2 per 1,000 transactions (2020: expected level of less-than-2 per 1,000 transactions).
- Our customer satisfaction rate was, at 82%, well ahead of the prior year of 72%.

Challenges from operating in a COVID-19 environment led to just falling short of target regarding our service level agreements in responding to emails and in dealing with admin requests from members.

2. Operational efficiency / investment.

Our unit cost is well below the end of year target and critical system availability is at 99.79% (versus an expected 98%) – a testament to the success of our change in operating model. Our strategic development activities are well on track and our project portfolio is progressing well but has been necessarily impeded, given the circumstances of the 12 months in question.

3. Value creation.

The Group creates value for members through the creation of surpluses that can be reinvested. The surplus for the year was £13.4m (2020: loss of £25.4m) and assets under management by The People's Pension at year-end of £13.7bn (2020: £8.3bn) has grown by 65%, of which £2.5bn came from investment gains which represents a 30% increase on opening assets under management.

4. People.

We have 5 measures for people – our most valuable resource – and all are at or ahead of target. Our measures of staff engagement and leadership are on track, the sickness ratios of customer-facing and also total staff are both well below their 2.6% and 2.0% respective targets, set in line with third-party market data – a remarkable achievement given everything that happened in the year. Also, fewer employees chose to leave the Group during the year – we expected 12% to do so, which is a natural rate of attrition for an organisation of our size, location and culture, but just 11% did so.

Strategic report for the year ended 31 March 2021 (continued)

Business update

The People's Pension

Our flagship financial product continued to grow both its membership, which rose 6.8% from 5.0m to 5.3m, increased employer accounts to 99,000 (2020: 94,000) and increased its assets under management, up 65% from £8.3bn to £13.7bn. The contribution of investment management to this growth in assets was £2.5bn, thanks to a prudent approach by the Group and the Scheme's Trustee in a period of volatility for both the economy and investment markets.

As indicated last year, we implemented a change to the fee on The People's Pension. The annual management charge is made up of 3 elements – an annual charge of £2.50, a management charge of 0.5% of the value of the member's pension pot each year and, to help them save more, a rebate on the management charge on savings over £3,000. As assets under management grow, we remain confident the administration fee received by B&CE Financial Services Limited will continue to increase.

Furthermore, as part of the master trust authorisation achieved in the previous financial year, there are ongoing capital requirements placed on the Group. Information on these can be found in note 24 of the Notes to the financial statements.

Legacy schemes

To ensure we're delivering real value for money for our members, we constantly review both our current and legacy products. As a result, B&CE Insurance Limited closed its RapidCash and Personal Accident Insurance products during the year.

Overall, our legacy schemes still serve 1.1 million members (2020: 1.1 million).

COVID-19

The Company's initial response to the impact of the pandemic featured the prioritisation of key financial transactions, member communications and support for vulnerable members.

At the same time, and from an operational perspective, the Company during the Spring of 2020 changed its focus from predominantly office-based staff, supporting members by telephone, to home-based staff supporting members through a blend of telephone and digital channels. This necessitated the acquisition and deployment of new IT hardware and software.

During this challenging period, the Company was able to meet the targets in nearly all of its service level agreements. Customer satisfaction remained on target at 82% (2020: 72%), the Scheme's Trustpilot rating actually increased to 4.1 (2020: 2.3), complaints were at 60% (2020: 75%) of the expected level of less-than-2 per 1,000 transactions (2020: expected less than 2 per 1,000 transactions) and transaction monitoring also achieved target, with an 88% (2020: 87%) pass rate (based on a sample of more than 2,000 transactions). However, the back office administration service level agreement was 81% (2020: 81%), due to the temporary amendments to the service level agreement (SLA) agreed by the Trustee and the administrator given the unique operating environment, against a usual target of 90% (2020: 90%).

At the same time, the Group sought to provide appropriate types and levels of support for staff members as they transitioned from office to home-based working. This ranged from new IT hardware and software, to enable staff to deliver the highest possible levels of quality and service, to pastoral support to address mental health and other welfare requirements.

As B&CE conducts all administration in-house, we had to adapt our operating model to meet reduced service volumes as well as meet our duty of care to staff. We utilised the Government's Coronavirus Job Retention Scheme for a short period of time, while we made changes to our service model and enabled our staff to work from home.

Strategic report for the year ended 31 March 2021 (continued)

Future developments

As we emerge from the COVID-19 pandemic our key focus remains on supporting members and meeting their evolving needs.

This means the Group will continue to invest in the digital services that members increasingly expect. The clear trend in recent years and into the future is for members to use fewer traditional communications methods, such as post, and more electronic media, such as email, for service interactions and transactions.

Moreover, with a larger number of members overall, and higher and increasing transaction volumes for the proportion of active members, the Group can deliver services more cost-effectively through digital and self-service channels than it can through traditional ones.

The impact of this investment will be more visible to members in some areas than others. Cost-effectiveness is being achieved through such initiatives as increased automation of internal processes.

Financial review

The consolidated Group financial statements are shown on pages 25 to 29. The consolidated profit after tax for the year was £13.4m (2020: £25.6m loss).

The main variances compared to last year are as follows:

- Revenue for the year increased to £59.1m (2020: £39.5m):
 - Management fees totalled £57.3m for the year (2020: £37.0m). The increase of £20.3m is driven by a £20.2m increase in administration fees in relation to The People's Pension: the element of these fees that is calculated as a proportion of the funds under management has increased by £8.2m to £39.8m (net of £6.6m of management charge rebates) (2020: £31.6m (net of £0.5m management charge rebates)), coupled with the new annual charge of £2.50 per member introduced during the year which accounted for an additional £12.0m (2020: nil).
 - Throughout 2020/21 the average monthly contributions into The People's Pension exceeded £250m. The People's Pension introduced an 'Annual Charge' of £2.50 per member as part of its annual management charge. This amendment to the charging structure has created some certainty to a portion of the Group's revenue while making the charging structure fairer for members of the Scheme, as it reduces the level of cross-subsidisation and allows members to pay a charge more closely aligned with the costs associated with managing their savings.
 - Revenue from the insurance business decreased slightly to £0.7m (2020: £1.0m) as two products were closed on 30 September 2020 plus a full year impact of the EasyBuild Stakeholder Scheme closure in March 2020.
 - Other income decreased to £1.0m (2020: £1.4m) primarily due to £0.3m less in sign up fees as fewer employers signed up to use The People's Pension, which is expected given the economic uncertainty caused by COVID-19.
- Net operating expenses decreased to £50.9m (2020: £57.7m):
 - During the year, management took swift action to reduce the underlying cost base of the Group as a mitigating action against the unknown impact of COVID-19. This included close monitoring of all costs and a 6-month reduction in the salaries of non-executive directors and the executive committee.
 - Furthermore, a provision of £1.2m for contract termination costs was included last year which was materially utilised during the year and the unutilised balance released to comprehensive income (see note 17 to the financial statements).
- An impairment of intangible assets of £9.9m was made during the previous year.
- Other operating income of £0.6m (2020: £nil) relating to Government contributions in respect of the Coronavirus Job Retention Scheme.

Strategic report for the year ended 31 March 2021 (continued)

Financial review (continued)

- Gains from financial instruments totalled £0.6m (2020: £1.9m): the fall in income was due to the sale of the Group's holdings in a mixed equity investment fund in the prior year, de-risking the Group's investment holdings but reducing gains from financial instruments, with 2020 including a realised profit of £1.4m on the sale of financial investments.
- Tax credit of £4.0m (2020: £0.4m) – the driver of this is the recognition of a deferred tax asset of £3.2m in respect of carried forward tax losses expected to be utilised over the next three years.

As the overall balance of insurance activities conducted by the Group continue to decline, the capital requirements of its subsidiary B&CE Insurance Limited also continue to fall. At a Group level solvency remains strong with a Solvency II capital surplus of £64.4m (2020: £61.9m).

Risk management

Risk management framework

Our risk management process helps with the delivery of our strategy by supporting better decision making through a good understanding of risks and their likely impact. We operate it right across the Group.

We operate the 'three lines of defence' risk governance model.

Firstly, each of our business functions are responsible for identifying, assessing, and managing risks within the parameters of our risk framework.

Secondly, we have a team of experts from our risk oversight function, under the direction of our Chief Risk Officer, who sit down with our leaders and managers regularly to challenge them on the risks they face and what they're doing to avoid or address those risks. Our risk management team maintains a Group Risk Register of every material risk and the strategy to address it.

What they're particularly looking for is anything that can seriously affect our ability to achieve our strategic objectives, our performance or affect our reputation. They then assess the potential impact of each risk and the likelihood of it happening.

We manage risk both at the Group level and within each department, such as marketing or finance, on an ongoing basis with follow-up and challenge by the risk management function throughout the year. At the Group level, each risk has an executive owner. The Chief Executive Officer has overall accountability for the control and management of risk. The Board has overall responsibility for risk management.

The content of the Group Risk Register is considered and discussed in regular meetings with senior management and reviewed by the Executive Committee, the Group Audit and Risk Committee and the Board.

Thirdly, our Internal Audit function provides independent assurance on the effectiveness of risk management and our risk framework.

Principal risks and uncertainties

We have performed a robust and systematic review of the risks we believe could seriously affect our ability to achieve our strategic objectives, meet our performance targets or affect our reputation.

The Group is exposed to a comparable range of risks as in previous years, and we've identified and detailed the principal ones in the grid below as at the date of this report – not in priority order.

An evolving risk environment offers challenges. Certainty is yet to emerge around the UK's departure from the EU, the COVID-19 pandemic has had a significant impact on both the economy and investment markets, and climate change has emerged as a material investment risk.

We monitor the broader risk environment continually and, when required to do so, implement specific strategies to defend against or ameliorate them.

Strategic report for the year ended 31 March 2021 (continued)

Risk management (continued)

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Strategies to defend and protect against risks
Financial risk The main financial risks that have been assessed on the basis of their potential impact on our Statement of financial position are: <ul style="list-style-type: none"> • Insurance risk • Market risk • Credit risk • Liquidity risk 	a. We operate a group-wide risk management framework. The principal financial risks relating to our Group and associated strategies to defend and protect against those risks are set out in the notes to the financial statements. b. We hold capital against these financial risks and review the risks on an ongoing basis. c. Financial projections are produced and reviewed on a regular basis by the Board. As well as forecasting under a set of central assumptions, stressed scenarios are also produced. d. Moreover, we stress test and assess our resilience to insurance, market, credit and operational risk.
Strategic risk Business strategy This is the risk that the Company could fail to communicate or implement its strategies effectively. Risks to delivering the strategy need to be properly understood and managed to deliver long-term growth.	a. We have a clear focus in place to deliver our growth, financial stability and customer satisfaction vision. b. We monitor progress against these areas and any risks to their delivery. These are regularly reviewed by the Executive Committee and Board. c. We ensure that the strategy is communicated and understood by all our people on a continual basis.
Operational risk IT systems and infrastructure The Group's operations are dependent on the ability to process a very large number of transactions accurately and efficiently. Any significant disruption or failure could result in service disruption. Improving our existing technology is required to drive future growth. Failure to manage the implementation of change successfully may result in increased costs or service disruption.	a. We work on a near continual basis to ensure that systems remain suitable for both our strategic needs and the risk environment. b. We have appropriate controls in place to maintain the integrity and efficiency of our systems, including detailed recovery plans in the event of a significant failure. c. We ensure that robust testing is completed before introducing a system change. d. We maintain key performance and key risk indicators which are regularly reviewed and reported to the Executive Committee. Remedial action is taken as required.
Operational risk Cyber-attacks The Group relies on IT in all aspects of its operations. Cyber-crime continues to be a threat. The risk remains that new, evolving forms of this type of crime have the potential to move ahead of our ability to defend our systems against them.	a. We're committed to safeguarding data and invest regularly in maintaining strong and reliable threat monitoring tools. b. We monitor operations to defend and protect against the threat of a malicious electronic attack. This is regularly reviewed and documented. c. We maintain IT equipment in a controlled environment and the maintenance and development of systems, applications and software is authorised, tested and approved before implementation. d. We maintain key performance and key risk indicators which are regularly reviewed and reported to the Executive Committee. Remedial action is taken as required.

Strategic report for the year ended 31 March 2021 (continued)

Risk management (continued)

Principal risks and uncertainties (continued)

Principal risks and uncertainties	Strategies to defend and protect against risks
<p>Operational risk Material failure in our business processes</p> <p>We have built our processes and frameworks with internal controls that are designed to minimise the risk of error and financial losses. Our response to COVID-19 has resulted in more of our staff working from home and we have continued to maintain our operations without material disruption.</p>	<ul style="list-style-type: none"> a. Our risk, compliance and internal audit functions have undertaken reviews to ensure that our core control processes continue to operate effectively. b. We implemented our Crisis Management plans in response to the COVID-19 pandemic. c. We have appropriate controls in place to maintain control over our processes which seek to ensure ongoing compliance with relevant legislation and regulation.
<p>Operational risk People engagement, recruitment, retention and capability</p> <p>The Group now employs over 500 people who are important to the success of our business.</p> <p>Attracting and maintaining good relations with talented people and investing in training and development is essential to the efficiency and sustainability of our operations.</p>	<ul style="list-style-type: none"> a. We maintain employment policies and remuneration and benefits packages which are regularly reviewed. We also provide our people with fulfilling career opportunities. b. We monitor and review performance and feedback, to understand the nature of our changing processes and the specific skill set that people require to deliver their objectives. c. We maintain key performance and key risk indicators which are regularly reviewed and reported to the Executive Committee. Remedial action is taken as required.
<p>Operational risk Impact of legal and regulatory changes and non-adherence</p> <p>The Group operates in a highly regulated environment and is subject to a variety of complex, demanding and evolving legal and regulatory risks.</p> <p>Changes in law and regulation can have a significant impact on our operating model – both positive and negative. We continue to remain in a period of significant regulatory change, particularly in the pensions industry.</p> <p>This is the risk that future regulatory and/or legislative change impacts on our business model and requires us to make changes to our processes and systems in an unplanned and ineffective way. This also includes that we might not comply with regulatory or legal obligations.</p>	<ul style="list-style-type: none"> a. We continually scan the legislative, regulatory and policy landscapes for potential change. This allows us to identify change at the earliest possible stage and plan ahead to ensure we appropriately manage the change into our processes and systems. b. We actively engage with regulators and government bodies, often with our stakeholders, to support and develop the industry and the interests of our members. c. We operate independent compliance, risk and internal audit functions who undertake annual plans of assurance activities to monitor compliance with pensions regulation and our own internal processes.

Strategic report for the year ended 31 March 2021 (continued)

Corporate social responsibility

We treat our responsibility to members, charitable causes, community and the environment with the utmost seriousness.

Corporate social responsibility

Caring about our environment and investing in our local community

We want to do what we can to protect our environment and support our community.

The Group has made a number of changes to improve the sustainability of its investments on behalf of members. Responsible investment policies are now in place for all B&CE entities and financial products.

We work hard to optimise energy efficiency in both our buildings. We use energy efficient light bulbs and passive infrared sensor lighting in some key locations throughout our premises, plus water efficient sanitary ware. Waste food is turned into bio-fuel, we're recycling more and more varied items and our energy consumption is monitored on a smart basis – overseen by our energy management consultant who can flag up any potential issues with usage, helping to ensure efficient consumption. We also regularly monitor the efficiency of our monitoring and evaluation equipment, working closely with a consultant to ensure that frequent checks are carried out and alterations are made to the plant settings to ensure maximum efficiency and minimum wastage.

We are choosing to renew our electricity contracts with 100% green energy providers and switching our pool vehicles to hybrid models. We are now vending 90% of our drinks in Eco cups that are fully recyclable and will be launching an Environmental Committee later this year.

Our "zero to landfill" waste contractor turns all of our cardboard into reusable packaging, our plastics into food packaging and our tins are reused for metal recycling.

In the year January to December 2020 we recycled 16.4 tonnes of paper, equating to a saving of 390,000 litres of water, 4,500 kwh of electricity and 225 trees.

Charitable Trust, charity and community activities

In 1991, we set up the Building and Civil Engineering Charitable Trust (Charitable Trust), a national scheme to relieve hardship and distress in the construction industry. The Charitable Trust provides financial help for people in times of need and grants towards education and training, as well as occupational health and safety initiatives.

Over the last year our Charitable Trust, set up to give back to the construction sector, has continued to meet its charitable objectives. It provided grants worth £181,797 (2020: £215,379) to 18 organisations and 90 individuals (2020: 20 and 76) across the year covering the cost of training programmes, occupational health initiatives, arrears, funeral expenses and other costs.

We've continued to support the Charitable Trust with resources and staff. This included a donation of £200,000 from the Group (2020: £200,000). All further donations will continue to be made by B&CE Financial Services Limited, reflecting the latter's growing importance within the Group.

Our charity of the year for 2020/21, voted for by B&CE employees, was Search Dogs Sussex. They are a volunteer based charity whose primary function is to be a member team of Lowland Rescue, to provide response to search and rescue (SAR) emergencies in order to search for, rescue and recover those missing, in distress or potential distress.

Volunteering and fundraising have been severely impacted due to the pandemic, however employees held fundraising activities including a quiz night and in total this year through employees' fundraising and fund matching, we have raised over £1,200 for our charity of the year.

Once government restrictions ease, we'll be able to increase our activity and our employees will have the chance to use their two days volunteering allocation – one day for the B&CE charity of the year and one for a charity of their choice.

Strategic report for the year ended 31 March 2021 (continued)

Putting people first

As a member-focused organisation, we constantly strive to identify and meet the current and future needs of the people who matter most.

To do that, we recruit, train, incentivise and manage our employees in the most appropriate way possible – with a full focus on diversity and equality of opportunity.

At B&CE, we're keen to support individual development whenever we can. To enhance our performance management practices, we encourage all employees to take ownership of their own career by discussing their development with their line manager. We also ran live briefing sessions to help managers and employees with the annual appraisal process.

We have a group of trained internal coaches who have offered independent support and encouragement for our people in a range of activity, including helping them as they returned from furlough through to career and skills development.

With most employees working from home during the pandemic there was greater emphasis placed on e-learning. During the year, 617 employees accessed 4,270 e-learning courses.

Being open and clear in everything we do

We always seek to act fairly, with integrity and transparency.

We communicate clearly and simply, according to a clear and well-described tone of voice, because we know that financial products can seem complicated. Our written material, including this Annual report and financial statements, are as plain English as possible. Moreover, we're committed to providing first-class customer service and promise to listen carefully, be fair and respond in good time.

Employees

At the year-end, the Company had 604 employees, a very slight increase over the year. Of these, 235 employees (39% of our workforce) are male, and 369 employees (61%) are female, while 517 employees (86%) are full-time and 87 employees (14%) are part-time. 75% of the employee population live within a 15 miles radius of the office, 50% of that from Crawley where the offices are based, having a positive impact on the local economy.

The focus through the year has been on ensuring that capability is in place to meet strategic ambition and business plans. We're fully committed to attracting, developing and retaining talented people in the most inclusive way possible. This enables us to support our members – offering the high levels of service people expect from us.

Our approach to inclusivity, and also diversity, is further detailed below.

Strategic report for the year ended 31 March 2021 (continued)

Employees (continued)

Equal opportunities

At B&CE, it is our strong belief that a diverse and inclusive culture is crucial to the long-term success of our business. Bringing people together from a wide range of backgrounds with different experiences, expertise and skills is a critical element of the creation of a high-performing organisation. We're an equal opportunity employer and are fully committed to treating all employees and job applicants equally. This is enshrined in our equal opportunities policy, something all employees must stick to. We also undertake annual mandatory training for all staff on equal opportunities and diversity.

Our policy specifically states we will take all reasonable steps to employ, train and promote employees based on their experience, abilities and qualifications without regard to race, colour, ethnic origin, nationality, national origin, religion or belief, gender, sexual orientation, gender reassignment, age, marital or civil partnership status, disability, pregnancy or maternity or offending background.

We also take all reasonable steps to provide a work environment in which all employees are treated with respect and dignity and which is free of harassment. The Group will not tolerate any form of harassment, whether by employees or third parties that do business with B&CE.

We're making good progress in our diversity agenda and met our target for the gender split of Group leadership of 60:40 by the end of 2020, and still on track for 50:50 by the end of 2025. The appointment of Jo Carter as Chief Human Resources Officer is another great example of how we're achieving this.

We issued our gender pay gap report six months before the April 2020 deadline for the second year in a row – because we think acting early demonstrates how important diversity is to us – and will issue our next report in the coming months.

Disability and different ability

We continue to be a Disability Confident Employer accredited business. This is a UK Government scheme designed to help businesses recruit and retain disabled people and people with health conditions for their skills and talent.

In practical terms this reinforces our commitment to treating all job applicants appropriately – because we make hiring decisions based on the aptitude of that individual relative to the current demands of available roles and what those might be in the future. We also consider the support we can offer to people, once they're in the role.

If an existing employee were to experience a disability, we make every effort to ensure their employment with us continues and that the appropriate support is arranged. It's Group policy that the training, career development and promotion of a person with a disability or a different ability will be, as far as possible, identical to that of a person without a disability.

Strategic report for the year ended 31 March 2021 (continued)

Employees (continued)

Reward and recognition

We reward our people for their performance, measured against personal and collective targets.

Our values are at the heart of everything we do as a business, and our people, policies and practices are no different.

B&CE is a Living Wage Employer, which means we're committed to rewarding a hard day's work with a fair day's pay. We include all our apprentices in this initiative, and ensure our contractors support this too. We also offer a range of employee benefits including an onsite gym, annual flu jabs, massages, and a subsidised staff restaurant.

Communication

Employee views are a crucial part of any successful business. We listen as much as we can and we act on material issues in the most positive ways we can. We do staff surveys, team briefs, focus groups, staff briefings and we have a dedicated 'ask the CEO' mailbox.

Our company intranet, Grapevine, is also a major source of information and updates for our people.

Learning and development

We're committed to learning and development for staff at all levels of B&CE. It's a big part of our model of high-quality customer service.

For example, we use an internationally renowned method of developing people and building teamwork through self-awareness; employees taking pensions or Chartered Insurance Institute qualifications receive specialist exam preparation and revision support programmes are made available; the Group also places particular focus on leadership - with bespoke programmes to support aspiring, new and existing managers, and both development and change programmes for senior managers.

Business ethics

We aim to keep high standards of business conduct at the forefront of our employees' day-to-day work. A big part of this is our extensive Acceptable Use Policy, which brings together various IT, data protection and confidentiality policies, including coverage of the General Data Protection Regulation, into one easily accessible policy and reference guide.

Strategic report for the year ended 31 March 2021 (continued)

Section 172(1) statement

The Directors of B&CE Holdings Limited believe, both individually and collectively, that they've acted in good faith in a manner most likely to promote the success of the Company and its subsidiaries for the benefit of its members as a whole. In having this regard, the Directors take the following into consideration:

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

We're able to consistently take decisions that focus on providing benefit to members and other stakeholders in the long term and this is the core of our business values, as a not-for-profit Group.

A good example of a long-term decision is the new fee structure for members of The People's Pension. It now includes 3 elements: a low 0.5% management charge levied on the value of a pension pot; a rebate of that fee for those with savings over £3,000 (and a bigger rebate for bigger savings pots); and a flat annual charge of £2.50 for every member, whether they're actively saving or not.

This move is designed to offer value to members and encourage them to save and consolidate their pensions – even though it has the potential to reduce income received by the Group.

During the year, while considering the potential impact of the COVID-19 pandemic, the Company decided to close Constructing Better Health and completely exit the occupational health market by ceasing to trade in People's Health Limited. This allows the Company and its subsidiaries to ensure it focuses its resources on best serving employers and members of other financial products offered by B&CE.

b) The interests of the company's employees

Pages 12 to 13 of this Strategic Report provide information on how we treat our employees. The Group took a number of prudent decisions to address the impact of COVID-19 and the resulting lockdown. These included briefly 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. As a committed Living Wage Employer, we continued to ensure all employees placed on furlough leave continued to receive at least a living wage.

While the vast majority of staff worked from home during the financial year, there were some instances of essential staff working on site for short periods, in line with Government legislation and guidance. The Company took every possible step to minimise the risk of infection – and there was no instance of COVID-19 transmission.

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

The Company has a dedicated Supplier Management Office which aims to create mutually beneficial supplier relationships across the business, for all entities within the Group.

Given the nature of the Company, as a holding company, it has limited customers beyond other entities within the Group. The majority of Group income is received by two of its subsidiaries: B&CE Financial Services Limited and B&CE Insurance Limited. Both of these companies operate products that are sold to – and which derive fee income from – employers and/or individual members.

Strategic report for the year ended 31 March 2021 (continued)

Section 172(1) statement (continued)

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. Page 10 of this Strategic Report includes sections on 'Caring about our environment and investing in our local community', 'Charitable Trust' and 'Putting People First'. Since the B&CE Charitable Trust was set up in 1991 it has provided grants of over £3.75m to those in need and organisations helping those in construction.

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

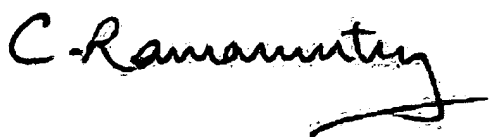
Our Group's reputation for putting members first and providing good quality financial products has been hard won. This is based on a set of values that we try to adhere to on a daily basis. Central to this is a desire to keep high standards of business conduct at the forefront of our employees' day-to-day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

Furthermore, the Senior Managers Certification Regime is applied by the Company and compliance is monitored regularly.

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

The Company is limited by guarantee and all members have representation on the Board of Directors. Decisions are taken as a collective to ensure the best outcome for all in line with our core values: Keeping Promises, Understanding People and Creating Simplicity.

The Strategic Report was approved by the Board of Directors on 27 July 2021 and signed on its behalf by:



Chandrasekhar Ramamurthy
Director
27 July 2021

Directors' report for the year ended 31 March 2021

The Directors present their report and the audited financial statements of the Group and the Company for the year ended 31 March 2021.

Directors

The Directors who held office during the year and up to the date of signing this report are shown on page 2.

Directors' liability insurance

The Directors have the benefit of an indemnity. This is a qualifying third-party indemnity 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. The third-party indemnity provides against liability incurred by the director to a person other than the company or an associated company.

Corporate governance

The Company's Board is made up entirely of Non-Executive Directors with half representing construction employer federations and half representing trade unions, together with an Independent Chairman. This unique governance structure is designed to ensure that decisions taken are in the best interests of our members. The subsidiary company boards are made up of Directors from the Company's Board, Executive Directors and Independent Non-Executive Directors with financial services expertise.

Future developments

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

Financial risk management

The Group's operations expose it to a variety of financial risks, disclosed in further detail in the notes to the financial statements. They include the effects of the following:

- Credit risk

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

- Liquidity risk

Financial instruments held by the Group include on demand sterling cash deposits and investments designed to ensure the Group has sufficient available funds for operations.

The People's Pension is the largest counterparty of the Group and cash balances owed between the entities are monitored on a daily basis.

Directors' report for the year ended 31 March 2021 (continued)

Financial risk management (continued)

- Market risk - interest rate risk

The Group invests its surplus funds in investment funds which may hold a proportion of interest-bearing assets. Changes in the interest rates may result in income increasing or decreasing. However, the Group is not reliant on interest receivable for its income. The Group's investments include unit trusts which are partially affected by interest rate volatility.

- Market risk - price risk

The significant majority of the Group investments since the previous year have been in Sterling Liquidity Funds so there is no longer any material market risk.

- Foreign exchange risk

Given the nature of the Group's operations, no significant exposure to foreign exchange risk exists.

Disabled employees

Details of the Group's approach to providing equal opportunities, including those with disability and different ability, are included within the Strategic report.

Employee consultation

Details of the Group's approach to communication with employees is included within the Strategic report.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2020: nil).

Auditor

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

Going concern

The Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements. The Directors have prepared forecasts for the Company and the Group, including its cash position, for at least 12 months from the date of signing of these financial statements. The Directors have also considered the effect upon the Company and the Group's business, financial position and liquidity of more pessimistic, but plausible, trends in its business using stress testing and scenario analysis techniques.

The forecasts have been updated to reflect the uncertainty caused by COVID-19, including the potential impacts of the lockdown restrictions and impact on the wider economy for the Company and the Group's business. The scenarios tested showed that the Company and the Group will be able to operate at adequate levels of liquidity for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report for the year ended 31 March 2021 (continued)

Streamlined Energy & Carbon Reporting

- SECR Carbon Reporting

It is now a requirement of large organisations to include energy and carbon data in their Annual Reports, under the Streamlined Energy and Carbon Reporting (SECR) Regulations. We have reviewed the relevant activities, relating to buildings and business travel, and made the calculations, as shown below.

Our SECR carbon emissions for our financial reporting year 2020-21 amounted to 234 tCO₂e, with 74% arising from electricity. Since last year, overall emissions have fallen by 34%.

- SECR Energy & Carbon Data

Emissions Scope / Activity	2020/21		2019/20	
	Energy Equivalent (kWh)	Carbon Emissions (tCO ₂ e)	Carbon Emissions (tCO ₂ e)	% change
Scope 1 – Direct Emissions		61.0	101.3	(40%)
Gas Consumption	319,303	58.9	69.2	
Pool Vehicles	-	-	26.0	
Company Vehicles	8,514	2.0	6.0	
Scope 2 – Energy Indirect Emissions	741,220	172.8	224.4	(23%)
Electricity Consumption	741,220	172.8	224.4	
Scope 3 – Other Indirect Emissions	626	0.1	28.8	(99%)
Grey Fleet	626	0.1	28.8	
Total Energy, kWh	1,069,663	N/A	N/A	
Total Emissions, tCO₂e	N/A	233.9	354.5	(34%)
Relative Emissions, normalised by turnover, tCO₂e/£m	N/A	4.0	8.9	(55%)

- Energy Efficiency Projects

With the ongoing COVID-19 pandemic affecting our work arrangement, energy efficiency activities this year have been related to running our sites efficiently, while keeping our staff safe. While most staff are working from home, teams may be located throughout our Head Office, with good ventilation and efficient lighting. Our second office has been completely closed since the first lockdown, with the heating and cooling system re-programmed for minimum requirements. We have renewed our energy contract to purchase 100% green electricity.

We are working with our third-party printers to use Forest Management Certification ('FSC') certified paper. FSC materials originate from forests that are managed by strict FSC principles and criteria, including maintaining the whole forest ecosystem.

Our business travel has fallen to nearly zero because of the pandemic. However, we still encourage staff to use pool cars to reduce their own car use. Our new pool car is a hybrid model Ford Fiesta and we will soon be installing an electric vehicle charging point.

- SECR Emissions Calculations – Methodology

We have reported on all of the emission sources required by Streamlined Energy and Carbon Reporting (SECR), under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within our consolidated financial statement.

We have followed the methodology of ISO 14064-1 (Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2020.

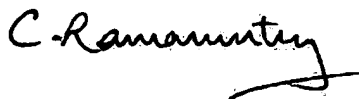
Directors' report for the year ended 31 March 2021 (continued)

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 Directors are 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.

The Directors' Report was approved by the Board of Directors on 27 July 2021 and signed on its behalf by:



Chandrasekhar Ramamurthy
Director
27 July 2021

Company number: 00377361

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 Group and the Company and of the profit or loss of the Group or 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 Group and 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 Group and 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 Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Holdings Limited

Opinion

We have audited the financial statements of B&CE Holdings Limited ("the company") for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, statement of financial position, statement of changes in equity, consolidated statement of cash flows 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 group's and of the parent company's affairs as at 31 March 2021 and of the group's profit 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 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;
- 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 or 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 group or the company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

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 and Risk Committee, internal audit, legal, risk and compliance and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, Audit and Risk Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management;
- using analytical procedures to identify any usual or unexpected relationships;
- reviewing the audit misstatements from prior period to identify fraud risk factors; and
- inspecting correspondence with regulators to identify instances or suspected instances of fraud.

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 our overall knowledge of the control environment, 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. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no judgement or estimation uncertainty related to revenue.

We did not identify additional fraud risks.

We also 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 personnel, those posted with unusual dates or descriptions and those posted with unusual account combinations.

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, 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 have discussed the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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), Pensions 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 or the loss of the Group's license to operate. We identified regulatory capital and liquidity as those most likely to have such an effect recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management 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 that breach.

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

As explained more fully in their statement set out on page 20, 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 group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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.



William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
27 July 2021

Consolidated statement of comprehensive income for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue	3	59,059	39,492
Net operating expenses	5	(50,921)	(57,709)
Impairment of intangible assets		-	(9,919)
Other operating income	4	628	-
Gains from financial instruments	4	579	1,880
Profit / (loss) before interest and taxation		9,345	(26,256)
Finance income	4	90	265
Profit / (loss) before taxation		9,435	(25,991)
Tax credit on profit / (loss)	7	4,012	390
Profit / (loss) for the financial year		13,447	(25,601)
Other comprehensive (expense) / income			
Revaluation of financial instruments		-	62
Actuarial (loss)/gain on pension scheme	19	(63)	145
Other comprehensive (expenses) / income for the year, net of income tax		(63)	207
Total comprehensive income / (expense) for the year		13,384	(25,394)

The above amounts derive from continuing activities, although People's Health Limited and Constructing Better Health ceased trading on 31 August 2020.

The notes and information on pages 30 to 57 form part of these financial statements.

The Company applies the exemption available in section 408 in the Companies Act 2006 and does not present the Company's profit and loss account for the year.

Statement of financial position as at 31 March 2021

		Group		Company	
	Note	2021 £000	2020 £000	2021 £000	2020 £000
Non-current assets					
Tangible assets	9	2,701	3,103	2,701	3,103
Investments in subsidiaries	10	-	-	5,000	5,525
Deferred tax asset	18	2,316	-	-	-
Loans to group undertakings	11	-	-	64,050	64,050
		<u>5,017</u>	<u>3,103</u>	<u>71,751</u>	<u>72,678</u>
Current assets					
Financial instruments – fair value through profit or loss	12	5,794	5,678	-	-
Trade and other receivables	13	7,034	22,174	7,256	12,069
Deferred tax asset	18	884	-	-	-
Reinsurers share of technical provisions	14	15	15	-	-
Cash and cash equivalents	15	102,182	58,966	53,231	25,576
		<u>115,909</u>	<u>86,833</u>	<u>60,487</u>	<u>37,645</u>
Current liabilities					
Trade and other payables	16	38,377	19,554	33,372	11,864
Provision for contract termination costs	17	-	1,194	-	-
		<u>38,377</u>	<u>20,748</u>	<u>33,372</u>	<u>11,864</u>
Net current assets		<u>77,532</u>	<u>66,085</u>	<u>27,115</u>	<u>25,781</u>
Total assets less current liabilities		<u>82,549</u>	<u>69,188</u>	<u>98,866</u>	<u>98,459</u>
Non-current liabilities					
Deferred tax liability	18	36	59	-	-
		<u>36</u>	<u>59</u>	<u>-</u>	<u>-</u>
Net assets		<u>82,513</u>	<u>69,129</u>	<u>98,866</u>	<u>98,459</u>

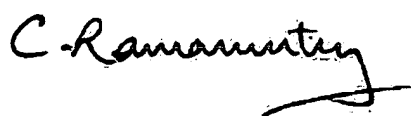
The notes and information on pages 30 to 57 form part of these financial statements.

Statement of financial position as at 31 March 2021 (continued)

		Group		Company	
	Note	2021 £000	2020 £000	2021 £000	2020 £000
Reserves					
Retained earnings		82,513	69,129	98,866	98,459
Total funds		82,513	69,129	98,866	98,459

The notes and information on pages 30 to 57 form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 July 2021 and were signed on its behalf by:



Chandrasekhar Ramamurthy
Director

27 July 2021

Company number: 00377361

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

Group	Retained earnings £000	Total £000
Balance as at 1 April 2019	94,523	94,523
Loss for the financial year	(25,601)	(25,601)
Other comprehensive income for the year	207	207
Total comprehensive loss for the year	(25,394)	(25,394)
Balance as at 31 March 2020	69,129	69,129
Balance as at 1 April 2020	69,129	69,129
Profit for the financial year	13,447	13,447
Other comprehensive expense for the year	(63)	(63)
Total comprehensive income for the year	13,384	13,384
Balance as at 31 March 2021	82,513	82,513

Company	Retained earnings £000	Total £000
Balance as at 1 April 2019	107,742	107,742
Loss for the financial year	(9,428)	(9,428)
Other comprehensive income for the year	145	145
Total comprehensive loss for the year	(9,283)	(9,283)
Balance as at 31 March 2020	98,459	98,459
Balance as at 1 April 2020	98,459	98,459
Profit for the financial year	470	470
Other comprehensive expense for the year	(63)	(63)
Total comprehensive income for the year	407	407
Balance as at 31 March 2021	98,866	98,866

The notes and information on pages 30 to 57 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2021

	2021		2020	
	£000	£000	£000	£000
Cash flows from operating activities				
Profit / (loss) for the financial year	13,447		(25,601)	
Adjustments for:				
Depreciation of tangible assets	489		888	
Amortisation of intangible assets	-		82	
Impairment of intangible assets	-		9,919	
Finance income	(90)		(265)	
Surplus on sale of tangible assets	-		373	
Gains from financial instruments	(579)		(1,880)	
Tax credit on profit / (loss)	(4,071)		(107)	
		9,196		(16,591)
Difference between pension charge and cash contributions	(63)		153	
Decrease / (increase) in trade receivables	14,005		(13,517)	
Increase in trade payables	18,282		7,054	
(Decrease) / increase in provision for contract termination costs	(1,194)		1,194	
(Decrease) in provision and employee benefits	(23)		-	
(Decrease) in non-current payables	-		(1,244)	
		31,007		(6,360)
Tax received		2,546		-
Net cash from operating activities		42,749		(22,951)
Cash flows from investing activities				
Purchase of tangible assets	(85)		(204)	
Sale of financial instruments	462		49,804	
Interest and investment income received	90		265	
Net cash from investing activities		467		49,865
Net increase in cash and cash equivalents		43,216		26,914
Cash and cash equivalents at the beginning of the year		58,966		32,052
Cash and cash equivalents at the end of the year		102,182		58,966

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

1. General information

B&CE Holdings Limited (the Company) is a private limited company, limited by guarantee, not having a share capital and the liability of the members is limited to £1. The Company is incorporated and domiciled in England and Wales. The address of its registered office is Manor Royal, Crawley, West Sussex, RH10 9QP.

Collectively the 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. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting judgements and 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 judgements and estimates in applying the accounting policies".

Going concern

The Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements. The Directors have prepared forecasts for the Company and the Group, including its cash position, for at least 12 months from the date of signing of these financial statements. The Directors have also considered the effect upon the Company and the Group's business, financial position and liquidity of more pessimistic, but plausible, trends in its business using stress testing and scenario analysis techniques.

The forecasts have been updated to reflect the uncertainty caused by COVID-19, including the potential impacts of the lockdown restrictions and impact on the wider economy for the Company and the Group's business. The scenarios tested showed that the Company and the Group will be able to operate at adequate levels of liquidity for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the results of the Company and its subsidiaries. A subsidiary is an entity that is controlled by the Company. Uniform accounting policies have been applied across the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 the member is consolidated.

The Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the Company financial statements have been applied:

- No separate Company cash flow statement with related notes is included
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Revenue

Revenue represents scheme administration fees (excluding value added tax), employer charges (excluding value added tax) for new employers joining The People's Pension and general insurance premium income (excluding insurance premium tax) receivable. Revenue is measured at fair value of the services provided, net of tax (if applicable), and recognised when the right to consideration has been earned. 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.

Government grants

Government grants are credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. These are disclosed within 'Other operating income' in the Consolidated statement of comprehensive income.

Insurance contracts

- *Classification of insurance and investment contracts*

B&CE Insurance Limited issues contracts that transfer insurance risk or financial risk or both.

- *Insurance contracts*

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

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

2. Accounting policies (continued)

Insurance contracts (continued)

- *Long-term business reinsurance contracts*

Long-term business is ceded to reinsurers under contracts to transfer all of the risk.

- *Acquisition costs*

All acquisition costs are charged to the Consolidated statement of comprehensive income when incurred.

In respect of general insurance, in the opinion of the Directors, deferment of acquisition costs would not have a material impact on the result of the period or the financial position of the Group.

- *Premiums*

General business premiums written relate to business incepted during the year. All general business written is United Kingdom accident insurance. Premiums, gross of commission (if applicable) and net of insurance premium tax, are recognised when they become payable.

- *Claims outstanding*

A provision is made for claims outstanding at the period end as follows:

General business – amounts are provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the end of the accounting period, including claims incurred but not reported and claims handling expenses, less amounts already paid in respect of those claims. Under the terms of the policies, all potential claims must be notified to the Company within twelve months of the insured event occurring.

Long-term business – amounts are provided to cover the estimated ultimate costs of settling claims arising out of events which have been notified by the end of the accounting period, less amounts already paid in respect of those claims.

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

2. Accounting policies (continued)

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefits and defined contribution pension plans.

- *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

- *Defined contribution scheme*

Since the defined benefit pension scheme closed to new entrants in January 2014, the Group provides a defined contribution arrangement for employees in B&CE's trust based The People's Pension, the assets of which are independent of the Group. Once the contributions have been paid, the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of financial position.

- *Defined benefit scheme*

The Group operates a defined benefit pension scheme for the benefit of a group of its employees, the assets of which are held separately from those of the Group in independently administered funds. The scheme closed to new members from 3 January 2014.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high-quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to net operating expenses. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Consolidated statement of comprehensive income.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the Statement of financial position net of the related deferred tax. The Pension Scheme's trust deed specifically prevents any repayment to the employer, so the Group does not recognise any such surplus.

Value added tax

Most of the Group's activities are exempt from value added tax and only a small proportion of the input tax suffered is recoverable. Where appropriate, the costs include irrecoverable value added tax.

Operating leases

Operating lease rentals are charged on a straight-line basis to the Consolidated statement of comprehensive income, over the lease term. Lease incentives are spread over the life of the lease.

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

2. Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Consolidated 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 taxation asset and liabilities are not discounted.

- *Current taxation*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations on which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date.

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 is probable that they will 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 2021 (continued)

2. Accounting policies (continued)

Tangible assets and depreciation

Property, plant and equipment are held at their historical cost less accumulated depreciation and any accumulated impairment, where applicable. Additions to property, plant and equipment are capitalised at cost including any direct installation costs.

Provision is made for depreciation of property, plant and equipment on a straight-line basis at the following rates per annum:

	%		%
Freehold land	-	Freehold premises - building	3.0
Office furniture	10.0	Freehold premises - plant and machinery	10.0
Motor vehicles	20.0	Office machinery - computer equipment	33.3
Leasehold improvements	10.4	Office machinery - office equipment	20.0

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs and maintenance are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposals, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Net operating expenses'.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, where applicable, are shown within borrowings in current liabilities.

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

2. Accounting policies (continued)

Financial instruments

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

- *Classification*

Financial assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired and is determined at initial recognition.

Financial liabilities

The Group classifies its financial liabilities at fair value through profit or loss (FVTPL).

- *Recognition and de-recognition*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group 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 Group has transferred substantially all the risks and rewards of ownership.

- *Measurement*

At initial recognition, the Group measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in the Consolidated statement of comprehensive income within gains from financial instruments
- for monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Investment assets, quoted shares and other securities are recorded at market value which is bid price or where investments are dealt at a single price this value is used.

The realised profit or loss on all investment disposals is recognised in the Consolidated statement of comprehensive income under gains from financial instruments. The unrealised profit or loss on financial instruments at fair value through profit or loss is recognised in the Consolidated statement of comprehensive income under gains from financial instruments.

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

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Measurement (continued)

Unrealised profits on financial instruments available for sale are recognised in the Consolidated statement of comprehensive income and create an investment revaluation reserve on the Statement of financial position. Unrealised losses on financial instruments available for sale are recognised in the Consolidated statement of comprehensive income under gains from financial instruments unless previously recognised unrealised gains are held in the investment revaluation reserve in which case the unrealised loss reduces or eliminates the unrealised gains and is recognised in the Consolidated statement of comprehensive income.

In the Company's financial statements, investments in subsidiaries are valued at cost or, where there has been an impairment in value, at their recoverable amount. This policy is applied consistently throughout the Group where a company has subsidiary undertakings.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in the Consolidated statement of comprehensive income as part of gains from financial instruments when the Group's right to receive payment is established.

Interest income from financial assets at fair value through profit or loss is included in gains from financial instruments. Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the Consolidated statement of comprehensive income as part of revenue from continuing operations.

Financial liabilities designated as fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in the Consolidated statement of comprehensive income. Details on determination of the fair value of financial instruments are disclosed in the notes.

- *Impairment*

The Group 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 profit or loss.

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

2. Accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

- *Impairment (continued)*

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss 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 profit or loss, the impairment loss is reversed through profit or loss.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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:

- *Defined benefit pension scheme*

The Group has obligations to pay pensions benefits to certain employees. The cost of these benefits and present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of financial position. The assumptions reflect historical experience and current trends.

- *Deferred tax assets*

Deferred tax assets are assessed based on the current trading performance and expected future taxable profits of the Group. Management have previously decided to only recognise a deferred tax asset where profits are reasonably expected in the following reporting period. The Group now reasonably expects to be profitable in future years so has recognised a deferred tax asset for tax losses that are likely to be used in the next three financial years. Sensitivities have been used to assess the impact of changes in the key assumptions supporting profit forecasts, and further specific downside scenarios have been modelled in the current year to capture the heightened estimation uncertainty in the established profit forecast due to the current economic environment.

Judgements:

- *Defined benefit pension scheme*

The Group's ability to receive a refund, where a pension surplus exists on the wind up of the Pension Scheme, is restricted pursuant to the Pension Scheme's trust deed, which specifically prevents any repayment to the employer. Interpreting the Pension Scheme trust deed required judgement which the Group has applied following legal advice.

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

3. Revenue

Revenue represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of value added tax. The Group operates exclusively within the UK and in two principal areas of activity, that of Administration services and Other services.

Group revenue is analysed as follows:

	Administration services £000	2021 Other services £000	Group total £000	Administration services £000	2020 Other services £000	Group total £000
Revenue						
Management fees	57,320	-	57,320	37,049	-	37,049
Insurance premiums / income	-	742	742	-	1,027	1,027
Other income	907	90	997	1,280	136	1,416
	<u>58,227</u>	<u>832</u>	<u>59,059</u>	<u>38,329</u>	<u>1,163</u>	<u>39,492</u>

4. Other income

	2021 £000	2020 £000
Other operating income		
Government grants	628	-
	<u>628</u>	<u>-</u>
Gains from financial instruments		
Income from financial instruments	460	508
Realised profit on financial instruments	-	1,412
Unrealised profit on financial instruments	119	-
Loss on financial instruments	-	(40)
	<u>579</u>	<u>1,880</u>
Finance income		
Interest	90	257
Other finance income	-	8
	<u>90</u>	<u>265</u>

Government grants relates to income that the Company received from the Coronavirus Job Retention Scheme ("CJRS") between April 2020 and September 2020 after which the CJRS has not been claimed from.

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

5. Expenses and auditor's remuneration

The significant fluctuation in net operating costs principally relates to £5.3m of administration expenses in 2020 within People's Health Limited, which reduced to £0.2m in 2021 as it ceased trading on 31 August 2020. Further information can be found in the Strategic report. Administration costs in 2020 also included a provision for contract termination costs of £1.2m. Further details can be found in note 17.

Included in Consolidated statement of comprehensive income are the following, net of VAT:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Staff costs (note 6)	25,502	28,130	25,502	28,130
Directors' remuneration (note 6)	493	558	117	69
Operating lease charges (note 20)	640	782	640	782
Amortisation of intangible assets	-	82	-	-
Depreciation of tangible assets (note 9)	489	888	489	888

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Services provided by the Company's auditors and their associates (net of VAT)				
Fees payable to the Company's auditors for the audit of the Company and the Group's consolidated financial statements	94	91	94	91
Fees payable to the Company's auditors and their associates for other services:				
• The audit of the Company's subsidiaries	135	124	24	10
• Audit-related assurance services	16	34	-	-

Audit related assurance services are the limited assurance on the CASS (client asset) audit and for 2020 included the Stakeholder Declaration.

6. Employee information and Directors' remuneration

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Staff costs during the year amounted to:				
Wages and salaries	20,657	22,324	20,657	22,324
Social security costs	2,031	2,269	2,031	2,269
Other defined benefit pension costs (note 19)	520	626	520	626
Other defined contribution pension costs	1,942	1,955	1,942	1,955
Restructure costs	352	956	352	956
	25,502	28,130	25,502	28,130

Other defined benefit pension costs above are the current service costs under Section 28 of FRS 102 whereas the actual employer contributions amounted to £0.5m (2020: £0.5m).

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

6. Employee information and Directors' remuneration (continued)

Other defined contribution pension costs are in respect of employees who are not members of the defined benefits pension scheme and are members of The People's Pension.

	Group		Company	
	2021 Number	2020 Number	2021 Number	2020 Number
The average monthly number of staff employed during the year was:	578	577	578	577
Business Operations	404	376	404	376
Marketing & Sales	76	97	76	97
Business Support Functions	85	94	85	94
Executive Office	13	10	13	10
	578	577	578	577

The figures disclosed in this note include Non-Executive Directors but excludes Executive Directors as there are only Executive Directors of subsidiary undertakings and not the Company.

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Aggregate remuneration	493	558	117	69
Accrued pension at year end	-	-	-	-

During the year, all Directors agreed to a 20% reduction in remuneration for 6 months as a mitigation against the impact of COVID-19 on the Group. This is the primary reason for the reduction in Group remuneration.

The increase in Company remuneration is due to a change in how remuneration is allocated between different appointments and committees.

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

7. Tax

a) Analysis of tax credit on profit / (loss) for the year

	Group	
	2021 £000	2020 £000
Current tax	623	-
Adjustment in respect of previous periods	(1,412)	(372)
Total current tax credit	<u>(789)</u>	<u>(372)</u>
Deferred tax credit	(3,223)	(18)
Total tax credit	<u>(4,012)</u>	<u>(390)</u>

b) Factors affecting tax credit for the year

The tax assessed for the year is lower (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Group	
	2021 £000	2020 £000
Profit / (loss) before tax	9,435	(25,991)
Profit / (loss) before taxation multiplied by standard rate of tax in the UK 19% (2020: 19%)	1,793	(4,938)
Effects of:		
Income and expenses not taxable	207	392
Adjustment in respect of previous periods	(1,412)	(372)
Unrecognised tax losses	(1,380)	-
Group relief adjustments	(30)	-
Losses not recognised	10	4,523
Recognised tax losses	(3,200)	-
Other adjustments	-	5
Total tax credit for the year	<u>(4,012)</u>	<u>(390)</u>

Deferred tax

A deferred tax asset of £3.2m has been recognised by B&CE Financial Services Limited in respect of the losses carried forward (2020: nil). The asset has been recognised and is calculated using a rate of 19%. The only deferred tax liability is in respect of the Long-Term Business of B&CE Insurance Limited as disclosed in note 18 of the Notes to the financial statements. There are no potential or actual deferred tax assets or liabilities in respect of the Company.

The Group had unutilised tax losses of £34.4m (2020: £52.2m restated) available for offset against future trading profits, including £8.0m (2020: £8.0m restated) within the Company.

Factors affecting future tax changes

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax liability as at 31 March 2021 was calculated at 19% (2020: 17%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the deferred tax asset by £0.5m.

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

8. Profit for the financial year

As prescribed by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The Company's profit for the financial year was £0.5m (2020: loss £9.4m), of which £1.0m relates to impairments in the carrying value of subsidiary undertakings (2020: £5.5m).

9. Tangible assets

	Freehold land and buildings £000	Office furniture £000	Office machinery £000	Motor vehicles £000	Total £000
Group and Company					
Cost					
As at 1 April 2020	6,662	698	3,555	30	10,945
Reclassification *	-	40	(40)	-	-
Additions	8	2	77	-	87
Disposals	-	-	(405)	(30)	(435)
As at 31 March 2021	6,670	740	3,187	-	10,597
Accumulated depreciation					
As at 1 April 2020	4,282	379	3,151	30	7,842
Reclassification *	-	13	(13)	-	-
Charge for the year	206	74	209	-	489
Disposals	-	-	(405)	(30)	(435)
As at 31 March 2021	4,488	466	2,942	-	7,896
Net book value					
As at 31 March 2021	2,182	274	245	-	2,701
As at 31 March 2020	2,380	319	404	-	3,103

* During the year a review of the fixed asset register was undertaken and some assets have been reclassified from office machinery to office furniture.

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

10. Investments in subsidiaries – Company only

Name	Principle activity	Class of shares	Holding
Constructing Better Health ¹	Occupational health	N/A ²	100%
People's Administration Services Limited	Dormant	Ordinary	100%
People's Financial Services Limited	Intermediate holding company	Ordinary	100%
People's Health Limited ¹	Occupational health	Ordinary	100%
People's Insurance Limited	Dormant	Ordinary	100%
People's Partnership Limited	Dormant	Ordinary	100%

¹ Constructing Better Health and People's Health Limited ceased trading on 31 August 2020.

² Constructing Better Health is a company limited by guarantee with no share capital. B&CE Holdings Limited is the sole member.

All subsidiary companies are incorporated and domiciled in England and Wales and share a registered address with the Company. The Company has considered the ongoing impact of COVID-19 on its investment in subsidiaries carrying amounts and the Directors believe the carrying value of the investments, all held at cost less accumulated impairments, is supported by either the underlying assets or future cash flows. During the year, the investment in People's Health Limited, which has accumulated losses of £0.5m, was impaired to reduce the carrying value to £1.

11. Loans to group undertakings – Company only

	Company	
	2021	2020
	£000	£000
Amounts owed by Group undertakings	64,050	64,050

Amounts owed by Group undertakings are unsecured, interest free and payable on demand. However, while the amounts could be recalled at any time, the Directors do not expect to recall the amounts within 12 months so have chosen to disclose the balance as non-current.

12. Financial instruments

	Group		Company	
Fair value through profit or loss	2021	2020	2021	2020
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts				
Market value	5,794	5,678	-	-
Purchase price	5,713	5,710	-	-

13. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Amounts owed by Group undertakings	-	-	5,089	8,024
Trade receivables	4,931	13,941	19	1,618
Other receivables	2	5,456	2	833
Prepayments and accrued income	1,492	962	1,416	818
Taxation	609	1,815	730	776
	7,034	22,174	7,256	12,069

There is a decrease in Trade receivables as the Group has worked with customers to ensure that the only balances outstanding at the year-end are within normal payment terms.

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

14. Reinsurers' share of technical provisions

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Reinsurers' share of technical provisions for:				
Term assurance	15	15	-	-
	<u>15</u>	<u>15</u>	<u>-</u>	<u>-</u>

15. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Cash at bank and in hand	9,456	6,224	2,031	3,754
Short term deposits	92,726	52,742	51,200	21,822
	<u>102,182</u>	<u>58,966</u>	<u>53,231</u>	<u>25,576</u>

At the start of the financial year, processes were amended in relation to the transfer of funds collected by Direct Debit. This has resulted in an increase in Cash at bank and in hand, seen above, and an increase in Other payables, see note 16 of the Notes to the financial statements.

16. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade creditors	1,512	1,014	1,503	585
Corporation tax	623	-	140	-
Other taxation and social security	1,057	5,790	606	1,767
Other payables	34,134	7,670	31,123	7,322
Accruals and deferred income	1,051	5,080	-	2,190
	<u>38,377</u>	<u>19,554</u>	<u>33,372</u>	<u>11,864</u>

At the start of the financial year, processes were amended in relation to the transfer of funds collected by Direct Debit. This has resulted in an increase in Other payables, seen above, and an increase in Cash at bank and in hand, see note 15 of the Notes to the financial statements.

17. Provision for contract termination costs

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Provision for contract termination costs				
As at 1 April	1,194	-	-	-
Provisions made during the year	-	1,194	-	-
Provisions used during the year	(999)	-	-	-
Provisions released during the year	(195)	-	-	-
As at 31 March	<u>-</u>	<u>1,194</u>	<u>-</u>	<u>-</u>

A provision for contract termination costs was included last year in relation to discussions with a key supplier of the previously capitalised development costs. The discussions concluded during the year and the provision is no longer required.

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

18. Deferred tax assets and liabilities

	Group		Company	
Deferred tax asset – unused tax losses	2021 £000	2020 £000	2021 £000	2020 £000
As at 1 April	-	-	-	-
Credited to Consolidated statement of comprehensive income	3,200	-	-	-
As at 31 March	3,200	-	-	-
Included on the Consolidated statement of financial position as:				
Non-current assets	2,316	-	-	-
Current assets	884	-	-	-
	3,200	-	-	-

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which this deferred tax asset can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgment that the carrying value of deferred tax assets continues to be supportable. The evidence for the future taxable profits is a three-year forecast which is subject to internal review and challenge, including by the Board. The forecasts include the impact of COVID-19 on future taxable profits.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the UK deferred tax asset is summarised below. The relationship between the deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

	Group		Company	
Impact on deferred tax asset:	2021 £000	2020 £000	2021 £000	2020 £000
5% decrease in revenue	(2,094)	-	-	-
5% increase in operating costs	(1,690)	-	-	-
1% reduction in market growth of AUM	(151)	-	-	-

	Group		Company	
Deferred tax liability	2021 £000	2020 £000	2021 £000	2020 £000
As at 1 April	59	77	-	-
Credited to Consolidated statement of comprehensive income	(23)	(18)	-	-
As at 31 March	36	59	-	-

The deferred tax provision was originally recognised in 2013 and relates to a term life expense reserve within B&CE Insurance Limited. This provision will be fully utilised before the rate of Corporation Tax increases following recent Government announcements.

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

19. Pension commitments

The Group operates an occupational defined benefit pension scheme known as the B&CE Staff Pension Scheme (Pension Scheme), which provides benefits based on final pensionable salary. The assets of the Pension Scheme are held separately from those of the Company, in an independently administered trust fund.

The trustees of the Pension Scheme seek contributions from the employer at such rates as the trustees determine, on the advice of the Pension Scheme actuary, to be sufficient to meet the expected cost of the benefits payable from the Pension Scheme. To assess the expected cost of the benefits payable from the Pension Scheme, the trustees obtain regular actuarial valuations of the Pension Scheme from the Pension Scheme actuary. The trustees choose an appropriate funding method for the actuarial valuation, together with an appropriate set of actuarial assumptions. The trustees seek the advice of the Pension Scheme actuary before determining the methods and assumptions.

If the actuarial valuation shows that the Pension Scheme's assets are insufficient to meet the expected cost of members' past service benefits, the trustees will put in place a recovery plan which will require additional contributions from the employer.

Combined contributions have continued to be 31% of pensionable salaries. Since 1 June 2018, the employee contribution is 9% and the Company implemented a salary sacrifice scheme. Employees can either contribute 9% of their salary to the Pension Scheme or sacrifice the equivalent amount of salary, so the Company can contribute the full 31% while saving the employee some National Insurance Contributions.

The latest triennial actuarial valuation of the Pension Scheme, using the projected unit method, performed by the professionally qualified appointed Pension Scheme actuary took place on 31 December 2019. The results show an improvement in the position from a deficit of £2.5m at 31 December 2016 to being 100% funded at 31 December 2019 (2016: 97%). Within the triennial valuation there were some amendments to the assumptions used, most of which were minor, while the most significant was a change in the salary increase assumption from RPI to CPI. The salary increase assumption listed below now uses the CPI curve to be consistent with the triennial valuation which is also consistent with the expected increase in pensionable salaries.

On 3 January 2014, the Pension Scheme closed to new entrants and all non-member employees are offered membership into The People's Pension in its place.

The Company estimates the employer contributions into the Pension Scheme for the year ending 31 March 2022 to be £0.5m.

The principal assumptions used by the Pension Scheme actuary in agreement with the Company after updating the latest valuation of the Pension Scheme for Section 28 of FRS 102 purposes were:

	31 March 2021 % p.a.	31 March 2020 % p.a.	31 March 2019 % p.a.
Discount rate	2.00	2.30	2.40
Rate of increase in salaries	2.65	1.90	3.45
Price inflation (RPI)	3.35	2.80	3.30
Consumer price inflation (CPI)	2.65	1.90	2.45
Pension increases:			
- on pension accrued before 1 January 1995	3.00	3.00	3.00
- on pension accrued between 1 January 1995 and 31 March 2006	3.25	2.75	3.30
- on pension accrued since 1 April 2006	2.00	1.60	1.90

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

19. Pension commitments (continued)

Sensitivity analysis

The surplus on 31 March 2021 was £2,369,000 (2020: £8,918,000). The following shows what the surplus would have been if the actuarial assumptions used were changed as follows:

	Revised surplus on 31 March 2021 £000	Revised surplus on 31 March 2020 £000
- 0.5% decrease in discount rate	(4,895)	2,669
- 1 year increase in member life expectation	(485)	6,395
- 0.5% increase in salary increases	1,740	9,624
- 0.5% increase in inflation	(1,089)	5,713
		Male Female
Average future life expectancy in years for a pensioner currently aged 60		27.9 28.3
Average future life expectancy in years at age 60 for a non-pensioner currently aged 45		29.3 31.6

Impact of change in the IRP (inflation risk premium) applied when setting the RPI assumption

The Company continued to set RPI inflation in line with the market break-even expectations. The Company has introduced an inflation risk premium (IRP) of 0.15% at 31 March 2021, reflecting an allowance for additional market distortions following the RPI reform consultation response. The impact of the introduction of an IRP applied when setting the RPI assumption is approximately £0.6m decrease in the defined benefit obligation.

Impact of change in the best estimate RPI-CPI wedge

For CPI, the Company reduced the assumed difference between the RPI and CPI by 20 basis points (from 0.9% to 0.7%), which has an estimated impact of £0.4m increase in the defined benefit obligation.

On the basis of Section 28 of FRS 102, the assets valued at bid price, where appropriate, and liabilities of the Pension Scheme and the expected rates of return were:

	Value at 31 March 2021 £000	Value at 31 March 2020 £000	Value at 31 March 2019 £000
Equity securities	9,456	-	-
Debt securities - government	19,489	22,526	24,454
Debt securities - corporate	23,883	20,244	21,453
Diversified growth fund	11,179	18,817	20,463
Cash and cash equivalents	14,088	14,791	7,130
Total market value assets	78,095	76,378	73,500
Present value of scheme liabilities	(75,726)	(67,460)	(69,449)
Surplus in the scheme	2,369	8,918	4,051
Irrecoverable surplus	(2,369)	(8,918)	(4,051)
Net scheme asset	-	-	-

Irrecoverable surplus

The Group's ability to receive a refund, where a pension surplus exists on the wind up of the Pension Scheme, is restricted pursuant to the Pension Scheme's trust deed, which specifically prevents any repayment to the employer. Hence, the Group does not recognise any such surplus at the year-end.

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

19. Pension commitments (continued)

	2021 £000	2020 £000
Analysis of amounts recognised in the Consolidated statement of comprehensive income:		
Analysis of the amount charged to net operating expenses		
Current service cost	(494)	(626)
Past service cost	(28)	-
Total operating charge	(522)	(626)
Analysis of the amounts credited to finance income		
Interest income on the scheme assets	1,735	1,748
Interest on pension scheme liabilities	(1,519)	(1,639)
Impact of asset ceiling on net interest	(209)	(101)
Net return	7	8
Charge recognised in the Consolidated statement of comprehensive income	(515)	(618)
Analysis of amounts recognised in other comprehensive income (OCI):		
Actual return on assets excluding amounts included in net interest	1,957	2,507
Actuarial (loss) / gain on scheme obligations	(8,778)	2,227
Less: amount not recognised in these financial statements	6,758	(4,589)
Actuarial (loss) / gain recognised in OCI	(63)	145
Reconciliation of present value of scheme liabilities:		
1 April	67,460	69,449
Current service cost	494	626
Interest cost	1,519	1,639
Contributions paid by members	15	16
Actuarial losses / (gains)	8,778	(2,227)
Past service cost	28	-
Benefits paid	(2,568)	(2,043)
31 March	75,726	67,460
Reconciliation of fair value of scheme assets:		
1 April	76,378	73,500
Interest income on scheme assets	1,735	1,748
Contributions paid by members	15	16
Contributions paid by employer	578	651
Actuarial return on assets	1,957	2,507
Benefits paid	(2,568)	(2,043)
31 March *	78,095	76,378

* Includes rounding differences

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

19. Pension commitments (continued)

The Pension Scheme asset and liability values recognised on the basis of Section 28 of FRS 102 reflect market conditions at the Group and Company's year-end date and can be expected to vary greatly from year to year, without necessarily affecting the Pension Scheme's long-term ability to provide the required benefits.

20. Operating leases

At 31 March 2021, the Group had the following future minimum lease payments, including VAT, under non-cancellable operating leases as follows:

Payments due	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Not later than one year	682	769	682	769
Later than one year and not later than five years	2,119	2,216	2,119	2,216
More than five years	-	349	-	349
	<u>2,801</u>	<u>3,334</u>	<u>2,801</u>	<u>3,334</u>

During the year, £640k was recognised as an expense in the Statement of comprehensive income in respect of operating leases (2020: £782k).

21. Related party transactions

During the year, the Group and Company incurred transactions, inclusive of value added tax (VAT), with industrial organisations in respect of promotional fees and for the provision of a Directors services as follows:

Industrial organisation	Charge for the year		Balance outstanding	
	2021 £000	2020 £000	2021 £000	2020 £000
Unite the Union	-	96	-	24
GMB	13	34	13	25
Civil Engineering Contractors Association*	-	24	-	6
Scottish Building Federation	5	24	5	6
National Federation of Builders	-	24	-	12
Federation of Master Builders	-	24	-	6
Build UK*	-	36	-	19

*There were also combined payments totalling £nil (2020: £10k) made to these parties in relation to promoting B&CE through sponsorships at award functions and similar events throughout the year.

During the year, the only charges incurred related to the provision of Director's services and no charges were incurred for promotional fees.

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

21. Related party transactions (continued)

During the year, the Group and Company paid £0.5m to the defined benefit pension scheme (2020: £0.5m) and £2.0m to the defined contribution pension scheme, The People's Pension (2020: £2.0m).

All Directors (shown on page 2) and members of the Executive Committee (shown on page 3) are considered key management personnel. During the year the Group and Company paid £1.2m (2020: £1.5m) compensation to key management personnel, including £0.1m to those that left during the year (2020: £0.1m).

There are no other related party transactions requiring disclosure in this year's financial statements in accordance with Section 33 of FRS 102.

The Group has taken advantage of the exemption available under paragraph 33.1A of FRS 102 "Related party disclosures" not to disclose transactions and balances between Group entities that have been eliminated on consolidation.

22. Ultimate parent and controlling party

The immediate parent, the ultimate parent and the controlling party is B&CE Holdings Limited, a company incorporated and domiciled in England and Wales. B&CE Holdings Limited is the parent of the smallest and the largest group of undertakings to consolidate these financial statements.

23. Financial risk management

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure of the Group's financial assets and liabilities to market, credit and liquidity risk.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk only applies to B&CE Insurance Limited, the sole insurer within the Group.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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

23. Financial risk management (continued)

Insurance risk (continued)

(i) Frequency and severity of claims

The accident liability contracts frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of exposure to construction hazards. The Group manages these risks through its underwriting strategy and proactive claims handling.

The concentration of accident insurance risk accepted is wholly within the United Kingdom; the carrying amount of outstanding claims arising from the accident insurance contracts is £74k (2020: £231k).

(ii) Sources of uncertainty in the estimation of future claims payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. Claim events covered by insurance contracts are required to be notified to the Group within a year of the event occurring and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers). Such awards are pre-determined lump-sum payments in accordance with the policy conditions.

The estimated cost of claims includes direct expenses to be incurred in settling claims. During the year, we amended the basis on which we calculated these direct expenses to take into account time spent on processing claims by the relevant staff and utilised more specific cost allocation drivers. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In calculating the estimated cost of unpaid claims (both reported and not), the Group estimation techniques are an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available.

In estimating the liability for the cost of reported claims not yet paid, the Group considers information on the cost of settling claims based on previous claims experience.

(iii) Sensitivity analysis

The following table presents the general business sensitivities on the insurance liabilities to movements in the assumptions used in the estimation of insurance liabilities. No discounting has been used because the run-off period is not long enough to warrant it.

	Claims handling expenses +10%	Claims handling expenses -10%	Number of IBNR claims +10%	Number of IBNR claims -10%
	£000	£000	£000	£000
At 31 March 2021				
Impact on profit after tax and equity	-	(-)	8	(8)
At 31 March 2020				
Impact on profit after tax and equity	14	(14)	21	(21)

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

23. Financial risk management (continued)

Insurance risk (continued)

(iv) Claim development tables

There are no material individual claims and open claims over 12 months old are immaterial. As a result, the Company has elected not to disclose claims development tables on the life business as the uncertainty about the amount and timing of the claims payments is typically resolved within one year.

Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The most important components of financial risk are:

- market risk (including interest rate risk and equity price risk)
- credit risk
- liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It manages these positions within an asset liability management framework that has been developed to achieve investment returns in excess of obligations, including those under insurance contracts.

All financial assets and liabilities are denominated in Pounds Sterling so no company within the Group is directly exposed to currency risk.

(i) Market risk

Market risk is the risk of an adverse financial impact resulting, directly or indirectly, from fluctuations from equity prices or interest rates. Market risk arises in the Group's operations due to the possibility that fluctuations in the value of liabilities are not offset by fluctuations in the value of investments held.

a. Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. The Group only has investments in a mixed investment fund, corporate bond fund and cash trust. These assets are generally fairly liquid, considerably reducing sensitivity to significant movements in interest rates compared to less liquid assets. The Directors consider that the exposure to interest rate risk of cash and cash equivalents balances is immaterial for the purposes of sensitivity analysis.

A 1% increase in interest rates would have the below impact on profit after tax and equity from the investments in debt securities within listed funds without the Group disinvesting:

	2021 £000	2020 £000
Impact on profit after tax and equity	(48)	(163)

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

23. Financial risk management (continued)

Financial risk (continued)

(i) Market risk (continued)

b. Equity price risk

The Group is no longer exposed to equity price risk as during the previous year it sold its investments in the mixed investment fund, previously classified as financial assets at fair value through profit or loss.

(ii) Credit risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial or contractual obligations to the Group. The Group's credit risk exposure is largely concentrated to the following key areas:

- trade receivables of B&CE Financial Services Limited
- amounts owed by Group undertakings

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

The People's Pension is the largest customer and trade receivable of B&CE Financial Services Limited. Administration fees are normally collected monthly in arrears shortly after each month-end which mitigates credit risk to an acceptable level.

Throughout the year, Group undertakings could owe amounts to either the Company, other Group undertakings or both. Each month the Group prepares inter-company reconciliations to ensure the correct recording of these balances across the Group. Furthermore, there are regular transfers of funds between Group companies to ensure that inter-company balances are settled during the following month. The main exception is the £64.1m loan from the Company to People's Financial Services Limited which is repayable on demand but not expected to be repaid within 12 months.

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

23. Financial risk management (continued)

Financial risk (continued)

(ii) Credit risk (continued)

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

Group	2021 £000	2020 £000
Financial instruments – fair value through profit or loss	5,794	5,678
Trade receivables	4,931	9,916
Cash and cash equivalents	102,182	58,719
Total assets bearing credit risk	112,907	74,313
AAAm	101,780	58,354
AA-	5,410	5,257
A	720	720
Below BBB or not rated	4,997	9,982
Total assets bearing credit risk	112,907	74,313

No credit limits were exceeded during the year. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

(iii) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The primary liquidity risks of the Group are the obligation of the Company to pay suppliers and, to a lesser extent, of B&CE Insurance Limited to pay claims to policy holders as they fall due. The projected settlement of the insurance liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of the Group's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis.

The amounts disclosed in the table represent undiscounted cash flows.

Group	No contractual maturity date £000	< 6 months or on demand £000	Between 6 months and 1 year £000	Total and carrying value £000
Financial liabilities				
At 31 March 2021				
Payables	1,986	35,768	623	38,377
Financial liabilities	1,986	35,768	623	38,377

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

23. Financial risk management (continued)

Financial risk (continued)

(iii) Liquidity risk (continued)

Group	No contractual maturity date £000	< 6 months or on demand £000	Between 6 months and 1 year £000	Total and carrying value £000
Financial liabilities				
At 31 March 2020				
Payables	298	20,450	-	20,748
Financial liabilities	298	20,450	-	20,748

Capital management

Since 1 January 2016, the Group has been required to measure and monitor its capital resources on a new regulatory basis and to comply with the requirements established by the Solvency II Framework Directive, as adopted by the Prudential Regulation Authority (PRA) in the UK. The Group and its regulated subsidiaries are required to maintain eligible capital, or "Own Funds", in excess of the value of their Solvency Capital Requirements (SCR). The SCR represents the risk capital required to be set aside to absorb 1 in 200 year stress tests of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk and equity risk. These risks are all aggregated with appropriate allowance for diversification benefits.

The Group meets these requirements by maintaining an efficient capital structure of reserves consistent with the Group's risk profile and the regulatory and market requirements of its business and by focusing on financial stability and maintaining the required resources.

The unaudited Group capital position is as follows:

	2021	2020
Own Funds	£83.6m	£71.8m
SCR	£19.2m	£9.5m
Solvency Ratio (estimated)	436%	755%

Since 2019, the capital requirements of the Group increased to support The People's Pension obtaining master trust authorisation as it is administered by B&CE Financial Services Limited. As part of master trust authorisation, various subsidiary undertakings are party to a guarantee provided to The People's Pension. Details of this can be found in note 24 of the Notes to the financial statements.

There has been a reduction in solvency ratio over the year to 31 March 2021. The current solvency ratio (436%) remains extremely robust. The reduction in solvency ratio is driven primarily by the reduction in surplus of the Staff Pension Scheme over the year as a result of economic volatility. The continued healthy solvency ratio demonstrates that the Group has been able to withstand the volatile market conditions over the year.

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

23. Financial risk management (continued)

Fair value estimation

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction at the reporting date.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into a three level fair value hierarchy as follows:

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.
- Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs). The Group did not have any such instruments.

Investments carried at fair value have been categorised using a fair value hierarchy as follows:

Group

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
As at 31 March 2021				
Financial instruments – FVTPL	5,794	-	-	5,794
Total	5,794	-	-	5,794
As at 31 March 2020				
Financial instruments – FVTPL	5,678	-	-	5,678
Total	5,678	-	-	5,678

Company

The Company held no financial instruments at 31 March 2021 or 31 March 2020.

Financial assets and liabilities are categorised using the following:

The Group regularly assesses the classification of its assets. The disclosures above present the Group and Company's assets measured at fair value at 31 March 2021 and at 31 March 2020. In the current and previous year, the Group's assets were assessed as level 1. No liabilities were measured at fair value at 31 March 2021 or 31 March 2020.

24. Guarantees

Since February 2019, two subsidiary undertakings have jointly provided a guarantee of £10m to The People's Pension, an authorised master trust, in respect of the role of another subsidiary undertaking's role as administrator. While no security has been provided, the guarantee requires at least £12m to be held in either cash, cash equivalent, bonds or equities, of which a minimum of £8m must be in cash. 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 call upon. Throughout the current year and prior year, the terms of this guarantee were met by all parties.

Furthermore, the administrator has provided The People's Pension Trustee Limited, as trustee of The People's Pension Scheme, with an £11m floating charge which is registered at Companies House.