B&CE Financial Services Limited

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

Company number: 02207140

Contents

Company information

Directors	**Non-executive Independent Chair:** C Ramamurthy	
	Non-executive Directors: J Allott P Billingham J Cullen J Hough J Islam J McKinnon S Terrell	
	Executive Directors: P Heath-Lay S Hunter	 (appointed 24 November 2020)
Company secretary	J Dunlop	
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 2021

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

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 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 and number of members. The Company expects the Scheme to continue growing and delivering a rising income stream to the Company over the long term.

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

Key performance indicators

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

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

As mentioned above, the Company administers The People's Pension Scheme and other financial products (schemes) on behalf of the Group and in relation to that we place the utmost emphasis on ensuring those 6.5 million (2020: 6.2m) members have the best possible experience as they save for retirement. The majority of our KPIs met or bettered their targets in the financial year: our customer satisfaction rate was, at 82%, well ahead of the prior year 72%. The number of logins to the My Products section of The People's Pension website has increased 13.9% in the last year, and we have increased the services available. Complaints were at 60% (2020: 75%) of the expected level of less-than-2 per 1,000 transactions (2020: expected less than 2 per 1,000 transactions).

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

2. Operational efficiency / investment.

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

3. Value creation.

The Company creates value for members through the creation of surpluses that can be reinvested. The surplus for the year was £12.7m (2020: loss of £17.3m) and assets under management by The People's Pension at year-end of £13.7bn (2020: £8.3bn) has grown by 65%, of which £2.5bn came from investment gains which represents a 30% increase on opening assets under management.

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 2021 (continued)

Key developments

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

The financial year was dominated by the COVID-19 pandemic, with the UK going into the first lockdown just a week before the financial year commenced and coming out of the third lockdown towards year end. The B&CE Group's initial response to the impact of the pandemic featured the prioritisation of key financial transactions, member communications and support for vulnerable members.

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

This new, more flexible infrastructure is likely to form the core of the Company's future service delivery to members.

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

Results

The results and financial position for the financial year are set out on pages 14 to 15. The profit before tax for the financial year was £9.4m (2020: £17.1m loss) and net assets as at 31 March 2021 were £33.8m (2020: £21.1m).

Revenue has increased by 51% to £58.7m (2020: £38.9m). This is driven by a £20.2m increase in administration fees in relation to The People's Pension: the element of these fees that is calculated as a proportion of the funds under management has increased by £8.2m to £39.8m (net of £6.6m of management charge rebates) (2020: £31.6m (net of nil rebates)), coupled with the new annual charge of £2.50 per member introduced during the year which accounted for an additional £12.0m (2020: nil). Throughout 2020/21 the average monthly contributions into The People's Pension exceeded £250m. As mentioned The People's Pension introduced an 'Annual Charge' of £2.50 per member as part of its annual management charge. This amendment to the charging structure has created some certainty to a portion of the Company's revenue while making the charging structure fairer for members of the Scheme, as it reduces the level of cross-subsidisation and allows members to pay a charge more closely aligned with the costs associated with managing their savings.

Most other revenue streams of the Company decreased slightly as membership and funds of those other products fell. Further information can be found within the Notes to the financial statements.

Operating costs, being distribution costs and administrative expenses, have increased by 6.4% to £49.7m (2020: £46.8m). Over the last two years the Company has worked hard to control its cost base with operating costs as a percentage of revenue declining as we continue to improve processes and move customers towards a digital journey, whist continuing to deliver high quality services for a growing membership.

The Company had a tax credit of £3.3m (2020: charge of £0.2m) driven by the recognition of a deferred tax asset of £3.2m in respect of carried forward tax losses expected to be utilised over the next three years.

Throughout the year the Company more than covered its FCA capital requirement of £25k (2020: £25k).

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

Future developments

The most important, unknown factor in the year ahead is the nature of the UK's economy. It is clear that Government support measures have helped employers survive during the period of the Company's financial year. When these measures are withdrawn the picture of the UK's economic strength will become clearer.

The Company is well placed for the future for a number of reasons. First, it has a broad membership that is well diversified by geography, scale and industry – including many sectors that maintained their strength during the pandemic, such as in healthcare.

Second, while some businesses may fail during the coming year, it's likely an economic recovery will feature the start up of many new small businesses, which will be required to auto enrol their workforce. The Scheme's size, reputation and competitive advantages - plus its new fee structure - position it well.

Risk management

Our approach to risk management

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

The Group operates the 3 lines of defence risk governance model, managing risk at business function level, through a risk oversight function and with independent assurance from our internal audit function.

Principal risks and uncertainties

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

We focus on 3 risk categories:

- **Operational**. There are 5 main areas of operational risk:
    - the impairment or impediment of IT systems and infrastructure that can efficiently process the required transactions to the required degree of accuracy (a risk we manage by having controls in place to ensure the integrity and efficiency of systems - coupled with a comprehensive disaster recovery plan);
    - cyber-attacks (which we manage through investment in IT security, IT systems and IT governance);
    - a material failure in business processes (which we manage through regularly reviewed core control processes);
    - an inability to recruit and / or retain motivated and talented staff members (managed through robust policies on issues such as diversity, equal opportunities, the provision of learning and development opportunities and regular reviews and monitoring); and
    - regulatory or legislative changes that could adversely affect the Group's or the Company's business (we operate in a highly regulated environment and work hard to ensure the organisation's voice, and therefore that of our members, is represented - and that we obtain fair warning of any changes that might necessitate alterations to systems or processes).

- **Financial**. The principal financial risks are market risk, credit risk and liquidity risk. At a Group level we review these risks on an ongoing basis and hold capital against them. We also stress test our resilience to financial risk. These are explained in the Directors' report.

- **Strategic**. This is the risk that the Company could fail to communicate or implement its strategies effectively. The Group has a clear focus in place to deliver our growth, financial stability and customer satisfaction vision – which is regularly reviewed by the Executive Committee and Board.

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

Risk management (continued)

Principal risks and uncertainties (continued)

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

Risk governance

Enterprise risk management framework

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

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

Risk and control framework

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

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

Three lines of defence

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

Section 172(1) statement

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

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

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

Strategic report for the year ended 31 March 2021 (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 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'.

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 26 July 2021 and signed on its behalf by:

Patrick Heath- Lay
Director
26 July 2021

Directors' report for the year ended 31 March 2021

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

Directors

The Directors who held office during the year and up to the date of signing this report are shown on page 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 (2020: nil). The Directors do not recommend the payment of a final dividend (2020: nil).

Regulator

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

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: 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 polices note on page 17 for further information.

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.

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

Financial risk management (continued)

- Liquidity risk

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

- 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

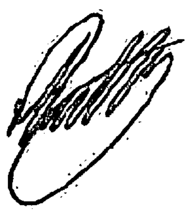
An indication of likely future developments in the business of the Company is given in the Strategic report.

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 26 July 2021 and signed on its behalf by:



Patrick Heath-Lay
Director
26 July 2021

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 2021 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 2021 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, those posted with unusual dates or descriptions and those posted with unusual account combinations.

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

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

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

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

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

Firstly, the 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.

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

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

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 or the loss of the Company's license to operate. We identified regulatory capital and liquidity as those most likely to have such an effect recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

Auditor's responsibilities

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

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

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

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

William Greenfield

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

26 July 2021

Statement of comprehensive income for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Revenue	3	**58,733**	38,893
Distribution costs		**(9,362)**	(7,176)
Administrative expenses		**(40,410)**	(39,605)
Impairment of intangible asset		**-**	(9,919)
Other income		**434**	602
Profit / (loss) before interest and taxation	5	**9,395**	(17,205)
Finance income		**20**	114
Profit / (loss) before taxation		**9,415**	(17,091)
Tax credit / (charge) on profit / (loss)	6	**3,291**	(221)
Profit / (loss) for the financial year		**12,706**	(17,312)
Other comprehensive income			
Revaluation of financial instruments		**-**	62
Total tax on components of other comprehensive expense		**-**	-
Other comprehensive income for the year, net of tax		**-**	62
Total comprehensive income / (expense) for the year		**12,706**	(17,250)

The notes and information on pages 17 to 23 form part of these financial statements.

Statement of financial position as at 31 March 2021

	Note	2021 £000	2020 £000
Non-current assets			
Deferred tax asset	9	**2,316**	-
		2,316	
Current assets			
Trade and other receivables	7	**5,977**	14,048
Deferred tax asset	9	**884**	-
Cash and cash equivalents		**34,538**	18,304
		41,399	32,352
Current liabilities			
Trade and other payables	8	**(9,893)**	(10,042)
Provision for contract termination costs	10	**-**	(1,194)
		(9,893)	(11,236)
Net current assets		**31,506**	21,116
Total assets less current liabilities		**33,822**	21,116
Net assets		**33,822**	21,116
Equity			
Ordinary shares	11	**36,079**	36,079
Share premium account		**28,971**	28,971
Profit and loss account		**(31,228)**	(43,934)
Total equity		**33,822**	21,116

The notes and information on pages 17 to 23 form part of these financial statements.

The financial statements were approved by the Board of Directors on 26 July 2021 and were signed on its behalf by:

Patrick Heath- Lay
Director

26 July 2021

Company number: 02207140

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

	Ordinary shares £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 31 March 2019	36,079	28,971	(26,684)	38,366
Loss for the year	-	-	(17,312)	(17,312)
Other comprehensive income for the year	-	-	62	62
Total comprehensive income for the year	-	-	(17,250)	(17,250)
Balance as at 31 March 2020	**36,079**	**28,971**	**(43,934)**	**21,116**
Profit for the year	-	-	12,706	12,706
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	12,706	12,706
Balance as at 31 March 2021	**36,079**	**28,971**	**(31,228)**	**33,822**

The notes and information on pages 17 to 23 form part of these financial statements.

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

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 19.

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 forecasts have been updated to reflect the uncertainty caused by COVID-19, including the potential impacts of the lockdown restrictions and impact on the wider economy for the Company's business. 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.

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

2. Summary of significant accounting policies (continued)

Exemption for qualifying entities under FRS 102 (continued)

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

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

Revenue

Revenue represents administration, registrar and referral fees, and employer 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. Any revenue receivable in advance of the full service being rendered, such as employer charges where employers are yet to use The People's Pension, is recognised in the Statement of financial position as deferred income.

Net operating expenses

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

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

Tax

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

Current or deferred tax assets and liabilities are not discounted.

- *Current tax*

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

- *Deferred tax*

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

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

Notes to the financial statements for the year ended 31 March 2021 (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 three financial years. Sensitivities have been used to assess the impact of changes in the key assumptions supporting profit forecasts, and further specific downside scenarios have been modelled in the current year to capture the heightened estimation uncertainty in the established profit forecast due to the current economic environment.

- *Deferred income*

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

Judgements:

There are no critical accounting judgements.

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

3. Revenue

	2021 £000	2020 £000
Administration fees for The People's Pension	**51,787**	31,572
Administration fees for the Benefits Scheme	**3,347**	3,115
Registrar fees for the Contracted-out pension scheme	**1,416**	1,573
Employer charge for The People's Pension	**907**	1,280
Administration fees for the Employee Life Cover Scheme	**741**	787
Administration fees for insurance products	**513**	517
Referral fees	**22**	30
Administration fees for EasyBuild	**-**	19
	58,733	38,893

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 (2020: 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:

	2021 £000	2020 £000
Aggregate remuneration	**456**	619

The aggregate remuneration for the highest paid Director was:

	2021 £000	2020 £000
Aggregate remuneration	**228**	212
Accrued pension at year end	**61**	46

The figures above comprise an apportionment of Non-Executive and Executive Directors' remuneration in respect of their services to the Company during the year, all of which is paid by the Ultimate Parent Company.

The decrease in aggregate remuneration is partially due to a change in how remuneration is allocated between different appointments and committees but also because all Directors agreed to a 20% reduction in remuneration for 6 months as a mitigation against the impact of COVID-19 on the Group.

5. Expenses and auditor's remuneration

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

	2021 £000	2020 £000
Services provided by the Company's auditor;		
Audit of the Company's financial statements	**48**	41
Audit-related assurance services*	**16**	16

* Audit related assurance services are for the CASS audit.

The Ultimate Parent Company pays most of the overheads of the Group and recharges a proportion of those costs to its subsidiaries. The total recharge for the Company for the year amounted to £41.2m (2020: £35.2m).

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

6. Tax on profit / (loss)

	2021 £000	2020 £000
Current tax	**423**	-
Adjustment in respect of previous years	**(514)**	221
Total current tax (credit) / charge	**(91)**	221
Deferred tax credit	**(3,200)**	-
Total current tax (credit) / charge	**(3,291)**	221

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

	2021 £000	2020 £000
Profit / (loss) before taxation	**9,415**	(17,091)
Profit / (loss) multiplied by standard rate of corporation tax in the United Kingdom 19% (2020: 19 %)	**1,789**	(3,247)
Effect of:		
Disallowable expenses for tax	**67**	-
Group relief	**(30)**	-
(Recognised) / unrecognised tax losses	**(1,403)**	3,247
Adjustment in respect of previous years	**(514)**	221
Deferred tax credit recognised during the year	**(3,200)**	-
Total current tax charge / (credit)	**(3,291)**	221

The Company has surrendered tax losses of £0.2m to other Group companies during the year (2020: nil). The Company had unutilised tax losses of £26.8m (2020: £34.4m restated) available for offset against future trading profits.

A deferred tax asset of £3.2m has been recognised in respect of the losses carried forward (2020: nil). The asset has been recognised and is calculated using a rate of 19%.

Factors affecting future tax changes

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

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

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

7. Trade and other receivables

	2021 £000	2020 £000
Trade receivables	**4,838**	9,934
Amounts owed by Group undertakings	**562**	-
Other receivables	**530**	3,979
Prepayments and accrued income	**47**	135
	5,977	14,048

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

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

8. Trade and other payables

	2021 £000	2020 £000
Trade payables	**8**	-
Corporation tax	**453**	-
Amounts owed to Group undertakings	**6,569**	8,171
Other payables	**1,836**	358
Accruals and deferred income	**1,027**	1,513
	9,893	10,042

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

9. Deferred tax asset

	2021 £000	2020 £000
As at 1 April	**-**	-
Credited to Consolidated statement of comprehensive income	**3,200**	-
As at 31 March	**3,200**	-
Included on the Statement of financial position as:		
Non-current assets	**2,316**	-
Current assets	**884**	-
	3,200	-

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

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

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

9. Deferred tax asset (continued)

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

10. Provision for contract termination costs

	2021 £000	2020 £000
As at 1 April	1,194	-
Provisions made during the year	-	1,194
Provisions utilised during the year	(999)	-
Provisions released during the year	(195)	-
As at 31 March	-	1,194

The prior year provision was in relation to contract termination discussions with a key supplier following the impairment of capitalised development costs in 2020. These discussions were concluded in the current year and the provision materially utilised.

11. Ordinary shares

	2021 £000	2020 £000
Allotted and fully paid		
36,079,000 (2019: 36,079,000) ordinary shares £1 each	36,079	36,079

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

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, 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 2021. The consolidated financial statements of B&CE Holdings Limited are available from the Company secretary at the registered office shown on page 1.

14. 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 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.