

**S2 Card Services Limited**

**Directors' Report and Financial  
Statements**

31 December 2010

Registered number 04430442

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## Company Information

### Registered office

10 Upper Bank Street, Canary Wharf, London, E14 5NP

### Directors

C Bryant  
J Hayes  
A Lupton  
R Wintle  
T Newman  
D Thrift

### Secretary

J Gillespie

### Auditors

Ernst & Young LLP  
1 More London Place, London SE1 2AF

### Solicitors

Norton Rose LLP  
3 More London, Riverside, London SE1 2AQ

### Bankers

National Westminster Bank plc  
15 Bishopsgate, London, EC2P 2AP

## **Directors' Report**

### **Registered number**

004430442

The Directors present their report and the financial statements for S2 Card Services Limited ("the company") for the year ended 31 December 2010

### **Principal activity & review of business**

During the year the principal activity of the company was to administer, manage, maintain and promote the UK Domestic Maestro debit card scheme (and where appropriate, the Solo scheme) and enforce operating rules therein whilst providing administration and support services to scheme participants. However, since the year end, the Directors have taken the decision to enter the company into a Members' Voluntary Liquidation in September 2011. Therefore the financial statements have not been prepared on a going concern basis. The effect of this is described in note 1.

The company is limited by guarantee which requires each of the members to be liable up to £10 on winding up.

### **Results**

The profit for the year ended 31 December 2010 after taxation amounted to £42 (2009 £42 loss). The financial position is detailed in the balance sheet on page 8.

No distributions were made to members in the year (2009 £nil).

### **Future developments and KPI's**

The members have decided to commence a Members' Voluntary Liquidation in September 2011.

The Directors have chosen not to use KPI analysis due to the low level of transactions and type of business operated.

### **Directors and Directors' interests**

The Directors who served during the year are as stated below:

G Warren	(resigned 24/06/2010)
B Macrory	(resigned 15/09/2010)
C Bryant	
G Crang	(resigned 05/05/2011)
J Hayes	
A Lupton	
A Penston	(resigned 15/09/2010)
R Wintle	
S Curtis	(resigned 03/09/2010)
T Newman	
S Marsh	(resigned 15/09/2010)
D Thrift	(appointed 24/06/2010)

## **Directors' Report (continued)**

### **Secretary**

D Hodson (resigned 09/04/2010)  
J Gillespie

The Directors do not hold any interest in the company

Directors and officers liability insurance is provided for the Directors of the company. The maximum amount insured is £1,000,000.

### **Going concern**

In previous years, the financial statements have been prepared on a going concern basis. However, since the decision has been made to enter the company into a Members' Voluntary Liquidation in September 2011, the directors have not prepared the statements on a going concern basis. Accordingly, adjustments have been made to provide for any further liabilities which are expected to arise. No other adjustment is deemed necessary to the amounts at which the assets and liabilities are included in these financial statements.

### **Directors' Responsibilities Statement**

The Directors are responsible for preparing 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to

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

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

## Directors' Report (continued)

### Principal risks and uncertainties

The company's operations expose it only to minimal risk. There is limited or no exposure to credit risk, liquidity risk and foreign exchange risk. The company recognises the need to continue to consider these risks and has procedures in place to ensure the risks are minimised. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. Given the size of the company, the Directors have not delegated the responsibility of monitoring financial risk to a sub-committee. This process is managed by a third party under a service agreement.

### Information provided to auditors

At the date of Board approval of this Report and financial statements for the year ended 31 December 2010, each of the Directors has confirmed that

- as far as he/she is aware, there was no relevant audit information of which the auditors were unaware, and,
- he/she has taken all the steps they ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditors have been made aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Employee costs

There were no employees during the year (2009: nil). Activities for the management of the company are performed by employees of other entities under a service agreement.

### Charitable and political contributions

There were no charitable donations nor any contributions for political purposes made by the company during the year (2009: nil).

### Auditors

Ernst & Young LLP, Registered Auditor, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 485 of the Companies Act 2006.

By order of the board



Jennifer Gillespie  
Company Secretary

7 September 2011

## **Independent Auditors' Report to the Members of S2 Card Services Limited**

We have audited the financial statements of S2 Card Services Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. 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). The financial statements have been prepared on a break-up basis as disclosed in note 1.

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 Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit 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 the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent Auditors' Report to the Members of S2 Card Services Limited (continued)**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Ernst & Young LLP*

David Canning-Jones (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

*7<sup>th</sup> September* 2011

**Profit and Loss Account**  
*for the year ended 31 December 2010*

	Notes	2010 £	2009 £
Turnover	2	99,396	219,437
Other operating income	3	158	136
<b>Gross profit</b>		<b>99,554</b>	<b>219,573</b>
Operating costs		(99,554)	(219,573)
<b>Operating profit</b>		<b>-</b>	<b>-</b>
<b>Profit on ordinary activities before taxation</b>	4	<b>-</b>	<b>-</b>
Tax on profit on ordinary activities	8	42	(42)
<b>Profit/(loss) on ordinary activities after taxation</b>	5	<b>42</b>	<b>(42)</b>

The accompanying notes on pages 9 to 13 form an integral part of the financial statements

The results are derived from continuing operations

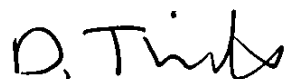
There were no recognised gains or losses for the current or previous financial year other than those already dealt with in the profit and loss account

**Balance Sheet**  
*at 31 December 2010*

	Notes	2010 £	2009 £
<b>Current assets</b>			
Debtors	9	7,079	12,502
Cash at bank and in hand		304,602	353,492
		<hr/>	<hr/>
		311,681	365,994
Creditors amounts falling due within one year	10	(306,572)	(360,927)
		<hr/>	<hr/>
<b>Net current assets</b>		5,109	5,067
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital		-	-
Profit and loss account	5	5,109	5,067
		<hr/>	<hr/>
<b>Members' funds - equity</b>		5,109	5,067
		<hr/>	<hr/>

The accompanying notes on pages 9 to 13 form an integral part of the financial statements

The financial statements were approved by the Board of Directors on 7 September 2011 and were signed on its behalf by



**D Thrift**  
 Director

7 September 2011

## Notes to the financial statements

### NOTE 1 - ACCOUNTING POLICIES

#### *Basis of preparation*

These financial statements have been approved for issue by the Directors on 7 September 2011

The financial statements have been prepared on a break-up basis reflecting the expected commencement of a Members' Voluntary Liquidation in September 2011

#### *Cash flow statement*

The company has taken advantage of the exemption in FRS 1 whereby a cash flow statement and related notes do not need to be prepared where the company is defined as a small company under section 382 of the Companies Act 2006

#### *Revenue recognition and deferred income*

Members are charged on an accruals basis for services provided. To the extent that these charges are in excess of costs incurred these amounts are recognised as deferred income

#### **Going concern**

In previous years, the financial statements have been prepared on a going concern basis. However, since the year end the directors have made the decision to enter the company into a Member's Voluntary Liquidation in September 2011, therefore the directors have not prepared the statements on a going concern basis. Accordingly, adjustments have been made to provide for any further liabilities which are expected to arise. No other adjustment is deemed necessary to the amounts at which the assets and liabilities are included in these financial statements

### NOTE 2 - TURNOVER

Turnover comprises the release of deferred income which was built up in previous years from cost recharges invoiced to Members of the UK Domestic Maestro debit card scheme which exceeded the actual costs incurred

Revenue recognition procedures for the company is such that revenue is recorded in line with the net amount of operating costs and income each month

### NOTE 3 - OTHER OPERATING INCOME

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Bank interest	<u>158</u>	<u>136</u>

## Notes to the financial statements

### NOTE 4 - PROFIT ON OPERATING ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Profit on operating activities before taxation is stated after charging		
Auditors remuneration		
Audit services	12,300	14,200
Non audit services - tax related services	6,150	4,500
	<u>18,450</u>	<u>18,700</u>

### NOTE 5 - PROFIT AND LOSS ACCOUNT

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Balance brought forward	5,067	5,109
Profit/(loss) for the year	42	(42)
	<u>5,109</u>	<u>5,067</u>
<b>Balance at 31 December</b>	<u>5,109</u>	<u>5,067</u>

### NOTE 6 - EMPLOYEE COSTS

There were no employees during the year (2009 Nil) Activities for the management of the company are performed by employees of other entities under a service agreement

### NOTE 7 - DIRECTORS' REMUNERATIONS

No remunerations were received or are receivable by any Director for his services during the year (2009 Nil) All Directors were employed and remunerated by members in respect of their services to their respective employee members It is therefore considered that there is no appropriate basis on which to apportion part of their remuneration for the services to the company

## Notes to the financial statements

### NOTE 8 - TAX ON PROFIT ON ORDINARY ACTIVITIES

#### Analysis of tax (credit)/charge in year:

	2010	2009
	£	£
<b>Current tax</b>		
UK corporation tax	-	42
Adjustment in respect of prior periods	(42)	-
	<u>(42)</u>	<u>42</u>

#### Factors affecting tax (credit)/charge for the year:

	2010	2009
	£	£
Profit on ordinary activities before tax	-	-
	<u>-</u>	<u>-</u>
Profit on ordinary activities multiplied by small companies rate of corporation tax in the UK of 21% (2009 21%)	-	-

#### Effects of :

Expenses not deductible	2,100	42
Unrecognised deferred tax losses	(2,100)	-
Adjustment in respect of prior periods	(42)	-
	<u>(42)</u>	<u>42</u>
Total current tax (credit)/charge	<u>(42)</u>	<u>42</u>

The company has capital allowances in excess of depreciation and tax losses arising in the UK of £16,897 that will be available for offset against any future taxable profits of the company. A deferred tax asset has not been recognised in respect of these items as there is insufficient evidence that this asset will be realised.

## Notes to the financial statements

### NOTE 9 - DEBTORS

	2010	2009
	£	£
Amounts owed by members	6,747	6,747
VAT Receivable	332	5,755
	<hr/>	<hr/>
	7,079	12,502
	<hr/>	<hr/>

Amounts owed by members are interest free and repayable on demand

### NOTE 10 - CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Trade creditors and accruals	28,106	29,157
Provision for future costs	46,133	-
Corporation tax	-	42
Deferred income	232,333	331,728
	<hr/>	<hr/>
	306,572	360,927
	<hr/>	<hr/>

A provision for future costs has been made since the Members have decided to commence a Members' Voluntary Liquidation in September 2011. All costs incurred since the balance sheet date as well as expected costs to liquidation have been provided for.

### NOTE 11 - CONTINGENCY

The directors do not expect future costs to exceed the deferred income balance. However, were they to exceed this amount the additional funds would be received from billing members.

### NOTE 12 - CAPITAL COMMITMENTS

The company has no capital commitments or contingent liabilities.

## Notes to the financial statements

### NOTE 13 - RELATED PARTY TRANSACTIONS

During the year related party transactions occurred between the company and the members of S2 Card Services Limited. The transaction related to subscription fees invoiced to Members of the UK Domestic Maestro debit card scheme made by the Company. The total amount invoiced during the year amounted to £Nil (2009 £334,000). Of this, £Nil (2009 £215,000) was recognised as turnover in the profit and loss account, £99,396 (2009 £Nil) was transferred from deferred income, and £Nil (2009 £107,000) was recognised as deferred income.

At the balance sheet date the amount due from related parties in terms of amounts paid by the Company was £6,747 (2009 £6,747).

The Company is controlled by a board of Directors who represent the members as limited by guarantee. Financial management is performed under a service agreement by MasterCard Europe.