Company Registration No. 07751778

Faster Payments Scheme Limited

(a company limited by guarantee)

Report and Financial Statements

31 December 2016

Faster Payments Scheme Limited
Company Registration No. 07751778

Contents

Faster Payments Scheme Limited
Company Registration No. 07751778

Report and Financial Statements 2016

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

Chairman

N Caplan

Directors

T C Castell
R Clements
M Curran
T Dolan
J Hutton
D G Ingram
M Martin
J N Ogden
A D Pearson
J W Pettigrew
A Richter
H Rose
J Sawyer
P Scott
M Smith
C F Tillotson
R White
M Wilson

Registered Office

2 Thomas More Square
London
E1W 1YN

Registered Number

07751778

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Strategic report

Principal activity

The principal activity of the Company in the period under review was operating and enhancing the payment system behind the clearing and settlement of real time automated payments in the UK, the Faster Payments Service (FPS). Faster Payments Scheme Limited, the Company, is the Payments Systems Operator (PSO) 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 mobile, internet and telephone banking channels.

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. The Company directly provides services to, currently, seventeen Payment Service Providers (PSPs) - defined as Direct Participants), who are also guarantor members of the Company (defined as Members).

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 2014, and from 1st April 2015 became subject to economic regulation from the Payment Systems Regulator (PSR). The PSR's role is to promote competition, innovation and the interest of service users in payments.

Business Model

The company's main service is provided directly and indirectly to all PSPs in the UK to allow them to efficiently and safely make real time 24 x 7 payments between PSPs on behalf of their customers. To be effective for all participants the service needs to be able to reach all relevant PSPs. This means that all PSPs need to participate in the Faster Payments Service (directly or indirectly through another PSP). This makes the company the sole supplier of this service in the UK. Given that there can be no effective market pricing mechanism for the service the company operates on a fair and equitable cost-recovery basis, invoicing all its Direct Participants for their use of the service on a per transaction basis. There are no discounts for volume. The company sets its pricing to ensure that it fully recovers the cost of providing the service, including its direct and outsourced costs but does not set out to make a profit. The end user usage of the service provided by the company to its participants continues to grow steadily and should thus provide a firm basis for the company's continued successful operation in the years ahead.

Risk management objectives and policies

As a Financial Market Infrastructure (FMI), Faster Payments Scheme Limited (FPSL) has a fully embedded and documented Enterprise Risk Management (ERM) Framework that supports decision making through the identification, measurement, management, monitoring and reporting of risk within a risk management process. This includes risk policies, processes and procedures along with Risk Appetite Statements and Tolerances.

FPSL manages a number of risk categories, the most inherently significant risks being:

- Third Party Supplier Failure Risk
- Cyber / Security Risk
- Direct Participant Operational Risk
- Legal / Regulatory Risk

The consequences of a significant central processing outage or an external failure of the settlement process (including Participant failure to meet settlement obligations) are severe enough to be afforded a range of controls to prevent the

Strategic report (continued)

risk occurrence. These include service levels and monitoring, secure messaging, secure dual site processing and strict change control.

Since November 2015 the Company has fully mitigated settlement risk through a prefunding process where Direct Participants' net settlement positions are fully offset by prefunded central bank money. This means that all credit and liquidity exposures are structurally eliminated within Settlement under all Direct Participant failure scenarios.

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/cash flow risk, which has been mitigated by 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 Service infrastructure, which is provided, under contract, by a third party. This risk is mitigated as noted above.

Review of business

The results for the year are set out on page 10. Turnover for the year amounted to £44,247,236 (2015: £39,984,711) and the result after taxation were £nil (2015: £nil).

In 2016 the service supported over 1.43 billion payments worth £1.2 trillion. Established in 2008, the service is now growing at an annual rate of around 15 per cent.

The Company contracts, through membership agreements, with PSPs who are direct settling users of the Faster Payments Service. The service started this reporting year with ten direct settling participants and through access to its new access programme in 2016 and the first three months of 2017 added a further five. This participation is expected to continue to expand over the next few years as a result of the company's new access model. This progress in opening up access to the Faster Payments Service has been recognised by the PSR in its annual review of the scheme's compliance with the PSR's General Direction into Access.

The Company outsources all its technology services and facilities provision to a small number of suppliers. The principal supplier of the FPS managed service is currently VocaLink Limited.

The main change activity managed by the Company in 2016 has been the operationalisation of the new access model programme started in 2015, in which new technical aggregation solutions and assurance models have been developed to lower the cost and complexity of direct participation in the Company's real time 24 x 7 service for smaller PSPs.

Strategic report (continued)

To meet the growing demand for direct participation, and the increasing change agenda the Company is pursuing, including research with service users to better understand their developing needs, the Company is significantly growing its internal resources levels, and has a number of new service initiatives in its development programme for the years ahead.

UK Payments Administration Limited remains the contracted provider of facilities and other related company services.

The Payment Systems Regulator has been running two market reviews in 2016 that are relevant to the Company. The first into the ownership and control of VocaLink, the Company's principle outsource partner, the second into the provision of indirect access to payments systems, a service currently provided by four of the Company's Direct Participants. The review into the provision of indirect access has completed without any implications for the Company. The review into ownership and control of infrastructures has published draft remedies which would require the Company to procure its next technical outsource contract using competitive tendering and adopting the ISO 20022 international messaging standard. Both of these requirements are consistent with the Company's own strategy and plans.

In parallel with the PSR's review of infrastructure competition, the shareholders of VocaLink have agreed to sell the majority of their business to MasterCard. This transaction is complete and will not materially impact the supply of services to FPSL.

As a consequence of the work the Company has done to open up access, it is in the process of launching a new Public Key Infrastructure (PKI) service to enable new and existing PSPs to gain access to the Faster Payment Service more cost effectively. In 2016 the Company established a new wholly owned subsidiary (UTSP Limited) to carry out this business.

In 2016, under the sponsorship of the PSR, an industry group, the Payments Strategy Forum (PSF), has proposed a long term strategy to make payments more effective for service users in the UK. The Company continues to be extensively involved in this work. The PSF's final strategy, published in November 2016, has proposed that Faster Payments Scheme Limited, Bacs Payment Schemes Limited and Cheque & Credit Clearing Company Limited, the main providers of retail interbank payments in this country, should be merged into a single new entity, the New Payment System Operator (NPSO). The PSF has also recommended that existing services be replaced, in time, by a New Payments Architecture (NPA), overseen by the NPSO.

A Delivery Group including an independent chair appointed by the Bank of England and PSR, the three independent chairs of the impacted schemes, and some representatives from the PSF, has been established to plan this consolidation and has made a recommendation to the Bank of England and PSR at the end of March 2017.

With specific reference to Faster Payments Scheme Limited, the Delivery Group has recommended, subject to approval by the Competition and Markets Authority, that Faster Payments Scheme Limited initially becomes a wholly owned subsidiary of the NPSO.

The company is expected to continue in business for the foreseeable future, offering real time 24 x 7 payments to its PSP participants, albeit, as a wholly owned subsidiary of the NPSO, and ultimately with its service being provided as part of the NPA.

The results for the year and financial position of the Company are as shown in the annexed financial statements.

Approved by the Board of Directors and signed on behalf of the Board on 23 June 2017.

C F Tillotson - Director
Date: 23 June 2017

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 2016.

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 2016 (2015: £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
Chief Executive	C F Tillotson
Independent Directors	D G Ingram
	T C Castell

Appointing Member	**Director**	**Alternate Director**
Barclays Bank PLC	P Scott	C Patterson (resigned 23 May 2016)
		R J W Ardley (appointed 20 September 2016)
Citibank N.A.	M Martin	J Walsh
Clearbank Limited	J N Ogden (appointed 21 March 2017)	
Clydesdale Bank PLC	J W Pettigrew	D A W Belmore
Co-operative Bank p.l.c.	D Sanders (resigned 4 July 2016)	S Long (resigned 4 July 2016)
Northern Bank Limited	H E White (resigned 8 February 2017)	S J Pike
	A D Pearson (appointed 21 March 2017)	
HSBC Bank plc	A Richter	S Yarham
Lloyds Bank plc	M Curran	C Kramer
Metro Bank	R Clements (appointed 9 November 2016)	
Monzo Bank Limited	T Dolan (appointed 21 March 2017)	
Nationwide Building Society	N Middleton (resigned 8 April 2016)	A Parker-Stewart (appointed 23 March 2016)
	J Hutton (appointed 22 July 2016)	
Raphaels Bank	M Smith (appointed 20 September 2016)	J Box (appointed 20 September 2016)
Santander UK plc	R White	K Smith
Starling Bank	J Sawyer (appointed 16 January 2017)	
The Royal Bank of Scotland plc	D R Greig (resigned 1 March 2016) M Wilson (appointed 1 March 2016)	J Bye
TSB	H Rose (appointed 5 May 2017)	C Patterson (appointed 5 May 2017)

Directors' report (continued)

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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), and the reporting standard FRS 102. 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 judgments and estimates that are reasonable and prudent;
- 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.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

BDO 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: 23 June 2017

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 2016, which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Independent auditors' report to the members of

Faster Payments Scheme Limited

Matters on which we are required to report by exception

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

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.

Leigh Treacy (Senior Statutory Auditor)

for and on behalf of BDO LLP (Statutory Auditor)
London, United Kingdom
Date: June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Faster Payments Scheme Limited
Company Registration No. 07751778

Statement of Comprehensive Income
For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	4	44,247,236	39,984,711
Administrative expenses		(44,264,547)	(40,004,759)
Operating Loss	5	(17,311)	(20,048)
Interest receivable and similar income	8	26,012	22,866
Profit on ordinary activities before taxation		8,701	2,818
Tax on profit on ordinary activities	9	(8,701)	(2,818)
Total comprehensive income for the financial year		-	-

All operations are continuing operations.

The notes on pages 13 to 23 form part of these financial statements

Faster Payments Scheme Limited
Company Registration No. 07751778

Statement of Financial Position
as at 31 December 2016

	Notes	2016 £	2015 £
Fixed Assets			
Tangible Assets	10	1,314	10,878
Investments	11	1	-
		1,315	10,878
Current assets			
Debtors	12	396,986	207,856
Cash at Bank		3,467,212	2,820,716
		3,864,198	3,028,572
Creditors: amounts falling due within one year	13	(1,332,033)	(858,359)
Net current assets		2,532,165	2,170,213
Total assets less current liabilities		2,533,480	2,181,091
Capital and reserves			
Called up share capital	14	-	-
Reserves	15	2,533,480	2,181,091
Total Reserves		2,533,480	2,181,091

The financial statements were approved and authorised for issue by the board on 23 June 2017 and were signed on its behalf by

C F Tillotson
Director

Faster Payments Scheme Limited
Company Registration No. 07751778

Statement of Cash Flows
for the year ended 31 December 2016

		2016	2015
		£	£
Net cash generated/(utilised by) from operating activities	16	635,609	(267,437)
Purchase of tangible fixed assets		-	(3,941)
Taxation Paid		(15,125)	-
Interest Received		26,012	22,866
Net cash inflow from investing activities		10,887	18,925
Net increase/(decrease) in cash and cash equivalents		646,496	(248,512)
Cash and cash equivalents at the beginning of the year		2,820,716	3,069,228
Cash and cash equivalents at the end of the year		3,467,212	2,820,716

Notes to the financial statements
Year ended 31 December 2016

1. General Information

Faster Payments Scheme Limited ("the Company") is a Company limited by guarantee, incorporated in United Kingdom under the Companies Act. Its registered office is 2 Thomas More Square, London E1W 1YN.

2. Accounting Policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied.

2.2 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Revenue

The Company operates and develops the payment system behind the clearing and settlement of real time automated payments as detailed in the Company's principal activities.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

The principal supplier of the FPS managed service is currently VocaLink Limited, who invoice and collect the charges on behalf of the Company. The income and costs associated with the managed service operated by VocaLink Limited are recognised by the Company as the terms of the contract state that the ultimate liability for the service provided by VocaLink Limited rests with the Company. The Company fulfils the general duties of a principal rather than an agent.

The following criteria must also be met before revenue is recognised:

Administrative services

The Company provides scheme management services to organisations in the payments industry. The Company recognises revenue on the sales of services in the reporting period in which the services are rendered. Where payments for services are made in advance of the service being performed the Company defers this income and matches it in the period when the service is performed and the Company's obligations have been extinguished.

Interest income

Interest income is recognised when the right to receive payment is established.

Notes to the financial statements
Year ended 31 December 2016

2.4 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical costs included the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Computer equipment	- 33% straight line

2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.6 Financial instruments

Financial Assets

Basic financial assets, including trade debtors and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial Liabilities

Basic financial liabilities, including trade and other payables that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.7 Foreign currency translation

Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.8 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and stakeholder pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Stakeholder pension plan

The Company operates a defined contribution stakeholder pension plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds. Contributions are also paid into private pension funds for those staff who have chosen not to join the stakeholder scheme.

Additional incentives

The Company operates a Long Term Incentive Plan (LTIP) for some employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

2.9 Taxation

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

Current Tax

Tax is recognised in the income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred Tax

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

Deferred tax is recognised, if material, on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are not discounted.

2.10 Provisions and contingencies

Provisions

Provisions for liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions for assets are only recognised when the flow of future economic benefits to the company is virtually certain.

Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outlay of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

2.11 Related party transactions

The company discloses transactions with Member companies and to a company with common ownership. It does not disclose transactions with members of the same group that are wholly owned.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Useful economic life of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property, plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors.

4. Turnover

All turnover arising from the rendering of services to the payments industry during the year has arisen from UK based activities.

5. Operating loss

The operating profit is stated after charging:

	2016	2015
	£	£
Fees payable to the Company's auditors for the audit of the Company's annual accounts	9,360	10,500
Depreciation	9,564	9,564
Defined contribution pension cost	209,084	161,614

Notes to the financial statements
Year ended 31 December 2016

6. Staff Costs

	2016	2015
Employee Costs during the year were:	£	£
Wages and salaries	2,109,215	1,407,039
Social Security Costs	247,752	217,387
Cost of defined contribution scheme	209,084	161,614
	2,566,051	1,786,040

Average number of employees:		
Administrative	33	32

7. Directors' Remuneration

	2016	2015
	£	£
Directors Emoluments	486,084	492,685
Highest paid director	313,416	382,685

Included in the remuneration of the highest paid director is £55,000 (2015: £55,000) accrued for an LTIP awarded in 2016, and deferred until 2019 (2015: awarded in 2015 deferred until 2018).

There were no contributions to directors' pension schemes, however the remuneration of the highest paid Director includes a cash allowance of 12% of salary in lieu of a pension contribution.

8. Interest Receivable

	2016	2015
	£	£
Bank Interest Receivable	26,012	22,866

Notes to the financial statements
Year ended 31 December 2016

9. Taxation

	2016	2015
	£	£
Corporation Tax		
Current Tax on profits for the year	45,716	14,562
Foreign Tax	-	-
Total current tax	45,716	14,562
Deferred Tax	(37,015)	(11,744)
Total Deferred Tax	(37,015)	(11,744)
Taxation on profits on ordinary activities	8,701	2,818

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% (2015: 20%). The differences are explained below:

	2016	2015
	£	£
Profit on ordinary activities before taxation	8,701	2,818
Tax at 20% thereon (2015: 20%)	1,740	(19)
Effects of:		
Expenses not deductible for tax purposes	745	1,533
Other differences	(1,631)	-
Adjust closing deferred tax to average rate of 17%	8,604	-
Adjust opening deferred tax to average rate of 20%	(1,304)	1,304
Adjustment relating to prior periods	547	-
Current tax charge for the year	8,701	2,818

There is a closing deferred tax asset in respect of losses carried forward of £nil (2015: £nil) at the corporation tax rate of 17%.

Notes to the financial statements
Year ended 31 December 2016

10. Fixed Assets

	Computer Equipment	Total
	£	£
Cost		
At 1 January 2016	28,693	28,693
Additions	-	-
At 31 December 2016	28,693	28,693
Depreciation		
At 1 January 2016	(17,815)	(17,815)
Charge for the year	(9,564)	(9,564)
At 31 December 2016	(27,379)	(27,379)
Net Book Value		
At 31 December 2016	1,314	1,314
At 31 December 2015	10,878	10,878

Notes to the financial statements
Year ended 31 December 2016

11. Investments

	Investment in subsidiary companies
	£
Cost	
At 1 January 2016	-
Additions	1
At 31 December 2016	1

Subsidiary undertaking

The following was a subsidiary undertaking of the Company

Name	Country of incorporation	Class of Shares	Holding	Principal Activity
UTSP Limited	England & Wales	Ordinary	100%	Dormant

The registered office of UTSP Limited is 2 Thomas More Square. London E1W 1YN.

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
UTSP Limited	1	-

12. Debtors: amounts falling due within one year

	2016	2015
	£	£
Trade Debtors	112,028	227
Amounts due from UK Payments Administration Limited	-	15,018
VAT	15,366	39,688
Other Debtors	24,321	20,595
Deferred Tax	48,759	11,744
Prepayments and accrued income	196,512	120,584
	396,986	207,856

13. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	75,697	242,796
Corporation Tax	45,169	14,578
Social security and other taxes	103,678	79,743
Other creditors	681	1,280
Amounts due to Members	678,102	379,006
Accruals and deferred income	428,706	140,956
	1,332,033	858,359

14. 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 seventeen Members, whose guarantee in the event of winding up the Company is a sum not exceeding £1 each.

15. Regulatory Reserve

	2016	2015
	£	**£**
Balance at 1 January 2016	2,181,091	1,810,422
Capital contribution received in the year	352,389	370,669
Closing reserves	2,533,480	2,181,091

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

Notes to the financial statements
Year ended 31 December 2016

16. Notes to the statement of cash flows

	2016	2015
	£	£
Cash Flow from operating activities		
Profit for the financial year	-	-
Adjustments for		
Depreciation	9,564	9,564
Interest Received	(26,012)	(22,866)
Taxation	8,701	14,562
Increase in reserves	352,389	370,669
(Increase)/Decrease in debtors	(152,116)	216,101
Increase /(Decrease) in creditors	443,083	(855,466)
Net cash generated utilised by operating activities	635,609	(267,437)

17. Pension Commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £209,084 relating to deductions made from employees through the Company payroll for the stakeholder pension scheme administered by UK Payments Administration Limited on behalf of the Company. Contributions totalling £nil were payable to the fund at the balance sheet date.

18. Related party transactions

(a) Turnover
The Company's turnover, £44,247,236 (2015: £39,984,711), is derived from fees and charges made to Member companies and Mobile Payments Service Company Limited, a Company with common ownership, for services provided.

(b) Management Charges and Outsourced Services
The Company paid £39,778,619 (2015: £36,780,644) during the year for management services to UK Payments Administration Limited and outsourced services to VocaLink Limited and Bacs Payment Schemes Limited, Companies 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 12 and 13.

All related party transactions are conducted at arm’s length.

19. Ultimate parent company

There is no ultimate controlling party.

Notes to the financial statements
Year ended 31 December 2016