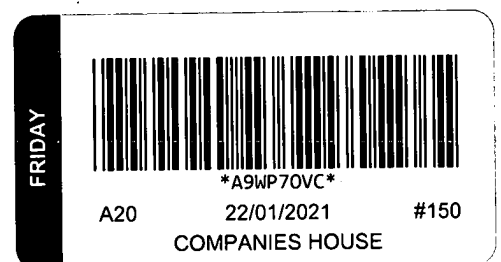


PETPS (Birmingham) Capital Limited

**Annual report and financial
statements**

Registered number 10836221

31 March 2020



PETPS (Birmingham) Capital Limited
Annual report and financial statements
31 March 2020

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PETPS (Birmingham) Capital Limited
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Directors' report

The directors present their report and the financial statements for the year ended 31 March 2020.

Principal activities of the company

The company was incorporated on 26 June 2017 as part of an asset backed funding structure in order to allow Birmingham City Council (the "City") to finance payments to the NEC Limited Pension Fund (the "Fund"). As part of the asset backed funding structure, the City set up wholly owned companies, being PETPS (Birmingham) General Partner Limited and the Company, which established a Scottish Limited Partnership called PETPS (Birmingham) Pension Funding SLP (the "Partnership"). The Partnership was capitalised with £17.2million cash which has been loaned back to the City. NEC Pension Trustee Company No. 2 Limited, which is the trustee of the Fund, received the 'A' interest in the Partnership on 4 July 2017 from the Company. Payments will be made by the City to the Partnership under the loan and the Partnership will make payments to the trustee of the Fund in accordance with an agreed distribution schedule.

The Company holds the 'B' interest in the Partnership.

Results

The result for the year is shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend.

Going concern

The directors have reviewed the Company's prospects for the twelve months from the date of signing. After considering the forecasts to the end of that period, the directors have adopted the going concern basis in preparing the financial statements.

Financial risk management

As described above, and in note 5 to the accounts, the Company is part of an asset backed funding structure. The Directors monitor any risks surrounding this as appropriate.

Directors

The directors who held office during the year were as follows:

C Heaphy (resigned 19 August 2020)
A Layton (appointed 19 August 2020)
M Stevens

The Company maintains directors and officers liability insurance on behalf of the directors. The cost is met by the City.

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Directors' report *(continued)*

Auditor

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

Disclosure of information to auditor

The directors confirm that:

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

In preparing this report the directors have taken advantage of the small company exemptions provided by section 415A of the Companies Act 2006.

By order of the board



A Layton
Director

10 Woodcock Street
Birmingham
United Kingdom
B7 4BL

Date 21 January 2021

PETPS (Birmingham) Capital Limited
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Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Director's 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.

PETPS (Birmingham) Capital Limited
Annual report and financial statements
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Independent auditor's report to the members of PETPS (Birmingham) Capital Limited

Opinion

We have audited the financial statements of PETPS (Birmingham) Capital Limited (the 'company') for the year ended 31 March 2020, which comprise Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

PETPS (Birmingham) Capital Limited
Annual report and financial statements
31 March 2020

Independent auditor's report to the members of PETPS (Birmingham) Capital Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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Annual report and financial statements
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Independent auditor's report to the members of PETPS (Birmingham) Capital Limited *(continued)*

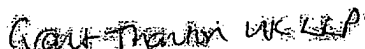
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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.

 Grant Thornton UK LLP

Natalie Gladwin BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date 21/1/2021

PETPS (Birmingham) Capital Limited
Annual report and financial statements
 31 March 2020

Profit and loss account
for the year ended 31 March 2020

	<i>Note</i>	2020 £	2019 £
Other interest receivable and similar income	9	6	29
Interest payable and similar expenses	9	(1,176)	(9)
		<hr/>	<hr/>
(Loss)/profit before taxation		(1,170)	20
Tax on (loss)/profit	4	-	(4)
		<hr/>	<hr/>
(Loss)/profit for the financial year		(1,170)	16
		<hr/>	<hr/>
Total comprehensive income for the year		(1,170)	16
		<hr/>	<hr/>

The notes on pages 10 to 12 form part of these financial statements.

PETPS (Birmingham) Capital Limited
Annual report and financial statements
 31 March 2020

Balance sheet

at 31 March 2020

	Note	2020 £	£	2019 £	£
Fixed assets					
Investments	5		1,000		1,000
			<u>1,000</u>		<u>1,000</u>
Current assets					
Cash at bank and in hand		50		38	
Other debtors	9	294		1,536	
		<u>344</u>		<u>1,574</u>	
Creditors: amounts falling due within one year	6	(55)		(59)	
Net current assets			<u>289</u>		<u>1,515</u>
Creditors: amounts falling after more than one year	7		(834)		(890)
Net assets			<u>455</u>		<u>1,625</u>
Capital and reserves					
Called up share capital	8		100		100
Profit and loss account			355		1,525
Shareholders' funds			<u>455</u>		<u>1,625</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the provisions of FRS 102 Section 1A *Small Entities*.

These financial statements were approved by the board of directors on 21 January 2021 and were signed on its behalf by:



A Layton
 Director

Company registered number: 10836221

The notes on pages 10 to 12 form part of these financial statements.

PETPS (Birmingham) Capital Limited
Annual report and financial statements
 31 March 2020

Statement of changes in equity
As at 31 March 2020

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 31 March 2018	100	1,509	1,609
Total comprehensive income for the period			
Profit for the year	-	16	16
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	100	1,525	1,625
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period			
Loss for the year	-	(1,170)	(1,170)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	100	355	455
	<hr/>	<hr/>	<hr/>

The notes on pages 10 to 12 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

PETPS (Birmingham) Capital Limited (the “Company”) is a company limited by shares and incorporated and domiciled in England and Wales in the UK. The registered number is 10836221 and the registered address is 10 Woodcock Street, Birmingham B7 4BL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in March 2018. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The Company’s ultimate parent undertaking, Birmingham City Council, includes the Company in its consolidated financial statements. The consolidated financial statements of Birmingham City Council are prepared in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* and are available to the public and may be obtained from www.birmingham.gov.uk. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Judgements in applying accounting policies

There are no judgements made by the directors, in the application of these accounting policies that are expected to have a significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The directors have reviewed the Company’s prospects for the twelve months from the date of signing. After considering the forecasts to the end of that period together with a range of actions that could be taken in response, including support from the shareholder Birmingham City Council, the directors have adopted the going concern basis in preparing the financial statements.

1.4 Basic financial instruments

Other debtors and creditors

Other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Investments

Investments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition investments are measured at cost less impairment in profit or loss.

1.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

PETPS (Birmingham) Capital Limited
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Notes (continued)

2 Auditor's remuneration

Auditor's remuneration payable to the company's auditors for the audit of the accounts was £9,000 including VAT (2019: £9,000 including VAT). This remuneration is borne by Birmingham City Council.

3 Employees and directors' remuneration

The Company has no employees (2019: none).

Directors' emoluments have been borne by the parent company, Birmingham City Council. The directors of the company are also directors or officers of a number of the companies within the group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 March 2020 or 31 March 2019.

4 Taxation

	2020 £	2019 £
Current tax	-	4

Factors impacting 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.

5 Fixed asset investments

	2020 £	2019 £
Cost and net book value	1,000	1,000

On 27 June 2017, the Company established the 'A' and 'B' interest in a Scottish Limited Partnership called PETPS (Birmingham) Pension Funding SLP (the "Partnership"), for £17,202,000 cash. On 4 July 2017, the Company transferred the 'A' interest in the Partnership to NEC Pension Trustee Company No. 2 Limited, which is the trustee of the Fund.

PETPS (Birmingham) Capital Limited
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Notes (continued)

6 Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts owed to parent company (note 9)	55	55
Corporation tax	-	4
	<u>55</u>	<u>59</u>

7 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Amounts owed to parent company (note 9)	834	890
	<u>834</u>	<u>890</u>

8 Share capital

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

9 Related party transactions

During the year the Company received a fee of £100 (2019: £100) from PETPS (Birmingham) Pension Funding Scottish Limited Partnership, and interest income of £6 (2019: £29) was recognised. During the year, the estimate of the cash flows expected to be received from the Partnership was revised, therefore the carrying value of the receivable was re-calculated to the present value of the estimated future cash flows at the original effective interest rate, giving rise to a finance expense of £1,148. The amount outstanding at the year end was £294 (2019: £1,536).

On 13 December 2018, Birmingham City Council provided an unsecured loan to the Company amounting to £1,000 at an interest rate of 3%. The loan is repayable by equal instalments over 18 years commencing on 31 March 2019. The Company may repay the loan at an earlier date at its discretion without penalty. Interest of £28 accrued on this loan during the year (2019: £9). During the year, the Company repaid £84 (2019: £64), leaving a balance outstanding at 31 March 2020 of £889 (2019: £945).

10 Ultimate parent company and parent company of larger group

Birmingham City Council is the immediate and ultimate parent undertaking and controlling party. The consolidated financial statements of Birmingham City Council are available from www.birmingham.gov.uk.