

**Company Registration No. 07751778**

**Faster Payments Scheme Limited**

(a company limited by guarantee)

**Report and Financial Statements**

**31 December 2014**

**Faster Payments Scheme Limited**  
Company Registration No. 07751778

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Faster Payments Scheme Limited  
Company Registration No. 07751778

## **Report and Financial Statements 2014**

### **Officers and professional advisers** (as at date of signing the report and financial statements)

#### **Chairman**

N Caplan

#### **Directors**

T C Castell  
M Curran  
D R Greig  
J A Hutton  
D G Ingram  
J W Pettigrew  
A Richter  
M D Roberts  
D Sanders  
C F Tillotson  
J Walsh  
H E White  
R White

#### **Secretary**

UK Payments Administration Limited

#### **Registered Office**

2 Thomas More Square  
London  
E1W 1YN

#### **Registered Number**

07751778

#### **Auditor**

Deloitte LLP  
London

## Directors' report

The Directors present their report together with the financial statements of Faster Payments Scheme Limited ("the Company") for the year ended 31 December 2014. This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions.

### Principal activity

The principal activity of the Company in the period under review was operating and developing the payment system behind the clearing and settlement of real time automated payments in the UK, the Faster Payments Service. The Company plays a significant role in ensuring the smooth day to day operation of the payment system it controls, ensuring the continued integrity of the system, managing the systemic risk involved and contributing to the financial stability of the UK.

### Financial risk management

The significant financial assets of the Company are cash and amounts owed by related parties. Financial liabilities comprise amounts owed to members and related parties.

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are insufficient to fund the obligations arising from liabilities as they fall due. There are many components of financial risk, however, due to the nature of the Company's business and the assets and liabilities contained within its balance sheet, the financial risks the Directors consider relevant to this Company are liquidity and cash flow risk, which has been mitigated by the set up of a Regulatory Reserve bank account to maintain cash in the event of a revenue shortfall. These risks are mitigated by the routine monitoring of the key management information.

As a result, the Company is not exposed to any significant financial risk through its financial assets and liabilities.

The main operational risk faced by the Company is disruption to the Faster Payments infrastructure, which is provided by a third party.

### Review of business

The results for the year are set out on page 8. Turnover for the year amounted to £34,212,790 (2013: £33,658,191) and the result after taxation were £nil (2013: £nil).

During the year the directors have reconsidered the way the company accounts for certain amounts paid by its customers directly to one of its suppliers in relation to the provision of the Faster Payments Service. They have concluded that the company is the principle in these transactions and the supplier is acting as its invoicing and collection agent. These amount have therefore been included as part of the company's revenue and costs in the 2014 accounts. As they were not previously included, the 2013 comparatives have been restated by £30,690,827.

Faster Payments Scheme Limited is the Payments Systems Operator of the Faster Payments Service and a Financial Markets Infrastructure (FMI). The service provides real time 24 x 7 payments capability to UK consumers, businesses and government. As well as providing the delivery of all Standing Order Payments between UK banks, the service allows immediate payments to be initiated from internet, mobile and telephone banking channels.

In 2014 the service supported nearly 1 billion payments worth almost £1 trillion. Established in 2008, the service is now growing at an annual rate of around 15 per cent.

The service has been designated by HM Treasury under the Banking Act 2009 as systemically important and is therefore supervised, from a financial stability perspective, by the Bank of England. As such the company undertakes and publically discloses a risk review of its critical operations against the Committee on Payment and Market Infrastructures and international Organization of Securities Commissions (CPMI IOSCO) Principles for financial market infrastructures.

The company has also been designated by HM Treasury as a Payment Systems Operator under the Financial Services (Banking Reform) Act 2013, and from 1<sup>st</sup> April 2015 is subject to economic regulation from the Payment Systems Regulator (PSR).

## **Directors' report (continued)**

The company continues to outsource the operation of its technical infrastructure on a long term contract to VocaLink Limited. The main change activities managed by the company in 2014 have been preparation for the introduction of the PSR and development of new approaches to providing access to the service for smaller Payment Service Providers.

The development of a new access model continues to be the main change activity for 2015. Throughout 2014 all staff supporting the company's operations were provided on an outsourced basis by UK Payments Administration Limited. In March 2015 the company completed a TUPE process to bring all these previously outsourced staff into direct employment by the company. UK Payments Administration remains the provider of facilities and other company services.

Until December 2014 the company maintained a relationship agreement with Payments Council Limited to allow the Payments Council to exercise some industry self-regulatory over-sight of the company. Given the supervision now provided by the Bank of England and the introduction of economic regulation by the PSR in 2015, the relationship agreement was mutually terminated by both parties in December.

### **Going Concern**

The Company submits and agrees an annual budget with its company members, who provide the funding for its continuing operations. After reviewing expenditure commitments and expected cash flows, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Company has adequate resources, and is expected to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **Dividends**

No dividends will be distributed for the year ended 31 December 2014 (2013: £nil).

## Directors' report (continued)

### Directors

The Directors and their alternates who served during the period under review, and up until the date of signing the Financial Statements were:

Independent Chairman	N Caplan
Managing Director	C F Tillotson
Independent Director	D G Ingram
	T C Castell (appointed 13 June 2014)

<b>Appointing Member</b>	<b>Director</b>	<b>Alternate Director</b>
Barclays Bank PLC	J A Hutton	C Patterson
Citibank N.A.	A Sinha (resigned 3 March 2015)	I Ali (resigned 17 March 2014) J Walsh (appointed 5 September 2014; resigned 3 March 2015) J Walsh (appointed 12 June 2015)
	M Martin (appointed 12 June 2015)	
Clydesdale Bank PLC	J W Pettigrew	D A W Belmore
Co-operative Bank p.l.c.	D Sanders	J Jefferson (resigned 8 September 2014) S Long (appointed 8 September 2014)
Northern Bank Limited	H E White	S J Pike (appointed 14 January 2014)
HSBC Bank plc	A Richter	M Clark (resigned 22 April 2015) S Yarham (appointed 12 June 2015)
Lloyds Bank plc	M Curran	I M Smith (resigned 13 February 2014) E Witherow (appointed 17 April 2014) K Oattes
Nationwide Building Society	M D Roberts	
Santander UK plc	R White	E J Cooper (resigned 10 June 2015) K Smith (appointed 12 June 2015)
The Royal Bank of Scotland plc	D R Greig	A Elworthy (resigned 7 May 2015) J Bye (appointed 12 June 2015)

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

## Directors' report (continued)

### Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Statement as to disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

On behalf of the Board:

C F Tillotson - Director  
Date: 12 June 2015

# **Independent auditors' report to the members of Faster Payments Scheme Limited**

We have audited the financial statements of Faster Payments Scheme Limited for the year ended 31 December 2014, which comprises the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to smaller entities).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of Faster Payments Scheme Limited - (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the Directors' report or from preparing a strategic report.

**James Polson (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
31 July 2015

**Profit and loss account**  
**Year ended 31 December 2014**

	Notes	<b>2014</b>	<b>2013</b>
		<b>£</b>	<b>(restated)</b>
			<b>£</b>
<b>Turnover</b>	1	34,212,790	33,658,191
Administrative expenses		<u>(34,232,182)</u>	<u>(33,669,655)</u>
<b>Operating loss</b>	4	(19,392)	(11,464)
Interest receivable and similar income		<u>19,392</u>	<u>11,484</u>
<b>Result of ordinary activities before taxation</b>		-	20
Tax on profit on ordinary activities	5	<u>-</u>	<u>(20)</u>
<b>Result for financial year</b>		<u><u>-</u></u>	<u><u>-</u></u>

**Continuing operations**

All of the Company's activities were continuing operations.

**Total recognised gains and losses**

The Company has no recognised gains or losses for the current period as set out in the profit and loss account above, and hence no statement of total recognised gains and losses has been prepared.

**Balance sheet**  
**31 December 2014**

		<b>2014</b>	<b>2013</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Fixed Assets</b>			
Tangible Assets	6	16,501	-
<b>Current assets</b>			
Debtors	7	423,957	675,281
Cash at Bank		<u>3,069,228</u>	<u>2,239,248</u>
		3,493,185	2,914,529
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,699,264)</u>	<u>(1,141,047)</u>
<b>Net current assets</b>		<u>1,793,921</u>	<u>1,773,482</u>
<b>Total assets less current liabilities</b>		<u><u>1,810,422</u></u>	<u><u>1,773,482</u></u>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Reserves	10	<u>1,810,422</u>	<u>1,773,482</u>
<b>Total Reserves</b>		<u><u>1,810,422</u></u>	<u><u>1,773,482</u></u>

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Small Entities (Effective April 2008).

Approved by the Board and authorised for issue on 12 June 2015 and signed on behalf of the Board:

C F Tillotson  
 Director

## Notes to the accounts Year ended 31 December 2014

### 1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of preparation of the financial statements

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and in accordance with applicable United Kingdom law and Accounting Standards. In accordance with FRS1 the company has taken advantage of the small company exemption from preparing a cash flow statement.

#### Going concern

The business activities of the Company, together with the factors likely to affect its future development, performance and position are set out in the Directors' report. The financial position of the Company, reflect the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its acceptable level of exposure to liquidity risk.

The Company submits and agrees an annual budget to its members, who provide the funding for its continuing operations. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Turnover

Turnover represents amounts for the provision of services to Members of the scheme, including the outsourced service and is accounted for on an accruals basis. All turnover has arisen from UK based activity.

#### Taxation

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

#### Deferred tax

In accordance with FRS 19 'Deferred Tax', 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 they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at the following annual rates, on a straight line basis, in order to write off each asset over its estimated useful life:

Computer equipment - 33% on cost

#### Amounts due to and from Members

Invoices are rendered to Members half yearly in advance.

## Notes to the accounts Year ended 31 December 2014

### 2. Restatement of 2013 comparatives.

During the year the directors have reconsidered the way the company accounts for certain amounts paid by its customers directly to one of its suppliers in relation to the provision of the Faster Payments Service. They have concluded that the company is the principle in these transactions and the supplier is acting as its invoicing and collection agent. These amount have therefore been included as part of the company's revenue and costs in the 2014 accounts. As they were not previously included, the 2013 comparatives have been restated by £30,690,827.

### 3. Staff Costs

The Company had no employees during the year (2013: nil).

### 4. Operating loss

The operating loss is stated after charging:

	2014 £	2013 £
Fees payable to the Company's auditors for:		
Audit of the Company's annual accounts	8,730	8,480
Tax Services	<u>27,550</u>	<u>4,350</u>
	<u>36,280</u>	<u>12,830</u>
Directors' emoluments - remuneration and benefits in kind	<u>331,058</u>	<u>43,776</u>
Remuneration of the highest paid Director	<u>231,058</u>	<u>29,167</u>

Industry Directors appointed under the Company's Articles of association, are remunerated by the Appointing Member, and accordingly no charge has been recognised. The Managing Director and Independent Non-Executive Directors are remunerated by UK Payments Administration Limited (see Note 11b)).

### 5. Taxation

Taxation on the result on ordinary activities for the year was as £Nil (2013: £20).

	2014 £	2013 £
Current tax:		
UK corporation tax at 20% based upon profit for the year (2013: 20%)	-	(4)
Adjustments in respect of prior years	<u>-</u>	<u>(16)</u>
	<u>-</u>	<u>(20)</u>

**Notes to the accounts**  
**Year ended 31 December 2014**

**5. Taxation (continued)**

**Factors affecting the tax charge for the current year**

The tax assessed for the year is higher than that resulting from applying the standard rate of corporation tax in the UK 20% (2013: 20%). The differences are explained below:

	<b>2014</b>	<b>2013</b>
	£	£
Profit on ordinary activities before taxation	-	20
Tax at 20% thereon (2013: 20%)	-	(4)
Effects of:		
Expenses not deductible for tax purposes	-	-
Adjustment relating to prior periods	-	(16)
Current tax charge for the year	-	(20)

There is a closing deferred tax asset in respect of losses carried forward of £nil (2013: £nil) at the corporation tax rate of 20%. The deferred tax asset is not being recognised as there is uncertainty over the future recoverability of the asset.

**6. Fixed Assets**

	<b>Computer Equipment</b>	<b>Total</b>
	£	£
<b>COST:</b>		
Additions	24,752	24,752
At 31 December 2014	24,752	24,752
<b>DEPRECIATION:</b>		
Charge for the year	(8,251)	(8,251)
At 31 December 2014	(8,251)	(8,251)
<b>NET BOOK VALUE:</b>		
At 31 December 2014	16,501	16,501
At 31 December 2013	-	-

**Notes to the accounts**  
**Year ended 31 December 2014**

**7. Debtors: amounts falling due within one year**

		<b>2014</b>	<b>2013</b>
		£	£
Amounts due from UK Payments Administration Limited	(Note 11b)	38,126	48,785
VAT		378,242	618,693
Prepayments and accrued income		<u>7,589</u>	<u>7,803</u>
		<u><u>423,957</u></u>	<u><u>675,281</u></u>

**8. Creditors: amounts falling due within one year**

		<b>2014</b>	<b>2013</b>
		£	£
Trade creditors		12,393	16,527
Corporation Tax		16	20
Accruals and deferred income		149,754	120,231
Amounts due to Members	(Note 11c)	1,537,101	984,549
Amounts due to UK Payments Administration Limited	(Note 11b)	<u>-</u>	<u>19,720</u>
		<u><u>1,699,264</u></u>	<u><u>1,141,047</u></u>

**9. Called up share capital**

The Company was formed on 24 August 2011 as a private Company limited by guarantee. At the date of this report there were ten Members, whose guarantee in the event of winding up the Company is a sum not exceeding £1 each.

## Notes to the accounts Year ended 31 December 2014

### 10. Reserves and reconciliation of movements in total reserves

	2014	2013
	£	£
Balance at 1 January 2014	1,773,482	-
Capital contribution received in the year	36,940	1,773,482
Opening reserves	-	-
	<hr/>	<hr/>
Closing reserves	<u>1,810,422</u>	<u>1,773,482</u>

The Reserves are capital contributions from members and are a regulatory requirement of the Committee on Payment and Settlement Systems – International Organisation of Securities Commissions (CPSS-IOSCO) Principles for Financial Market Infrastructures.

### 11. Related party transactions

(a) Turnover

The Company's turnover, £34,212,790 (2013: £33,658,191 restated), is derived from fees and charges made to Member companies and Affiliates for services provided and for accreditation schemes.

(b) Management Charges

The Company paid £2,574,685 (2013: £2,201,174) during the year for management services to UK Payments Administration Limited, a Company with common ownership.

(c) Debtors & Creditors

The amounts due from or to member companies and due from or to UK Payments Administration Limited are set out in notes 6 and 7.

### 12. Ultimate parent company

There is no ultimate controlling party.