Annual Report and Consolidated Financial Statements

BT Pension Scheme Management Limited
trading as Brightwell

For the year ended 30 June 2023

Brightwell

Registered No. 05154287

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Highlights in the year to 30 June 2023

In April 2023

BTPSM launched as Brightwell

opening its pension management capabilities to other defined benefit (DB) pension schemes.

Procentia voted

best administration software provider

in the Professional Pensions survey in 2022 and 2023.

Brightwell has received

independent accreditation

from The Pensions Administration Standards Association (PASA). PASA accreditation is the gold standard for high-quality pensions administration.

The DB section of the

EE Pension Scheme appoints Brightwell

as fiduciary manager.

Brightwell supports BTPS with

£5bn longevity swap

using technology to drive down the time between quotation and execution.

About Brightwell: Our purpose and objectives

We think like a pension scheme

An integrated pension management model that is outcome-based, with experience performing for a high-profile client that attracts scrutiny.

A new approach focused on the long-term

We believe the DB market needs a new approach, focused on holistically managing for the long-term, by an organisation that takes responsibility for the Scheme's objectives and long-term targets.

We provide a bespoke end-to-end pensions service, on a scale that nobody else does

Market leading, bespoke services

We provide bespoke and integrated journey plan management towards pension end-games; tailored fiduciary services; best in class member services*; and executive services.

**European Pensions Awards 2022 Winner - Pension Scheme Administrator of the year.*

Deep alignment

We take a long-term holistic view of a scheme's needs, delivering a Trustee-focused and partnership-like relationship with the Scheme's sponsor. Akin to retaining the benefits of an in-house manager but on a contractual basis.

About Brightwell: Our purpose and objectives *continued*

Excellence in service delivery

- Consistently high delivery of agreed client service assurance metrics
- Client satisfaction survey scores within agreed target levels

Cost effectiveness

- Overall group costs within budget and 5-year plan targets
- Strong performance against external benchmark for both our fiduciary management and member service business lines

Embed sustainability in everything we do

- Approval of our long-term corporate net zero strategy, including detailed proposals for activities to be completed in 2024
- Launch of our Diversity, Equity and Inclusion programme

Secure sustainable financial benefits to our shareholder by extending Brightwell's services to others

- Onboarded Brightwell's first third-party fiduciary client
- Relaunched as Brightwell, alongside gaining approval for our long-term business development strategy from our shareholder

Leverage systems, data and processes

- Successful implementation of our asset and liability modelling (ALM) system
- Extended our clients' longevity hedging programme using the operating model we developed in 2014
- Launched the ISO27001 accreditation initiative

Develop our people and build industry-leading teams

- Newly established people, communications and transformation office, to lead on people development, performance management recruitment and retention activities,
- High-performer attrition rates within agreed target levels

Explore innovative business model opportunities

- Working with Procentia, successfully licensed an 'off the shelf' administration system configuration, creating additional revenue streams for the Brightwell group and optimising client costs
- Deployment of our ALM system for our client's longevity hedging programme, further reducing their ongoing hedging costs.

Chair's statement

It is delightful to be writing this introduction as Brightwell's first independent Board Chair. Kevin Troup and I joined Brightwell in April 2023 as Non-Executive Board Directors. In quick order, we announced our new trading name, Brightwell, and our second client, the defined benefit (DB) section of the EE Pension Scheme.

We believe that a firm's culture is shaped by its values alongside its commitment to all stakeholders. It was evident to Kevin and I that this view is embedded across the company. Everyone we have met at Brightwell was impressively proud of our products and services, and of our corporate purpose: working together for a better future. You can see how we have taken into account our stakeholders' interests in the Board's section 172 statement page 32.

As fiduciary manager and a corporate entity, one area of particular focus and importance for the Board is how Brightwell can reduce its long-term carbon footprint and operate more sustainably. The executive management team have set an objective to have net zero greenhouse gas emissions by 2035. During the year, we agreed the proposed actions through to the end of 2024 that are required to achieve that goal. This includes steps in relation to improving our emissions data, direct emissions reduction activities and addressing emissions reporting requirements.

At Brightwell, we believe that alongside providing a secure retirement for scheme members and their dependents, pension investments can be a tool for social change. Brightwell is in a unique position to assist other DB schemes in traversing an increasingly rocky terrain with a view to making the path to future stability smoother.

Global events, such as the higher inflationary environment and the ongoing conflict in Ukraine, have presented significant challenges to investors in recent years. By holding true to our sense of purpose, we continue to take a long-term approach to investments to meet our clients' needs. Despite the turbulence of the last few years, we look to the future with optimism. We trust that our unique set of internal skills and capabilities, coupled with our collective drive to provide the best possible support to our clients, places us in an advantageous position. We believe the future is bright.

> "Although only joining Brightwell three months before the financial year end, Kevin and I have seen that the people here are dedicated to the best possible support for its clients, colleagues and the wider community. We would like to take this opportunity to thank the Board, executive management team, and everyone at Brightwell for staying the course in another challenging year.

Board Chair

Denise Le Gal

Chief Executive Officer's review

I am pleased to introduce the first Report and Accounts using our new trading name, Brightwell.

We adopted the Brightwell name in April and began to offer the high-quality services that we provide to the BT Pension Scheme (BTPS) to a small number of other like-minded DB schemes. Earlier this year, we announced that Brightwell had been appointed to provide fiduciary management services to the DB section of the EE Pension Scheme (EEPS).

Brightwell continues to be the primary service provider to BTPS, providing investment advice, fiduciary management services, covenant oversight, member services, and operational and secretariat services.

Why launch Brightwell?

Defined benefit pension schemes are at an inflection point. The economic outlook is challenging, the portfolio risks posed by climate change need careful management and members expect high-quality online services which demand increased investment.

Our approach focuses on addressing industry challenges, collectively owning problems and collaborating for the long-term.

We firmly believe that evolving Brightwell's strategy in this way will help us to better meet the future challenges facing the BTPS by securing the resources we need, maintaining our service levels and managing our costs. Since launching in April, we've received a very positive reception from the industry. Whilst on one hand there are a vast array of service providers in this sector, there's recognition that there is a gap in the market for a holistic service provider that truly understands the challenges facing pension schemes and is genuinely aligned with their interests.

Strengthening our governance

To further strengthen Brightwell's governance, we welcomed two independent non-executive directors to the Brightwell Board in April: Denise Le Gal and Kevin Troup.

Denise and Kevin bring fresh perspectives into the boardroom, and further strengthen our leadership capabilities at an exciting time in the development of our business.

Despite the external pressures that all firms faced during the year, Brightwell's 2023 performance remained strong. This is a testament to our resilience as a firm, our skilled workforce, our supportive Board and our collaborative management team.

Brightwell CEO

Morten Nilsson

Chief Executive Officer's review *continued*

Supporting our clients in uncertain times

Turning to the support provided to clients, our focus has been broad. We've supported BTPS through the current global geopolitical and economic uncertainty, advised the Trustee with the 2023 triennial valuation negotiations, transacted a longevity insurance transaction, and continued to invest in our technology, people and processes. Record high temperatures and growing concerns that temperatures are likely to rise by more than 1.5°C above pre-industrial levels in the next 5 years continues to cause increased uncertainty and risk for investors. At Brightwell, we closely monitor these rapidly evolving risks and opportunities on behalf of our clients, assessing the potential impact on investments both now and in the future.

Following our engagement as fiduciary manager to EEPS in April, we are pleased to have received very positive feedback from both the EEPS trustee and the scheme sponsor on the transition, our approach and our reporting capability.

Continuing to invest in our business

- Member services - this year we brought our member services contact centre operation completely in-house, with all member calls and emails being handled by our own in-house Contact Hub. By doing this, we now have full insight into our clients' member experience which enables us to provide them with an even more efficient and cost-effective service.

  Member satisfaction has continued to increase across all areas and the investments we've made in technology have resulted in members receiving a faster service with shorter turnaround times for a number of key activities.

- Procentia has had a strong year with a number of high profile client wins that we are looking forward to announcing in the coming months.
- Fiduciary: Brightwell supported BTPS with a new longevity insurance and reinsurance arrangement covering £5bn of BTPS pensioner liabilities. Using state-of-the-art-in-house pricing models and a highly integrated deals team, this transaction was signed within six months of issuing the request for quotation.
- On behalf of our client BTPS, we continue to prudently build up the Scheme's portfolio of cash-flow matching bond and bond-like assets. These provide resilient, contractual income that naturally offsets the regular pension payments the Scheme made to members. By the early 2030s, when the Scheme is expected to be fully-funded and all members will be pensioners, we plan to have a portfolio where asset cashflows (or income generated from Scheme assets), fully matches members' long-term pension payments.

Supporting our colleagues

Diversity, Equity & Inclusion (DEI)

We want to be an employer of choice. The Brightwell Board and Executive Team are focused on fostering a truly equitable, diverse and inclusive culture with a workforce reflective of the society we live in and, with the right talent to deliver the best possible results for our clients.

Our DEI steering group developed and refined our strategy which was approved by the Brightwell Board in June 2023.

We are continually listening to colleagues to identify areas where we can improve. For example, the Brightwell Board has now approved an enhanced parental leave policy to better support working parents, and to help attract and retain the best talent in the market.

Improvement in parental leave policies is fundamental to driving gender equality in the workplace and the new policy includes:

- Enhanced company pay for all parents, promoting equity for all; and
- Phased return for all parents to support their successful reintegration into the business after a period of leave.

Brightwell also appointed a specialist recruitment agency to ensure more diverse candidate pools for senior appointments.

Chief Executive Officer's review *continued*

Within the investment community in particular, there has historically been a lack of diversity and we are committed to playing our part in both improving representation within Brightwell and using our influence with our investment managers. We are a member of the Diversity Project, and with colleagues on key workstreams, are proactively working towards generating long lasting and positive change across the industry.

Supporting our community

Corporate net zero

As an asset manager for our client, Brightwell considers 'financed emissions' (emissions from the investments it manages for clients) and 'operational emissions' (emissions from our direct business activities).

As Denise indicated in her update, my management team and I have tasked the business with delivering actions to help us reach our corporate net zero goal. We sought and obtained the Board's approval on these steps, as we are committed to reducing Brightwell's impact on the planet.

My colleagues and I are very proud of everything we've delivered, and continue to deliver, for our stakeholders. Over the coming year, we look forward to further evolving Brightwell to continue to meet our clients' needs and those of other DB schemes who are seeking to deliver the very best for their members.

> "I echo Denise's sentiment regarding the team here at Brightwell. It is an incredible feeling to lead a group of people all pulling in the same direction and I'm really proud of the way in which we've evolved the business to help meet our future challenges. Welcoming EEPS was a key milestone and, from the feedback we've received, it's clear there's strong appetite for the services we're offering.

Brightwell CEO

Morten Nilsson

Strategic Report

Strategic report

Over the past five years, Brightwell has made significant investments in systems, people and processes across the organisation. We've insourced, innovated and disrupted inefficient industry practices and, in doing so, learned how to do things better. We are not driven by short-term profits or selling products. We focus on building lasting, mutually beneficial and transparent working relationships with our clients providing pension solutions that are tailored perfectly to their needs.

Brightwell journey

2018
Insourced member administration

2018
Insourced management of £10bn gilts

2019
Acquired pensions administration software company Procentia

2021
Introduction of Procentia administration software into member services

2021
Design and execution of innovative funding vehicle to address stakeholders concerns around 'trapped surplus'

2021
Implementation of a next generation technology platform for our fiduciary services teams

2022
Obtained status as MiFID firm, enabling provision of services to third parties

2023
BTPSM launches Brightwell, opening its capabilities to other DB schemes, and appointment of independent non-executive directors

2023
DB section of the EE Pension Scheme appoints Brightwell as fiduciary manager

Strategic report *continued*

Our services

At Brightwell, we have a deep understanding of the challenges faced by defined benefit (DB) pension schemes developed from working closely with the BTPS Trustees and BT Group to solve the complex challenges facing BTPS over many years.

We understand every aspect of DB pension management, offering an integrated pension management model across assets, liabilities, executive services, valuation support, funding solutions and member services. This utilises economies of scale, is outcome-based and delivers value.

Underpinned by leading technology and integration across member data, member portal, portfolio management, hedging and covenant assessment, our approach is designed to deliver high quality services to members, and sustainable funding and investment solutions, supporting schemes with their end-game objectives.

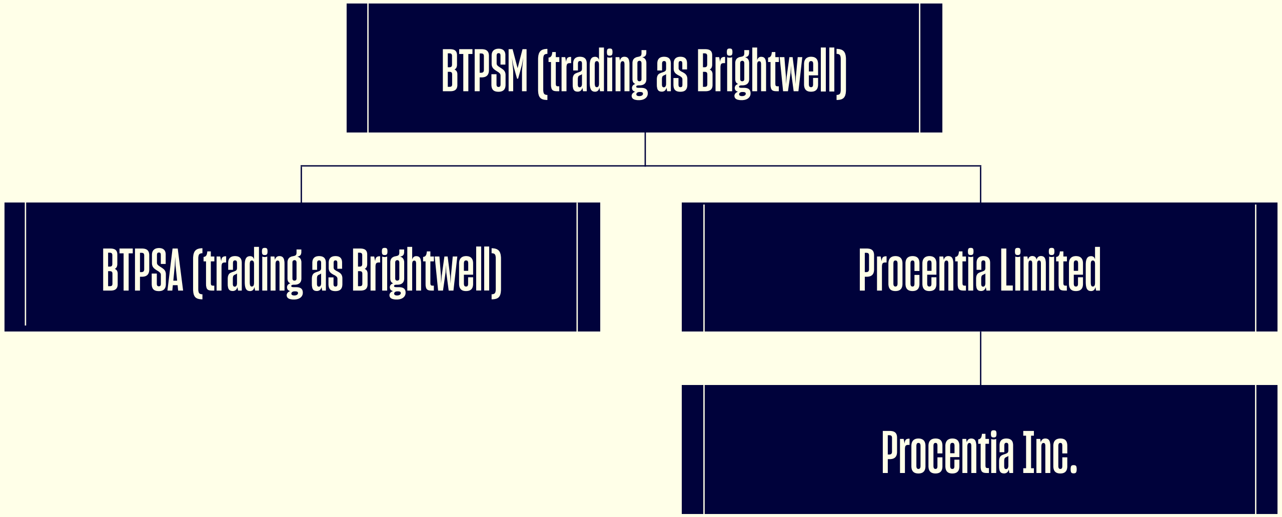
Strategic report *continued*

Business review and principal activities

BT Pension Scheme Management Limited, trading as Brightwell (Brightwell or the Company), provides fiduciary management services, member services, operational and secretariat services to BTPS. In addition, it has been appointed to provide fiduciary management services to the DB section of the EEPS. The Company is regulated by the Financial Conduct Authority (FCA) (reg. 486368). BT Pension Scheme Administration Limited trading as Brightwell (BTPSA) is a wholly-owned subsidiary of the Company and its principal activity is to provide pension administration services to clients.

The Company 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.

High level group structure



Strategic report *continued*

Our core service lines are delivered across each of these business units:

Fiduciary services

Tailored solutions perfectly aligned to clients' needs

Ensuring pension schemes can meet their annual cash flows to members and their beneficiaries involves careful management of scheme assets and in-depth understanding of the risk factors that can affect scheme funding outcomes.

Brightwell offers a truly holistic approach to fiduciary services which is fully integrated with other areas of pension management such as pension administration and advisory, valuation support, funding solutions and longevity hedging.

Member services

High-quality member services driven by insight

Brightwell has invested heavily in its member services building a fully in-house, Pension Management Institute (PMI)-qualified team based in Chesterfield providing:

- Benefits payments & administration services
- Data cleansing
- Administration platform as a service
- Member outbound communications
- Inbound member contact centre
- Case management & technical casework.

Member expectations for online services are increasing and, in partnership with Procentia, Brightwell offers a powerful solution. Clients can give scheme members access to personalised pension information at the touch of a button. Via an online portal, members can self-serve for all key tasks, such as retirement quotes and changes to personal details.

In addition to sophisticated member portals, Procentia's best-in-class platform incorporates automation of workflows, calculations, pensioner payroll and document imaging.

Executive services

Advisory services built from deeper understanding

While every DB scheme is unique and at a different point in its journey, there are many challenges common to every scheme. These include determining how to reach their end-game safely and sustainably, the cost-effective provision of a high-quality service to their members, the integration of sustainability into the investment process, and the recruitment and retention of the talented people they need in an increasingly competitive market.

At Brightwell, we understand these challenges and offer advisory support across a wide range of areas.

Procentia

Market-leading pensions administration software

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 Brightwell.

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 2023 of £0.8m (2022 restated: £3.3m). The Company's balance sheet shows net assets of £50.5m at 30 June 2023 (2022: £49.0m). The Group has net assets of £49.2m (2022 restated: £48.5m). No dividend has been proposed or paid during the year (2022: £nil).

As Brightwell develops its multi-client strategy, the directors believe the following financial key performance indicators (KPIs), which are disclosed on a consolidated basis for the year to 30 June 2023, are helpful for understanding the development, performance and position of the business:

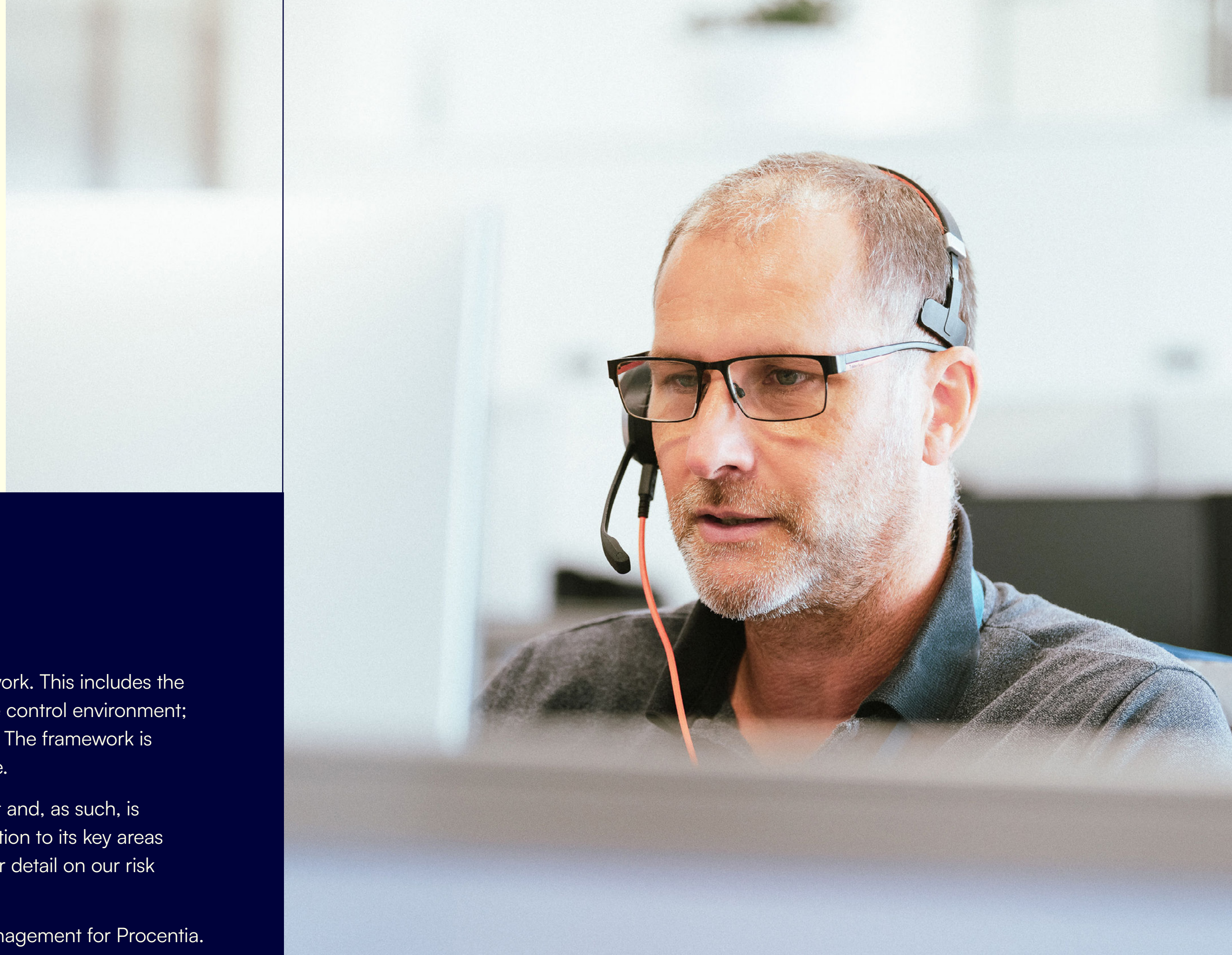
Turnover: £60.6m up £1.7m or 3% from 2022

Operating expenses: £60.2m, an increase of £4.2m or 8% from 2022. This reflects the ongoing investment in our development strategy

Operating profit: £0.8m, a decrease of £2.5m from 2022. This is driven by the increased cost of our business investment. We expect operating profits to increase over the long term as our business grows.

Strategic report *continued*

Risk management



Risk management

Brightwell 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 Board and its committees. The framework is supported by Brightwell's policies, procedures and governance structure.

The Board is ultimately responsible for the oversight of risk management 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 on page 23.

Procentia's Board of Directors is responsible for the oversight of risk management for Procentia. Brightwell 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.

Strategic report *continued*

Risk management *continued*

Brightwell risk management approach

Brightwell's approach to risk is underpinned by the Board and its committees, as outlined on page 20. The Board sets out strategic, operational and financial risks that are managed at Brightwell and delegates day-to-day risk management to the Brightwell Executive Committee (ExCo). All Board committees are chaired by a Board member. All committees have senior management representation and are 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, Brightwell also has dedicated risk, legal, and compliance functions.

The risk function is responsible for maintaining effective risk management in Brightwell and its clients, in line with the Risk Management Framework. This includes establishing and implementing relevant policies; providing oversight of the control environment; and making recommendations for change based on risk and control, self assessment, risk appetites and risk incidents.

The legal function offers a full suite of legal advice and support to both Brightwell and clients, where applicable, on all relevant laws and regulations including financial services, and investment, pensions, corporate, employment and other matters as applicable. This includes monitoring of relevant changes and developments within the legal and regulatory environment, and advising clients, where applicable, and the Board on the impact of these.

The compliance function has the responsibility for monitoring and providing advice to Brightwell and where applicable clients, on compliance and the relevant regulatory requirements. This includes the development and oversight of compliance policies, and ongoing compliance monitoring activities including post-trade surveillance, and establishing and monitoring.

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 20.

Brightwell'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 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.

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

- Client assets are managed prudently and in accordance with our clients wishes with respect to funding objectives, investment style and risk profile
- Client assets are adequately safeguarded
- All due benefits accrue to our clients, and
- Appropriate regulations are adhered to and best practice is followed.

Strategic report *continued*

Risk management *continued*

Principal risks and uncertainties

As a fully functioning investment manager and pensions administrator, Brightwell is exposed to a wide variety of risks that could impact its ability to service its clients. The risks outlined below represent the key risks faced by Brightwell.

1. Service delivery risk

The risk that transaction errors and other data processing failures could occur due to poor process design, inadequate operating procedures or execution mistakes. Brightwell manages this risk by ensuring that all critical processes are properly supported via a combination of clear documentation, ongoing training, and the application of controls and escalation procedures. The day-to-day activities are supplemented by the risk and compliance frameworks that are regularly reported to the ExCo. Brightwell recognises that there is a degree of concentration risk in relation to the investment management and member administration services it provides to its owner, BTPS. Brightwell manages this risk by applying policies and procedures that are closely aligned to the requirements of the scheme thereby ensuring that all the key service assurance measures are met.

2. People risk

The risk is that Brightwell is not able to attract and retain staff with the necessary levels of competency and experience. The Executive Committee tracks attrition levels and open vacancies monthly, taking action where necessary. In addition, Brightwell surveys its employees periodically. Core to Brightwell is its Employee Value Proposition (EVP) which offers competitive compensation and benefits (which are benchmarked annually), as well as offering training and development opportunities. The EVP is continually evolving based on employee feedback and market insight.

3. Legal & regulatory

The risk that Brightwell fails to comply with UK law or breaches the regulatory obligations set by The Financial Conduct Authority. To manage this risk, Brightwell employees experienced legal and compliance professionals and applies a structured compliance monitoring programme which includes extensive training for staff to ensure they are familiar with the prevailing regulatory requirements e.g. information security, market abuses, bribery and corruption etc. With regards to investment related activities, Brightwell utilises technology to monitor trading activities versus investment guidelines and restrictions.

Strategic report *continued*

Risk management *continued*

4. Supplier performance failure risk

The risk that a third party supplier appointed directly by Brightwell fails to deliver a business-critical service resulting in financial or reputational damage. Brightwell manages this risk by having a rigorous supplier management framework in place which covers supplier selection, ongoing performance monitoring and taking remedial action where necessary. Business critical suppliers are also required to have business continuity plans in place that are aligned to the clients' expectations.

5. Operational resilience - change related risks

This is the risk that Brightwell's ability to deliver services to clients on a consistent and reliable basis is compromised due to an operational failure or inability to deliver changes to business operations in an effective manner. Brightwell manages this risk through a rigorous approach to deploying IT and non-IT related solutions, and by having an appropriate business continuity plan (BCP) and disaster recover plan (DRP) in place. Extensive 2nd and 3rd-line monitoring of the operational environment is also performed to reassure clients and other stakeholders.

6. Cybersecurity

This is the risk that Brightwell's ability to protect the sensitive data relating to clients and employees is compromised by third party actions. Brightwell has a comprehensive Cybersecurity strategy that is fully aligned to our Enterprise Risk Management (ERM) framework. The strategy is compliant with the National Cyber Security Centre (NCSC) Cyber Assessment Framework (CAF), and leverages the infrastructure and cloud technologies of the leading technology vendors to cover both end point and network security. In addition, we conduct regular audits, penetration testing, staff training and ongoing assessments of the information security practices of our key suppliers as part of our ISO27001 certification.

Strategic report *continued*

Risk management *continued*

The roles of the Brightwell Board and committees in relation to risk management are outlined below.

Brightwell Board

- **Sets the appetite** for taking risk against the Company's strategy, whilst day-to-day management of risk sits within the Company's governance framework and promotes an effective risk culture.
- **Oversees and monitors** the efficiency and effectiveness of the Risk Management Framework and system of internal controls; the performance and objectivity of the internal and external auditors; and the completeness and integrity of the financial statements via the RACC.
- **Reviews and assesses** the effectiveness of Brightwell's risk management and compliance arrangements.
- **Escalates** material issues to the relevant Brightwell or client governance body.

Brightwell Risk, Audit and Compliance Committee (RACC)

- **Approves** changes to the Risk Register on the Board's behalf.
- **Oversees and monitors** the firm's risk management arrangements, compliance monitoring and advisory framework.
- **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.
- **Reviews and assesses** external reporting, and the performance and independence of the firm's external auditors.
- **Approves** the consolidated Internal Audit Annual Plan and monitors performance against the plan, including oversight of progress and actions, providing feedback to the Board.

Brightwell Remuneration Committee (RemCo)

- **Oversees** the remuneration arrangements at Brightwell to ensure alignment to its purpose and values, and clearly links to the successful delivery of Brightwell's long-term strategy.
- **Sets and agrees** remuneration policy and aligns with Brightwell's shareholder, to evoke the aims of the FCA's Remuneration Code.
- **Ensures** the remuneration approach promotes sound and effective risk management.
- **Escalates** any material issues to the relevant governance forum.

Brightwell ExCo

- **Monitors** financial reporting and Company performance.
- **Reviews** the operation of the Company's risk management framework, compliance arrangements, systems, processes, procedures and controls.
- **Escalates** any relevant material issues to the Board or the RACC, as appropriate.

Strategic report *continued*

Brightwell's carbon emissions

At Brightwell we measure emissions from our offices, energy and transport. In 2023, Brightwell offset 125 tonnes of carbon dioxide (2022: 98 tonnes). 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 of our carbon emissions for the current year are included within the Directors' report on page 30.

One of our corporate objectives is to 'embed sustainability into everything we do'. Having baselined our carbon emissions, choosing to use 2019, we updated this to 2022 emissions. The groups' carbon emissions continue to come from scope 3, from our suppliers (99%). This year the Board approved a strategy for the next 5 years to ensure the corporate goal aligns with the Scheme's net zero goal. In the first quarter of 2024, in the London and Chesterfield offices, switched energy tariffs to renewable energy, thereby minimising scope 2 emissions.

For Scope 3 emissions, we are engaging with our suppliers to get a better understanding of their emissions, reporting and net zero plans, and have introduced specific emissions-related criteria for the evaluation of new suppliers. The company's two green benefits for employees, an electric car scheme and cycle to work schemes, continue to be taken up by employees.

Case study: Supporting BTPS with sustainable investment

Brightwell supports the BTPS Trustee Board in integrating material environmental, social and governance (ESG) factors into its investment decisions. The Scheme's sustainable investment strategy and stewardship approach remains core to the Scheme's investment philosophy, and we look at the potential impact that long-term structural risks could have on the Scheme's investment outcomes.

Examples of Brightwell's support this year include:

- Net zero data project & improved climate reporting, including investment in new tools to improve collation & consistency of manager reporting on sustainability
- New ESG dashboard development to improve portfolio & manager monitoring
- Brightwell colleagues representation, as co-chair on:
  - ASCOR project —important initiative to improve sovereign climate reporting
  - Asset Owner Diversity Charter — promoting diversity, equality & inclusion in the investment industry
- Project to enhance & redefine Brightwell's approach to sustainable investment
- Engagement with BTPS members with regular satisfaction surveys and site visit to BTPS investments, as seen in this report.

Further information can be found at BTPS in the 2022/23 Responsible Investment & Stewardship Report: *https://www.btps.co.uk/sustainableInvestment*

Strategic report *continued*

Employees

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

- An excellent range of colleague benefits including an employee assistance programme, access to private healthcare GP services, as well as generous pensions and insurance benefits in order to support colleagues at every stage of their working life
- A programme of constantly refreshed wellbeing resources available to all colleagues
- A regular colleague satisfaction survey enabling frequent leadership listening and corrective action
- Provide training support and opportunities to employees to enable them to grow as individuals and as professionals
- An employee-led group who support in 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. The Board is ultimately responsible for the oversight of policies and practices in respect of Brightwell employees, while Procentia's Board of Directors retains responsibility in respect of Procentia employees. In setting remuneration for Brightwell, 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 and 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
- part of some employees' reward is deferred, due to their role or size of compensation, 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.btps.co.uk/SustainableInvestment*

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: *https://brightwellpensions.com/contact-us/modern-slavery-statement/*

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

M Nilsson
Director

Governance

Governance

> The framework demonstrates the Board's commitment to high standards of governance

BT Pension Scheme Management Limited (BTPSM), trading as Brightwell, is regulated and authorised by the Financial Conduct Authority (FCA). Our corporate governance framework is designed to support the Board's oversight of the Company's purpose of working together for a better future. The framework demonstrates the Board's commitment to high standards of governance. In April 2023, we announced the appointment of two independent non-executive directors to the Board, one of whom sits as Board chair.

The expansion of the Board's members forms part of Brightwell's journey towards becoming a multi-client firm. As a Board, we are committed to evolving our governance arrangements in support of our strategic growth.

Brightwell Board

The Board is collectively responsible for the Company's long-term sustainable success within a framework of prudent and effective controls. To support the Board in its oversight and leadership, there is an established committee framework that is outlined in the following section.

The newly appointed non-executive directors complement the existing Board members and provide independent challenge.

Governance *continued*

Brightwell Board members

Denise Le Gal,

Independent Non-Executive, Denise was appointed to the Board in April 2023. In the same month, the FCA approved Brightwell's application to appoint Denise as the Board Chair. Denise also chairs the Board's Remuneration Committee, and is responsible for leading the Board and ensuring that the Board meets its collective responsibilities. Denise brings a wealth of experience to our team.

She is currently the chair of the Brunel Pension Partnership and also chairs the JPM Chase UK Retirement Plan. She was formerly chair of the Local Government Authority's Local Government Pension Committee (LGPC). She has also served on the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB) from inception to May 2019 and co-chaired the Local Authority Pension Fund Forum (LAPFF).

Originally from Canada, Denise has a BA from Carleton University. She left Canada in 1985 to complete an MBA at INSEAD, and subsequently pursued a career in banking at Salomon Brothers, Chase Manhattan and IBJ.

Morten Nilsson,

Chief Executive Officer (CEO), joined Brightwell in September 2018 and is responsible for leading all aspects of the business in its support of its clients. Morten has spent most of his career in financial services. He joined the pensions and investment industry in 2001 and spent over 10 years with the £90 billion Danish pension scheme ATP, where he held different senior positions across administration, investments, product and business development. In 2010 he moved to London where he founded NOW: Pensions and, as CEO, grew the business to become one of the largest defined contribution providers in the UK.

Governance *continued*

Kevin Troup,

Non-Executive, joined Brightwell in April 2023. Kevin also chairs the Board's Risk, Audit, and Compliance Committee. Kevin qualified as a Chartered Accountant in 1993 with Coopers & Lybrand. He started his investment career with Scottish Life before joining Martin Currie Investment Management where he helped launch two Japanese Funds, managing an Equities fund and co-managing an Absolute Return Fund. He joined Standard Life Investments in 2010, launching a new global equity income product which he managed.

Now retired, he holds a number of non-executive roles including European Assets Trust plc, Baillie Gifford Shin Nippon plc, Baring Fund Managers Limited and Kintail Trustees Limited, the corporate trustee of The Robertson Trust charity.

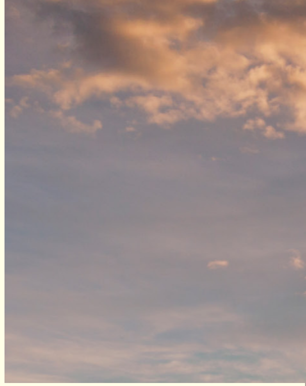
Wyn Francis,

Chief Investment Officer (CIO), joined Brightwell in 2008 and was confirmed as CIO on 1 January 2021. Wyn is responsible for advising clients on the investment strategy and implementing that strategy within an agreed delegated authority. Prior to joining Brightwell, Wyn was, most recently, a Consulting Director at PwC where he managed teams responsible for providing market and trading risk management advice. He previously held in banks, structuring and trading interest rate derivatives and managing fixed income portfolios.

Gillian Haselden,

Chief Legal Officer (CLO), joined Brightwell in 2014 and is responsible for leading and advising on all legal, compliance and governance matters for the organisation. Gillian also acts as Legal Counsel to the Board. Gillian qualified as a solicitor in 1993. Before joining us, she spent over 15 years in legal roles at both EY & Deloitte as well as 7 years in investment banking at Nomura.

Governance *continued*

Simon Langworthy,

Chief Commercial Officer (CCO), joined Brightwell in 2010 and joined the Board in February 2011 as Chief Operating Officer. Simon changed role to Chief Administration Officer in 2018 and was appointed Chief Commercial Officer in 2023. In this role Simon is responsible for leading Brightwell's business development and client relationship strategy retaining oversight of member services. Simon was previously Managing Director and COO of Europe Business Operations at Blackrock, where he led the migration of the BGI products in Europe onto the Blackrock Aladdin Platform. Before that, Simon spent 6 years at Barclays Global Investors (BGI) running global functions, including asset services, client order management, client take-on, business change and product development. Simon has over 30 years' experience in the banking, asset management and pensions sectors. Simon is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales.

Martin Tully,

Chief Operating Officer (COO), joined Brightwell in January 2020 and was appointed to the Board in May of the same year. From 1 July 2023, he became the Chief Risk Officer (CRO) and Chief Financial Officer (CFO). He leads on all key investments' operational work, and also on risk-related matters for the organisation. Martin's previous roles include senior management positions with Ashmore, Rothschild, Citigroup and HSBC. Martin has over 25 years' experience in the banking, asset management and pensions sectors, and has worked as a consultant with the in-house asset management divisions of pension funds in both the UK and overseas.

Governance *continued*

Brightwell governance structure

The Brightwell governance structure and main activities are set out below.

Brightwell Board

The Board is responsible for the overall strategy, oversight of financial and operational performance, key risks and regulatory compliance. The Board manages certain operations independently but delegates others to its committees. There are two formal Committees of the Board: RACC and RemCo, and two governance bodies with lines into the Board, as outlined below. A summary of each forum's areas of focus is outlined on the following page.

Other governance bodies reporting to the Board

Executive Committee (ExCo) - In addition to the table opposite, the Board has also delegated specific responsibilities to the ExCo in relation to the day-to-day management of the firm.

Procentia - Brightwell retains oversight of Procentia via the Brightwell-appointed Procentia board NEDS, and with regular reporting from Procentia.

Board of Directors
Denise Le Gal, Chair

Risk, Audit, and Compliance Committee
Kevin Troup, Chair

Remuneration Committee
Denise Le Gal, Chair

Governance *continued*

Board, Risk, Audit and Compliance Committee

Chaired by non-executive director, Kevin Troup, the RACC's key purpose is to provide oversight and advice to the Board in relation to the current and potential future risk profiles and exposures of the firm, including the risk appetite, and on the effectiveness of the risk management framework. The RACC also assists the Board in carrying out its responsibilities relating to accounting policies/approaches, internal controls (e.g. compliance and audit) and financial reporting functions, including consideration of any relevant non-financial disclosures or related controls which may impact the financial statements.

Board Remuneration Committee

The purpose of the RemCo is to ensure that the Board is supported in the aim of ensuring that Brightwell's remuneration arrangements are aligned to the successful delivery of Brightwell's long-term strategy. Brightwell Board Chair, Denise Le Gal, chairs the RemCo. Independent oversight of CEO and executive remuneration was provided by the BTPS Remuneration and Nomination Committee during the period.

Executive Committee (ExCo)

The day-to-day management of the Company is delegated to the CEO and Executive Management team, who discharge this responsibility via the ExCo. It functions as the executive decision-making body for all entities within Brightwell, with the exception of Procentia. Each member of the ExCo has individual responsibility for business areas within Brightwell. The ExCo is made up of the Board's executive directors plus the Chief of Staff (Gira Davda), the Chief Technology Officer (Kevin Samborn) and the Chief Investment Administration Officer (Peter James).

Procentia Limited Board

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 Procentia Board of Directors is collectively responsible to Brightwell, as the shareholder, for the long-term success of the company. The Brightwell CEO sits as a non-executive chair of the Procentia board.

Directors' report

Directors:

D Le Gal (non-executive) (appointed 1st April 2023)
M Nilsson
K Troup (non-executive) (appointed 1st April 2023)
W Francis
G Haselden
S Langworthy
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 2023.

Energy and Carbon Report

In 2023, BTPSM and BTPSA offset their carbon emissions from business travel and scope 2 activities of 125 tonnes (2022: 98 tonnes offset).

Total group emissions	2023 tCO2	2023 kWh	2022 tCO2	2022 kWh
Direct emissions				
Combustion of gas and use of fuel for transport	-	-	-	-
Scope 1	-	-	-	-
Indirect emissions (for own use)				
Purchase of electricity	85.35	265,858	94.2	284,055
Scope 2	**85.35**	**265,858**	**94.2**	**284,055**

No fuel usage is reported for the year as all business-related transport is operated by a third party (rail, taxi, air) of 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 CO2 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 0.26 (2022: 0.30) tonnes CO2 per employee.

In the financial year 2023, the Company's scope 2 emissions were broadly in line with 2022. The company offset slightly higher emissions in 2023 due to more business travel. More information in relation to our activities to reduce the carbon impact of the Company is included in the Strategic Report.

> "In the financial year 2023, the Company's emissions were broadly in line with the lower emission seen in 2022"

Directors’ report *continued*

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 majority provider of income is BTPS, 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 from the date of approval of these financial statements.

In reaching the going concern conclusion, the Directors considered the resources available to the Group, forecast expenses and income, post-year end events, and reviewed severe but plausible scenarios whereby Brightwell could suffer a material revenue reduction, incurs significant unbudgeted costs, or experiences significant business disruption impacting its service delivery. This scenario analysis included financial stress testing over multiple years to model the impact of these scenarios on revenues, costs, cash-flows, and reserves. The Group has also considered cashflow forecasts for at least 12 months and there is a reasonable expectation that the Group can meet its liabilities for the foreseeable future from the date of approval of these financial statements.

Dividend

No dividend has been proposed or paid during the year (2022: £nil).

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2022: £nil).

Charity donations

During the year, the Company donated £nil (2022: £7,000 to Disasters Emergency Committee, funded by the employee social budget) and subsidiaries donated £3,060 (2022: £3,950 to various charities voted by their employees for their 20th anniversary).

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.

D Le Gal
Board Chair
23 October 2023

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. During the reporting period, the Board continued to enhance the firm's governance oversight with the addition of 2 non-executive directors. For the year ending 30 June 2023, the Board considers that, individually and collectively, it acted in accordance with s172.

The Board acknowledges that decisions are not made in isolation and there are often competing interests amongst our stakeholders. This 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 that our outcomes remain consistent. The Board understands the value of stakeholder engagement beyond statutory obligations. Therefore, the examples illustrate a broad view of how we pay regard to, and interacted with, some of our key stakeholders during the year.

Section 172 statement *continued*

Stakeholder	Area of focus / outcomes
Clients	***Contact centre operations*** The Board tasks management to continually identify and implement ways of working that benefit our clients. It was on this basis that the Board supported management's proposal to move the contact centre operation completely in-house, with all client member calls and emails being handled by our own in-house Contact Hub. These efficiencies are expected to support a more positive member journey, and to lower our clients' overall member administration costs. ***ISO27001*** During the year, the Board determined that it was important to seek external validation of internal processes to provide additional assurance to clients that Brightwell adhered to the highest possible information security management protocols and agreed to pursue the ISO27001 certification.
Colleagues	***Diversity, Equity & Inclusion Strategy*** We believe that a firm's culture is led by the Board. As part of the Board's commitment to our colleagues, the Board approved Brightwell's new Diversity, Equity & Inclusion (DEI) strategy. This strategy consolidates a number of activities across the business with the aim to foster an equal, diverse and inclusive culture with a workforce that reflects our community. ***Parental leave policy*** As part of the Board's continued focus on DEI, it approved a revised approach to parental leave. These changes will further support working parents and gender equality in the workplace by providing: • Enhanced company pay for all parents, promoting equity for all; and • Phased return for all parents to support their successful reintegration into the business after a period of leave.
Environment	***Corporate net zero strategy*** As referenced in the CEO's statement, the Board approved management's proposed actions through to the end of 2024 to achieve the firm's net zero strategy. The Board are fully aware of the impact of the Brightwell's operations on the environment and the need to take positive steps to ensure those impacts are minimised as much as practicable. In addition to the activities to cut Brightwell's operational emissions, we continue to leverage our relationships with third parties to minimise the impact on the environment.
Regulator	***Appointment of non-executive Directors*** As part of the Company's change in regulatory permissions, the Board committed to expanding its membership to include two independent non-executive Directors (NEDs). This decision was taken to meet the regulatory expectations for a MiFID II firm. Following a robust recruitment process, the Board resolved to appoint 2 NEDs. This reflects the Board's continued desire to maintain high standards of business conduct by adding external, independent oversight to the Board.

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's 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.

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

Independent auditor's report

to the members of BT Pension Scheme Management Limited, trading as Brightwell

Opinion

We have audited the financial statements of BT Pension Scheme Management Limited t/a Brightwell ("the Company") for the year ended 30 June 2023 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 Cash Flow 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 2023 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 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 the Parent 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 the 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.
- 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.

Independent auditor's report *continued*

to the members of BT Pension Scheme Management Limited, trading as Brightwell

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-judgmental 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 material post year end closing journals.

Identifying and responding to risks of material misstatement related to 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 others 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 parent 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: data protection laws, anti-bribery, employment law, anti-money laundering, market abuse regulations and financial services regulations, and specific areas of regulatory capital and liquidity and certain aspects of Parent Company's legislation recognising the financial and regulatory 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 fraud 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.

Independent auditor's report *continued*

to the members of BT Pension Scheme Management Limited, trading as Brightwell

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 30, 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 and parent 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 the parent 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*.

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 Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Fang Fang Zhou (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
23 October 2023

Consolidated statement of comprehensive income

As at 30 June 2023

	Notes	30 June 2023 £	30 June 2022 as restated* £
Turnover	3	**60,647,061**	**58,964,999**
Administrative expenses		(60,202,837)	(55,953,242)
Other income		363,866	280,547
Operating profit		**808,090**	**3,292,304**
Interest receivable	4	923,145	68,683
Profit on ordinary activities before taxation	**5**	**1,731,235**	**3,360,987**
Tax(charge) / credit on profit on ordinary activities	8	(1,030,637)	336,964
Profit for the financial year		**700,598**	**3,697,951**
Other comprehensive income:			
Foreign currency translation adjustment		3,939	91,856
Total comprehensive income for the financial year		**704,537**	**3,789,807**
Profit for the financial year attributable to:			
Owners of the parent		829,959	3,789,839
Non-controlling interests		(129,361)	(91,888)
Total profit		**700,598**	**3,697,951**
Total comprehensive income for the financial year attributable to:			
Owners of the parent		832,528	3,853,716
Non-controlling interests		(127,991)	(63,909)
Total comprehensive income		**704,537**	**3,789,807**

*see note 1

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 45 to 72 form part of these financial statements.

Consolidated balance sheet

As at 30 June 2023

	Notes	30 June 2023 £	30 June 2022 as restated* £
Fixed assets			
Goodwill	11	8,550,506	9,865,970
Intangible assets	11	7,230,796	8,791,553
Tangible assets	12	1,463,047	1,957,480
		17,244,349	**20,615,003**
Current assets			
Debtors	13	23,163,497	10,393,662
Cash at bank		37,702,187	33,649,695
		60,865,684	**44,043,357**
Current liabilities			
Creditors - amounts falling due within one year	14	(20,673,257)	(13,879,097)
Net current assets		**40,192,427**	**30,164,260**
Total assets less current liabilities		**57,436,776**	**50,779,263**
Creditors - amounts falling due after one year	14	(7,677,777)	(1,724,801)
Provisions for liabilities and charges	16	(536,475)	(536,475)
Net assets		**49,222,524**	**48,517,987**
Capital and reserves			
Called up share capital	17	37,800,000	37,800,000
Profit and loss account		9,562,871	8,730,343
		47,362,871	46,530,343
Non-controlling interests		1,859,653	1,987,644
		49,222,524	**48,517,987**

*see note 1

These financial statements were approved by the Board and authorised for issue on 23 October 2023.

Signed on behalf of the Board

M Nilsson
Director

The notes on pages 45 to 72 form part of these financial statements.

Company balance sheet

As at 30 June 2023

	Notes	30 June 2023 £	30 June 2022 £
Fixed assets			
Investment in subsidiaries	9	22,594,016	22,354,584
Intangible assets	11	2,992,764	3,927,981
Tangible assets	12	1,037,047	1,299,748
		26,623,827	**27,582,313**
Current Assets			
Debtors	13	12,865,921	5,320,096
Cash at bank		29,401,348	26,829,563
		42,267,269	**32,149,659**
Current liabilities			
Creditors - amounts falling due within one year	14	(13,861,588)	(8,888,350)
Net current assets		**28,405,681**	**23,261,309**
Total assets less current liabilities		**55,029,508**	**50,843,622**
Creditors - amounts falling due after one year	14	(4,193,452)	(1,523,825)
Provisions for liabilities and charges	16	(339,210)	(339,210)
Net assets		**50,496,846**	**48,980,587**
Capital and reserves			
Called up share capital	17	37,800,000	37,800,000
Profit and loss account		12,696,846	11,180,587
Shareholder's funds		50,496,846	48,980,587

These financial statements were approved by the Board and authorised for issue on 23 October 2023.

Signed on behalf of the Board of Directors

M Nilsson
Director

Registered No. 05154287

The notes on pages 45 to 72 form part of these financial statements.

Consolidated statement of changes in equity

As at 30 June 2023

	Called up share capital £	Profit and loss account £	Amount attributable to owners of the parent £	Non-controlling Interest £	Total £
At the beginning of the year 1 July 2021	**37,800,000**	**4,876,627**	**42,676,627**	**2,051,553**	**44,728,180**
Profit for the year	-	3,426,854	3,426,854	(212,883)	3,213,971
Foreign exchange movements	-	63,877	63,877	27,979	91,856
At the beginning of year 1 July 2022 as previously stated	**37,800,000**	**8,367,358**	**46,167,358**	**1,866,649**	**48,034,007**
Restatement — change in accounting policy (Note 1v)	-	362,985	362,985	120,995	483,980
At the beginning of year 1 July 2022 as restated*	**37,800,000**	**8,730,343**	**46,530,343**	**1,987,644**	**48,517,987**
Profit for the year	-	829,959	829,959	(129,361)	700,598
Foreign exchange movements	-	2,569	2,569	1,370	3,939
At the end of the year 30 June 2023	**37,800,000**	**9,562,871**	**47,362,871**	**1,859,653**	**49,222,524**

The notes on pages 45 to 72 form part of these financial statements.

*see note 1

Company statement of changes in equity

As at 30 June 2023

	Called up share capital £	Profit and loss account £	Total £
At the beginning of the year 1 July 2021	**37,800,000**	**8,389,071**	**46,189,071**
Profit for the year	-	2,791,516	2,791,516
At the beginning of the year 1 July 2022	**37,800,000**	**11,180,587**	**48,980,587**
Profit for the year	-	1,516,259	1,516,259
At the end of the year 30 June 2023	**37,800,000**	**12,696,846**	**50,496,846**

The notes on pages 45 to 72 form part of these financial statements.

Consolidated cashflow statement

As at 30 June 2023

	Notes	30 June 2023 £	30 June 2022 as restated £
Net cash inflow from operating activities	**20**	**4,008,821**	**86,507**
Cashflows from investing activities:			
Payments made to acquire intangible assets		(659,992)	(1,444,167)
Payments made to acquire tangible fixed assets		(224,083)	(970,660)
Cashflows from financing activities:			
Interest received		923,145	69,271
Interest paid		-	(588)
Effects of exchange rates on cash		4,600	122,559
Increase / (decrease) in cash and cash equivalents in the year		**4,052,491**	**(2,137,078)**

The notes on pages 45 to 72 form part of these financial statements.

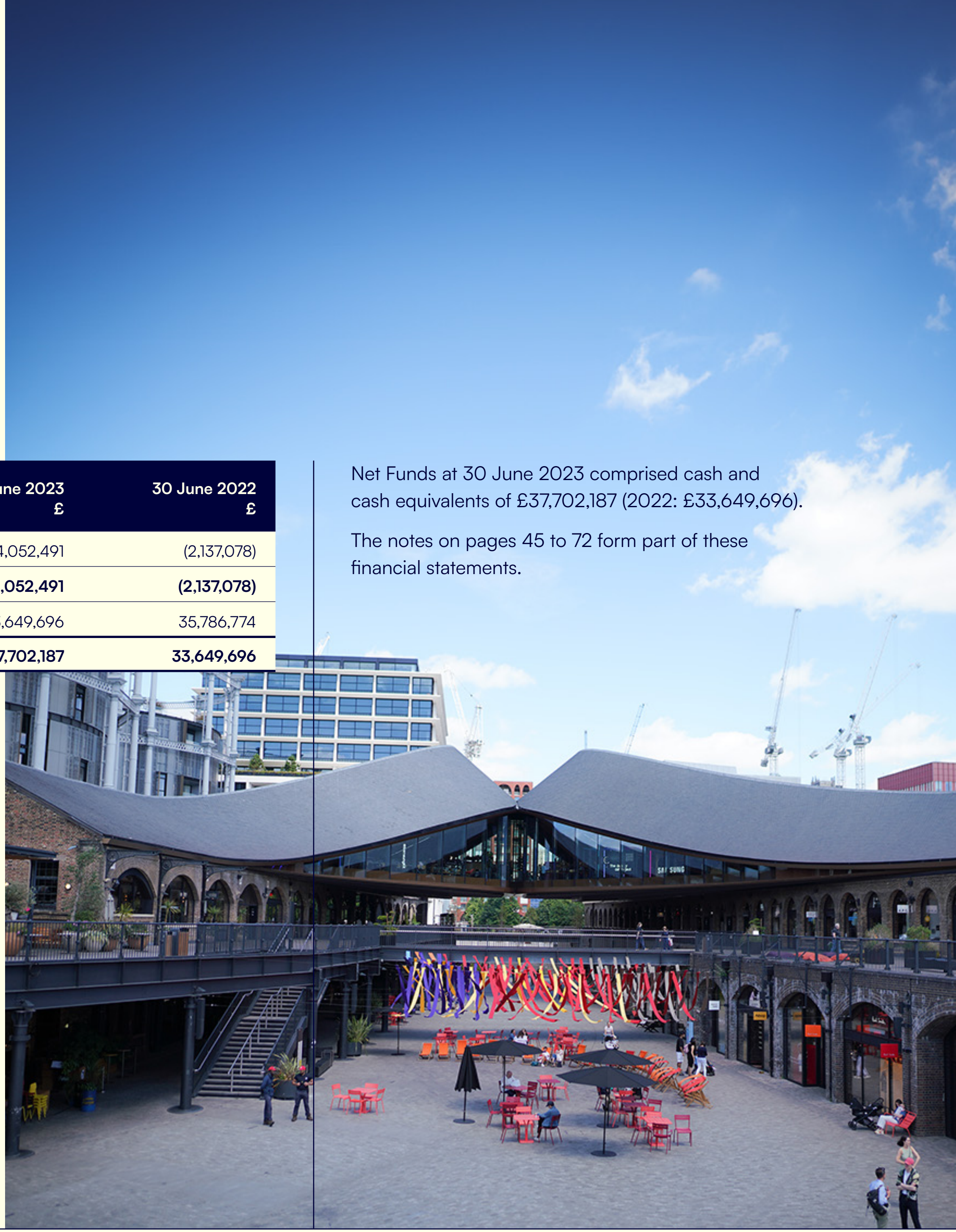
Reconciliation of net cash flow to movement in net funds

As at 30 June 2023

	30 June 2023 £	30 June 2022 £
Increase / (decrease) in cash and cash equivalents in the year	4,052,491	(2,137,078)
Movement in net funds in the year	**4,052,491**	**(2,137,078)**
Net funds at 1 July	33,649,696	35,786,774
Net funds at 30 June	**37,702,187**	**33,649,696**

Net Funds at 30 June 2023 comprised cash and cash equivalents of £37,702,187 (2022: £33,649,696).

The notes on pages 45 to 72 form part of these financial statements.



Notes to the accounts

Notes to the accounts

Year ended 30 June 2023

01. Accounting policies

a Accounting convention

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

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. The majority of Brightwell's income is from 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.

In reaching the going concern conclusion, the Directors considered the resources available to the Group, forecast expenses and income, post-year end events, and reviewed severe but plausible scenarios whereby Brightwell could suffer a material revenue reduction, incurs significant unbudgeted costs, or experiences significant business disruption impacting its service delivery. This scenario analysis included financial stress testing over multiple years to model the impact of these scenarios on revenues, costs, cash-flows and reserves. The Group has also considered cashflow forecasts forat least 12 months and there is a reasonable expectation that the Group can meet its liabilities for the foreseeable future from the date of approval of these financial statements.

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 2023. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertaking, Procentia group are included in the consolidated statement of comprehensive income. Control is established when the Company has the power to govern the operating and financial polices of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential 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.

d Turnover

Turnover is recognised on an accruals basis. To the extent that fees are recognised in advance of billing they are classified as work in progress and are included as accrued income, and when fees are recognised in advance of the period they relate to, they are included as deferred income.

Service fees are charged to the ultimate parent undertaking, BTPS, based on costs charged at arm's length.

e Other income

Other income relates to income received from sub-letting office space.

Notes to the accounts *continued*

Year ended 30 June 2023

f 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.

g 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.

h 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.

i 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.

j Employee benefits

Long-term incentive plans (LTIP)

Long-term incentive plans are made to certain employees by the issue of shares to be exchanged at a later date for cash, provided the conditions for the exchange have been met. The fair value of the shares is calculated using the Monte Carlo Model and this is re-calculated at each reporting date. The expense is recognised on a straight-line basis over the period from the date of award to the date of vesting, based on the best estimate of shares that will eventually vest.

k 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.

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

l 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.

m Intangible assets

Purchased 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: 5 years
Goodwill: 10 years

Internally generated intangible assets

Internally generated 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, internal software and licenses: 5 years

Amortisation is charged on assets with finite lives and this expense is taken to the statement of comprehensive income

Notes to the accounts *continued*

Year ended 30 June 2023

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 derecognition 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.

n 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: 3 years
Fixtures and fittings, office equipment and furniture: 3.5 to 4 years
Leasehold improvements: period of lease

Assets under construction commence depreciation once the assets become available for use.

o Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

p Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the net asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

q Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash-in-hand and deposits held at call with banks.

r Financial instruments

Financial instruments are recognised in the statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more vents that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Basic financial liabilities

Basic financial liabilities which include trade payables and other short-term monetary liabilities, are initially recognised

Notes to the accounts *continued*

Year ended 30 June 2023

at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. Financial liabilities classified as payable within one year are not amortised.

Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligations expire or are discharged or cancelled.

s Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

t 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.

u Acquisitions and disposals of businesses

Fair value

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.

Goodwill

On acquisition of Procentia Limited, BTPSM, trading as Brightwell, 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.

v Changes in accounting policies

The Group has decided to change the accounting policy in respect of internally generated intellectual property. The Group believes that to capitalise this provides a more complete view of its financial position and brings it into line with standard industry practice.

The Group internally generates intangible assets consisting of software and sells the licenses to its customers in the pension and benefits industry. The main product offered is Intellipen, which is a web-based solution for the administration of pension schemes.

Previously the Group expensed any development costs on research and development projects. As a result of the change of accounting policy, management have restated the prior year balances in the financial statements. This has been done as far as is practically possible. In years prior to the previous financial year, the company is not able to reliably measure costs and therefore have not restated balances earlier than the prior year.

The Group has established the amount for the previous financial year to be capitalised as £537,232 and £53,252 recognised as the amortisation charge. The costs represent the additions to functionality and improvements in the software and the costs were determined by calculating the salary costs associated with the development of the intangible asset.

The effect of the prior year restatement is an overall increase in net assets of £483,980 from £48,034,007 to £48,517,987 and resultingly the same increase to the Group profit after tax which changed from £3,213,971 to £3,697,951. Thus, the Group reserves as shown on the statement of changes in equity increased by the same amount; £362,985 is attributable to BTPSM, trading as Brightwell and £120,995 comprises the non-controlling interest.

Notes to the accounts *continued*

Year ended 30 June 2023

02. Critical judgements and key estimates

The preparation of the financial statements in conformity with FRS 102 requires the use of accounting estimates and assumptions that affect the reported assets and liabilities at the date of financial statements, and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The prime area involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements are as follows:

Long-term incentive plans (LTIP)

The Group measures the cost of cash-settled transactions with employees by reference to the fair value of the equity instruments at each year end. The fair value is determined using the Monte Carlo Model, and the determination of the fair value using this methodology is based on the input parameters chosen. It will therefore contain an element of judgement and uncertainty. Details of the LTIP are included in note 15.

Notes to the accounts *continued*

Year ended 30 June 2023

03. Turnover

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

	30 June 2023 £	30 June 2022 £
UK	56,262,955	55,473,222
USA	2,525,105	1,910,622
Rest of the world	1,859,001	1,581,155
	60,647,061	**58,964,999**

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

	30 June 2023 £	30 June 2022 £
Executive advisory, pension administration and investment management services	49,146,507	49,817,164
Development, maintenance and support of software	11,500,554	9,147,835
	60,647,061	**58,964,999**

Notes to the accounts *continued*

Year ended 30 June 2023

04. Interest receivable and payable

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

	30 June 2023 £	30 June 2022 £
Short-term deposit interest receivable	923,145	69,271
Interest payable	-	(588)
	923,145	**68,683**

Interest payable and similar expenses includes interest payable and similar on bank loans and overdrafts of £nil (2022: £nil) and on all other loans of £nil (2022: £nil).

05. Profit on ordinary activities before taxation

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

	30 June 2023 £	30 June 2022 as restated* £
Amortisation of intangible fixed assets (note 11)	3,536,213	3,929,248
Depreciation of tangible fixed assets (note 12)	717,852	691,830
Rentals under operating leases	1,168,784	1,011,062
Fees payable to the Group's auditor in respect of:		
Audit services	152,154	131,540
Other assurance services	14,581	13,627

*see note 1

Notes to the accounts *continued*

Year ended 30 June 2023

06. Directors' emoluments

The total emoluments granted and paid to the Directors in respect of the year were £3,426,911 (year ended 30 June 2022: £3,357,111). 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 £963,945, which includes £19,667 pension contributions (year ended 30 June 2022: £919,851, including £20,000 pension contributions).

07. Staff costs

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

	30 June 2023 £	30 June 2022 £
Wages and salaries	28,320,581	26,852,606
Social security costs	3,597,449	3,447,606
Other pension costs	2,301,332	2,120,735
	34,219,362	**32,420,947**

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

In the prior year, a change in accounting policy adjusted retrospectively resulted in the capitalisation of qualifying labour costs amounting to £537,232 attributable to the development of software. In the current year, £615,586 of qualifying labour costs were also capitalised.

The average number of employees, including Directors and non-executive Directors, for the year ended 30 June 2023 was 327 (2022: 310).

Notes to the accounts *continued*

Year ended 30 June 2023

08. Tax charge on profit on ordinary activities for group

The Finance Act 2022, which was substantively enacted on 24 May 2021, included provision to increase the main rate of corporation tax from 19% to 25% effective from 1 April 2023. Deferred tax balances as at 30 June 2022 had therefore been recognised at the relevant rate for the period of the expected utilisation/unwinding. On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, which maintains the main rate of corporation tax at 25% for the financial year to 31 March 2025. Deferred tax balances as at 30 June 2023 have therefore been fully recognised at the closing rate of 25%.

a) Analysis of tax charged in the year:

	30 June 2023 £	30 June 2022 £
Current tax:		
UK corporation tax	866,245	686,860
Adjustment in respect of prior periods	18,217	(983,140)
Overseas taxation	53,426	95,151
Total current tax charge	**937,888**	**(201,129)**
Deferred tax:		
Origination and reversal of timing differences	(301,295)	(142,262)
Adjustments in respect of prior period	516,865	100,790
Effect of tax rate change on opening balance	(122,821)	(94,363)
Total deferred tax charge	**92,749**	**(135,835)**
Total tax charge/(credit) on profit on ordinary activities	**1,030,637**	**(336,964)**

Notes to the accounts *continued*

Year ended 30 June 2023

b) The tax charge in the period differs from that resulting from applying the standard rate of corporation tax in the UK of 20.5% (2021: 19.00%). The differences are explained below:

	30 June 2023 £	30 June 2022 £
Profit on ordinary activities before tax	**1,731,235**	**2,877,007**
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.5% (2021: 19.00%)	354,832	546,631
Expenses not deductible for tax purposes	310,092	180,527
Effect of tax rates in foreign jurisdictions	22,154	25,069
Enhanced capital allowances / income not taxable	(68,703)	(38,140)
Adjustments in respect of prior periods - current tax	535,082	(883,630)
Income not taxable	-	(73,058)
Tax rate changes	(122,820)	(94,363)
Total tax charge / (credit) on profit on ordinary activities	**1,030,637**	**(336,964)**

Notes to the accounts *continued*

Year ended 30 June 2023

c) Deferred tax:

	Provided June 2023 £	Provided June 2022 £
Deferred tax assets:		
Accelerated capital allowances	(377,850)	(76,163)
Short-term timing differences	1,028,063	719,666
Losses and other deductions	-	90,507
Total deferred tax assets	**650,213**	**734,010**

	30 June 2023 £	30 June 2022 £
Net deferred tax assets at 1 July	734,010	598,963
Amounts charged to income statement arising from:		
Fixed asset timing differences	(301,687)	(187,988)
Short-term timing differences	308,397	232,528
Losses and other deductions	(90,507)	90,507
Net deferred tax assets at 30 June	**650,213**	**734,010**

Notes to the accounts *continued*

Year ended 30 June 2023

09. Fixed asset investments

Consolidated	Notes	30 June 20223 £	30 June 2022 £
Investment in subsidiaries		-	-
		-	-

Company	Notes	30 June 20223 £	30 June 2022 £
Investment in subsidiaries	10	22,594,016	22,354,584
		22,594,016	**22,354,584**

Movements in fixed asset investments

Company	Shares in subsidiaries £	Total £
Cost or valuation		
At 1 July 2022	22,354,584	22,354,584
Additions	239,432	239,432
At 30 June 2023	22,594,016	22,594,016
Carrying amount		
At 30 June 2022	22,354,584	22,354,584
At 30 June 2023	**22,594,016**	**22,594,016**

Notes to the accounts *continued*

Year ended 30 June 2023

10. Subsidiaries

Details of the Company's subsidiaries at 30 June 2023 are as follows:

Name of undertaking	Country of incorporation	Class of shares held	Nature of business	Direct % held	Indirect % held
BT Pension Scheme Administration Limited	England and Wales	Ordinary	Provision of administration services to the BT Pension Scheme	100	
Brightwell Pensions Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Pensions Holdings Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Administration Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Administration Holdings Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Pension Administration Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Pension Management Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Management Holdings Limited	England and Wales	Ordinary	Dormant	100	
Brightwell Member Services Limited	England and Wales	Ordinary	Dormant	100	
Procentia Limited	England and Wales	Ordinary and Preference	Development, maintenance and support of software to the pensions and benefits industry	81	
Procentia Inc	United States of America	Ordinary	Development, maintenance and support of software to the pensions and benefits industry		81

Notes to the accounts *continued*

Year ended 30 June 2023

11. Consolidated intangible fixed assets

	Goodwill £	Intellectual property £	Software development £	Total £
Cost:				
At 1 July as previously stated	**13,154,626**	**200,000**	**10,213,799**	**23,568,425**
Effect of restatement	-	-	537,232	537,232
At 1 July as restated	13,154,626	200,000	10,751,031	24,105,657
Additions	-	-	659,992	659,992
At 30 June	**13,154,626**	**200,000**	**11,411,023**	**24,765,649**
Accumulated amortisation:				
At 1 July as previously stated	**(3,288,656)**	**(95,000)**	**(2,011,226)**	**(5,394,882)**
Effect of restatement	-	-	(53,252)	(53,252)
At 1 July as restated	(3,288,656)	(95,000)	(2,064,478)	(5,448,134)
Charge for the year	(1,315,464)	(20,000)	(2,200,749)	(3,536,213)
At 30 June	**(4,604,120)**	**(115,000)**	**(4,265,227)**	**(8,984,347)**
Net book value:				
At 30 June 2023	**8,550,506**	**85,000**	**7,145,796**	**15,781,302**
At 30 June 2022 as restated*	**9,865,970**	**105,000**	**8,686,553**	**18,657,523**

*see note 1

Notes to the accounts *continued*

Year ended 30 June 2023

Company intangible fixed assets

	Software development costs £	Total £
Cost:		
At 1 July	**4,676,086**	**4,676,086**
Additions	-	-
At 30 June	**4,676,086**	**4,676,086**
Amortisation:		
At 1 July	**(748,105)**	**(748,105)**
Charge for the year	(935,217)	(935,217)
At 30 June	**(1,683,322)**	**(1,683,322)**
Net book value:		
At 30 June 2023	**2,992,764**	**2,992,764**
At 30 June 2022	**3,927,981**	**3,927,981**

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

Notes to the accounts *continued*

Year ended 30 June 2023

12. Consolidated tangible fixed assets

	Leasehold improvements £	Assets under construction £	Office equipment and furniture £	Computer hardware £	Total £
Cost:					
At 1 July	**2,480,937**	**-**	**686,018**	**1,033,998**	**4,200,953**
Additions	33,694	60,802	10,993	118,594	224,083
FX	(637)	-	(34,788)	(12,512)	(47,937)
At 30 June	**2,513,994**	**60,802**	**662,223**	**1,140,080**	**4,377,099**
Accumulated depreciation:					
At 1 July	**(1,075,922)**	**-**	**(476,951)**	**(690,600)**	**(2,243,473)**
Charge for the year	(454,039)	-	(63,674)	(200,139)	(717,852)
FX	96	-	26,634	20,543	47,273
At 30 June	**(1,529,865)**	**-**	**(513,991)**	**(870,196)**	**(2,914,052)**
Net book value:					
At 30 June 2023	**984,129**	**60,802**	**148,232**	**269,884**	**1,463,047**
At 30 June 2022	**1,405,015**	**-**	**209,067**	**343,398**	**1,957,480**

Notes to the accounts *continued*

Year ended 30 June 2023

Company tangible fixed assets

	Leasehold improvements £	Assets under construction £	Office equipment and furniture £	Computer hardware £	Total £
Cost:					
At 1 July	**1,566,013**	**-**	**289,510**	**230,421**	**2,085,944**
Additions	25,684	60,801	-	-	86,485
At 30 June	**1,591,697**	**60,801**	**289,510**	**230,421**	**2,172,429**
Accumulated depreciation:					
At 1 July	**(576,120)**	**-**	**(119,553)**	**(90,523)**	**(786,196)**
Charge for the year	(229,288)	-	(52,295)	(67,604)	(349,186)
At 30 June	**(805,408)**	**-**	**(171,847)**	**(158,127)**	**(1,135,382)**
Net book value:					
At 30 June 2023	**786,289**	**60,801**	**117,663**	**72,294**	**1,037,047**
At 30 June 2022	**989,893**	**-**	**169,957**	**139,898**	**1,299,748**

Notes to the accounts *continued*

Year ended 30 June 2023

13. Consolidated current debtors

	30 June 2023 £	30 June 2022 £
Prepayments and accrued income	3,917,752	2,564,975
Other debtors	5,985,862	3,008,451
Amounts due from ultimate parent undertaking	12,609,670	3,816,494
Corporation tax	-	269,732
Deferred tax	650,213	734,010
	23,163,497	**10,393,662**

Prepayments and accrued income include a provision for one contract that is presented on a net basis. The provision is £459,611 and the net accrued income is £191,207.

Company current debtors

	30 June 2023 £	30 June 2022 £
Prepayments and accrued income	1,512,917	1,116,563
Other debtors	1,505,383	918,358
Amounts due from group companies	2,940,177	24,978
Amounts due from ultimate parent undertaking	6,527,435	2,356,039
Corporation tax	-	359,730
Deferred tax	380,009	544,428
	12,865,921	**5,320,096**

Notes to the accounts *continued*

Year ended 30 June 2023

14. Consolidated creditors

	30 June 2023 £	30 June 2022 £
Amounts falling due within 1 year:		
Trade creditors	1,090,915	470,191
Deferred income	3,828,851	670,161
Other creditors	36,977	1,140
Corporation tax	651,241	-
Other taxes	4,237,030	2,460,680
Accruals	10,828,242	10,276,925
	20,673,256	**13,879,097**
Amounts falling due after 1 year:		
Accruals and deferred income, less than 5 years	**7,677,777**	**1,724,801**

Notes to the accounts *continued*

Year ended 30 June 2023

Company creditors

	30 June 2023 £	30 June 2022 £
Amounts falling due within 1 year:		
Trade creditors	546,110	256,183
Corporation tax	529,690	-
Other taxes	3,827,120	1,104,180
Accruals and deferred income	8,958,668	7,527,987
	13,861,588	**8,888,350**
Amounts falling due after 1 year:		
Accruals and deferred income, less than 5 years	**4,193,452**	**1,523,825**

Notes to the accounts *continued*

Year ended 30 June 2023

15. Long-term incentive plans

A cash-settled long-term incentive plan (LTIP) was in place during the period. The LTIP has a 5-year vesting schedule (to reach full vesting), with a 2-year cliff and linear quarterly vesting thereafter. The key vesting condition is for participants to be rewarded in respect of a 10% uplift in enterprise value from the grant of the growth shares to the exercise of the shares.

The total expenses recognised for the year within wages and salaries and the total liabilities recognised at the end of the year arising from LTIP are as follows:

	30 June 2023 £	30 June 2022 £
Total share-based payment expense	56,379	-
Total carrying amount of liabilities	56,379	-

Details of the share options outstanding at 30 June 2023 are as follows:

	30 June 2023		30 June 2022	
	Weighted average exercise price £	Number of options	Weighted average exercise price £	Number of options
Granted during the year	-	181	-	-
Forfeited in the year	-	(23)	-	-
Outstanding at the end of the year	-	158	-	-
Exercisable at 30 June 2023	-	-	-	-

The growth share options (G shares) in the LTIP do not have an 'exercise price'; holders of the shares only participate in any value if the hurdle value has been met on a future exit event or on exercise of the put options. The weighted average contractual life of the growth shares as at 30 June 2023 is 5.3 years.

Notes to the accounts *continued*

Year ended 30 June 2023

Valuation assumptions

Calculating the fair value of the growth shares in the LTIP requires estimates and significant judgment. The Monte Carlo option pricing model has been utilised to estimate the fair value of the LTIP, consistent with commonly used models under FRS 102.

	30 June 2023	30 June 2022
Expected term in years	4.3 - 6.3	-
Risk-free interest rate	4.7%	-
Expected volatility	35.0%	-
Dividend yield	0.0%	-

Expected Term

The G shareholders may exercise the First G Share Put Option following the approval of the audited financial statements for the year ending 30 June 2027, the Second G Share Put Option following the approval of the audited consolidated financial statements for the year ending 30 June 2028 and the Third G Share Put Option following the approval of the audited consolidated financial statements for the year ending 30 June 2029.

The assumption is that 33.33% of G shareholdings will be sold at each G Share Put Option and will be exercised 3 months following the years ending 30 June 2027, 30 June 2028 and 30 June 2029, which is the typical timeframe of the approval of the accounts. Thus, the expected term inputs of 4.3 years, 5.3 years and 6.3 years has been used to value the G shares as at 30 June 2023.

Risk-free interest rate

The risk-free rate of return for the options is taken from zero-coupon UK Government bonds at the valuation date with a remaining term equal to the expected life of the awards.

The risk-free rate input of 4.7% is broadly equal to the average risk free rate over the different time periods.

Expected volatility

In order to estimate an appropriate volatility over the expected term, we have assessed the historical volatility of a number of quoted comparators over the relevant expected term in-puts. As there is no external debt, we have ungeared the equity volatilities of the quoted comparators to arrive at the enterprise value volatilities.

Dividend yield

No dividends are expected to be paid prior to a future exit event. Therefore, a dividend yield input of 0.0% has been used to value the G Shares.

Notes to the accounts *continued*

Year ended 30 June 2023

16. Consolidated provisions for liabilities and charges

	Dilapidations provision £	Total £
At 30 June 2022	536,475	536,475
Changes in the year	-	-
At 30 June 2023	536,475	536,475

The dilapidations charge has been capitalised within 'leaseholds' improvements' and is being depreciated over the period of the lease.

Company provisions for liabilities and charges

	Dilapidations provision £	Total £
At 30 June 2022	339,210	339,210
Changes in the year	-	-
At 30 June 2023	339,210	339,210

The dilapidations charge has been capitalised within 'leaseholds' improvements' and is being depreciated over the period of the lease.

Notes to the accounts *continued*

Year ended 30 June 2023

17. Share capital

	30 June 2023 £	30 June 2022 £
Authorised:		
39,800,000 (2022: 39,800,000) ordinary shares of £1 each	**39,800,000**	39,800,000
Allotted and fully paid:		
37,800,000 (2022: 37,800,000) ordinary shares of £1 each	**37,800,000**	37,800,000

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

18. Reserves

Reserves within equity are as follows:

Share capital
Amounts subscribed for share capital at nominal value.

Profit and loss account
Cumulative gains and losses recognised in the statement of comprehensive income.

Notes to the accounts *continued*

Year ended 30 June 2023

19. Consolidated financial commitments

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

	2023 Other £	2023 Land and buildings £	2022 Other £	2022 Land and buildings £
Within 1 year	103,680	1,208,916	32,415	1,237,504
Between 2 - 5 years	-	1,390,964	-	2,592,431
After 5 years	-	-	-	-
	103,680	**2,599,880**	**32,415**	**3,829,935**

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:

	2023 Other £	2023 Land and buildings £	2022 Other £	2022 Land and buildings £
Within 1 year	81,112	658,620	27,638	794,490
Between 2 - 5 years	-	1,147,414	-	2,147,548
After 5 years	-	-	-	-
	81,112	**1,806,034**	**27,638**	**2,942,038**

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

Notes to the accounts *continued*

Year ended 30 June 2023

20. Net cash flow from operating activities

	30 June 2023 £	30 June 2022 as restated* £
Profit for the year after tax	700,598	3,697,951
Adjustments for:		
Tax charge / (credit)	1,030,637	(336,964)
Amortization of intangible assets	3,536,213	2,060,979
Depreciation of tangible fixed assets	717,852	691,830
Share based payments	56,379	-
Interest paid	-	588
Interest income	(923,145)	(69,271)
Increase in provisions and liabilities	5,952,976	220,795
Movements in working capital:		
(Increase) / decrease in debtors	(4,330,188)	20,105
(Increase) in amounts due from ultimate parent	(8,793,176)	(4,434,312)
Increase / (decrease) in creditors	6,142,919	(742,399)
Tax paid	(82,224)	(1,022,795)
Net cash inflow from operating activities	**4,008,821**	**86,507**

*see note 1

Notes to the accounts *continued*

Year ended 30 June 2023

21. Related parties

Group companies

The company has taken advantage of the exemption available in FRS 102 section 33.1a whereby it has not disclosed transactions with the wholly owned subsidiary undertakings of the group.

Included in debtors for the company are amounts due from Procentia of £266,662 (2022: £37,798). Management fees of £150,000 (2022: £150,000) were charged to Procentia in the year.

Key management personnel

The key management personnel of BTPSM are the non-executive Directors, Directors, and members of the Executive. The total remuneration of key management personnel for the year ended 30 June 2023 was £4,464,780 (2022: £4,722,365) being remuneration, including pension contributions of £3,426,911 (2022: £3,357,111) as disclosed in note 6, and remuneration provided to other key management personnel of £1,037,868 (2022: £1,365,254).

22. Ultimate parent undertaking

The ultimate parent of the Group throughout the year 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*

23. Subsequent events

Post year end, the company acquired B Shares in Procentia Limited worth £264,684. These shares were converted to A shares on purchase.

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