

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**BT PENSION SCHEME MANAGEMENT LIMITED**

**FOR THE YEAR ENDED 30 JUNE 2021**



**Registered No. 05154287**

**BT PENSION SCHEME MANAGEMENT LIMITED**

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2021**

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## BT PENSION SCHEME MANAGEMENT LIMITED

### BTPSM'S ORGANISATIONAL PURPOSE & VALUES AND CORPORATE OBJECTIVES

BT Pension Scheme Management Limited's ("BTPSM") purpose as an organisation is "Working together for a better future." This purpose captures that BTPSM exists to work on behalf of our stakeholders – whether that is the Trustee, our sponsor, our colleagues, the Scheme's members, their dependents or wider society. More information on how we serve our stakeholders can be found in the Section 172 statement on page 15.

To support this purpose, over the past year, BTPSM has developed new organisational values. These values - responsible, impactful, supportive and expert - are essential in ensuring BTPSM is committing to core ethics and principles; inspiring colleagues' best efforts; setting appropriate workplace behaviour; and building a culture we are proud of.

**Responsible:** We take individual responsibility for making things happen. We take ownership of the decisions we make. We never walk past a problem. We are both open and brave - supporting and challenging each other to resolve issues.

**Impactful:** We are driven to do all that we can to create a better future for our members. We recognise that the way we invest can benefit wider society. We constantly strive to make a difference.

**Supportive:** We work together across teams to deliver the best outcomes for members and wider society. We support each other when taking difficult decisions and are always respectful, thoughtful and helpful.

**Expert:** We set very high standards, constantly looking at how we can be better and bolder – whether serving members, improving how we work or invest. We are constantly innovating – challenging ourselves to find new ideas. We use our commercial acumen to deliver value for members and wider society.

As an organisation BTPSM has six corporate objectives, six central goals that we aim to achieve in the coming years.

They reflect our ambition for the quality of the services we provide, as well as what we as an organisation need to do in order to meet our ambition.

- 1) **Sustainable Scheme funding (BTPS).** Reaching our funding objectives for the BT Pension Scheme ("BTPS" or "the Scheme") and ensuring that funding levels remain stable over time
- 2) **Funding & Investment value for money.** Achieving strong investment outcomes in the most efficient and economical way we can.
- 3) **Top-quartile member service.** Making sure members get the best experience with us – we want to be in the top quartile on quality versus our peers.
- 4) **Cost effective Member Services.** Delivering on our quality objective whilst maintaining value for money, with costs below average on a per member basis.
- 5) **Excellence resilience & responsibility.** Providing excellence by default in all the services we provide and doing so in a responsible manner.
- 6) **Strong and future proof BTPSM.** Making sure BTPSM as a company stands ready to tackle whatever challenges may arise for the BTPS in the years to come.

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **CHIEF EXECUTIVE OFFICER'S REVIEW**

The past twelve months have been dominated by the ongoing effects of the pandemic on our lives, families, communities and the economy. Despite these challenging circumstances, when I look back at all we've achieved, I feel immensely proud. Not least because we had to undertake all this work remotely due to the ongoing coronavirus pandemic.

During the year we went live with two of our key business transformation projects; the introduction of a new administration system and online services for members and the implementation of a next generation technology platform for our funding and fiduciary services teams.

We worked with the Trustee Board and BT to agree the triennial valuation and set an ambitious net zero goal. We did all of this whilst maintaining our business as usual activities, continuing to deliver against our corporate objectives.

#### **Business transformation**

Over the past two years, BTPSM has been undertaking a bold programme of transformational change to deliver real improvements to the service we provide to the Scheme and its members.

Since bringing the administration of member services in-house we have seen a sustained improvement in service quality. We are now in the top quartile for service compared to pension peers as assessed via the external benchmarking organisation CEM. We also expect to see significant cost reductions coming through as a result of better workflows, more straight through processing and a better self-service platform.

On the funding and fiduciary side of our business, the new technology platform has helped us streamline our operating model, reducing costs. Operational resilience has improved via better processes and access to better analytical tools and data.

We have also continued to strengthen our internal functions with new hires across many areas such as risk, HR, business change, supplier management. We have strengthened and deepened our approach to external relations to ensure we're using our influence effectively on the issues that matter most to us.

We believe our operating model is best practice from an industry perspective and are now looking to how we can learn from other industries to further improve our processes.

The investments that we have made in technology put us on a very strong footing for the future and, we believe, are market-leading.

#### **Funding and fiduciary services**

The new platform for our funding and fiduciary services brings together the data, tools and systems, that BTPSM is using across a number of teams and functions, under a unified platform that can be accessed online and providing high-quality outputs with low operational risk.

The new platform is a combination of modern high-performance computing supplied by high quality data from our internal systems and major vendors and analytics providers.

#### **Member services**

In December 2019, BTPSM acquired a majority stake in Procentia, a market-leading pensions software company. This year we completed the implementation of Procentia's IntelliPen system for the Scheme's member administration services.

As part of this, we've introduced a new member portal and Scheme website available at [btps.co.uk](https://btps.co.uk) to provide members with more immediate access to a range of information about their pension, as well as helpful tools and calculators to help support important decisions and manage their pension online with ease. The new website, portal and new member communications all reflect an updated brand which is cleaner, more modern and designed to be optimised for digital use.

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **CHIEF EXECUTIVE OFFICER'S REVIEW *CONTINUED***

#### **Change of Chief Investment Officer and structure of the funding & fiduciary services team**

After more than 16 years with BTPSM, Frank Naylor our Chief Investment Officer (CIO) retired on 30 June 2021.

Frank is succeeded by Wyn Francis who joined BTPSM in 2008 as Head of Investment Risk and, in 2014, became Deputy Chief Investment Officer.

Wyn is uniquely placed to take the reins as CIO and has unparalleled knowledge of the Scheme.

With Wyn taking over as CIO, coupled with the introduction of the new investment platform we took the opportunity to conduct a thorough review of the structure of the funding & fiduciary services team to ensure that it is fit for the future.

The new structure we put in place is designed to bring more focus and clarity to functions, enable better strategy execution and improved knowledge sharing.

I want to take this opportunity to thank Frank for his significant contribution over his long career with BTPSM. He leaves a legacy he can be very proud of and I'm pleased that we are able to retain his counsel as a Board Advisor on a part-time basis.

#### **Looking ahead**

Over the coming twelve months we will begin to realise the benefits from our investment in technology, both in terms of our enhanced capabilities and in operational risk and cost reductions and expect this to accelerate as we further develop and refine these platforms.

Undertaking all of this in a sustainable and responsible way remains a priority as we move forward. As the primary investment advisor to BTPS, we are with the Trustee uniquely positioned to influence corporate behaviour through our investment holdings, and so have a responsibility to live up to these standards in the way we conduct our own business activities. We are committed to working together for a better future.

# BT PENSION SCHEME MANAGEMENT LIMITED

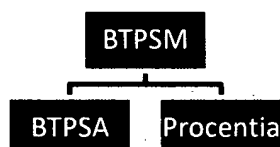
## STRATEGIC REPORT

### Business review and principal activities

**BT Pension Scheme Management Limited** (the “Company” or “BTPSM”) is the primary service provider (providing fiduciary management services, member services, operational and secretariat services) to BT Pension Scheme (“BTPS” or the “Scheme”). This is expected to continue for the next financial year. The Company is regulated by the Financial Conduct Authority. BT Pension Scheme Administration Limited (“BTPSA”) is a wholly-owned subsidiary of BTPSM. The principal activity of BTPSA is to provide pension administration services to BTPS.

BTPSM owns a majority stake in Procentia Limited (“Procentia”), a pensions applications service provider based in the UK (Bristol). Procentia’s wholly-owned US subsidiary, Procentia Inc., is based in Chicago, and provides services to the pensions and benefits industry in North American markets

### Group structure



Our core service lines are delivered across each of these group entities:

### Funding and Fiduciary Services

Funding and fiduciary services include direct market implementation, investment research and solutions, funding and covenant management, and corporate finance. These services are delivered and overseen by our specialist investment teams at BTPSM in London.

### Member Services

Member services includes our core pension administration business, communications, and our member contact centre. Procentia provide the pension administration IT platform that supports the administration service operated at BTPSA in Chesterfield, whilst the overall service is overseen by the Member Services Committee on behalf of the BTPSM Board.

### Trust Services

Trust services provided to BTPS comprise scheme specific tailored legal, funding, and investment advice, governance and secretariat support, supplier management, scheme strategic development support, stakeholder management, and PR. This support is delivered across Funding and Fiduciary Services, Member Services, and other business support functions at BTPSM.

### Procentia

Procentia Group (Procentia Limited and Procentia Inc) provide development, maintenance and support of software to the pensions and benefits industry. The group has offices in Bristol and Chicago and services clients across the globe. Procentia has an independent Board, which includes representatives from BTPSM.

# BT PENSION SCHEME MANAGEMENT LIMITED

## STRATEGIC REPORT *CONTINUED*

### Financial review

As shown in the consolidated statement of comprehensive income, BTPSM, BTPSA, Procentia and Procentia Inc. (together the "Group") recorded an operating profit for the year ended 30 June 2021 of £1,356,993 (2020: £1,891,630). The decrease in operating profit is a result of a full years' amortisation of goodwill in the current year, compared to 6 months' amortisation in 2020. The Company's balance sheet shows net assets of £46,189,071 at 30 June 2021 (2020: £43,791,381). The Group has net assets of £44,728,180 (2020: £44,369,591). No dividend has been proposed or paid during the year (2020: £nil).

BTPSM and BTPSA receive a fee for services from BTPS on a mark-up basis that has been determined at arm's length. For this reason, the Company's board of directors (the "Board") believes that further financial key performance indicators ("KPIs") related to costs, revenue and profit for these companies are not necessary or appropriate for an understanding of the development, performance, or position of the business.

Procentia has selected operating margin, revenue per employee and operating profit per employee as KPIs for monitoring performance. One of the Procentia board's objectives is to monitor performance over time and achieve optimal revenue growth and operational efficiency.

Procentia's KPIs comprise:

- operating margin, defined as operating profit as per the statement of comprehensive income (excluding dividends received, impairment charges, and exceptional items), as a percentage of revenue. Operating margin for the year was 4.2% (2020\*: 21.2%);
- revenue per employee, defined as revenue divided by average staff numbers for the period (staff numbers are pro-rated to annual equivalents where comparatives are not already on an annual basis). Revenue per employee for the year was £111.3k (2020\*: £96.6k); and
- operating profit per employee, defined as operating profit per the statement of comprehensive income (excluding dividends received, impairment charges, and exceptional items), divided by average staff numbers for the period (where staff numbers are pro-rated to annual equivalents where comparatives are not already on an annual basis). Operating margin per employee for the year was £4.7k (2020\*: £20.5k).

### Risk management

BTPSM manages risk in accordance with its risk management framework. This includes the identification and assessment of key risks; mitigation of risks through the control environment; and ongoing monitoring and reporting to the BTPSM Board and its Committees. The framework is supported by BTPSM's policies, procedures and governance structure.

The Board is ultimately responsible for the oversight of risk management for BTPSM and, as such, is responsible for setting and periodically reviewing the risk strategy in relation to its key areas of risk. It defines these as strategic, operational and financial risk. Further detail on our Risk Governance approach is included below.

Procentia's board of directors is responsible for the oversight of risk management for Procentia. BTPSM has appointed representatives on the Procentia board and monitors Procentia in relation to its risk monitoring and management through updates at Procentia's board meetings. Based on this information, the BTPSM Board understands the nature of risks Procentia is exposed to and is satisfied these are appropriately managed and monitored within by the Procentia Board.

### BTPSM Risk Governance Approach

BTPSM's approach to risk governance is underpinned by the BTPSM Board (the "Board") and its committees, as outlined on page 11. The Board sets the direction on how the Company approaches and addresses strategic, operational and financial risks at BTPSM. All Board committees are chaired by a member of the Executive Committee and have senior management representation. Each committee is responsible for the management of the risks and issues which fall within the scope of its terms of reference.

In addition to the Board and committees, BTPSM also has a dedicated Legal and Risk and Compliance function which reports to the Chief Legal Risk and Compliance Officer (CLRCO). The function has responsibility for monitoring and providing advice to the BTPSM business and Board, as well as the Scheme, on compliance with regulatory developments, and the internal controls environment. This is in relation to both the investment and pension administration services provided by BTPSM to the Scheme.

In addition, the Legal function is responsible for a legal and regulatory change reporting process which monitors and identifies relevant changes and potential lobbying and public engagement activities which have potential to impact BTPSM and the Scheme.

The internal audit function, under an outsourcing agreement with BDO UK LLP, conducts a rolling programme of independent control reviews and investigations.

Further detail on the risk management activities of the Board and its committees is included on page 11.

## BT PENSION SCHEME MANAGEMENT LIMITED

### STRATEGIC REPORT *CONTINUED*

BTPSM's general approach to risk management is to:

- Embed a strong and cohesive risk management culture across all operations to enable the effective management of risks.
- Enable decisions taken by BTPSM business and the Board to be informed by appropriate risk and reward considerations.
- Enable business units to identify the main risk areas that they are exposed to and document controls contained within its control environment.
- Ensure compliance with applicable laws, regulations and policies

BTPSM's policies, procedures and processes in relation to the Scheme assets are designed to ensure that:

- Assets are managed prudently and in accordance with the Scheme's wishes with respect to funding objectives, investment style and risk profile;
- Assets are adequately safeguarded;
- All due benefits accrue to the Scheme; and
- Appropriate regulations are adhered to and best practice is followed.

### Principal risks and uncertainties

The principal risks and uncertainties facing the Group are as follows:

- **Operational Infrastructure** – the risk of long-term system failure or failure to invest in appropriate infrastructure to enable BTPSM to deliver adequate service to the Scheme. BTPSM manages this risk through the design and selection process for technology platforms. This includes the utilisation of market standard systems and Business Continuity Plan (BCP) and Disaster Recovery (DR) support.
- **Technology Infrastructure** – the risk of information security (including cyber) or data protection breach within BTPSM or any of BTPSM's providers. BTPSM manages this risk through the application of market standard techniques and technology and provides ongoing training programmes to staff in order to raise risk awareness. BTPSM requires its third-party service providers to apply the same standards of control to data held on its behalf and to provide periodic reporting on the status of compliance.
- **People** – the risks of failure to comply with employment laws and regulation, mass departure of investment staff and insufficient resource to effectively operate the business. Given changes in the external environment over the year, BTPSM identifies the risk of the continued impact of Coronavirus on employee wellbeing, company culture and levels of collaboration and trust. It also recognises the risk of the failure to leverage ESG and the Equality, Diversity & Inclusion (ED&I) strategy does not keep pace with employee desire, external desire and/or regulatory expectation. BTPSM manages People risk through continuous management training, clearly defining its expected values and behaviours, regular management check-ins with employees and continuous listening through employee engagement surveys.
- **Firm-wide** – the risk of material failure or fraud event within the BTPSM Group or a BTPSM Group material supplier and a failure to identify and/or prevent fraud relating to members. BTPSM manages firm-wide risk through its internal fraud control environment including clear segregation of duties for activities with higher fraud risk. It manages supplier failure risk through its Supplier Management Framework. This details the selection and due diligence process as well as requirements for ongoing monitoring and review of supplier performance. Due to the potential financial impact of the coronavirus pandemic on suppliers, BTPSM is closely monitoring the operations and performance of key service providers to allow early identification of operational resilience issues.
- **Legal & Regulatory: Inappropriate nature of trading** – risk that the nature of trading and investments versus market economics or methods of trading could be inappropriate, be perceived as market abuse or attract negative media commentary. BTPSM manages this risk by following new investment and control protocols for significant and/or non-standard investments and setting and monitoring trading and investment limits.



## BT PENSION SCHEME MANAGEMENT LIMITED

### STRATEGIC REPORT *CONTINUED*

#### **BTPSM Board**

- Sets the appetite for taking risk against the Company's strategy, whilst day to day management of risk sits within the Board's committee framework
- Promotes an effective risk culture
- Oversees the Risk Management Framework through the Executive Committee
- Monitors efficiency and effectiveness of BTPSM's system of internal controls; the effectiveness of the systems for internal financial controls and financial reporting in relation to the Annual Report and Accounts; the effectiveness, performance and objectivity of the internal and external auditors; the completeness and integrity of the BTPSM financial statements
- Reviews and assesses the effectiveness of BTPSM's risk management framework, compliance arrangements, systems, processes, procedures and controls
- Escalates any relevant material issues to the BTPS Risk and Audit Committee

#### **BTPSM Executive Committee("ExCo")**

- Approves changes to the Risk Register on the Board's behalf
- Oversees the risk management arrangements through the Risk & Compliance Committee
- Monitors financial reporting and the performance of the internal auditors
- Reviews the operation of BTPSM's risk management framework, compliance arrangements, systems, processes, procedures and controls
- Escalates any relevant material issues to the Board

#### **R&CC**

- Oversees the firm's risk management arrangements, compliance monitoring, and advisory framework on behalf of the ExCo and the Board, making recommendations for action where required
- Monitors and oversees reporting on all risk and compliance activities within both BTPSM and BTPSA
- Advises the Board on the continued appropriateness of the firm's risk appetite statements, and on the identification, assessment, mitigation, and monitoring of current and emerging risks
- Supports the business in managing risk and achieving compliance with relevant regulatory requirements to ensure that the business is well placed to deliver against its corporate objectives
- Escalates to the Board or ExCo, as appropriate

#### **Customised Portfolio Committee**

- Oversees assets which require focus due to strategic, historic and reputational considerations, and/or any non-standard cost/ benefit features
- Escalates risk items to R&CC

#### **BTPSM Remuneration Committee**

- Oversees the remuneration arrangements at BTPSM to ensure alignment to the Company's purpose and values and clearly links to the successful delivery of the Company's long- term strategy
- Sets remuneration policy and awards to evoke the aims of the FCA's Remuneration Code
- Ensures the Company's approach to remuneration promotes sound and effective risk management, including setting to avoid conflicts of interest; and setting performance measures to appropriate adjustments for the risks taken to achieve that performance
- Escalates to the BTPS Remuneration & Nomination Committee or the Board

#### **Stewardship and corporate social responsibility**

##### **Supporting BT Pension Scheme's responsible investment activity**

We are committed to supporting the BTPS Trustee in integrating material environmental, social and governance (ESG) factors into its investment decisions, and our business operations. BTPSM's purpose as an organisation is 'working together for a better future'. The importance placed on doing the best for the BTPS members over the long term is inextricably linked to responsible investment and stewardship, and we support the Trustee of BTPS to achieve the Scheme's Responsible Investment ("RI") mission statement:

**"The Scheme's investments should be managed to create sustainable long-term value, supporting the generation of optimal investment returns to ensure the Scheme can pay all benefits in full."**

This mission reflects the Scheme's need for sustainable investment returns so that it can pay members' pensions, but also the importance for our members to have a healthy world into which they can retire. You can read more about stewardship activity at BTPS in the 2020/21 Responsible Investment & Stewardship Report: <https://www.btps.co.uk/ SustainableInvestment>

## BT PENSION SCHEME MANAGEMENT LIMITED

### STRATEGIC REPORT *CONTINUED*

#### **BTPSM's carbon emissions**

As well as working with the BTPS Trustee to measure emissions relating to the Scheme's investments, we also measure emissions from our offices, energy and transport. In 2021 BTPSM offset 77 tonnes of carbon dioxide. However, to help mitigate the impact of our footprint, we work with ClimateCare, a specialist environmental and social impact company to invest in climate and development projects to offset emissions and deliver positive social outcomes in developing communities. Further details on our carbon emissions for the current year are included within the directors' report in on page 18.

Since last year we have reviewed our energy provider contracts to assess when we can switch to contacts for 100% renewable energy. We are also planning to create a framework to record and manage our carbon footprint, we are exploring how to offer "green benefits" to BTPSM employees with HR, we have included net zero requirements into RFPs for new company suppliers and have offset this year's electricity and travel emissions.

#### **Employees**

The company takes colleague satisfaction and wellbeing very seriously as demonstrated by a how colleagues are supported and listened too. We have a range of items in place supporting this including:

- An excellent range of colleague benefits including an employee assistant programme, healthcare and generous pensions and insurance benefits.
- A programme of constantly refreshed wellbeing resources available to all colleagues.
- A regular colleague satisfaction survey enabling frequent leadership listening and corrective action
- A program of leadership development that reaches throughout the organisation
- An employee social group who further support educational and social activities for colleagues.

The Company has put in place a comprehensive framework of policies and practices to keep employees informed on matters relevant to them as employees. The Board is ultimately responsible for the oversight of policies and practices in respect of employees of BTPSM and BTPSA, while Procentia's board of directors retains responsibility in respect of Procentia employees. In setting remuneration for BTPSM and BTPSA staff, the Board is conscious of the spirit and aims of the FCA's Remuneration Code as well as the retention and motivation of colleagues. The Board, therefore, aims to set remuneration policy and the awards under that policy within the following structures:

- the policy and awards are consistent with and promote sound and effective risk management;
- the policy and awards are consistent with the Group's strategy, objectives, values and the long-term interests of our beneficiaries;
- the policy and awards are set to avoid conflicts of interest;
- performance measures for awards are subject to appropriate adjustments for the risks taken to achieve that performance;
- performance is assessed over a multi-year period and portions of pay awards are deferred and track the returns of the BT Pension Scheme; and
- no guaranteed variable remuneration is available.

#### **Stewardship Code**

The Group is fully committed to complying with the requirements of the Financial Reporting Council's (FRC) Stewardship Code and further details can be found on its website <https://www.btpensions.net/information/investment/responsible-investment>.

As an FCA-regulated entity, BTPSM provides certain defined services, including overseeing the Scheme's stewardship activities.

#### **Modern Slavery Act**

The Group is fully committed to complying with the requirements of the Modern Slavery Act and a statement is available on the website.

Approved by the Board and signed on behalf of the Board.



M Nilsson  
Director  
24 September 2021

## BT PENSION SCHEME MANAGEMENT LIMITED

### Governance

BTPSM's ultimate parent company is the BT Pension Scheme. BTPSM is regulated and authorised by the Financial Conduct Authority (FCA). BTPSM's corporate governance framework supports the Board through oversight of the Company's purpose of working for a better future, which is integral to the business. The framework demonstrates the Board's commitment to high standards of governance.

#### BTPSM Board

The Board is collectively responsible for promoting the long-term sustainable success of the Company within a framework of prudent and effective controls which enables risk to be effectively assessed and managed. To support the Board in its oversight and leadership, the Board has established a committee framework with particular responsibilities, and these are outlined in the following section.

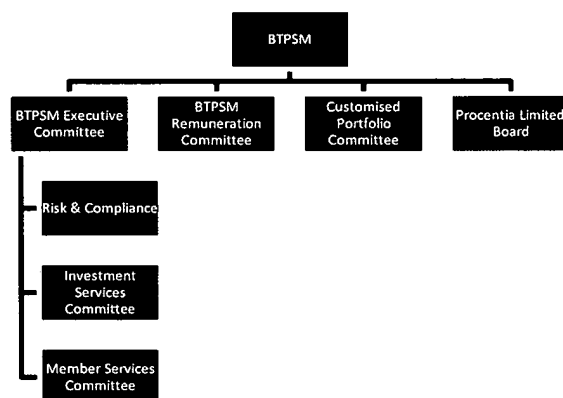
The Board directors are authorised by the FCA. The operational responsibilities and liabilities borne by BTPSM directors and senior management are distinct from Trustee's fiduciary responsibilities. Accordingly, the Board consists entirely of Executive Directors. The Board is responsible for reporting and providing assurance to the Trustee that the business is well managed and aligned to the Trustee's objectives.

#### BTPSM Governance structure

The BTPSM governance structure and main activities is set out below

#### BTPSM Limited Board

The Board is responsible for the overall strategy, oversight of financial and operational performance, key risks, and regulatory compliance. The Board reserves certain matters to itself but delegates others to the Executive Committee



#### BTPSM Executive Committee ("ExCo")

##### Key responsibilities

The management of the Company is delegated to the Executive Management team, who discharge this responsibility via the ExCo. It functions as the day to day executive decision-making body for all entities within BTPSM, with the exception of Procentia. Each member of the ExCo has individual responsibility for business areas within BTPSM, and the members are the BTPSM Board plus the Chief People Officer (Julia Friend) and the Chief Technology Officer (Kevin Samborn). In order to support the ExCo in managing the business, ExCo have delegated oversight of certain business activities to the following committees:

- **Risk & Compliance Committee ("R&CC")** - Chaired by the CLRCO, the R&CC's key purpose is to provide focussed support and advice on risk management and achieve compliance with relevant regulatory requirements. Customised
- **Investment Services Committee ("ISC")** - Chaired by the CIO, the ISC oversees progress on achieving the Trustee investment and funding objectives, including reviewing KPIs; monitoring the BT covenant; oversight of BTPSM's FCA-regulated activities; and the delivery of investment operational activities.
- **Member Services Committee ("MSC")** - Chaired by the CAO, the MSC is designed to oversee progress on achieving the Trustee member services objectives, including reviewing KPIs and operational measures, the implementation of strategic initiatives and recommending strategic improvements on behalf of the BTPSM Board.

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **Customised Portfolio Committee ("CPC")**

#### **Key responsibilities**

The primary purpose of the CPC is to oversee assets which require in-house focus due to strategic, historic and reputational considerations, and/or any non-standard cost/benefit features. In relation to Procentia, the CPC has delegated authority from the BTPSM Board to make decisions on shareholder reserved matters. The CPC is chaired by the BTPSM CEO.

### **BTPSM Remuneration Committee ("RemCo")**

#### **Key responsibilities**

The purpose of the RemCo is to ensure that the Board and BTPS Remuneration & Nomination Committee are supported in the common aim of ensuring that BTPSM's remuneration arrangements are aligned to the successful delivery of BTPSM's long-term strategy. The BTPSM CEO chairs the RemCo.

### **Procentia Limited Board**

#### **Key responsibilities**

Procentia's board has overall responsibility for the management of the Procentia group of companies, including monitoring the effectiveness of the company's operating, financial and other business plans, and the execution of its strategy and objectives. The board is collectively responsible to the shareholder for the long-term success of the company. The BTPSM CEO sits as a non-executive chair of the Procentia board.

# BT PENSION SCHEME MANAGEMENT LIMITED

## DIRECTORS' REPORT

Directors: W Francis  
G Haselden  
S Langworthy  
F Naylor (resigned 30<sup>th</sup> June 2021)  
M Nilsson  
M Tully

Secretary: Britel Fund Trustees Limited

Registered office: One America Square, 17 Crosswall, London EC3N 2LB

Registered number: 05154287

The Directors' present their annual report and the audited consolidated financial statements for the year ended 30 June 2021.

## Energy and Carbon Report

In 2021 BTPSM and BTPSA offset their carbon emissions of 77 tonnes (2020: 160 tonnes offset)

	2021 t CO <sub>2</sub>	2021 kWh	2020 t CO <sub>2</sub>	2020 kWh
<b>Direct Emissions</b>				
Combustion of gas and use of fuel for transport	-	-	-	-
<b>Scope 1</b>	-	-	-	-
<b>Indirect Emissions (for own use)</b>				
Purchase of electricity	86.9	252,387	90.6	281,060
<b>Scope 2</b>	86.9	252,387	90.6	281,060

No fuel usage is reported for the year as all business-related transport is operated by a third party (rail, taxi, air) which the Group is not responsible for the fuel usage. For electricity usage, the kWh amount is obtained from utility bills throughout the year, and the tonnes CO<sub>2</sub> amount is calculated using a conversion factor based on the Department for Business, Energy and Industrial Strategy ("DBIS") August 2019 greenhouse gas ("GHG") Conversion Factors for Company Reporting.

As a reference, the total emission level is equivalent to 0.28 (2020: 0.35) tonnes CO<sub>2</sub> per employee.

In the financial year 2021, the Company's emissions fell significantly due to coronavirus causing the office to be closed for most of the year and business travel significantly reduced. Whilst we expect this situation will be a one-off reduction, future working practice changes may well result in lower ongoing emissions going forward. More information in relation to our activities to reduce the carbon impact of the Company is included in the Strategic Report.

## Going concern

The Group has sufficient financial resources and, as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. BTPSM and BTPSA's sole provider of income is the Scheme, therefore the Directors have considered the Scheme's ability to continue as a going concern.

With this in mind, and having made all reasonable enquiries and having respect to the nature of the Group and its activities, the Directors are satisfied at the time of approving the financial statements, that there is a reasonable expectation that the Group can meet its liabilities for the next 12 months from the date of approval of these financial statements.

As part of the Directors' assessment on whether the going concern assumption was appropriate, it considered the ongoing impact of the coronavirus pandemic. It was determined that the impact of the pandemic on BTPSM relates primarily to our invocation of our business continuity plan (including disruption of employee working arrangements), the potential disruption to key suppliers, and any associated regulatory considerations. Throughout the reporting period the Group monitored the status of these risks and determined that the impact of these did not cast significant doubt on the Group's ability to continue as a going concern.

The resources available to the Group, and forecast expenses and income, have been considered in arriving at the going concern conclusion.

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **DIRECTORS' REPORT CONTINUED**

#### **Dividend**

No dividend has been proposed or paid during the year (2020: £nil).

#### **Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

#### **Directors' indemnities**

Qualifying third party indemnity provisions, which were made during the year for the benefit of the directors, remain in force at the date of this report.

#### **Statement on disclosure of information to the auditor**

The Directors confirm that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

#### **Auditor**

The auditor was reappointed in accordance with Part 16 of the Companies Act 2006 and KPMG LLP will, therefore, continue in office.

Approved by the Board and signed on behalf of the Board.



M Nilsson  
Director  
24 September 2021

## BT PENSION SCHEME MANAGEMENT LIMITED

### SECTION 172 STATEMENT

This statement outlines the Board directors' performance in relation to Section 172(1) of the Company's Act 2006. The Act requires that each company director acts in a way that they, in good faith, consider would be most likely to promote the success of the company for the benefit of its members as a whole.

In doing this, s172 requires that directors consider, amongst other matters:

- the likely long-term consequences of any decision
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct and
- the need to act fairly as between members of the Company.

The Board is supported in the discharging of its duties by the Governance and Secretariat function. In 2020, BTPSM refreshed its approach to board and committee papers, including the implementation of an executive summary to ensure paper authors clearly outlined any relevant impacts. For the year ending 30 June 2021, the Board of BTPSM Limited considers that, individually and collectively, it acted in accordance with s172. Actions taken by the Board are made within a landscape of competing stakeholder priorities. We acknowledge that decisions could result in a more favourable outcome for one stakeholder group over another. By framing our decisions within the parameters of our purpose, values, and strategic priorities, our aim is to ensure our outcomes remain consistent. The examples opposite from 2021 serve to illustrate how we paid regard to, and engaged with, some of our key stakeholders during the year.

Stakeholder	Area of Focus / Outcomes
Colleagues	In line with Government guidance, the business moved to a remote working environment in early 2020. The Board continued to prioritise the safety of colleagues across the business with the introduction of a number of monitoring activities and increasing the amount of feedback opportunities such as pulse surveys, town halls, and employee working groups. As the length of the lockdown periods grew, the Board continued to solicit views from colleagues on issues such as remote working, social isolation, managing work/life balance, and returning to the office. This feedback informed the Board's and Executive Management's approach to future ways of working, post-lockdown.
Environment	The BT Pension Scheme is the UK's largest company pension scheme. As the steward of the Scheme's assets, the Board explored ways to reduce the environmental and social impact of the Scheme's investments. In late 2020, the Board agreed it was appropriate to obtain the Trustees' commitment to a target of achieving net zero carbon emissions across the investment portfolio by 2035.
Scheme Members	As part of our response to the pandemic, our Member administration services were delivered via a remote working environment. The Board oversaw the implementation of our business continuity plans (BCP) based on securing critical functions. The Board took a number of steps to ensure the business provided an uninterrupted service and monitored quality levels via Member feedback and key third-party supplier performance indicators. The maintenance of administration quality service levels, as confirmed by Member feedback, was key in the Board's decision to progress with the Member Services IT Transformation project as a priority

More information on our work during the year for our Members, and our ESG targets can be found in the front section of this report.

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual Report, 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. The Directors have elected to prepare the Group and parent company 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 UK company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and,
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities



## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BT PENSION SCHEME MANAGEMENT LIMITED**

#### **Opinion**

We have audited the financial statements of BT Pension Scheme Management Limited ("the Company") for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cashflow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Going concern**

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and 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 group or company's ability to continue as a going concern for the going concern period.

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

#### **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 and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
  - Reading Board minutes.
  - Considering remuneration incentive schemes for management.
  - Using analytical procedures to identify any unusual or unexpected relationships.

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

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT CONTINUED**

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 the calculation of the revenue is non-judgemental and straightforward, limited judgements necessary, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

#### **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, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with 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 Group 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 Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: antibribery, employment law, data protection, anti-money laundering, market abuse regulations and financial services regulations, and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. 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.

## **BT PENSION SCHEME MANAGEMENT LIMITED**

### **INDEPENDENT AUDITOR'S REPORT *CONTINUED***

#### **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 [X], the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group or company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or 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](http://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.



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

24 September 2021

# BT PENSION SCHEME MANAGEMENT LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
TURNOVER	3	59,808,581	53,585,520
Administrative expenses		(58,451,588)	(51,693,890)
OPERATING PROFIT		1,356,993	1,891,630
Interest receivable	4	5,684	105,217
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,362,651	1,996,847
Tax on profit on ordinary activities	8	(1,004,088)	(577,274)
Profit for the financial year		358,589	1,419,573
OTHER COMPREHENSIVE INCOME			
Foreign Currency Translation Adjustment		(21,026)	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		337,563	1,419,573
<b>Profit for the financial year attributable to:</b>			
Owners of the parent		178,010	1,150,845
Non-controlling interests		180,579	268,728
<b>Total profit</b>		358,589	1,419,573
<b>Total Comprehensive income for the financial year attributable to:</b>			
Owners of the parent		162,241	1,150,845
Non-controlling interests		175,322	268,728
<b>Total comprehensive income</b>		337,563	1,419,573

There are no recognised gains or losses other than the profit on ordinary activities for the year disclosed above. Accordingly, no statement of other comprehensive income is presented.

All of the results are derived from continuing operations.

The notes on pages 25 to 40 form part of these financial statements.

# BT PENSION SCHEME MANAGEMENT LIMITED

## CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
<b>FIXED ASSETS</b>			
Goodwill	9	17,533,544	19,596,314
Intangible assets	9	9,213,864	4,333,988
Tangible assets	10	1,674,610	1,244,976
		<b>28,422,018</b>	<b>25,175,278</b>
<b>CURRENT ASSETS</b>			
Debtors	11	6,192,495	8,069,058
Cash at bank		35,786,774	33,187,371
		<b>41,979,269</b>	<b>41,256,429</b>
<b>CURRENT LIABILITIES</b>			
Creditors – amounts falling due within one year	12	(16,159,553)	(12,823,020)
<b>NET CURRENT ASSETS</b>		<b>25,819,716</b>	<b>28,433,409</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>54,241,734</b>	<b>53,608,687</b>
Creditors – amounts falling due after one year	12	(1,504,006)	(1,229,548)
Provisions for liabilities and charges	13	(8,009,548)	(8,009,548)
<b>NET ASSETS</b>		<b>44,728,180</b>	<b>44,369,591</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	37,800,000	37,800,000
Profit and loss account		4,876,627	4,698,616
		<b>42,676,627</b>	<b>42,498,616</b>
Non-controlling interests		2,051,553	1,870,975
		<b>44,728,180</b>	<b>44,369,591</b>

The notes on pages 25 to 40 form part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 24 September 2021.

Signed on behalf of the Board



M Nilsson

Director

# BT PENSION SCHEME MANAGEMENT LIMITED

## COMPANY BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	30 June 2021 £	30 June 2020 £
<b>FIXED ASSETS</b>			
Investment in Subsidiaries		29,827,657	29,827,657
Intangible assets	9	3,720,433	1,019,518
Tangible assets	10	796,381	909,187
		<b>34,344,471</b>	<b>31,756,362</b>
<b>CURRENT ASSETS</b>			
Debtors	11	5,856,083	6,012,077
Cash at bank		25,901,670	23,691,763
		<b>31,757,753</b>	<b>29,703,840</b>
<b>CURRENT LIABILITIES</b>			
Creditors – amounts falling due within one year	12	(10,596,864)	(8,626,990)
<b>NET CURRENT ASSETS</b>		<b>21,160,889</b>	<b>21,076,850</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>55,505,360</b>	<b>52,833,212</b>
Creditors – amounts falling due after one year	12	(1,504,006)	(1,229,548)
Provisions for liabilities and charges	13	(7,812,283)	(7,812,283)
<b>NET ASSETS</b>		<b>46,189,071</b>	<b>43,791,381</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	37,800,000	37,800,000
Profit and loss account		8,389,071	5,991,381
<b>SHAREHOLDER'S FUNDS</b>		<b>46,189,071</b>	<b>43,791,381</b>

The notes on pages 25 to 40 form part of these financial statements.

These financial statements were approved by the Board and authorised for issue on 24 September 2021.

Signed on behalf of the Board of Directors.



M Nilsson  
Director

Registered No. 05154287

## BT PENSION SCHEME MANAGEMENT LIMITED

	Called up share capital	Profit and loss account	Amount attributable to owners of the parent	Non- controlling interest	Total
	£	£	£	£	£
<b>At the beginning of the year 1 July 2019</b>	<b>12,800,000</b>	<b>3,547,771</b>	<b>16,347,771</b>	<b>-</b>	<b>16,347,771</b>
Share capital issued in year	25,000,000	-	25,000,000	-	25,000,000
Acquisition of Procentia				1,602,247	1,602,247
Profit for the year		1,150,845	1,150,845	268,728	1,419,573
<b>At the beginning of the year 1 July 2020</b>	<b>37,800,000</b>	<b>4,698,616</b>	<b>42,498,616</b>	<b>1,870,975</b>	<b>44,369,591</b>
<b>Profit for the year 2021</b>	<b>-</b>	<b>162,241</b>	<b>162,241</b>	<b>175,322</b>	<b>337,563</b>
Foreign exchange movements		15,770	15,770	5,256	21,026
<b>At the end of the year 30 June 2021</b>	<b>37,800,000</b>	<b>4,876,627</b>	<b>42,676,627</b>	<b>2,051,553</b>	<b>44,728,180</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Called up share capital £	Profit and loss account £	Total £
<b>At the beginning of the year 1 July 2019</b>	<b>12,800,000</b>	<b>4,555,670</b>	<b>17,355,670</b>
Share capital issued	25,000,000	-	25,000,000
Profit for the year to 30 June 2020	-	1,435,711	1,435,711
<b>At the beginning of the year 1 July 2020</b>	<b>37,800,000</b>	<b>5,991,381</b>	<b>43,791,381</b>
Profit for the year to 30 June 2021	-	2,397,690	2,397,690
<b>At the end of the year 30 June 2021</b>	<b>37,800,000</b>	<b>8,389,071</b>	<b>46,189,071</b>

The notes on pages 25 to 40 form part of these financial statements.

**BT PENSION SCHEME MANAGEMENT LIMITED****CONSOLIDATED CASHFLOW STATEMENT****YEAR ENDED 30 JUNE 2021**

	Notes	30 June 2021 £	30 June 2020 £
<b>Net cash inflow from operating activities</b>	16	<b>10,195,756</b>	<b>7,449,348</b>
<b>Cashflows from Financing Activities:</b>			
Share Capital allotted and paid		-	25,000,000
Acquisition of a subsidiary		-	(11,089,161)
Payments made to acquire intangible assets		(6,019,124)	(3,305,654)
Payments made to acquire tangible fixed assets		(1,055,391)	(110,139)
Interest received		13,038	105,217
Proceeds from sale of tangible assets		(110,918)	-
Repayment of borrowings		(239,139)	(540,000)
New Loan advance		-	780,279
Proceeds on issue of shares		-	281,000
Equity dividends paid		(127,908)	(1,737,672)
Effects of exchange rates on cash		(56,911)	-
<b>INCREASE IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>		<b>2,599,403</b>	<b>16,833,218</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS****YEAR ENDED 30 JUNE 2021**

	30 June 2021 £	30 June 2020 £
Increase / (Decrease) in cash and cash equivalents in the year	<b>2,599,403</b>	16,833,218
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>2,599,403</b>	16,833,218
Net funds at 1 July	<b>33,187,371</b>	16,354,153
<b>NET FUNDS AT 30 JUNE</b>	<b>35,786,774</b>	33,187,371

Net Funds at 30 June 2021 comprised cash and cash equivalents of £35,786,774 (2020: 33,187,371).

The notes on pages 25 to 40 form part of these financial statements.



# BT PENSION SCHEME MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 30 JUNE 2021

#### 1. ACCOUNTING POLICIES

##### a) Accounting convention

The Company is a private company incorporated, domiciled and registered in England in the U.K. The registered number is 05154287 and the registered address is One America Square, 17 Crosswall, London EC3N 2LB.

During the prior year BTPSM acquired 75% of the ordinary share capital of Procentia Limited and its wholly owned subsidiary Procentia Inc, gaining significant control over the two entities as a result. The consolidated financial statements include the financial statements of the two entities. The acquisition occurred on the 12<sup>th</sup> December 2019, and the profit and loss for the period to 30 June 2020 has been consolidated in the financial statements.

The Group (including BTPSA, Procentia Limited and Procentia Inc) and parent Company financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102").

The principal accounting policies, which have been applied consistently in both the current and preceding year, are set out below.

##### b) Going Concern

The Group has sufficient financial resources and, as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. BTPSM and BTPSA's sole provider of income is the Scheme, therefore the Directors have considered the Scheme's ability to continue as a going concern.

With this in mind, and having made all reasonable enquiries and having respect to the nature of the Group and its activities, the directors are satisfied at the time of approving the financial statements, that there is a reasonable expectation that the Group can meet its liabilities for the next 12 months from the date of approval of these financial statements.

As part of the Directors' assessment on whether the going concern assumption was appropriate, it considered the ongoing impact of the coronavirus pandemic. It was determined that the impact of the pandemic on BTPSM relates primarily to our invocation of our business continuity plan (including disruption of employee working arrangements), the potential disruption to key suppliers, and any associated regulatory considerations. Throughout the reporting period the Group monitored the status of these risks and determined that the impact of these did not cast significant doubt on the Group's ability to continue as a going concern.

The resources available to the Group, and forecast expenses and income, have been considered in arriving at the going concern conclusion.

##### c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to the 30 June 2021. A subsidiary is an entity that is controlled by the parent. The of subsidiary undertaking, Procentia are included in the consolidated statement of comprehensive income for the year to 30 June 2021. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

voting rights that are currently exercisable. The Group has taken exemption from preparing a Company-only profit and loss account in line with Section 408 of the Companies Act 2006.

In the parent company financial statements, investments in subsidiaries are carried at cost less impairment.

d) Turnover

Turnover is recognised on an accruals basis. To the extent that fees are recognised in advance of billing they are included as accrued income. Service fees are charged to the ultimate parent undertaking, BTPS, based on costs charged at arm's length.

e) Taxation

UK and US corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure, in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

f) Bonus costs

Provision is made for bonuses attributable to performance up to the year end. Deferred bonuses are accrued evenly over the period to vesting.

g) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end rate. Translation differences are dealt with in the statement of comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date.

h) Operating leases

Rental expenses in respect of operating leases are charged to the income statement on a straight-line basis over the period of the lease.

i) Pension benefits

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year.

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

Differences between contributions payable in the year and contributions actually paid are shown either as creditors or debtors in the balance sheet.

j) Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity. At acquisition date, the cost is measured as the aggregate of fair value of assets and liabilities, plus costs attributable to the business combination. The excess of the cost of the business combination over the acquirer's interest in the net assets of the business is recognised as goodwill. Goodwill is amortised over ten years.

k) Intangible assets

Intangible assets acquired separately are capitalised at cost at the date of acquisition. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of the asset as follows:

Intellectual property, software and licences - five to ten years  
Goodwill – ten years

Amortisation is charged on assets with finite lives and this expense is taken to the statement of comprehensive income through the administrative expenses line item. Intangible assets with finite lives are only tested for impairment, either individually or at the cash-generating unit level, where there is an indicator of impairment. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

l) Tangible fixed assets

Fixed assets are stated at cost less any accumulated depreciation and any accumulated impairment losses. Fixed assets are depreciated on a straight-line basis over the useful economic lives of the assets as follows:

Computer hardware	-	Three years
Office equipment and furniture	-	Four years
Leasehold improvements	-	Period of the lease

m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

#### 2. ACQUISITIONS AND DISPOSALS OF BUSINESSES

##### Acquisitions in the prior year

On the 12<sup>th</sup> December 2019 the group acquired 75% of the shares of Procentia Limited. The company is a pensions software company. The business contributed to £3,228,524 revenue and £62,865 net profit for the period from acquisition to 30 June 2020.

<b>The acquisition had the following effect on the Group's assets and liabilities:</b>	<b>Book Value</b>
	<b>£</b>
Goodwill in respect of Procentia Inc.	5,406,784
Tangible fixed assets	49,444
Intangible fixed assets	156,011
Debtors	3,034,591
Cash	1,451,644
Creditors	(3,689,483)
Net identifiable assets and liabilities	6,408,991
Net identifiable assets and liabilities attributable to non-controlling interest	(1,602,248)
<b>Total cost of business combination:</b>	
Consideration paid:	
Initial cash price	11,575,468
Deferred consideration at fair value	7,473,073
Costs directly attributable to the business combination	979,116
Total consideration	20,027,657
Goodwill on acquisition	15,220,914

There was no adjustment needed to fair value the assets on acquisition. The expected useful life of goodwill stemming from this acquisition is 10 years.

# BT PENSION SCHEME MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 30 JUNE 2021 (continued)

#### Contingent consideration

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

#### Goodwill

On acquisition of Procentia Limited, and in addition to the above listed assets, BTPSM also acquired the software code for the proprietary pension administration solution. However, owing to the complex nature and embedded knowledge within the Procentia business, the software code is inextricably linked to the business and after adjusting for the costs associated with transition of that knowledge, it is deemed to have a nil value. As a result, excess proceeds over the fair value of assets acquired have been classified as goodwill and depreciated over the 10 year useful economic life.

Goodwill in respect of Procentia Limited's 100% subsidiary Procentia Inc, which was acquired by Procentia Limited immediately prior to BTPSM's acquisition of Procentia Limited is recognised on the balance sheet and depreciated over the 10 year useful economic life.

#### 3. TURNOVER

Turnover, exclusive of value added tax is analysed geographically between markets as follows:

	30 June 2021 £	30 June 2020 £
UK	55,944,410	51,734,559
USA	2,036,620	973,188
Rest of the world	1,827,551	877,773
	<u>59,808,581</u>	<u>53,585,520</u>

Turnover, exclusive of value added tax is analysed by turnover as follows:

	30 June 2021 £	30 June 2020 £
Executive advisory, pension administration and investment management services	50,360,328	49,657,662
Development, maintenance and support of software	9,448,253	3,927,858
	<u>59,808,581</u>	<u>53,585,520</u>

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

##### 4. INTEREST RECEIVABLE AND PAYABLE

Interest receivable, mainly derived from short-term cash investments, is analysed as follows:

	30 June 2021 £	30 June 2020 £
Short-term deposit interest receivable	12,428	105,217
Short-term deposit interest payable	(6,744)	-
	<u>5,684</u>	<u>105,217</u>

Interest payable and similar expenses includes interest payable and similar on bank loans and overdrafts of £nil (2020: £nil) and on all other loans of £nil (2020: £nil)

##### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging the following:

	30 June 2021 £	30 June 2020 £
Amortisation of intangible fixed assets (note 9)	3,184,104	1,986,436
Depreciation of tangible fixed assets (note 10)	471,202	867,925
Rentals under operating leases	1,012,639	849,649
Fees payable to the Group's auditor in respect of:		
Audit services	125,276	127,400
Other services	<u>12,978</u>	<u>9,200</u>

##### 6. DIRECTORS' EMOLUMENTS

The total emoluments granted and paid to the directors in respect of the year were £3,705,800 (year ended 30 June 2020: £3,304,167). The Group provides a co-investment/bonus deferral scheme whereby a portion of bonuses awarded in respect of the year are deferred. The full value of deferred awards granted to directors in respect of the year has been included in the figure above, although they will only become payable after the directors satisfy future service conditions.

The highest paid director received emoluments in the year in respect of services to the Group, amounting to £782,356 (year ended 30 June 2020: £733,906).

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

##### 7. STAFF COSTS

Staff costs for the year in respect of directors and employees were as follows:

	30 June 2021 £	30 June 2020 £
Wages and salaries	25,403,151	19,162,506
Social security costs	3,166,211	2,365,172
Other pension costs	2,020,783	1,578,815
	<b>30,590,145</b>	<b>23,106,493</b>

Other pension costs are in respect of the defined contribution pension scheme.

The average number of employees, including directors and non-executive directors, for the year ended 30 June 2021 was 307 (2020: 268).

##### 8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES FOR GROUP

The Finance Act 2021 which was substantively enacted on 24 May 2021 and includes provisions to increase the rate of corporation tax from 19% to 25% effective from 1 April 2023. As these rate changes were substantively enacted prior to the Balance Sheet date, the deferred tax balances have been recognised at the relevant rate for the period in which the utilisation / unwinding is expected.

###### a) Analysis of tax charged in the year:

	30 June 2021 £	30 June 2020 £
Current tax:		
UK corporation tax	907,672	612,352
Adjustment in respect of prior periods	43,933	(285,311)
Overseas taxation	156,780	-
Total current tax charge	<b>1,108,385</b>	<b>327,041</b>
Deferred tax:		
Origination and reversal of timing differences	(42,951)	(115,139)
Adjustments in respect of prior period	7,531	307,689
Effect of tax rate change on opening balance	(68,877)	4,560
Total deferred tax charge	<b>(104,297)</b>	<b>197,110</b>
Total tax charge on profit on ordinary activities	<b>1,004,088</b>	<b>524,151</b>

# BT PENSION SCHEME MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 30 JUNE 2021 (continued)

- b) The tax charge in the period differs from that resulting from applying the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	30 June 2021 £	30 June 2020 £
Profit on ordinary activities before tax	1,362,651	1,996,847
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	258,904	379,401
Expenses not deductible for tax purposes	713,981	245,568
Effect of tax rates in foreign jurisdictions	56,289	28,664
Income not taxable	(7,673)	-
Adjustments in respect of prior periods – current tax	51,464	(72,827)
Tax rate changes	(68,877)	(56,655)
Total tax charge on profit on ordinary activities	1,004,088	524,151

- c) Deferred tax:

	Provided June 2021 £	Provided June 2020 £
Deferred tax assets:		
Accelerated capital allowances	111,825	89,061
Short term timing differences	487,138	405,607
Total deferred tax assets	598,963	494,668

	30 June 2021 £	30 June 2020 £
Deferred tax assets at 1 July	494,668	694,047
Amounts charged to income statement arising from:		
Fixed asset timing differences	22,764	24,483
Short-term timing differences	81,531	(119,537)
Losses and other deductions	-	(104,325)
Deferred tax assets at 30 June	598,983	494,668



# BT PENSION SCHEME MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 30 JUNE 2021 (continued)

#### 9. CONSOLIDATED INTANGIBLE FIXED ASSETS

	Goodwill	Intellectual Property	Software development costs	Total
	£	£	£	£
Cost:				
<b>At 1 July</b>	<b>20,627,699</b>	<b>2,216,719</b>	<b>3,305,654</b>	<b>26,150,072</b>
Additions	-	-	6,001,210	6,001,210
Disposals		(16,719)	-	(16,719)
<b>At 30 June</b>	<b>20,627,699</b>	<b>2,200,000</b>	<b>9,306,864</b>	<b>32,134,563</b>
Accumulated amortisation:				
<b>At 1 July</b>	<b>(1,031,385)</b>	<b>(1,188,385)</b>	<b>-</b>	<b>(2,219,770)</b>
Charge for the year	(2,062,770)	(903,334)	(218,000)	(3,184,104)
Disposals	-	16,719	-	16,719
<b>At 30 June</b>	<b>(3,094,155)</b>	<b>(2,075,000)</b>	<b>(218,000)</b>	<b>(5,387,155)</b>
Net book value:				
<b>At 30 June 2021</b>	<b>17,533,544</b>	<b>125,000</b>	<b>9,088,864</b>	<b>26,747,408</b>
At 30 June 2020	19,596,314	1,028,334	3,305,654	23,930,302

**BT PENSION SCHEME MANAGEMENT LIMITED****NOTES TO THE ACCOUNTS****YEAR ENDED 30 JUNE 2021 (continued)****COMPANY INTANGIBLE FIXED ASSETS**

	<b>Software development costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Cost:		
At 1 July	1,019,518	1,019,518
Additions	2,763,973	2,763,973
<b>At 30 June</b>	<b>3,783,491</b>	<b>3,783,491</b>
Amortisation:		
At 1 July	-	-
Charge for the year	(63,058)	(63,058)
<b>At 30 June</b>	<b>(63,058)</b>	<b>(63,058)</b>
Net book value:		
<b>At 30 June 2021</b>	<b>3,720,433</b>	<b>3,720,433</b>
At 30 June 2020	1,019,518	1,019,518

To be amortised over 5 years on completion of the project.

**BT PENSION SCHEME MANAGEMENT LIMITED**

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 JUNE 2021 (continued)**

**10 CONSOLIDATED TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements</b>	<b>Office equipment and furniture</b>	<b>Computer hardware</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost:</b>				
At 1 July	1,486,478	588,400	569,063	2,643,941
Additions	757,577	172,378	235,608	1,165,563
Disposals	(412,752)	(88,872)	(112,505)	(614,129)
<b>At 30 June</b>	<b>1,831,303</b>	<b>671,906</b>	<b>692,166</b>	<b>3,195,375</b>
<b>Accumulated depreciation:</b>				
At 1 July	(524,018)	(412,870)	(462,077)	(1,398,965)
Charge for the year	(293,539)	(50,598)	(127,065)	(471,202)
Disposals	168,786	88,872	91,744	349,402
<b>At 30 June</b>	<b>(648,771)</b>	<b>(374,596)</b>	<b>(497,398)</b>	<b>(1,520,765)</b>
<b>Net book value:</b>				
<b>At 30 June 2021</b>	<b>1,182,532</b>	<b>297,310</b>	<b>194,768</b>	<b>1,674,610</b>
<b>At 30 June 2020</b>	<b>962,460</b>	<b>175,530</b>	<b>106,986</b>	<b>1,244,976</b>

# BT PENSION SCHEME MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 30 JUNE 2020 (continued)

#### COMPANY TANGIBLE FIXED ASSETS

	Leasehold improvements	Office equipment and furniture	Computer hardware	Total
	£	£	£	£
Cost:				
At 1 July	1,276,142	169,205	119,354	1,564,701
Additions	77,704	41,870	198,150	317,724
Disposals	(412,752)	(88,872)	(91,744)	(593,368)
<b>At 30 June</b>	<b>941,094</b>	<b>122,203</b>	<b>225,760</b>	<b>1,289,057</b>
Accumulated depreciation:				
At 1 July	(402,206)	(133,954)	(119,354)	(655,514)
Charge for the year	(149,525)	(35,251)	(1,788)	(186,564)
Disposals	168,786	88,872	91,744	349,402
<b>At 30 June</b>	<b>(382,945)</b>	<b>(80,333)</b>	<b>(29,398)</b>	<b>(492,676)</b>
Net book value:				
<b>At 30 June 2021</b>	<b>558,149</b>	<b>41,870</b>	<b>196,362</b>	<b>796,381</b>
At 30 June 2020	873,936	35,251	-	909,187

#### 11 CONSOLIDATED CURRENT DEBTORS

	30 June 2021 £	30 June 2020 £
Prepayments	1,870,200	1,768,435
Other debtors	3,728,332	4,115,905
Amounts due from ultimate parent undertaking	-	1,658,717
Deferred tax	598,963	526,001
	<b>6,192,495</b>	<b>8,069,058</b>

#### COMPANY CURRENT DEBTORS

	30 June 2021 £	30 June 2020 £
Prepayments	1,355,401	1,232,958
Other debtors	1,123,370	4,278,547
Amounts due from ultimate parent undertaking	2,816,406	45,608
Deferred tax	560,906	454,964
	<b>5,856,083</b>	<b>6,012,077</b>

# BT PENSION SCHEME MANAGEMENT LIMITED

## NOTES TO THE ACCOUNTS

### YEAR ENDED 30 JUNE 2021 (continued)

#### 12 CONSOLIDATED CREDITORS

	30 June 2021 £	30 June 2020 £
Amounts falling due within 1 year:		
Trade creditors	1,844,857	1,354,361
Deferred income	736,596	857,792
Other creditors	119,921	368,187
Corporation tax	920,239	162,127
Amount due to parent company	617,818	-
Other taxes	636,959	-
Accruals	11,283,163	10,080,553
	<u>16,159,553</u>	<u>12,832,020</u>
Amounts falling due after 1 year:		
Accruals, less than 5 years	<u>1,504,006</u>	<u>1,229,548</u>

#### COMPANY CREDITORS

	30 June 2021 £	30 June 2020 £
Amounts falling due within 1 year:		
Trade creditors	1,014,314	1,005,815
Corporation tax	659,925	81,153
Other taxes	221,691	-
Accruals	8,673,934	7,540,022
	<u>10,596,864</u>	<u>8,626,990</u>
Amounts falling due after 1 year:		
Accruals, less than 5 years	<u>1,504,006</u>	<u>1,229,548</u>

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

##### 13 CONSOLIDATED PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Dilapidations provision £</b>	<b>Deferred consideration £</b>	<b>Total £</b>
At 30 June 2020/21	536,475	7,473,073	8,009,548

In 2020 deferred consideration for the acquisition of Procentia was provided for. The Directors believe that the criteria will be met and have accrued for this sum in full.

##### COMPANY PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Dilapidations provision £</b>	<b>Deferred consideration £</b>	<b>Total £</b>
At 30 June 2020 / 2021	339,210	7,473,073	7,812,283

In 2020 deferred consideration for the acquisition of Procentia has been provided for. The Directors believe that the criteria will be met and have accrued for this sum in full.

The dilapidations charge has been capitalised within Leaseholds Improvements and is being depreciated over the period of the lease.

##### 14 SHARE CAPITAL

	<b>30 June 2021 £</b>	<b>30 June 2020 £</b>
Authorised:		
39,800,000 (2020: 39,800,000) ordinary shares of £1 each	<b>39,800,000</b>	39,800,000
Allotted and fully paid:		
37,800,000 (2020: 37,800,000) ordinary shares of £1 each	<b>37,800,000</b>	37,800,000

In 2020 the Company issued 25,000,000 shares to finance the acquisition of Procentia Limited.

The Company, BTPSM, is a private Company limited by shares and is incorporated in England.

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

##### 15 CONSOLIDATED FINANCIAL COMMITMENTS

The Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2021 Land and buildings £</b>	<b>2020 Land and buildings £</b>
Within one year	<b>1,334,747</b>	1,404,330
Between 2 – 5 years	<b>3,488,028</b>	4,010,341
After five years	<b>207,295</b>	621,885
	<b><u>5,030,070</u></b>	<b><u>6,036,556</u></b>

The UK operating lease relating to land and buildings is subject to a 5-yearly, upward only, rent review.

##### COMPANY FINANCIAL COMMITMENTS

The Company's total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2021 Land and buildings £</b>	<b>2020 Land and buildings £</b>
Within one year	<b>794,490</b>	794,490
Between two – five years	<b>2,734,743</b>	3,114,643
After five years	<b>207,295</b>	621,885
	<b><u>3,736,528</u></b>	<b><u>4,531,018</u></b>

The UK operating lease relating to land and buildings is subject to a 5-yearly, upward only, rent review.

## BT PENSION SCHEME MANAGEMENT LIMITED

### NOTES TO THE ACCOUNTS

#### YEAR ENDED 30 JUNE 2021 (continued)

#### 16 NET CASH FLOW FROM OPERATING ACTIVITIES

	30 June 2021 £	30 June 2020 £
Operating profit	1,335,967	1,891,630
Amortization of intangible fixed assets	3,184,046	1,925,730
Depreciation of tangible fixed assets	471,202	395,678
(Increase) / decrease in debtors	(2,995,782)	952,843
Decrease / in amounts due from ultimate parent	2,107,410	4,573,876
Increase / (decrease) in creditors	6,394,010	(1,665,655)
Tax paid	(297,974)	(624,754)
Net FX revaluation (gain)	(3,123)	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	10,195,756	7,449,348

#### 17 RELATED PARTIES

##### GROUP COMPANIES

The Group is exempt from disclosing related party transactions, under Paragraph 33.1A of Financial Reporting Standard No. 102 – Related Party Disclosures, with members of the Group, as they are all wholly-owned subsidiaries of BT Pension Scheme.

##### KEY MANAGEMENT PERSONNEL

The key management personnel of BTPSM are the directors and members of the Executive. The total remuneration of key management personnel for the year ended 30 June 2021 was £4,956,709 (2020: £4,054,256) being remuneration, including pension contributions, £3,705,800 (2020: £3,304,167) as disclosure in note 6, and remuneration provided to other key management personnel of £1,250,909 (2020: £750,089).

#### 18 ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent of the Group throughout the period was the BT Pension Scheme.

The financial statements of BT Pension Scheme can be obtained at the registered office: One America Square, 17 Crosswall, London EC3N 2LB or on the website at [btps.co.uk](http://btps.co.uk)

#### 19 SUBSEQUENT EVENTS

There have been no subsequent events from the balance sheet date.