

**Company Registration No. 01962902**

**CHAPS Clearing Company Limited**

**Report and Financial Statements**

**31 December 2013**



## **Report and financial statements 2013**

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# **CHAPS Clearing Company Limited**

Company Registration No. 01962902

## **Report and Financial Statements 2013**

### **Officers and professional advisers**

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

#### **Chairman**

H Von Stiegel

#### **Independent Directors**

P Jackson

T Duhon

#### **Directors**

M W Brennan

C Bryant

M Clark

J F Hagon

N Cornwell

G J Donald

D L Wilson

K R Hume

D J Lowe

A D Pearson

A Fink

T Voegl

A H van der Poel

L C Chalmers

M McNulty

S K Patterson

M R Loos

M A Wells

#### **Secretary**

UK Payments Administration Limited

#### **Registered Office**

2 Thomas More Square

London

E1W 1YN

#### **Registered Number**

01962902

#### **Auditor**

Deloitte LLP

London

## **Directors' report**

The Directors present their report together with the financial statements of CHAPS Clearing Company Limited ("the Company") for the year ended 31 December 2013. This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### **Principal activity**

The principal activity of the Company in the year under review was that of the provision of services as required to the Settlement Participants of the CHAPS payment clearing scheme.

### **Financial risk management**

The significant financial asset of the Company is cash. Financial liabilities comprise amounts owed to shareholders and related parties.

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are insufficient to fund the obligations arising from liabilities as they fall due. There are many components of financial risk, however, due to the nature of the Company's business and the assets and liabilities contained within its balance sheet, the financial risks the directors consider relevant to this Company are liquidity and cash flow risk. These risks are mitigated by the routine monitoring of key management information.

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

### **Review of business**

The result for the year is set out on page 7. Turnover for the year amounted to £3,336,723 (2012: £2,005,345) and the result after taxation was £nil (2012: £nil).

### **Going concern**

The Company submits and agrees an annual budget to its participants, who provide the funding for its continuing operation. After making enquiries, 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.

### **Dividends**

No dividends will be distributed for the year ended 31 December 2013 (2012: £nil) by the company.

## Directors' report (continued)

### Directors

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

<b>Appointing shareholder</b>	<b>Director</b>	<b>Alternate Director</b>
Bank of America	A H van der Poel	I Watkinson (resigned 31 December 2013)
Barclays Bank plc	D L Wilson	J T Maltman (resigned 31 December 2013)
BNY Mellon	M A Wells (appointed 28 May 2014)	M Sayell (resigned 17 June 2013)
Citibank N.A	E Pakcan (resigned 17 June 2013)	K Flinspach (appointed 17 June 2013; resigned 31 December 2013)
	M McNulty (appointed 17 June 2013)	
CLS Bank International	J F Hagon	L M Suttie (resigned 14 January 2013)
Clydesdale Bank plc	J W Pettigrew (resigned 14 January 2013)	J W Pettigrew (appointed 14 January 2013; resigned 31 December 2013)
	L C Chalmers (appointed 14 January 2013)	J Jefferson (resigned 31 December 2013)
Co-operative Bank plc	C Bryant	S J Pike (resigned 31 December 2013)
Danske Bank AG	A D Pearson	M J Baker (resigned 31 December 2013)
Deutsche Bank AG	M W Brennan	
Handelsbanken	A Fink (appointed 28 November 2013)	E B D Mendelsohn (resigned 31 December 2013)
HSBC Bank plc	M Clark	O Bogaerts (resigned 18 July 2013)
J P Morgan	P Imm (resigned 18 July 2013)	O Bogaerts (appointed 18 July 2013; resigned 31 December 2013)
	M R Loos (appointed 18 July 2013)	I M Smith (resigned 23 July 2013)
Lloyds Banking Group	G J Donald	S K Patterson (resigned 31 December 2013)
State Street Bank	W P MacDonald (resigned 30 January 2014)	
	S K Patterson (appointed 30 January 2014)	
Santander UK plc	N A Cornwell	R White (resigned 31 December 2013)
The Royal Bank of Scotland plc	M Needham (resigned 27 February 2014)	J G Stuart (resigned 31 December 2013)
	D J Lowe (appointed 28 March 2014)	
Standard Chartered Bank	K R Hume	N Hicks (resigned 31 December 2013)
UBS	T Voegl	A Gianom (resigned 31 December 2013)
Independent Chairman	H Von Stiegel (appointed 31 May 2013)	
Independent Director	P Jackson (appointed 17 June 2013)	
Independent Director	T Duhon (appointed 17 June 2013)	

The Company purchased Directors & Officers Insurance for the benefit of the Directors. This was in place for the period under review and remains in place at the time of signing of the Financial Statements.

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

### **Statement of Directors' responsibilities**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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.

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

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

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

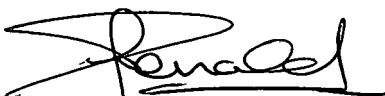
- as far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's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

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

### **Auditor**

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

On behalf of the Board:



G J Donald - Director  
10 July 2014

## **Independent auditor's report to the members of CHAPS Clearing Company Limited**

We have audited the financial statements of CHAPS Clearing Company Limited for the year ended 31 December 2013, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the financial reporting standard for smaller entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to smaller entities).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

### **Respective responsibilities of Directors and Auditor**

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

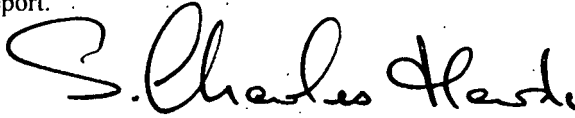
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of CHAPS Clearing Company Limited - (continued)**

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

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

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



**Simon Hardy FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

Date:

6 August 2014



**CHAPS Clearing Company Limited**  
Company Registration No. 01962902

**Profit and loss account**  
**Year Ended 31 December 2013**

		2013	2012
	Notes	£	£
<b>Turnover</b>	1	3,336,723	2,005,345
Administrative expenses		<u>(3,349,656)</u>	<u>(2,007,828)</u>
<b>Operating loss</b>	3	(12,933)	(2,483)
Interest receivable and similar income		<u>12,933</u>	<u>2,483</u>
<b>Result of ordinary activities before taxation</b>		-	-
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
<b>Result for the financial year after taxation</b>		<u>-</u>	<u>-</u>
<b>Retained profit carried forward</b>		<u><u>-</u></u>	<u><u>-</u></u>

**Total recognised gains and losses**

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


**CHAPS Clearing Company Limited**  
Company Registration No. 01962902

**Balance Sheet**  
**31 December 2013**

		2013	2012
	Notes	£	£
<b>Current assets</b>			
Debtors	6	341,406	24,891
Cash at Bank		<u>1,987,338</u>	<u>274,050</u>
		2,328,744	298,941
<b>Creditors: amounts falling due within one year</b>	7	<u>(2,328,742)</u>	<u>(298,939)</u>
<b>Net current assets</b>		<u>2</u>	<u>2</u>
<b>Total assets less current liabilities</b>		<u>2</u>	<u>2</u>
<b>Capital and reserves</b>			
Called Up Share Capital	8	<u>2</u>	<u>2</u>
<b>Shareholders' funds</b>		<u>2</u>	<u>2</u>

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

Approved by the Board and authorised for issue on 10 July 2014 and signed on behalf of the Board:

  
G J Donald  
Director

**Notes to the accounts**  
**Year Ended 31 December 2013**

**1. Accounting policies**

**Basis of preparation of the financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008), and in accordance with applicable United Kingdom law and accounting standards.

**Going concern**

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

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

**Turnover**

Turnover represents amounts recovered for services rendered to Participants of the Clearing and is accounted for on an accruals basis. All turnover has arisen from UK based activities.

**Taxation**

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

**Amounts due to and from shareholders**

Invoices are rendered to shareholders half yearly in advance.

**Shareholders and Participants**

The participants of the scheme operated by CHAPS Clearing Company Limited are also its shareholders.

**2. Staff costs**

The Company had no employees during the year (2012: nil)

# CHAPS Clearing Company Limited

Company Registration No. 01962902

## Notes to the accounts

### Year Ended 31 December 2013

#### 3. Operating loss

The operating loss is stated after charging:

	2013	2012
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>8,480</u>	<u>8,320</u>
Tax services	4,350	6,479
Other Services relating to ISAE 3402 review	<u>-</u>	<u>49,000</u>
Total non-audit fees	<u>4,350</u>	<u>55,479</u>

#### 4. Directors' Remuneration

	2013	2012
	£	£
Directors' Emoluments	<u>73,592</u>	<u>-</u>
Remuneration of the Chairman and highest paid Director	<u>30,833</u>	<u>-</u>

Industry Directors appointed under the Company's Articles of Association are remunerated by the appointing Member, and accordingly no charge has been recognised in the current or prior year.

#### 5. Taxation

Analysis of tax charge

	2013	2012
	£	£
Current tax:		
UK corporation tax at 20% based upon result for the year (2012: 20%)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

**Notes to the accounts**  
**Year Ended 31 December 2013**

**5. Taxation (continued)**

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

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>-</u>	<u>-</u>
Tax at 20% thereon (2012: 20%)	-	-
Effects of:		
Adjustments relating to prior periods	<u>-</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

There is a closing deferred tax asset in respect of losses carried forward and capital allowances in excess of depreciation of £51,307 (2012: £51,307) at the corporation tax rate of 20%. The deferred tax asset is not being recognised as there is uncertainty over the future recoverability of the asset.

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

		2013 £	2012 £
Amounts due from related parties	(Note 9c)	61,182	-
VAT		264,177	10,765
Prepayments and accrued income		<u>16,047</u>	<u>14,126</u>
		<u>341,406</u>	<u>24,891</u>

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

		2013 £	2012 £
Trade creditors		60,962	15,412
Amounts due to Members	(Note 9c)	2,114,471	193,416
Amounts due to related parties	(Note 9c)	37,720	56,608
Accruals and deferred income		<u>115,589</u>	<u>33,503</u>
		<u>2,328,742</u>	<u>298,939</u>

The amounts due to Members includes £1,791,042 (2013: £Nil) in respect of Regulatory Reserves held to comply with CPSS-IOSCO Principles and £323,430 (2013: £193,416) of Operating Reserves.

**Notes to the accounts**  
**Year Ended 31 December 2013**

**8. Share capital**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
100,000 ordinary shares at 10p each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, issued and fully paid:</b>	<u>2</u>	<u>2</u>
24 (2012: 24) ordinary shares at 10p each		

All shareholders hold one share with a nominal value of 10p each except UK Payments Administration Limited who hold 4 shares.

**9. Related party transactions**

(a) Turnover

The Company's turnover is derived from fees to participant companies for services provided by the CHAPS Scheme.

(b) Management Charges

The Company paid £2,507,181 (2012: £1,342,120) during the year for management services to UK Payments Administration Limited, a Company with common ownership.

(c) Debtors & Creditors

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

**10. Ultimate parent company**

There is no ultimate controlling party.