Company Registration No. 01935025

UK Payments Administration Limited

Report and Financial Statements

Year ended 31 December 2019

UK Payments Administration Limited
Company Registration No: 01935025

Report and financial statements 2019

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UK Payments Administration Limited
Company Registration No: 01935025

Report and financial statements 2019

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

Directors

G Peacop
J Barclay
R Saunders
S Yarham

Registered Office

2 Thomas More Square
London
E1W 1YN

Registered Number

01935025

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Strategic report

Background
As reported last year, in November 2016, the Payments Strategy Forum, (PSF), published its strategy "A Payments Strategy for the 21st Century – Putting the needs of users first", in which it proposed the consolidation of the three main UK retail payment system operators, (PSOs'); BACS Payment Schemes Limited, Cheque & Credit Clearing Company Limited, and Faster Payments Scheme Limited, three of UK Payments Administration Limited's (UKPA) clients. Pay.UK Limited, (then trading as NPSO Limited), was incorporated in July 2017 to deliver this consolidation, and extended an invitation to UKPA to become part of the group, which was agreed to in principle by UKPA's shareholders in October 2017.

Review of 2019
UKPA became a subsidiary of Pay.UK Limited in July 2018 and its staff were subject to a Transfer of Undertakings (Protection of Employment) (TUPE) transferring to Pay.UK Limited in March 2019. The main business activities then focussed on the management of the defined benefit pension buyout and the administration of the leases associated with 2 Thomas More Square.

The main focus of the year was the proposed defined benefit pension scheme buy-out. This included regular liaison with the pension trustee, former UKPA shareholders and a number of advisers considering, amongst other things, the buy-out process, timeline, consideration of an appropriate insurer to undertake the buy-in, pension valuation and the opening of an escrow account.

At the end of 2019 several low value contracts were still awaiting novation to Pay.UK Limited, the vast majority of the contracts having been novated in 2018 as part of the business transfer.

The results for the year and financial position of UKPA are as shown in the financial statements. The Company is expected to continue in business for the foreseeable future, and as part of the wider Pay.UK Limited Group.

Company Governance
Nine Board meetings were held during 2019 which enabled executive management to keep the Board abreast of key developments with the lease and defined pension scheme buy-out. Graham Peacop continued in his role as the Company's General Manager.

Karen Milton resigned as a Director on 28 February 2019, upon her departure from UKPA. We thank Karen Milton for her service to UKPA and commitment to the Board over a number of years,

Towards the end of 2019 Andy Hamilton advised of his intention to step down as Chair of the Board and Sue Yarham was nominated as the replacement Chair. Andy Hamilton subsequently stood down as a Non-Executive Director on 27 March 2020 following his retirement from a former shareholder. We thank Andy Hamilton for the support and wise counsel that he provided to the Board during the many years that he was associated with the business. Following a thorough appointment process, James Barclay was appointed as the new Non-Executive Director to replace Andy Hamilton as a former shareholder representative effective from 27 March 2020.

Company Defined Benefit Pension Scheme
In October 2018, the British Bankers Association, (BBA), in conjunction with UKPA, appointed Law Debenture LLP, a professional Trustee, as sole Trustee of the scheme. The Trustee continued to work with the scheme administrators, Barnett Waddingham and the former Shareholders to agree, amongst other things, the pension scheme buy-out process, timeline and funding strategy.

A number of buy-out quotations were received from bidders in the first quarter of 2020 and a preferred bidder chosen following a careful selection process with the assistance of professional advisers. It is anticipated that the process to finalise the signing of the contract and actions to facilitate the winding up of the pension scheme will continue throughout 2020.

Should there be a shortfall in the buy-out costs these will be assumed by BBA members and the UKPA former shareholders and will not impact the capital position of UKPA or Pay.UK Limited.

Strategic report (continued)

Risk Management
The management of risk continued to be regularly monitored by the Executive, with regular reporting to the Board. Effective mitigating controls to minimise the impact of industry risks are limited however, the Board continued to review and discuss risks and the risk register on a quarterly basis.

Going Concern
Work to manage the defined benefit pension buyout and administration of the leases associated with 2 Thomas More Square is expected to continue for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. The former shareholders of the Company have committed to support any costs related to the pension scheme and the ultimate parent company has agreed to support the operating costs of the Company including the costs of the leases.

Post Balance Sheet Events

Pension Buyout

In 2019 British Bankers' Association and UKPA commenced with a buyout of the British Banker's Association Pension Scheme. Once complete this will allow the Scheme to be wound-up and therefore remove the Pension Scheme as shown in note 16 from the Company's final records.

The first stage of this transaction where a bulk annuity policy was purchased to cover all the liabilities in the Scheme, the buy in, was completed on 31 March 2020. The Directors continue to work with the pension trustee to complete full buy out and this is anticipated to take at least a further 18 months and to be completed by the end of 2021.

Covid-19

In light of the outbreak of the Covid-19 virus, in early 2020 and the measures that the UK authorities have subsequently implemented to prevent the spread of the virus and mitigate the impact on the UK economy, the Directors have undertaken risk assessments and have assessed that Covid-19 has no material impact on the operations of the company. This conclusion has been reached on the basis that:

- The staff supporting UKPA are successfully working remotely, with no impact in service provision.
- Income is primarily from the group parent Pay.UK Ltd on a cost recovery basis. The group has completed a detailed risk assessment and stress testing on the group financial performance for the remainder of 2020 and 2021.

This report was approved by the Board on and signed on its behalf.

G Peacop
Director
Date 22 September 2020

Independent auditor's report to the members of
UK Payments Administration Limited

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statement and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; 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 to 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.

Principal activities
The principal activities of the Company in the year under review included:

- Progressing the rent review and lease novation of floors one, two and three at 2 Thomas More Square.

- Progressing the pension scheme buy out.

Results
The profit for the year, after taxation, amounted to £Nil *(2018 - £Nil)*.

Directors' report (continued)

Directors

The directors who served during the period under review and up until the date of signing the Financial Statements were:

J Barclay	Non-Executive Director (appointed 27 March 2020)
G Peacop	Executive Director
A Hamilton	Industry Director (resigned 27 March 2020)
S Yarham	Industry Director (appointed 26 March 2019)
R Saunders	Industry Director (appointed 7 May 2019)
K Milton	(resigned 28 February 2019)

The Company has purchased Directors and Officers Insurance for the benefit of the Directors under sections 232 and 233 of Chapter 7 of the Companies Act 2006. This was in place for the period under review and remains in place at the time of signing the financial statements.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- So 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.

This report was approved by the board and signed on its behalf.

G Peacop
Director
Date 22 September 2020

Independent auditor's report to the members of
UK Payments Administration Limited

We have audited the financial statements of UK Payments Administration Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the 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 auditor's report to the members of UK Payments Administration 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 and Directors' report.

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

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

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom

Date:

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

UK Payments Administration Limited
Company Registration No: 01935025

Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	5,925,073	16,657,008
Gross profit		5,925,073	16,657,008
Administrative expenses		(5,933,665)	(16,647,634)
Operating (Loss)/Profit	5	(8,592)	9,374
Interest receivable and similar income	8	28,310	10,289
Interest payable and similar charges	9	-	(29,000)
Profit/(Loss) before tax		19,718	(9,337)
Tax on (loss)/profit	10	(19,718)	9,337
Profit for the financial year		-	-
Other comprehensive income for the year			
Actuarial (losses) on defined benefit pension scheme		(3,231,000)	(732,000)
Change in amount of defined benefit plan surplus that is not recoverable		3,231,000	732,000
Total comprehensive income for the year		-	-

The notes on pages 11 to 27 form part of these financial statements.

Statement of Financial Position
as at 31 December 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	11		550,274		729,492
Investments			2		2
			550,276		729,494
Current assets					
Debtors: amounts falling due within one year	13	1,547,519		4,676,557	
Cash at bank and in hand		3,467,989		6,133,497	
		5,015,508		10,810,054	
Creditors: amounts falling due within one year	14	(5,565,767)		(11,539,531)	
Net current liabilities			(550,259)		(729,477)
Total assets less current liabilities			17		17
Net assets			17		17
Equity					
Called up share capital	15		17		17
			17		17

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

....
G Peacop
Director
Date 22 September 2020

UK Payments Administration Limited
Company Registration No: 01935025

Statement of Changes in Equity
as at 31 December 2019

	Called up share capital	Profit and Loss account	Total equity
	£	£	£
At 1 January 2018	21	-	21
Comprehensive income for the year			
Profit for the year	-	-	-
Actuarial (loss) on pension scheme (net of tax)	-	(732,000)	(732,000)
Change in amount of defined benefit plan surplus that is not recoverable	-	732,000	732,000
Profit and Total Comprehensive Income for the year	21	-	21
Contributions by and distributions to owners			
Repurchase and Cancellation of Ordinary Shares	(4)	-	(4)
Total contributions and distributions to owners	(4)	-	(4)
At 1 January 2019	17	-	17
Comprehensive income for the year			
Profit for the year	-	-	-
Actuarial (loss) on pension scheme (net of tax)	-	(3,231,000)	(3,231,000)
Change in amount of defined benefit plan surplus that is not recoverable	-	3,231,000	3,231,000
Profit and total comprehensive income for the year	-	-	-
At 31 December 2019	17	-	17

Notes to the accounts
Year Ended 31 December 2019

1. **General information**

UK Payments Administration Limited (UKPA) ("the Company") is a private company limited by shares, incorporated in England and Wales. 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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Under Financial Reporting Standard 102, the company is exempt from the requirement to prepare a cash flow statement per paragraph 1.12 on the grounds that the company's ultimate parent undertaking, Pay.UK Limited, prepares a consolidated cash flow statement in which the company's cash flows are included.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company accounting policies (see note 3).
The following principal accounting policies have been applied:

2.2 Going concern

Work to manage the defined benefit pension buyout and administration of the leases associated with 2 Thomas More Square is expected to continue for the foreseeable future. The former shareholders of the Company have committed to support any costs related to the pension plan and the ultimate parent company has agreed to support the operating costs of the company including the costs of the leases. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation existence for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Covid 19

In light of the outbreak of the Covid 19 virus, in quarter 1 2020 and the measures that the UK authorities have subsequently implemented to prevent the spread of the virus, the Directors have undertaken risk assessments and stress testing on the Company's 2020 financial position and have assessed that this has no material impact on the basis of preparation. This conclusion has been reached on the basis that:

- the staff supporting UKPA are successfully working remotely, with no impact in service provision.
- Income is primarily from the group parent Pay.uk on a cost recovery basis. The group has completed a detailed risk assessment and stress testing on the group financial performance for the remainder of 2020 and 2021

2.3 Revenue

The Company provides administrative services to payment scheme companies and interest groups 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.

Notes to the accounts
Year Ended 31 December 2019

2. Accounting policies (continued)

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

Administrative services

The Company provides administrative services to organisations in the payments industry. The Company recognises revenue on the provision of services in the reporting period in which the services are rendered. Where payment for services is 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.

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.

Leasehold property	- straight line over the remainder of the lease, or the assets useful economic life if less
Fixtures and fittings	- 10% - 20% straight line
Computer equipment	- 20% - 33% straight line

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2.5 Operating Leases: Lessee

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

As at 31 December 2019, and throughout the year, the Company had no overdraft facility (2018: £nil).

2.8 Financial instruments

Basic financial assets, including trade debtors and other receivables, cash and bank balances and investments, 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 as a loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised as a 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, bank loans, loans from fellow group companies, if applicable, and preference shares 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. Trade payables 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.

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational 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. Accounting policies (continued)

2.10 Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and stakeholder pension. The Company had a defined benefit pension scheme which was closed to new members in 1996.

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's employee stakeholder pension plan has been in operation since 2001. 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.

Since 2001, the Company has operated a stakeholder pension scheme. This scheme is open to all employees, and the Company pays contributions into the scheme on behalf of its employees. Contributions are also paid into private pension funds for those staff who joined the Company prior to 2001 and who have chosen not to join the stakeholder scheme.

Defined Benefit Pension Plan

The Company historically participated in the British Bankers' Association Pension Scheme, a multi- employer defined benefit scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The Company does not recognise a defined benefit pension surplus because the Company does not have an unconditional right to obtain a refund of its share of any surplus in the Scheme, in accordance with the Scheme Rules.

The defined benefit obligation is calculated using the projected unit credit method. Annually/triennially the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Notes to the accounts
Year Ended 31 December 2019

2. Accounting policies (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial Gains/(Losses) on net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

This scheme is currently underfunded and both UKPA and the BBA make annual deficit repayment contributions to the fund. Under the current repayment plan UKPA is committed to contributing 55% of the annual deficit payments in 2019.

Annual bonus plan

The Company operates a discretionary annual bonus plan 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.

Termination Benefits

The Company is committed, by legislation and/or contractual obligations, to make payments to employees when the Company terminates their employment. Such payments are termination benefits. Because termination benefits do not provide the company with future economic benefits, the Company recognises these as an expense in the profit and loss account immediately. The Company will only recognise termination benefits as a liability and an expense when the Company is demonstrably committed either:

(a) To terminate the employment of an employee or group of employees before the normal retirement date; or
(b) To provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Company measures termination benefits at a best estimate of the expenditure that would be required to settle the obligation at the balance sheet date. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer. When termination benefits are due more than twelve months after the balance sheet date, the Company will measure these benefits at their discounted present value applying an appropriate discount rate.

2. Accounting policies (continued)

2.11 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

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 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.

2.12 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.

Notes to the accounts
Year Ended 31 December 2019

2. Accounting policies (continued)

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Shares repurchased by the Company are done so in accordance with Company Law and cancelled.

2.14 Related party transactions

The company has taken the exemption under Section 33.1A of FRS102 not to disclose related party transactions with wholly owned members of its Group.

3. *Judgments 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.

a) Critical judgements in applying the entity's accounting policies

a i) **Defined benefit pension scheme policy**

The Company historically participated in the British Bankers' Association Pension Scheme, a multi- employer scheme. The Company accounts for this scheme as a defined benefit plan. The Directors have exercised their judgement, through information provided by the actuary, and have concluded that they are able to obtain sufficient evidence regarding the Company's share of scheme assets and liabilities such that it is appropriate to use defined benefit accounting in accordance with the provisions of section 28 of FRS 102.

a ii) **Transitional rules pertaining to leases.**

The Company has taken advantage of the exemption in respect of lease incentives for leases in existence at the date of transition to FRS 102 (see note 2.5).

b) Critical accounting estimates and assumptions

b i) Pension scheme and assumptions

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations, the underlying split of the multi-employer scheme and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation on the balance sheet from reports produced by independent actuaries. The assumptions reflect historical experience and current trends. See note 16 for the disclosures relating to the defined benefit pension scheme.

b ii) Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audit by the tax authorities.

Notes to the accounts
Year Ended 31 December 2019

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 2.11.

b iii) 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 11 for the carrying amount of the property, plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

b iv) 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 ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019	2018
	£	£
Rendering of services to the payments industry	5,925,073	16,643,052
Sales of standards and publications	-	13,956
	5,925,073	16,657,008

All turnover arising from the provision of services to the payments industry during the year has arisen from UK based activities. Income from the sale of Standards and Publications during the prior year has derived from customers based both inside and outside of the UK.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2019	2018
	£	£
Operating Lease Rentals	1,428,717	1,237,571
Depreciation of Tangible Fixed Assets	346,170	516,352
Fees payable to the company's auditors for the audit of the company's accounts	17,938	27,500
Defined Contribution pension cost	51,335	503,213

Notes to the accounts
Year Ended 31 December 2019

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	472,482	4,402,257
Social security costs	74,442	484,754
Cost of defined contribution scheme	51,335	503,213
	598,259	5,390,224

The average number of employees, including the Directors, during the year was 9 (2018 - 117).

7. Directors' remuneration

	2019	2018
	£	£
Directors' Emoluments	135,309	505,166
Company contribution to defined contribution pension schemes	2,969	24,870
	138,278	530,036

During the year retirement benefits accrued to one Director (2018: two) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £114,800 (2018: £289,294).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2018: £17,813).

The Board considers that there are no key management personnel who are not directors of the company.

8. Interest receivable

	2019	2018
	£	£
Other interest Receivable	28,310	10,289
	28,310	10,289

Notes to the accounts
Year Ended 31 December 2019

9. Interest payable

	2019	2018
	£	£
Net Interest payable on post employment benefits	-	29,000
	-	29,000

10. Taxation

	2019	2018
	£	£
Corporation tax		
Current tax on profits for the year	3,672	-
Adjustments in respect of previous periods	16,046	(9,337)
Total current tax charge/(credit)	19,718	(9,337)
Taxation on profit/(loss) on ordinary activities	19,718	(9,337)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019	2018
	£	£
Profit/(Loss) on ordinary activities before taxation	19,718	(9,337)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	3,746	(1,774)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	499	3,542
Fixed asset differences	11,428	38,134
Adjustment to tax charge in respect of previous periods	16,046	(9,337)
Deferred tax not recognised	(11,304)	(45,756)
Other adjustments	(697)	5,854
Total tax charge/(credit) for year	19,718	(9,337)

Notes to the accounts
Year Ended 31 December 2019

10. Taxation (continued)

A deferred tax asset has not been recognised in respect of timing differences relating to depreciation being charged in excess of capital allowances, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £78,793 (2018: £265,114). The asset would be recovered if there were suitable trading profits in future years.

11. Tangible fixed assets

	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At January 2019	2,069,769	1,442,479	1,812,624	5,324,872
Additions	-	72,623	94,329	166,952
Disposals	-	-	(2,965)	(2,965)
At 31 December 2019	2,069,769	1,515,102	1,903,988	5,488,859
Depreciation				
At January 2019	1,702,018	1,269,703	1,623,659	4,595,380
Charge for the year on owned assets	138,506	95,612	112,052	346,170
Disposals	-	-	(2,965)	(2,965)
At 31 December 2019	1,840,524	1,365,315	1,732,746	4,938,585
Net book value				
At 31 December 2019	229,245	149,787	171,242	550,274
At 31 December 2018	367,751	172,776	188,965	729,492

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2019	2
At 31 December 2019	2
Net book value	
At 31 December 2019	2
At 31 December 2018	2

Notes to the accounts
Year Ended 31 December 2019

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
APACS (Commercial) Limited	Ordinary	100%	Dormant

The aggregate of the share capital and reserves as at 31 December 2019 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves
	£
APACS (Commercial) Limited	2
	2

UK Payments Administration Limited and Lynchwood Nominees Limited, (on behalf of the BBA), each hold 5 shares in the BBA Pension Trustee.

13. Debtors

	2019	2018
	£	£
Trade debtors	62,257	1,026,984
Other debtors	14,322	38,132
Amounts owed by ultimate holding company	552,617	-
Amounts owed by fellow subsidiaries	2,571	-
VAT	143,370	-
Prepayments and accrued income	772,382	3,611,441
	1,547,519	4,676,557

Notes to the accounts
Year Ended 31 December 2019

14. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Trade creditors	1,568,408	1,286,480
Amounts due from fellow subsidiaries	87,157	-
Corporation tax	3,672	-
Other taxation and social security	-	224,994
Other creditors	44,641	2,239,179
Accruals and deferred income	3,861,889	7,788,858
	5,565,767	11,539,531

15. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	17	17

16. Pension commitments

The British Bankers' Association and UK Payments Administration Limited ("the Employers") operate a funded defined benefit pension arrangement called the British Bankers' Association Pension Scheme ("the Scheme"). The Scheme provides benefits to some employees based on their completed pensionable service and their final pensionable pay. The assets of the Scheme are held in a separate trustee administered fund. The Scheme does not invest directly in property occupied by the Company or in financial securities issued by the Company.

The funding plan is for the Scheme to hold assets equal to the value of the benefits earned by employees based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Employers and Trustee agree on deficit contributions to meet this deficit over a period.

The most recent actuarial valuation of the Scheme was carried out as at 31 March 2018. As part of the valuation, the Employers agreed to pay contributions each February and August until August 2022 (or the date at which the funding shortfall on a solvency basis is calculated by the Scheme Actuary to have been eliminated, if earlier). The first payment was for £1,179,716 in August 2019, with subsequent payments increasing thereafter in line with RPI inflation + 0.5% pa (with a floor of 1% pa). These payments were shared between the Association and UKPA in the ratio 45%: 55% during 2019 (same as in 2018). The next triennial valuation is due at 31 March 2021. In the meantime, the Employers are investigating the possibility of securing the Scheme's member benefits with an insurer (a pension buyout).

The Employers meet the costs of administration, investment management and any insurance premiums payable.

Calculations were carried out during the year based on updated membership data and were updated to the accounting date by an independent qualified actuary in accordance with FRS102, allowing for contributions, benefit payments made, and changes in market conditions. The results based on assumptions used for FRS102, are as follows.

Notes to the accounts
Year Ended 31 December 2019

16. *Pension commitments* (continued)

Reconciliation of present value of plan liabilities	**2019** **£**	**2018** **£**
At the beginning of the year	38,496,000	42,167,000
Benefits paid	(887,000)	(3,132,000)
Interest expense	1,066,000	1,015,000
Past service costs	-	169,000
Experience (gains) on defined benefit obligation	(5,653,000)	(1,457,000)
Changes to demographic assumptions	526,000	1,072,000
Changes to financial assumptions	3,178,000	(1,338,000)
At the end of the year	36,726,000	38,496,000

Reconciliation of present value of plan assets	**2019** **£**	**2018** **£**
At the beginning of the year	38,496,000	47,117,000
Benefits paid	(887,000)	(3,132,000)
Employer contributions	1,286,000	1,298,000
Interest income	1,237,000	1,155,000
Return on plan assets excluding interest income	(5,180,000)	(2,455,000)
Surplus movement restricted	1,774,000	(5,487,000)
At the end of the year	36,726,000	38,496,000

Composition of plan assets	**2019** **£**	**2018** **£**
Target Return Fund	-	7,064,000
Fixed bonds	26,004,000	21,680,000
Liability driven investment	12,166,000	14,219,000
Cash and other assets	2,269,000	1,020,000
Total plan assets	40,439,000	43,983,000

Notes to the accounts
Year Ended 31 December 2019

16. Pension commitments (continued)

The amounts recognised in profit or loss is as follows:

	2019 £	2018 £
Interest on liabilities	1,220,000	1,015,000
Interest on assets	(1,237,000)	(1,155,000)
Past service costs		169,000
Total (income)/costs recognised as an expense	(17,000)	29,000

	2019 £	2018 £
Fair value of assets	40,439,000	43,983,000
Present value of funded obligations	(36,726,000)	(38,496,000)
Impact of asset ceiling	(3,713,000)	(5,487,000)
Closing defined benefit obligation	-	-

Amounts recognised in Other Comprehensive Income over the year

	2019 £	2018 £
Loss on scheme assets in excess of interest	5,180,000	2,455,000
Experience (gains) on liabilities	(5,653,000)	(1,457,000)
Losses from changes to demographic assumptions	526,000	1,072,000
Losses/(gains) from changes to financial assumptions	3,178,000	(1,338,000)
	3,231,000	732,000

Notes to the accounts
Year Ended 31 December 2019

16. Pension commitments (continued)

Sensitivity of the value placed on liabilities

	Approximate effect on liability	
	2019	**2018**
Adjustment to assumptions	**£**	**£**
Discount rate		
Plus 0.1%	(498,200)	(509,000)
Minus 0.1%	512,300	521,000
Inflation (RPI and CPI)		
Plus 0.1%	211,500	265,000
Minus 0.1%	(235,000)	(248,000)

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

	2019	**2018**
	%	**%**
Discount rate	1.95	2.80
Retail price inflation (RPI)	3.20	3.60
Consumer price inflation (CPI)	2.20	2.60
Expected rate of salary increases	N/A	3.60

Post retirement mortality assumptions:

90% of S2NA tables with CMI 2017 projections using a long term improvement rate of 1.50% p.a. (2018: 90% of S2NA tables with CMI 2017 projections using a long term improvement rate of 1.50% p.a.)

Commutation:

Members are assumed to take 25% of their pension as tax free cash.

17. Contingent liability

The trustee of the defined pension scheme continues to undertake rectification work surrounding the accrual of certain benefits for members which may result in additional liabilities arising. Legal advice is being sought but the Directors and actuaries consider it too early to assess the likelihood of additional amounts becoming due to scheme members, and to quantify any financial impact on the scheme. It has not been considered appropriate therefore to make an allowance for these amounts within the scheme disclosures. As per the terms of the share purchase agreement between Pay.UK and UKPA's former shareholders, the 'selling' shareholders reconfirmed their commitment to continue to meet the Company's defined benefit pension scheme deficit contributions in line with their signed commitment letters. Accordingly any additional pension liability would be for the former shareholders to account for.

Notes to the accounts
Year Ended 31 December 2019

18. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	1,699,255	1,471,152
Later than 1 year and not later than 5 years	5,767,508	1,187,011
	7,466,763	2,658,163

The lease commitment on the 1, 2 and 3 floor of 2 Thomas More Square is until 2024. However, rental payments for the second and third floor are currently subject to a rent re negotiation with the landlord (November 2019). The rent charges under lease for the first floor are subject to negotiation in September 2021.

At the date of this report the company had no future minimum lease payments under non-cancellable operating leases.

19. Ultimate Parent Company

The ultimate controlling party and parent company is Pay.UK Limited. The results and financial position of the Company are consolidated into those of Pay.UK Limited. The consolidated financial statements of Pay.UK Limited are available on request at 2 Thomas More Square, London E1W 1YN.

20. Post Balance Sheet Events

British Bankers' Association Pension Scheme – Pension Buy out

In 2019 British Bankers' Association and UK Payments Administration Ltd commenced with a buyout of the British Bankers' Association Pension Scheme. Once complete this will allow the Scheme to be wound-up and therefore remove the Pension Scheme as shown in note 16 from the Companies' final records.

The first stage of this transaction where a bulk annuity policy was purchased to cover all of the liabilities in the Scheme, the buy in, was completed on 31 March 2020. The Directors continue to work with the pension trustee to complete full buy out and this is anticipated to take at least a further 18 months and be completed by the end of 2021.

Covid-19

Since the end of 2019, the Company has been impacted by the emergence of the Covid-19 pandemic and the Government lockdown imposed in the UK. This is a non-adjusting post balance sheet event and as such does not impact the financial position of the Company as at 31 December 2019.

The uncertainty around Covid-19 has also been considered by the directors as disclosed in the Directors' Report and Basis of Preparation note due to the nature of the Company's funding, cash flows and that the company has operated remotely, the Directors are of the opinion that the events surrounding Covid-19 have no material impact on the Company and. the directors consider the Company to be able to continue in operational existence for the foreseeable future.