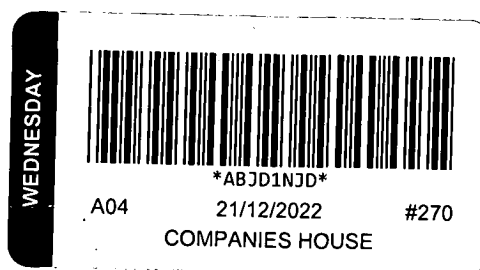


B&CE Financial Services Limited

Annual report and financial statements
for the year ended 31 March 2022



Company number: 02207140

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Company information

| | |
|----------------------------|---|
| Directors | Non-executive Independent Chair: C Ramamurthy Non-executive Directors: J Allott (resigned 31 March 2022) P Billingham J Cullen J Hough (resigned 31 July 2021) J Islam (resigned 31 March 2022) J McKinnon (resigned 31 March 2022) S Terrell (resigned 31 March 2022) V Oak (appointed 1 April 2022) Executive Directors: P Heath-Lay S Hunter |
| Company secretary | J Dunlop (resigned 31 July 2021) |
| Registered office | Manor Royal Crawley West Sussex RH10 9QP |
| Company number | 02207140 (England and Wales) |
| Independent auditor | KPMG LLP Chartered Accountants and Statutory Auditor 15 Canada Square London E14 5GL |
| Banker | HSBC Bank plc 60 Queen Victoria St London EC4N 4TR |
| Solicitor | CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF |

Strategic report for the year ended 31 March 2022

The Directors present their Strategic report of B&CE Financial Services Limited for the year ended 31 March 2022.

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, which, in turn is, owned by B&CE Holdings Limited (the Ultimate Parent Company). B&CE Holdings Limited and all its subsidiaries are collectively known as 'B&CE' or the 'Group'. The Ultimate Parent Company is the sole employer within the Group and pays for the majority of Group costs which are then recharged to the subsidiaries as based on drivers deemed appropriate by management.

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

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

Key performance indicators

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

1. Customer (including employers and members of the products being administered).

We want our 6.3 million members who are covered by us (2021: 5.8 million) to have the best possible experience as the majority of them save for retirement. Despite the increased pressure of higher transactional volumes, the quality and accuracy of our service and the overarching controls remained strong, evidenced by good levels of customer satisfaction and lower than target complaints.

We drive to make our customer experience more digital and the number of logins to the My Products section of The People's Pension website has increased 19.4% in the last year, as members moved to use more digital services, and we have increased the services available.

2. Operational efficiency / investment.

Our unit cost for the year is below the end of year target and also the preceding year. We have remained efficient by investing in our operation, absorbing a 30% increase in transactions within the same broad cost base.

3. Value creation.

The Company creates value for members through the creation of surpluses that can be reinvested. The profit for the financial year (surplus), which will be invested in our current year plans, was £10.7m (2021: profit of £12.7m) and assets under management (AUM) by The People's Pension at year-end of £17.6bn (2021: £13.7bn) has grown by 28%, of which £785m came from market movements.

The above key performance indicators are reviewed at a Group level by B&CE's Executive Committee and representatives of the Board of B&CE Financial Services Limited.

Strategic report for the year ended 31 March 2022 (continued)

Key developments

The People's Pension, our flagship financial product, continued to grow both its membership, which rose 9.4% from 5.3m to 5.8m, increased employer accounts to 100,000 (2021: 99,000) and increased its assets under management, by 28% from £13.7bn to £17.6bn. The contribution of investment management to this growth in assets was £785m.

In March 2022 the remaining members of the TUTMAN B&CE Contracted-out Pension Scheme ('COPS') were transferred to The People's Pension. The Company is the administrator of both pension arrangements, and whilst Company income will be adversely impacted following the transfer due to a lower management charge applied to members of The People's Pension, the decision to transfer members was taken on the basis that The People's Pension offered better value for money for customers. In total £185m was transferred on behalf of 4,167 individuals.

Results

The results and financial position for the financial year are set out on pages 15 to 16. The profit before tax for the financial year was £12.1m (2021: £9.4m profit) and net assets as at 31 March 2022 were £44.5m (2021: £33.8m).

Revenue for the year increased by £14.9m to £73.7m (2021: £58.7m) driven mainly by an increased management fees from the administration of The People's Pension as assets under administration grew.

Net operating expenses have increased by £11.9m to £61.7m (2021: £49.8m) as the Group has invested for growth and digitalisation. However, as a percentage of revenue, operating costs have remained flat year on year as the Company continues to focus on controlling its cost base through more effective and efficient operational infrastructure and the provision of a greater proportion of digital services to members.

Throughout the year the Company more than covered its FCA capital requirement of £20k (2021: £20k).

Future developments

As the UK emerges from the pandemic – and as the broader economic picture remains unclear – the Company is well placed for the foreseeable future thanks to the strong brand and competitive fee structure of The People's Pension driving consistently increasing assets under management. The Scheme's large, well-diversified and growing employer and member base position it well.

Strategic report for the year ended 31 March 2022 (continued)

Risk management

Risk management framework

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

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

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

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

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

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

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

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

Principal risks and uncertainties

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

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

In the financial year we placed specific focus on our resilience to the impact of cyber-attacks on businesses. Every large public and private organisation is subject to near persistent intrusion from such malevolent factors – and the Company is no different. Our task has been to continually invest in systems that remain one step ahead of criminals and protect our members, employees, infrastructure, data and invested money.

In addition, we monitor the broader risk environment continually and, when required to do so, implement specific strategies to defend against or reduce them to within appetite.

Strategic report for the year ended 31 March 2022 (continued)

Principal risks and uncertainties (continued)

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

Strategic report for the year ended 31 March 2022 (continued)

Principal risks and uncertainties (continued)

| Principal risks and uncertainties | Strategies to defend and protect against risks |
|--|--|
| <p>Operational risk People engagement, recruitment, retention and capability</p> <p>The Group now employs over 600 people who are vital to the success of our business.</p> <p>Attracting, and maintaining good relations with, talented people and investing in training and development is essential to the efficiency and sustainability of our operations.</p> | <p>a. We maintain employment policies and remuneration and benefits packages which are regularly reviewed. We also provide our people with fulfilling career opportunities.</p> <p>b. We monitor and review performance and feedback, to understand the nature of our changing processes and the specific skill set that people require to deliver their objectives.</p> <p>c. We maintain key performance and key risk indicators which are regularly reviewed and reported to the Executive Committee. Remedial action is taken as required.</p> |
| <p>Operational risk Impact of legal and regulatory changes and non-adherence</p> <p>The Group operates in a highly regulated environment and is subject to a variety of complex, demanding and evolving legal and regulatory risks.</p> <p>Changes in law and regulation can have a significant impact on our operating model – both positive and negative. We continue to remain in a period of significant regulatory change, particularly in the pensions industry.</p> <p>This is the risk that future regulatory and/or legislative change impacts on our business model and requires us to make changes to our processes and systems in an unplanned and ineffective way. This also includes that we might not comply with regulatory or legal obligations.</p> | <p>a. We continually scan the legislative, regulatory and policy landscapes for potential change. This allows us to identify change at the earliest possible stage and plan to ensure we appropriately manage the change into our processes and systems.</p> <p>b. We actively engage with regulators and government bodies, often with our stakeholders, to support and develop the industry and the interests of our members.</p> <p>c. We operate independent compliance, risk and internal audit functions who undertake annual plans of assurance activities to monitor compliance with pensions regulation and our own internal processes.</p> |

Section 172(1) statement

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

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

We consistently focus on decisions that will provide the utmost value to members. This is a core belief of the Group: returning profits to members in ways that reduce charges or improve products and services. An example of this in 2021/22 was the decision to close the TUTMAN B&CE Contracted-out pension scheme where members were transferred to The People's Pension which has lower charges for customers.

A further example was the early implementation of the new statutory threshold (or 'de minimis' value) where flat fee charges may not be applied to members if the total value of their pension pot is £100 or less following application of the charge. This Pensions Regulator (TPR) legislation came into force from 6 April 2022 but was implemented early by the Company in 2021. This led to a reduction in the annual charges applied to members of The People's Pension during the year.

Strategic report for the year ended 31 March 2022 (continued)

Section 172(1) statement (continued)

b) The interests of the Company's employees

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

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

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

The Directors are aware of the importance of these customer and supplier relationships and ensure that the Company provides good customer service to the employers and members using those Schemes and products.

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

As part of a not-for-profit Group, we give back to our members and community. The Strategic Report within the Group Annual report and financial statements includes sections on 'Caring about the environment and investing in our local community', 'Charitable Trust' and 'Putting People First'. Since the B&CE Charitable Trust was set up in 1991 it has helped thousands of people and hundreds of employers and funded research into occupation health and safety in the construction industry.

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

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

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

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

The Strategic Report was approved by the Board of Directors on 18 July 2022 and signed on its behalf by:



Patrick Heath-Lay
Director
18 July 2022

Directors' report for the year ended 31 March 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

Directors

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

The Board of the Company is being reduced in size to minimise duplication of directors between the Company and its parent company (People's Financial Services Limited).

In relation to the Company:

- 4 Non Executive Directors (NED) have stepped down and one new NED appointed.

The Board structure post the changes will remain sufficient in terms of number and quality of non-executives who are independent and have an understanding of the firm's business to provide effective challenge to the executives.

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. The third-party indemnity provides against liability incurred by the director to a person other than the company or an associated company.

Post balance sheet events

As at 30 May 2022, B&CE Financial Services Limited terminated the 2019 Financial Support Undertaking deed (FSU). This had the effect of terminating all existing covenants, liabilities, and obligations under the 2019 FSU. Subsequent to the termination, the Company entered into a new FSU with The People's Pension and this imposed an obligation on B&CE Financial Services Limited to ring-fence and hold cash reserves amounting to £24m.

Dividends

No dividends were paid to the Parent Company during the year (2021: nil). The Directors do not recommend the payment of a final dividend (2021: 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).

Charitable donations

The Company made charitable donations of £237,500 to the Charitable Trust during the year (2021: nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: nil).

Auditor

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. See the summary of significant accounting policies note on page 18 for further information.

Directors' report for the year ended 31 March 2022 (continued)

Greenhouse gas disclosure exemption

The Company has taken the exemption under section 20A of Schedule 7A of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Disclosures regarding greenhouse gas emissions and energy consumption are included in the consolidated financial statements of the Company's ultimate parent undertaking, B&CE Holdings Limited.

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. Cash flow forecasts are prepared quarterly 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.

Disclosure of information to the auditor

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

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

The Directors' Report was approved by the Board of Directors on 18 July 2022 and signed on its behalf by:

Patrick Heath- Lay
Director
18 July 2022



Company number: 02207140

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of B&CE Financial Services Limited ("the company") for the year ended 31 March 2022 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no judgement or estimation uncertainty related to revenue.

We did not identify additional fraud risks.

We also performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorised personnel, seldom used accounts and those posted with unusual account combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's and legal correspondence and have discussed the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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



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

18 July 2022

Statement of comprehensive income for the year ended 31 March 2022

| | Note | 2022 £000 | 2021 £000 |
|---|------|----------------------|----------------------|
| Revenue | 3 | 73,653 | 58,733 |
| Operating expenses | | (61,690) | (49,772) |
| Other income | | <u>167</u> | <u>434</u> |
| Profit before interest and taxation | 5 | 12,130 | 9,395 |
| Finance income | | <u>7</u> | <u>20</u> |
| Profit before taxation | | 12,137 | 9,415 |
| Tax (charge) / credit on profit | 6 | <u>(1,452)</u> | <u>3,291</u> |
| Profit and comprehensive income for the financial year | | 10,685 | 12,706 |
| Total comprehensive income for the year | | <u>10,685</u> | <u>12,706</u> |

The notes and information on pages 18 to 24 form part of these financial statements.

Statement of financial position as at 31 March 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|----------------|----------------|
| Non-current assets | | | |
| Deferred tax asset | 9 | 2,243 | 2,316 |
| | | <u>2,243</u> | <u>2,316</u> |
| Current assets | | | |
| Trade and other receivables | 7 | 6,512 | 5,977 |
| Deferred tax asset | 9 | 264 | 884 |
| Cash and cash equivalents | | 44,564 | 34,538 |
| | | <u>51,340</u> | <u>41,399</u> |
| Current liabilities | | | |
| Trade and other payables | 8 | (9,076) | (9,893) |
| | | <u>(9,076)</u> | <u>(9,893)</u> |
| Net current assets | | <u>42,264</u> | <u>31,506</u> |
| Total assets less current liabilities | | <u>44,507</u> | <u>33,822</u> |
| Net assets | | <u>44,507</u> | <u>33,822</u> |
| Equity | | | |
| Ordinary shares | 10 | 36,079 | 36,079 |
| Share premium account | | 28,971 | 28,971 |
| Profit and loss account | | (20,543) | (31,228) |
| Total equity | | <u>44,507</u> | <u>33,822</u> |

The notes and information on pages 18 to 24 form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 July 2022 and were signed on its behalf by:



Director

18 July 2022

Company number: 02207140

Statement of changes in equity for the year ended 31 March 2022

| | Ordinary shares £000 | Share premium account £000 | Profit and loss account £000 | Total equity £000 |
|---|----------------------------|----------------------------------|------------------------------------|-------------------------|
| Balance as at 31 March 2020 | 36,079 | 28,971 | (43,934) | 21,116 |
| Profit and Comprehensive income for the financial year | - | - | 12,706 | 12,706 |
| Balance as at 31 March 2021 | 36,079 | 28,971 | (31,228) | 33,822 |
| Profit and Comprehensive income for the financial year | - | - | 10,685 | 10,685 |
| Balance as at 31 March 2022 | 36,079 | 28,971 | (20,543) | 44,507 |

The notes and information on pages 18 to 24 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2022

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 20.

Going concern

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

The scenarios tested showed that the Company will be able to operate at adequate levels of liquidity for at least the next 12 months. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 from the requirement to:

- (i) prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102
- (ii) present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102
- (iii) present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102
- (iv) 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 2022 (continued)

2. Summary of significant accounting policies (continued)

Revenue

Revenue represents administration, registrar and referral fees, and employer charges measured at fair value of the services provided, net of VAT (if applicable), and accounted for on an accrual basis when the right to consideration has been earned. Revenue is recognised to the extent that services have been provided in the year.

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's probable that they'll be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements for the year ended 31 March 2022 (continued)

2. Summary of significant accounting policies (continued)

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.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Estimates:

- *Deferred tax assets*

Deferred tax assets are assessed based on the current trading performance and expected future taxable profits of the Company. Management have previously decided to only recognise a deferred tax asset where profits are reasonably expected in the following reporting period. The Company now reasonably expects to be profitable in future years so has recognised a deferred tax asset for tax losses that are likely to be used in the next 3 financial years. Sensitivities have been used to assess the impact of changes in the key assumptions supporting profit forecasts, and further specific downside scenarios have been modelled in the current year to capture the heightened estimation uncertainty in the established profit forecast due to the current economic environment.

Judgements:

There are no critical accounting judgements.

Notes to the financial statements for the year ended 31 March 2022 (continued)

3. Revenue

| | 2022 £000 | 2021 £000 |
|--|---------------|---------------|
| Administration fees for The People's Pension | 65,655 | 51,787 |
| Administration fees for the Benefits Scheme | 3,150 | 3,347 |
| Registrar fees for the Contracted-out pension scheme | 1,422 | 1,416 |
| Employer charge for The People's Pension | 2,299 | 907 |
| Administration fees for the Employee Life Cover Scheme | 710 | 741 |
| Administration fees for insurance products | 412 | 513 |
| Referral fees | 5 | 22 |
| | <u>73,653</u> | <u>58,733</u> |

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

4. Employee information and Directors' remuneration

The Company had no employees during the year (2021: 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 was:

| | 2022 £000 | 2021 £000 |
|------------------------|--------------|--------------|
| Aggregate remuneration | <u>798</u> | <u>456</u> |

The aggregate remuneration for the highest paid Director was:

| | | |
|-----------------------------|-----------|-----------|
| Aggregate remuneration | 347 | 228 |
| Accrued pension at year end | <u>61</u> | <u>61</u> |

The figures above comprise an apportionment of Non-Executive and Executive Directors' remuneration in respect of their services to the Company during the year, all of which is paid by the Ultimate Parent Company. Prior year remuneration included an agreed 6 months 20% reduction as a mitigation against COVID-19 on the Group.

5. Expenses and auditor's remuneration

Included in Statement of comprehensive income are the following:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Services provided by the Company's auditor; | | |
| Audit of the Company's financial statements | 59 | 58 |
| Audit-related assurance services* | <u>20</u> | <u>19</u> |

* Audit related assurance services are for the CASS limited assurance opinion.

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 £54.8m (2021: £41.2m), reflecting an increase in Group costs with the continued investment in growth.

Notes to the financial statements for the year ended 31 March 2022 (continued)

6. Tax on profit

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Current tax | 762 | 423 |
| Adjustment in respect of previous years | (3) | (514) |
| Total current tax charge / (credit) | 759 | (91) |
| Deferred tax | | |
| Deferred tax charge / (credit) | 1,232 | (3,200) |
| Effect of changes in tax rate | (539) | - |
| | 693 | (3,200) |
| Total current tax charge / (credit) | 1,452 | (3,291) |

The tax assessed for the year is lower (2021: lower) than the standard effective rate of corporation tax in the United Kingdom of 19% (2021: 19%). The differences are explained below:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Profit before taxation | 12,137 | 9,415 |
| Profit multiplied by standard rate of corporation tax in the United Kingdom 19% (2021: 19%) | 2,306 | 1,789 |
| Effect of: | | |
| Disallowable expenses for tax | - | 67 |
| Group relief | - | (30) |
| Recognised tax losses | (1,544) | (1,403) |
| Adjustment in respect of previous years | (3) | (514) |
| Tax rate change | (539) | - |
| Deferred tax credit recognised during the year | - | (3,200) |
| Change in deferred tax asset assumptions | 1,232 | - |
| Total current tax charge / (credit) | 1,452 | (3,291) |

The Company has claimed gross tax losses of £0.9m from other Group companies during the year for which a tax charge is recognised at 19% of the gross loss surrendered (2021: surrendered gross tax losses of £0.2m to other Group companies). The Company has reimbursed other Group entities for these losses during the year (2021: received consideration). The Company has tax losses of £19.1m (2021: £26.4m) of which £8.7m (2021: £9.5m) have not been recognised for deferred tax purposes given the uncertainty of future taxable profits against which these losses can be utilised.

A deferred tax asset of £2.5m has been recognised in respect of the losses carried forward (2021: £3.2m). The asset has been recognised and is calculated using rates at 19% and 25% (see below).

Factors affecting future tax changes

The main rate of corporation tax for the year ended 31 March 2022 is 19%. On 3 March 2021, the UK Budget 2021 included an announcement to increase the UK's main corporation tax rate to 25% from 1 April 2023, which was enacted on 10 June 2021. As this was enacted prior to the balance sheet date, deferred tax balances as at 31 March 2022 have been revalued to take into account the 25% rate where appropriate.

Notes to the financial statements for the year ended 31 March 2022 (continued)

7. Trade and other receivables

| | 2022 £000 | 2021 £000 |
|------------------------------------|--------------|--------------|
| Trade receivables | 6,248 | 4,838 |
| Amounts owed by Group undertakings | 8 | 562 |
| Other receivables | 77 | 530 |
| Prepayments and accrued income | 179 | 47 |
| | <u>6,512</u> | <u>5,977</u> |

There is an increase in trade receivables as administration fee revenue has increased significantly during the period to £65.7m from £51.8m and the balance of £6.2m reflects a strong March 2022 performance. The decrease in amounts owed by Group undertakings was due to the settlement of B&CE Insurance Limited trade receivables during the period. Other receivables has decreased due to settlement from The People's Pension for employer balances.

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

8. Trade and other payables

| | 2022 £000 | 2021 £000 |
|------------------------------------|--------------|--------------|
| Trade payables | - | 8 |
| Corporation tax | 315 | 453 |
| Amounts owed to Group undertakings | 7,185 | 6,569 |
| Other payables | 1,412 | 1,836 |
| Accruals and deferred income | 164 | 1,027 |
| | <u>9,076</u> | <u>9,893</u> |

The increase in amounts due to Group undertakings is driven by increased Group costs recharged to the Company. There has been a higher level of expenditure as the Group has invested for growth. Amounts owed to Group undertakings are unsecured, interest free and payable on demand. Accruals and deferred income reduction is driven by a release of £1.0m of deferred income in the period.

9. Deferred tax asset

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| As at 1 April | 3,200 | - |
| Credited to statement of comprehensive income | - | 3,200 |
| Charged to income statement | (693) | - |
| As at 31 March | <u>2,507</u> | <u>3,200</u> |
| Included on the Statement of financial position as: | | |
| Non-current assets | 2,243 | 2,316 |
| Current assets | 264 | 884 |
| | <u>2,507</u> | <u>3,200</u> |

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

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of illustrative downward movements in key assumptions on the value of the UK deferred tax asset is summarised on page 24.

Notes to the financial statements for the year ended 31 March 2022 (continued)

9. Deferred tax asset (continued)

The relationship between the deferred tax asset and the sensitivities below is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the table below will be indicative only.

| Illustrative impact on deferred tax asset: | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| 5% decrease in revenue | (2,507) | (2,094) |
| 5% increase in operating costs | (2,507) | (1,690) |
| 1% reduction in market growth of AUM | (858) | (151) |

Where the illustrative impacts are greater than the value of the deferred tax asset on the balance sheet, these have been capped to the value of the deferred tax asset.

10. Ordinary shares

| | 2022 £000 | 2021 £000 |
|---|---------------|---------------|
| Allotted and fully paid | | |
| 36,079,000 (2021: 36,079,000) ordinary shares £1 each | <u>36,079</u> | <u>36,079</u> |

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

11. 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.

12. 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 2022. The consolidated financial statements of B&CE Holdings Limited are available from the Company secretary at the registered office shown on page 1.

13. Guarantees

Since February 2019, the Company has been party to a guarantee jointly provided by the Parent Company and B&CE Insurance Limited to The People's Pension, an authorised master trust, in respect of the Company's role as administrator. The Company has provided The People's Pension Trustee Limited, as trustee of The People's Pension Scheme, with an £11m floating charge which is registered at Companies House. Throughout the current year and prior year, the terms of this guarantee and floating charge were met.

14. Subsequent events

As at 30 May 2022, B&CE Financial Services Limited terminated the 2019 Financial Support Undertaking deed (FSU). This had the effect of terminating all existing covenants, liabilities, and obligations under the 2019 FSU. Subsequent to the termination, the Company entered into a new FSU with The People's Pension and this imposed an obligation on B&CE Financial Services Limited to ring-fence and hold cash reserves amounting to £24m.