B&CE Financial Services Limited

Annual report and financial statements for the year ended 31 March 2019

Company number: 02207140

Contents

Company information

Directors	**Non-executive Independent Chair:**	
	C Ramamurthy	
	Non-executive Directors:	
	J Allott	
	P Billingham	(appointed 20 July 2018)
	J Cullen	
	J Hough	
	J Islam	(appointed 1 September 2018)
	J McKinnon	(appointed 1 August 2018)
	B Rye	(resigned 31 May 2018)
	J Southworth	
	S Terrell	
	Executive Director:	
	P Heath-Lay	
Company secretary	L Harratt	(resigned 20 May 2019)
Registered office	Manor Royal Crawley West Sussex RH10 9QP	
Company number	02207140 (England and Wales)	
Independent auditor	KPMG LLP Chartered Accountants and Statutory Auditors 15 Canada Square London E14 5GL	
Banker	HSBC Bank plc 60 Queen Victoria St London EC4N 4TR	
Solicitors	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF	

Strategic report for the year ended 31 March 2019

The Directors present their Strategic report of B&CE Financial Services Limited for the year ended 31 March 2019.

Business review and principal activities

B&CE Financial Services Limited (the Company) was a wholly owned direct subsidiary of People's Financial Services Limited (the Parent Company) during the year. Collectively B&CE Holdings Limited (the Ultimate Parent Company) and all its subsidiaries are known as 'B&CE' or the 'Group'.

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

- The People's Pension – a multi-employer defined contribution occupational pension scheme (the Scheme)
- EasyBuild – a stakeholder defined contribution pension scheme, which is closed to new members
- TUTMAN B&CE Contracted-out Pension Scheme (Contracted-out pension scheme) – an authorised unit trust and personal pension plan, for which the Company is also the registrar for
- Employee Life Cover plan from B&CE (ELC Scheme) – a death benefit only, occupational pension scheme
- Building and Civil Engineering Benefits Scheme (Benefits Scheme) – a multi-employer defined benefit occupational pension scheme
- RapidCash – a personal accident insurance product, which is closed to new members
- Employee Accident Cover plan from B&CE (EAC Scheme) – a group accident insurance product
- B&CE Term Life – a term assurance product
- B&CE Personal Accident Insurance – a personal accident insurance product

All the products listed above are available exclusively to construction employers and employees except for The People's Pension, which is open to any employer, regardless of size, from any business industry.

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

Key performance indicators

Key performance indicators are set and monitored at Group level. The key ones are:

- grow the organisation, and particularly the assets managed within The People's Pension, so the Group can offer our members the benefits of scale. In the year to end of March 2019, the assets in The People's Pension grew from almost £4bn to over £6bn.
- maintain the quality of customer service and satisfaction.

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

Key developments

The People's Pension has continued to grow and we expect it will continue doing so, as members and employers contribute regularly to their pension pots. The Company receives a percentage fee income from the Scheme's assets under management – as the latter rises, so will the fee income receivable by the Company.

At the end of March 2019, the Scheme had 4.4 million members (2018: 3.8 million), 85,000 employer clients (2018: 81,000) and assets under management of more than £6bn (2018: almost £4bn) – a significant level of growth. It is one of the largest master trusts (multi-employer pension scheme) in the UK.

The People's Pension has a 5 Star Rating for automatic enrolment from Defaqto – a respected and independent organisation that rates financial products.

During the year, the Company issued 20,000,000 ordinary shares of £1 each for a total consideration of £20m (2018: 16,000,000 ordinary shares of £1 each for a total consideration of £16m).

Strategic report for the year ended 31 March 2019 (continued)

Results

The results and financial position for the financial year are set out on pages 12 to 13. The loss for the financial year was £7.0m (2018: £6.9m) and net assets as at 31 March 2019 were £38.4m (2018: £25.5m).

Revenue has decreased by 4.5% to £29.6m (2018: £31.0m). Firstly, this is because of the significant transfer of members from EasyBuild to The People's Pension in February 2018. The Company administers both these products and, given that EasyBuild levies higher fees on members than The People's Pension, it has resulted in a decrease in revenue from this source. The administration fee, which is calculated as a proportion of the funds under management of The People's Pension, totalled £21.6m (2018: £12.0m), the increase being driven by the significant growth in funds under management. Secondly, the employer charge for new employers joining The People's Pension has reduced to £1.9m (2018: £8.1m) as most employers have now automatically enrolled their employees in a workplace pension scheme and only new employers or those looking to change provider are joining The People's Pension. Further information can be found within the notes.

Operating costs have decreased by 3.6% to £37.2m (2018: £38.6m). The main contributor to costs was the Company investing in the digital capabilities necessary for long-term, future growth as it seeks to meet the requirements of a large and growing member and employer base, with evolving needs. A smaller contributor to costs was the investment required to prepare and submit the detailed application for master trust authorisation to The Pensions Regulator. The decrease in operating costs on the preceding financial year is attributable to the Company having capitalised £9.9m of its investment in digital requirements as an asset.

Future developments

The scale of the Scheme has enabled its Trustee to announce a reduction in the fees paid by members of the Scheme. From late Summer 2019 they will introduce a new banded pricing structure for the Scheme – which sees a member's charge rate fall as their savings pot grows, with any savings over £50,000 attracting just a 0.2% annual management charge. While this will affect the level of income received by the Company, we expect it to be offset by the future growth of the Scheme's assets on which the Company's income is based.

The master trust pensions market is experiencing a significant amount of consolidation – and The People's Pension remains an attractive proposition for trustee boards, employers and individual members wishing or compelled to switch provider.

Much of this is driven by regulation, as master trust pension schemes had to apply for authorisation from The Pensions Regulator by 31 March 2019. The Trustee of The People's Pension submitted their application for the Scheme in February 2019 and is waiting to hear the result. Many smaller schemes have already decided to exit the market – and the Company is in discussions with a number of them about the suitability of accepting their members into The People's Pension.

At a Group level, B&CE will continue to invest in its people and digital infrastructure, and the Company will bear the associated costs.

The UK's departure from the European Union is not expected to materially affect the Company directly. As a UK-based organisation, predominantly serving UK members, we do not expect any significant changes to the operations of the Group nor to any of its subsidiaries.

We do expect the ongoing political and economic uncertainty to create volatility that, in turn, could affect the value of markets and assets in which the Scheme and other Company-administered products invest. We believe that any volatility is likely to be short-term in nature while the majority of the Group products, including those administered by the Company, are long-term in nature.

Strategic report for the year ended 31 March 2019 (continued)

Risk management

Our approach to risk management

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

Principal risks and uncertainties

The specific risks faced by the Company are driven by what the Group choose to do and how we as a Company do it, as well as the wider environment in which we operate. We group these risks into three categories and then identify our principal risk(s) for each category:

- Strategic
- Operational
- Financial

The Company's investment in digital capabilities aims to mitigate operational risks. The Company faces a strategic risk if it is unable to implement desired digital changes.

The principal financial risks – which have been assessed on the basis of their potential impact on the Company's Statement of financial position – are market risk, credit risk and liquidity risk. These are explained in the Directors' report.

The risks we have identified in the risk management section of the Directors' report don't include all those associated with our business and have not been put in priority order.

The Company faces increased regulatory risk, as the Trustee of The People's Pension wait to hear about the results of their application for the Scheme to receive master trust authorisation from The Pensions Regulator.

Risk governance

<u>Enterprise risk management framework</u>

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

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

<u>Risk and control framework</u>

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

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

Strategic report for the year ended 31 March 2019 (continued)

Statement of internal control

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

On behalf of the Board:

C. Ramamurthy

Director
3 July 2019 MR C RAMAMURTHY

Directors' report for the year ended 31 March 2019

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Directors

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

Directors' liability insurance

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

Dividends

No dividends were paid to the Parent Company during the year (2018: nil). The Directors do not recommend the payment of a final dividend (2018: nil).

Regulator

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

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: nil).

Auditor

During 2018, the Group undertook a competitive tender of its external auditor provider. KPMG LLP was selected as the Company's external auditor and replaced PricewaterhouseCoopers LLP, who resigned following the conclusion of the 31 March 2018 Annual report and financial statements. 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.

Financial risk management

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

- Credit risk

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

- Liquidity risk

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

Directors' report for the year ended 31 March 2019 (continued)

Financial risk management (continued)

- Market risk – interest rate

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

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

- Market risk – price and currency

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

Future developments

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

Disclosure of information to the auditor

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps or the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' report is approved:

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

On behalf of the Board:

C. Ramamurthy

Director
3 July 2019 MR C RAMAMURTHY

Company number: 02207140

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

Opinion

We have audited the financial statements of B&CE Financial Services Limited ("the company") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

William Greenfield

William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
03 July 2019

Statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Revenue	3	**29,573**	31,035
Distribution costs		**(7,806)**	(6,983)
Administrative expenses		**(29,425)**	(31,638)
Other income		**269**	209
Loss before interest and taxation	6	**(7,389)**	(7,377)
Finance income		**99**	24
Loss before taxation		**(7,290)**	(7,353)
Tax on loss	7	**206**	418
Loss for the financial year		**(7,084)**	(6,935)
Other comprehensive expense			
Revaluation of financial instruments		**-**	(46)
Total tax on components of other comprehensive expense		**-**	-
Other comprehensive expense for the year, net of tax		**-**	(46)
Total comprehensive expense for the year		**(7,084)**	(6,981)

The notes and information on pages 15 to 22 form part of these financial statements.

Statement of financial position as at 31 March 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	8	**9,919**	-
Financial instruments – available for sale	9	**3,953**	4
		13,872	4
Current assets			
Financial instruments – available for sale	9	**16,000**	-
Trade and other receivables	10	**4,678**	20,365
Cash and cash equivalents		**11,960**	16,370
		32,638	36,735
Current liabilities			
Trade and other payables	11	**(6,900)**	(11,289)
Net current assets		**25,738**	25,446
Total assets less current liabilities		**39,610**	25,450
Non-current liabilities	12	**(1,244)**	-
Net assets		**38,366**	25,450
Equity			
Ordinary shares	13	**36,079**	16,079
Share premium account		**28,971**	28,971
Accumulated losses		**(26,684)**	(19,600)
Total equity		**38,366**	25,450

The notes and information on pages 15 to 22 form part of these financial statements.

The financial statements were approved by the Board of Directors on 3 July 2019 and were signed on its behalf by:

C. Ramamurthy

Director MR C RAMAMURTHY

P. Billingham

Director MRS P BILLINGHAM

Company number: 02207140

Statement of changes in equity for the year ended 31 March 2019

	Ordinary shares £000	Share premium account £000	Accumulated losses £000	Other reserves[1] £000	Total equity £000
Balance as at 31 March 2017	79	28,971	(12,665)	46	16,431
Loss for the year	-	-	(6,935)	-	(6,935)
Other comprehensive expense for the year	-	-	-	(46)	(46)
Total comprehensive expense for the year	-	-	(6,935)	(46)	(6,981)
Proceeds from issue of ordinary shares	16,000	-	-	-	16,000
Total transactions with owners recognised directly in equity	16,000	-	-	-	16,000
Balance as at 31 March 2018	**16,079**	**28,971**	**(19,600)**	**-**	**25,450**
Loss for the year	-	-	(7,084)	-	(7,084)
Total comprehensive expense for the year	-	-	(7,084)	-	(7,084)
Proceeds from issue of ordinary shares	20,000	-	-	-	20,000
Total transactions with owners recognised directly in equity	20,000	-	-	-	20,000
Balance as at 31 March 2019	**36,079**	**28,971**	**(26,684)**	**-**	**38,366**

[1]Other reserves pertains to the changes in the fair value arising on revaluation of investments that are classified as available-for-sale financial instruments, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to the Statement of comprehensive income when the associated assets are sold or impaired.

The notes and information on pages 15 to 22 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2019

1. General information

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

Going concern

Notwithstanding a loss for financial year ended 31 March 2019 of £7.0m (2018: £6.9m), the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through in downside cases funding from its Parent Company, People's Financial Services Limited, to meet its liabilities as they fall due for that period.

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

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

Exemption for qualifying entities under FRS 102

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

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

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

Notes to the financial statements for the year ended 31 March 2019 (continued)

2. Summary of significant accounting policies (continued)

Revenue

Revenue relates to the principal activities as described in the Strategic report on page 2. Revenue represents administration, registrar and referral fees, and employer charge measured at fair value of the services provided, net of VAT (if applicable), and accounted for on an accruals basis when the right to consideration has been earned. Revenue is recognised to the extent that services have been provided in the year. Any revenue receivable in advance of the full service being rendered, such as employer charges where employers are yet to use The People's Pension, is recognised in the Statement of financial position as deferred income.

Net operating expenses

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

Tax

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

Current or deferred tax assets and liabilities are not discounted.

- *Current tax*

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

- *Deferred tax*

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

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it 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.

Intangible assets and amortisation

- *Research and development*

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

Notes to the financial statements for the year ended 31 March 2019 (continued)

2. Summary of significant accounting policies (continued)

Intangible assets and amortisation (continued)

- *Other intangible assets*

Other intangible assets that are acquired by the Company, such as software, are stated at cost less accumulated amortisation and less accumulated impairment losses.

- *Amortisation*

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

Capitalised development costs	10 years

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

Cash and cash equivalents

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

Financial instruments

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

- *Classification*

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

- *Recognition and de-recognition*

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

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

- *Measurement*

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

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

Notes to the financial statements for the year ended 31 March 2019 (continued)

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

- *Impairment*

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

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

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

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

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.

- *Deferred tax*

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

- *Deferred income*

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

- *Capitalised development costs*

Certain costs incurred in the developmental phase of an internal project, including internal staff time and third-party contractors, are capitalised as intangible assets if a number of criteria are met. Management has made judgements and assumptions when assessing whether a project meets the criteria for capitalisation and which costs are directly attributable to the project. Further details of the amounts of, and movements in, such assets are given in note 8.

Notes to the financial statements for the year ended 31 March 2019 (continued)

3. Revenue

	2019	2018
	£000	£000
Administration fees for The People's Pension	**21,567**	12,002
Administration fees for the Benefits Scheme	**3,102**	3,219
Employer charge for The People's Pension	**1,943**	8,079
Registrar fees for the Contracted-out pension scheme	**1,612**	1,758
Administration fees for the ELC Scheme	**822**	798
Administration fees for insurance products	**475**	767
Referral fees	**27**	26
Administration fees for EasyBuild*	**25**	4,386
	29,573	31,035

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

* In February 2018, B&CE performed a bulk transfer of 460,514 members and £1bn of assets from EasyBuild into The People's Pension. EasyBuild is now closed to new members. This transfer has reduced the administration fees for EasyBuild and increased the administration fees for The People's Pension, albeit at a lower rate.

4. Employee information

The Company had no employees during the year (2018: nil).

5. Directors' remuneration

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

Aggregate remuneration	**343**	317

The aggregate remuneration for the highest paid Director was:

Aggregate remuneration	**216**	94
Accrued pension at year end	**42**	19

The figures above comprise an apportionment of Non-Executive and Executive Directors' remuneration in respect of their services to the Company during the year, all of which is paid by the Ultimate Parent Company. No compensation payments for loss of office were paid to Directors who resigned during the year (2018: nil).

Notes to the financial statements for the year ended 31 March 2019 (continued)

6. Expenses and auditor's remuneration

Included in Statement of comprehensive income are the following:

	2019 £000	2018 £000
Services provided by the Company's auditor		
Audit of the Company's financial statements	**41**	27
Audit-related assurance services	**13**	10

During 2019, £13,000 was paid to the Company's previous auditor for services relating to 2018.

The Ultimate Parent Company pays most of the overheads of the Group and recharges a proportion of those costs to its subsidiaries. The total recharge for the Company for the year amounted to £36.4m (2018: £32.0m).

7. Tax on loss

Current tax		
Credit for loss surrendered to Group	**(296)**	(418)
Adjustment in respect of previous years	**90**	-
Total current tax credit	**(206)**	(418)

The tax assessed for the year is higher (2018: higher) than the standard effective rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained below:

Loss before taxation	**(7,290)**	(7,353)
Loss multiplied by standard rate of corporation tax in the United Kingdom 19% (2018: 19 %)	**(1,385)**	(1,397)
Effect of:		
Unrecognised tax losses	**1,089**	979
Adjustment in respect of previous years	**90**	-
Total current tax	**(206)**	(418)

The Company has surrendered tax losses of £1,556,000 to other Group companies during the year (2018: £2,198,000). The Company had unutilised tax losses of £17,289,000 (2018: £10,511,000) available for offset against future trading profits. No deferred tax assets or liabilities were recognised at the year-end (2018: nil). Changes to the UK corporation tax rates were enacted as part of the Finance Bill 2015 and the Finance Bill 2016. These include reductions to the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Notes to the financial statements for the year ended 31 March 2019 (continued)

8. Intangible assets

	Capitalised development costs £000	Total £000
Cost		
As at 1 April 2018	-	-
Additions	9,919	9,919
As at 31 March 2019	**9,919**	**9,919**
Net book value		
As at 31 March 2019	**9,919**	**9,919**
As at 31 March 2018	-	-

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

9. Financial instruments – available for sale

	2019 £000	2018 £000
At 1 April	**4**	4,012
Additions	**20,011**	5,066
Disposals	-	(9,028)
Revaluation deficit transferred to reserves	-	(46)
Impairment recognised in the Statement of comprehensive income	**(62)**	-
At 31 March	**19,953**	4

Investments include the following:

Non-current assets		
Units in unit trusts	**3,953**	4
	3,953	4
Current assets		
Units in unit trusts	**16,000**	-
	16,000	-

10. Trade and other receivables

Trade receivables	**1,382**	1,454
Amounts owed by Group undertakings	**19**	1,109
Other receivables	**2,602**	17,771
Prepayments and accrued income	**675**	31
	4,678	20,365

Notes to the financial statements for the year ended 31 March 2019 (continued)

10. Trade and other receivables (continued)

In addition to the receivables above, there is £105,000 (2018: £225,000) owed by Constructing Better Health, which is unsecured and does not bear any interest. The Directors considered the loan unlikely to be repaid and, therefore, a full provision of £500,000 was recorded in the Statement of comprehensive income on 31 March 2010. Any amounts collected are credited against administrative expenses in the Statement of comprehensive income and the provision is reduced.

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

11. Trade and other payables

	2019	2018
	£000	£000
Amounts owed to Group undertakings	**5,660**	5,725
Other payables	**175**	24
Accruals and deferred income	**1,065**	5,540
	6,900	11,289

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

12. Non-current liabilities

Other payables	**1,244**	-

13. Ordinary shares

Allotted and fully paid

36,079,000 (2018: 16,079,000) ordinary shares £1 each	**36,079**	16,079

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

During the year the Company issued 20,000,000 ordinary shares of £1 each for a total consideration of £20m (2018: 16,000,000 ordinary shares of £1 each for a total consideration of £16m). Details of the shareholder can be found in the Strategic report.

14. Related party transactions

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

15. Ultimate undertaking and controlling party

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

B&CE Holdings Limited is the parent of both the largest and smallest group of undertakings to consolidate these financial statements as at 31 March 2019. The consolidated financial statements of B&CE Holdings Limited are available from the Company secretary at the registered office shown on page 1.