B&CE Financial Services Limited

Annual report and financial statements

for the year ended 31 March 2018

Company number: 02207140

Contents

Company information

Directors	Non-executive Independent Chairman:	
	C Ramamurthy	
	Non-executive Directors:	
	J Allott	
	P Billingham	(appointed 20 July 2018)
	J Cullen	
	J Hough	
	J McKinnon	(appointed 1 August 2018)
	B Rye	(resigned 31 May 2018)
	M Small	(resigned 22 February 2018)
	J Southworth	
	S Terrell	
	Executive Directors:	
	J Fiveash	(resigned 1 September 2017)
	P Heath-Lay	
Company secretary	L Harratt	
Registered office	Manor Royal Crawley West Sussex RH10 9QP	
Company number	02207140 (England and Wales)	
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Portland Building 25 High Street Crawley West Sussex RH10 1BG	
Bankers	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

The Directors present their Strategic report of B&CE Financial Services Limited for the year ended 31 March 2018.

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. On 1 April 2017, under an intra-group corporate restructure, the shares of the Company were transferred from B&CE Holdings Limited (the Ultimate Parent Company) to the Parent Company. Collectively B&CE Holdings Limited and all its subsidiaries are known as 'B&CE' or the 'Group'.

The main activity of the Company is to administer financial products on behalf of the Group. The Company administered the following products during the year:

- The People's Pension – a multi-employer defined contribution occupational pension scheme
- EasyBuild – a stakeholder defined contribution pension scheme
- 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 the scheme
- 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
- 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 sector.

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.

The Group Annual report and financial statements provides a more detailed business review for the Group.

Key performance indicators

Key performance indicators are set and monitored at Group level and are given in the Group Annual report and financial statements.

Key developments

The People's Pension has continued to attract members from companies in a wide breadth of industries.

As at the end of March 2018, it had 3.8 million members (2017: 2.9 million), employed by 81,000 organisations (2017: 49,000) and with total assets under management of almost £4 bn (2017: almost £2 bn) – a significant level of growth. This makes it the largest private-sector master trust in the UK. We have worked tremendously hard to achieve this scale and are immensely proud of what we have accomplished for members.

The People's Pension has retained a Defaqto 5 Star Rating for auto-enrolment (Defaqto is a respected and independent organisation that rates financial products).

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

Strategic report (continued)

Results

The results and financial position for the financial year are set out on pages 10 to 12. The loss for the financial year was £6.9m (2017: £1.9m profit) and net assets as at 31 March 2018 were £25.5m (2017: £16.4m).

Revenue has increased by 17.7% to £31.0m (2017: £26.4m) mostly from The People's Pension. The administration fee, which is calculated as a proportion of the funds under management of the pension scheme, totalled £12.0m (2017: £6.5m) while the employer charge generated £8.1m (2017: £8.7m). The increase in the administration fee was driven by the significant increase in funds under management.

Costs have increased by 57% to £38.6m (2017: £24.7m). The People's Pension has increased its member and employer base significantly during the year, as expected, and the increase in costs comes from the significant investment in the staff and systems required to deliver high-quality product and customer services. As the scheme grows we expect costs to stabilise and that this investment will benefit The People's Pension and the Company in the medium to long-term. The Company remains responsible for meeting the administration costs associated with The People's Pension (except for investment management). There was also a £4.1m material, non-recurring expense, details of which are included in Note 5 of the Financial Statements.

Future developments

We face some very exciting opportunities in the year ahead.

As well as continuing to serve the businesses we already work with, we want The People's Pension to be an attractive home for any employers that wish to switch their workplace pension provider. Our teams are ready to seize any opportunities to help such employers.

To take these opportunities we will continue to invest in our people, supporting them in their day-to-day work, helping them learn and develop and investing in delivering digital solutions for our members.

We are justly proud of our customer service, where a member of The People's Pension can easily get the information they need, or an employer can carry out hassle-free online transactions quickly.

However, we need to keep investing in the types of digital services people will need from us in the future. If you think about the changes in the ways people use technology, then we need to be ready for a similar level of change in future. We're confident our plans have this in hand.

The Group Annual report and financial statements contains further details of B&CE's planned activities.

Principal risks and uncertainties

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 over the process of risk identification and management. All policies are subject to the Board of Directors' approval and ongoing review by management and the internal audit and risk management team.

The principal risks to the Company are:

- strategic risk
- operational risk
- conduct risk.

Strategic report (continued)

Principal risks and uncertainties (continued)

Each of the above risks is actively managed and we have undertaken actions to bring them down to an acceptable level. The Group Annual report and financial statements contains further detail on the strategies to defend and protect against risks.

In addition to the risks noted above, the Company is exposed to a range of financial risks. The principal financial risks – which have been assessed on the basis of their potential impact on the Company's balance sheet – are market risk, credit risk and liquidity risk. These are explained in the Directors' report.

In addition, the Group Annual report and financial statements contains a more detailed statement of B&CE's risk management framework and its assessment of specific risks.

On behalf of the Board:

P. Billingham

Director
20 August 2018
Patricia Marosia Billingham

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

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 (2017: nil). The Directors do not recommend the payment of a final dividend (2017: nil).

Regulator

The Company is regulated by the Financial Conduct Authority (FCA).

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.

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 monthly to ensure that the Company has sufficient liquid funds to continue its operations.

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.

Events after the reporting period

Details of an adjusting event affecting the Company after the reporting period can be found in the Strategic Report and note 14 to the financial statements.

Directors' report (continued)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for 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 auditors are 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 auditors are aware of that information.

On behalf of the Board:

P. Billingham

Director
20 August 2018
Patricia Marusia Billingham
Company number: 02207140

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

Report on the audit of the financial statements

Opinion

In our opinion, B&CE Financial Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Reporting on other information (continued)

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
20 August 2018

Statement of comprehensive income for the year ended 31 March 2018

	Note	2018 £000	2017 £000
Revenue	4	**31,035**	26,373
Distribution costs		**(6,983)**	(7,262)
Administrative expenses		**(31,638)**	(17,397)
Other income		**209**	298
(Loss) / profit before interest and taxation	6	**(7,377)**	2,012
Finance income		**24**	23
(Loss) / profit before taxation		**(7,353)**	2,035
Tax on (loss) / profit	7	**418**	(149)
(Loss) / profit for the financial year		**(6,935)**	1,886
Other comprehensive expense			
Revaluation of financial instruments	8	**(46)**	(87)
Total tax on components of other comprehensive expense		**-**	-
Other comprehensive expense for the year, net of tax		**(46)**	(87)
Total comprehensive (expense) / income for the year		**(6,981)**	1,799

Statement of financial position as at 31 March 2018

	Note	2018 £000	2017 £000
Non-current assets			
Financial instruments – available for sale	8	**4**	4,012
		4	4,012
Current assets			
Trade and other receivables	9	**20,365**	10,944
Cash and cash equivalents		**16,370**	7,893
		36,735	18,837
Current liabilities			
Trade and other payables	10	**(11,289)**	(6,418)
Net current assets		**25,446**	12,419
Total assets less current liabilities		**25,450**	16,431
Equity			
Ordinary shares	11	**16,079**	79
Share premium account		**28,971**	28,971
Other reserves		**-**	46
Accumulated losses		**(19,600)**	(12,665)
Total equity		**25,450**	16,431

The financial statements on pages 10 to 19 were approved by the Board of Directors on 20 August 2018 and were signed on its behalf by:

P. Billingham Director Patricia Marusia Billingham

J M Cullen Director John Macaulay Cullen

Statement of changes in equity for the year ended 31 March 2018

	Ordinary shares £000	Share premium account £000	Accumulated losses £000	Other reserves[1] £000	Total equity £000
Balance as at 1 April 2016	79	28,971	(14,551)	133	14,632
Profit for the year	-	-	1,886	-	1,886
Other comprehensive expense for the year	-	-	-	(87)	(87)
Total comprehensive income / (expense) for the year	-	-	1,886	(87)	1,799
Total transactions with owners recognised directly in equity	-	-	-	-	-
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 expensefor 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**

[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.

Notes to the financial statements for the year ended 31 March 2018

1. General information

B&CE Financial Services Limited (the Company) is a private company limited by shares and is incorporated 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. On 1 April 2017, under an intra-group corporate restructure, the shares of the Company were transferred from B&CE Holdings Limited (the Ultimate Parent Company) to the Parent Company. Collectively B&CE Holdings Limited and all its subsidiaries are known as 'B&CE' or the 'Group'.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with the applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. 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.

g) 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 market 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 source of estimation uncertainty' on page 15.

h) Going concern

The Company made a loss for the financial year of £6.9m (2017: £1.9m profit) and has net assets of £25.5m (2017: £16.4m) as at 31 March 2018. The Company is dependent on the Parent Company for funding including through the issue of additional shares, see Note 14. The Company has been provided with certain assurances by the Parent Company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company to meet its obligations as and when they fall due. The Company has also been provided with assurances that the Parent Company will not seek repayment of amounts currently made available should it affect the Company's ability to continue as a going concern. Based on the liquid assets held by the Company as at 31 March 2018, the budgeted cash flows prepared for the foreseeable future from the date of approval of these financial statements, along with the assurances received from the Parent Company and the Directors' assessment of the Parent Company's ability to provide such funds, the Directors believe it is appropriate to have prepared the financial statements on the going concern basis.

i) 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 2018 (continued)

3. Summary of significant accounting policies (continued)

j) 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 value added tax (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 is recognised in the Statement of financial position as deferred income.

k) Net operating expenses

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

l) 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.

(i) 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.

(ii) 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.

m) Cash and cash equivalents

Cash and cash equivalents include 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.

n) 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.

(i) 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.

Notes to the financial statements for the year ended 31 March 2018 (continued)

3. Summary of significant accounting policies (continued)

n) Financial instruments (continued)

(ii) 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.

(iii) 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.

(iv) 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.

o) 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. A key source of estimation and judgement is in relation to revenue, which is receivable in advance of the full service being rendered and is recognised in the Statement of financial position as deferred income.

p) Exceptional items

Exceptional items are disclosed in the Notes to the financial statements to provide further understanding of the financial performance of the Company. Items are considered as exceptional either because of their size, their nature or are non-recurring and are presented within the line items to which they best relate.

Notes to the financial statements for the year ended 31 March 2018 (continued)

4. Revenue

	2018 £000	2017 £000
Administration fees for The People's Pension	**12,002**	6,495
Employer charge for The People's Pension	**8,079**	8,663
Administration fees for EasyBuild	**4,386**	4,759
Administration fees for the Benefits Scheme	**3,219**	3,268
Registrar fees for the Contracted-out pension scheme	**1,758**	1,678
Administration fees for the ELC Scheme	**798**	846
Administration fees for insurance products	**767**	637
Referral fees	**26**	27
	31,035	26,373

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

5. Staff costs

The Company had no employees during the year (2017: nil).

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

	2018 £000	2017 £000
Aggregate remuneration	**317**	198

The aggregate remuneration for the highest paid Director was:

Aggregate remuneration	**94**	82
Accrued pension at year end	**19**	19

6. (Loss) / profit before interest and taxation

	2018 £000	2017 £000
(Loss) / profit before interest and taxation is stated after charging:		
Non-recurring expenses	**7,536**	684
Services provided by the Company's auditors		
Audit of the Company's financial statements	**27**	17
Audit-related assurance services	**10**	9

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 £32.0m (2017: £23.2m). Administrative expenses increased significantly during the year driven by the need for investment in additional staff and improvements to our underlying information technology. Some non-recurring expenses relate to projects such as the digital transformation programme which affect both accounting periods.

On 18 January 2018, the Group Audit and Risk Committee agreed to limit the liability of the external auditor, in relation to regulatory reporting services only, to £1m for the Group.

Notes to the financial statements for the year ended 31 March 2018 (continued)

7. Tax on (loss) / profit

	2018 £000	2017 £000
Current tax		
UK corporation tax on (loss) / profit for the year	-	-
Credit for loss surrendered to Group	(418)	-
Adjustment in respect of previous years	-	149
Total current tax (credit)/expense	(418)	149
Deferred tax	-	-
Total tax (credit)/expense	(418)	149

The tax assessed for the year is higher (2017: lower) than the standard effective rate of corporation tax in the United Kingdom of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
(Loss) / profit before taxation	(7,353)	2,035
(Loss) / profit multiplied by standard rate of corporation tax in the United Kingdom 19% (2017: 20 %)	(1,397)	407
Effect of:		
Utilisation of previously unrecognised tax losses	-	(407)
Unrecognised tax losses	979	-
Adjustment in respect of previous years	-	149
Total current tax	(418)	149

The Company has surrendered tax losses of £2,198k to other Group companies during the year (2017: nil). The Company had unutilised tax losses of £10,511k (2017: £6,431k) available for offset against future trading profits. No deferred tax assets or liabilities were recognised at the year-end (2017: 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.

8. Financial instruments – available for sale

	2018 £000	2017 £000
At 1 April	4,012	4,537
Additions	5,066	3,966
Disposals	(9,028)	(4,404)
Revaluation deficit transferred to reserves	(46)	(87)
At 31 March	4	4,012
Investments include the following:		
Units in unit trusts	4	4,012
	4	4,012

Notes to the financial statements for the year ended 31 March 2018 (continued)

9. Trade and other receivables

	2018 £000	2017 £000
Trade receivables	**1,454**	3,160
Amounts owed by Group undertakings	**1,109**	950
Other receivables	**17,771**	6,814
Prepayments and accrued income	**31**	20
	20,365	10,944

In addition to the receivables above, there is £225k (2017: £345k) 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 £500k 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.

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

10. Trade and other payables

	2018 £000	2017 £000
Amounts owed to Group undertakings	**5,725**	2,551
Other payables	**24**	375
Accruals and deferred income	**5,540**	3,492
	11,289	6,418

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

11. Ordinary shares

	2018 £000	2017 £000
Allotted and fully paid		
16,079,000 (2017: 79,000) ordinary shares £1 each	**16,079**	79

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 16,000,000 ordinary shares of £1 each for a total consideration of £16m. Details of the shareholder, including changes during the year, can be found in the Strategic report.

Notes to the financial statements for the year ended 31 March 2018 (continued)

12. 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.

13. 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 and registered 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 2018. The consolidated financial statements of B&CE Holdings Limited are available from the Group Company Secretary at the registered office shown on page 1.

14. Events after the reporting period

The financial statements have been adjusted to include £4.1m of material, non-recurring expense that crystallised in July 2018 relating to conditions existing before 31 March 2018. In August 2018 the Parent Company subscribed and paid for £20m of ordinary share capital in the Company.