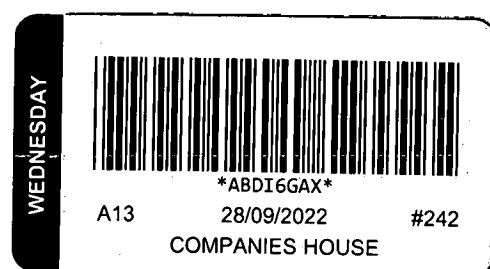


Company Registration No. 01935025

UK Payments Administration Limited

Report and Financial Statements

Year ended 31 December 2021



UK Payments Administration Limited

Company Registration No: 01935025

Report and financial statements 2021

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UK Payments Administration Limited

Company Registration No: 01935025

Report and financial statements 2021

Officers and professional advisers

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

Directors

M Ellis

D Pitt

Registered Office

2 Thomas More Square

London

E1W 1YN

Registered Number

01935025

Auditor

BDO LLP

55 Baker Street

London

W1U 7EU

UK Payments Administration Limited

Company Registration No: 01935025

Strategic Report

Principal activity

UK Payments Administration Limited ("UKPA") is a wholly owned subsidiary of Pay.UK Limited ("Pay.UK"), the body responsible for UK retail payments, having been acquired by Pay.UK in July 2018. Its principal activities continue to be the management of the defined benefit pension buyout and the administration of the leases associated with 2 Thomas More Square.

Review of 2021

The main accomplishment of the year was the successful completion of the buy-out of the defined benefit pension scheme with Aviva on the 13 August 2021. This necessitated regular liaison with the pension trustee, UKPA former shareholders, the British Bankers Association (BBA) (as the other employer) and professional advisers. Pre-funding of this arrangement had previously been agreed with the former UKPA shareholders towards the end of 2019. The pension scheme was formally wound up at the end of year and activity focuses on the closure of the associated pension escrow account.

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 as part of the wider Pay.UK Limited Group.

Company Governance

Seven Board meetings were held during 2021 which enabled executive management to keep the Board abreast of key developments with the lease and defined pension scheme buy-out.

Risk Management

The management of risk continued to be monitored by the Executive, with regular reporting to the Board. The Board continued to review and discuss risk and the risk register on a quarterly basis.

The war in the Ukraine

The Group parent has been working closely within established relationships in Government and Regulatory bodies ensured that it responded promptly to a number of advisories and new sanctions issued since January 2022. The Group has also worked closely with key suppliers and customers to share advice and knowledge and assure that the payments operating systems are responding effectively to official requests and fast time legislative changes.

Recent analysis and based on revised assumptions, there should be no material impact to our financial projections.

Going Concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting in preparing the annual financial statements therefore continues to be adopted. In making this assessment the following have been included in the considerations:

- Leases associated with 2 Thomas More Square remain in the name of the company. The ultimate parent company has agreed to support the operating costs of the Company including the costs of the leases;
- Any ongoing restrictions established by the UK authorities to control the spread of the Covid-19 virus. Operations supporting the UKPA service have not been affected by the events of Covid-19 with all Pay.UK group staff that support the Company either continuing to successfully work remotely or in the office under hybrid arrangements; and
- Income is primarily from the group parent Pay.UK Limited on a cost recovery basis. The group has completed a detailed risk assessment and stress testing on the group financial performance.

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



M Ellis

Director

Date 23 September 2022

UK Payments Administration Limited

Company Registration No: 01935025

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2021.

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 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 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 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 of floors two and three at 2 Thomas More Square; and
- Progressing the formal closure of the defined benefit pension scheme.

Results

The profit for the year, after taxation, amounted to £Nil (2020 – loss £6,083,000).

UK Payments Administration Limited

Company Registration No: 01935025

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 (resigned 17 May 2022)
G Peacop Executive Director (resigned 17 May 2022)
S Yarham Non-Executive Director & Chair (resigned 17 May 2022)
M Ellis (appointed 17 May 2022)
M Hunt (appointed 17 May 2022 and resigned 1 August 2022)
D Pitt (appointed 1 August 2022)

The Company has purchased Directors & 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, have confirmed that:

- So far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have 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 was appointed as auditor and has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



M Ellis
Director
Date: 23 September 2022

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

Opinion on the 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 2021 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.

We have audited the financial statements of UK Payments Administration Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the accounts, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities (within the Directors' report) 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud (continued)

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), comprising Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).
- We discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud due to improper revenue recognition and management override of controls. Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:
 - agreement of the financial statement disclosures to underlying supporting documentation;
 - enquiries of management; and
 - review of minutes of board meetings throughout the period.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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.

DocuSigned by:


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Orla Reilly (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date 26 September 2022

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

**Statement of Comprehensive Income
For the Year Ended 31 December 2021**

	Note	2021 £	2020 £
Turnover	4	3,273,843	6,151,518
Gross profit		3,273,843	6,151,518
Administrative expenses		(3,266,648)	(6,153,637)
Other operating expenses	15	(260,000)	(9,831,000)
Other operating income	15	260,000	3,748,000
Operating profit/(loss)	5	7,195	(6,085,119)
Interest receivable and similar income	8	140	2,817
Profit/(loss) before tax		7,335	(6,082,302)
Tax on profit/(loss)	9	(7,335)	(698)
Profit/(loss) for the financial year		-	(6,083,000)
Other comprehensive income for the year			
Actuarial profit/(losses) on defined benefit pension scheme	15	-	2,351,000
Change in amount of defined benefit plan surplus that is not recoverable		-	-
Changes in asset limit other than interest	15	-	3,732,000
Total comprehensive income for the year		-	-

The notes on pages 11 to 26 form part of these financial statements.

UK Payments Administration Limited

Company Registration No: 01935025

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	10	248,656	407,817
Investments	11	2	2
		<u>248,658</u>	<u>407,819</u>
Current assets			
Debtors: amounts falling due within one year	12	1,447,695	3,149,177
Cash at bank and in hand		<u>3,384,585</u>	<u>2,501,660</u>
		<u>4,832,280</u>	<u>5,650,837</u>
Creditors: amounts falling due within one year	13	<u>(5,080,921)</u>	<u>(6,058,639)</u>
Net current liabilities		<u>(248,641)</u>	<u>(407,802)</u>
Total assets less current liabilities		<u>17</u>	<u>17</u>
Net assets		<u>17</u>	<u>17</u>
Equity			
Called up share capital	14	17	17
Retained earnings		<u>-</u>	<u>-</u>
		<u>17</u>	<u>17</u>

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



.....
M Ellis
Director
Date 23 September 2022

UK Payments Administration Limited

Company Registration No: 01935025

Statement of Changes in Equity as at 31 December 2021

	Called up share capital £	Profit and Loss account £	Total equity £
At 1 January 2020	17	-	17
Comprehensive income for the year			
Loss for the year	-	(6,083,000)	(6,083,000)
Actuarial profit/(loss) on defined benefit pension scheme	-	2,351,000	2,351,000
Change in asset limit other than interest	-	3,732,000	3,732,000
Profit and Total Comprehensive Income for the year	-	-	-
At 1 January 2021	17	-	17
Comprehensive income for the year			
Profit for the year	-	-	-
Actuarial profit on defined benefit pension scheme	-	-	-
Changes in asset limit other than interest	-	-	-
Profit and total comprehensive income for the year	-	-	-
At 31 December 2021	17	-	17

UK Payments Administration Limited

Company Registration No. 01935025

Notes to the accounts Year Ended 31 December 2021

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

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.

In making this assessment the Directors have considered that the:

- Leases associated with 2 Thomas More Square remain in the name of the company. The ultimate parent company has agreed to support the operating costs of the Company including the costs of the leases.
- Any ongoing restrictions established by the UK authorities to control the spread of the Covid-19 virus. Operations supporting the UKPA service have not been affected by the events of Covid-19 with all Pay.UK group staff that support the Company either continuing to successfully work remotely or in the office under hybrid arrangements.
- Income is primarily from the group parent Pay.UK Limited on a cost recovery basis. The group has completed a detailed risk assessment and stress testing on the group financial performance.

UK Payments Administration Limited

Company Registration No. 01935025

Notes to the accounts Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 Revenue

Administrative services

The Company provides administrative services to the group parent company and final salary pension scheme as detailed in the Company's principal activities.

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

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

The 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.

Notes to the accounts
Year Ended 31 December 2021

2. Accounting policies (continued)

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.

As at 31 December 2021, and throughout the year, the Company had no overdraft facility (2020: £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.

Notes to the accounts

Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Financial instruments – Financial liabilities (continued)

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.

2.10 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.

Notes to the accounts

Year Ended 31 December 2021

2. Accounting policies (continued)

2.11 Provisions and contingencies

Provisions

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

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

Contingencies

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

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

2.12 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.

2.13 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. Following the pension Buy-out this relates to the prior year only.

Notes to the accounts
Year Ended 31 December 2021

3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

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

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 had 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 15 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.

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 2.10.

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 10 for the carrying amount of the property, plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

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 12 for the net carrying amount of the debtors and associated impairment provision.

UK Payments Administration Limited

Company Registration No. 01935025

Notes to the accounts Year Ended 31 December 2021

4. Turnover

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

	2021 £	2020 £
Rendering of services to the payments industry	3,273,843	6,151,518
	<u>3,273,843</u>	<u>6,151,518</u>

All turnover arising from the provision of administrative services to the group parent company and final salary pension scheme during the year has arisen from UK based activities.

5. Operating profit/(loss)

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

	2021 £	2020 £
Operating Lease Rentals	2,020,263	2,020,263
Depreciation of Tangible Fixed Assets	159,160	161,260
Fees payable to the company's auditors for the audit of the company's accounts	18,450	18,450
Fees payable to the company's auditors for non-audit services	3,690	3,690

6. Employees

All staff were subject to a TUPE transfer to Pay.UK Limited in March 2019.

UK Payments Administration Limited

Company Registration No. 01935025

Notes to the accounts Year Ended 31 December 2021

7. Directors' remuneration

	2021 £	2020 £
Directors' Emoluments	86,700	85,000
Company contribution to defined contribution pension schemes	-	-
	<u>86,700</u>	<u>85,000</u>

During the year no retirement benefits accrued to Directors (2020: Nil) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £Nil (2020: £Nil).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2020: £Nil).

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

8. Interest receivable

	2021 £	2020 £
Other interest Receivable	140	3,817
	<u>140</u>	<u>3,817</u>

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profit/(loss) for the year	7,177	-
Adjustments in respect of previous periods	158	698
Total current tax charge	<u>7,335</u>	<u>698</u>
Taxation on profit/(loss) on ordinary activities	<u>7,335</u>	<u>698</u>

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Notes to the accounts Year Ended 31 December 2021

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before taxation	7,335	(6,082,302)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,394	(1,155,637)
Effects of:		
Expenses not deductible for tax purposes	-	1,155,612
Fixed asset differences	5,081	5,148
Group relief surrendered / (claimed)	-	866
Remeasurement	(26,571)	(9,270)
Adjustment to tax charge in respect of previous periods	158	698
Deferred tax not recognised	28,637	3,281
Other adjustments	(1,364)	-
Total tax charge for year	7,335	698

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 £110,711 (2020: £78,793). The asset would be recovered if there were suitable trading profits in future years.

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Notes to the accounts Year Ended 31 December 2021

10. Tangible fixed assets

	Leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At January 2021	2,069,769	1,515,102	1,922,791	5,507,662
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2021	2,069,769	1,515,102	1,922,791	5,507,662
Depreciation				
At January 2021	1,872,180	1,405,286	1,822,379	5,099,845
Charge for the year on owned assets	31,556	38,252	89,353	159,161
Disposals	-	-	-	-
At 31 December 2021	1,903,736	1,443,538	1,911,732	5,259,006
Net book value				
At 31 December 2021	166,033	71,564	11,059	248,656
At 31 December 2020	197,589	109,816	100,412	407,817

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	2
At 31 December 2021	2
Net book value	
At 31 December 2021	2
At 31 December 2020	2

Notes to the accounts
Year Ended 31 December 2021

11. Fixed asset investments (continued)

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 2021 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
	<u>2</u>

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

12. Debtors

	2021 £	2020 £
Trade debtors	7,580	29,516
Other debtors	415	415
Amounts owed by ultimate holding company	1,373,397	2,723,270
Amounts owed by fellow subsidiaries	-	2,592
VAT	-	-
Prepayments and accrued income	66,303	393,384
	<u>1,447,695</u>	<u>3,149,177</u>

UK Payments Administration Limited

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Notes to the accounts Year Ended 31 December 2021

13. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,612,051	2,455,829
Amounts due from fellow subsidiaries	-	1,453
Amounts due to ultimate parent company	2,211,593	2,277,521
Corporation tax	7,178	-
VAT	242,506	142,583
Accruals and deferred income	1,007,593	1,181,253
	<u>5,080,921</u>	<u>6,058,639</u>

14. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
17 (2020: 17) Ordinary shares of £1 each	<u>17</u>	<u>17</u>

15. Pension commitments

The British Bankers' Association and UK Payments Administration Limited ("the Employers") operated a funded defined benefit pension arrangement called the British Bankers' Association Pension Scheme ("the Scheme"). The Scheme provided benefits to some employees based on their completed pensionable service and their final pensionable pay. In 2020 the Employers completed a pension buy in where by the assets of the Scheme were replaced with an insurance policy which matched the liability under the scheme and fully hedged all investment and longevity risks in the pension scheme. In the 2021 a pension buyout was completed and the scheme's liabilities transferred to the insurer and the Employer's obligation to the members is extinguished. The scheme was wound up in late December 2021. The Scheme did not invest directly in property occupied by the Company or in financial securities issued by the Company.

In 2020 the calculations 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.

UK Payments Administration Limited

Company Registration No. 01935025

Notes to the accounts Year Ended 31 December 2021

15. Pension commitments (continued)

	2021 £'000	2020 £'000
The scheme assets and defined benefit obligation are as follows:		
Present value of defined benefit obligation	-	39,244
Fair value of scheme assets	-	(39,192)
Deficit	-	52
Net liability in statement of financial position	-	52
Expense recognised in profit or loss	2021 £'000	2020 £'000
Interest/(income)	-	(1)
Past service cost	260	31
Losses on settlements	-	9,800
Total expense recognised in profit or loss	260	9,830
Amounts recognised outside profit or loss	2021 £'000	2020 £'000
Actuarial profit/(losses) on defined benefit pension scheme	-	(2,351)
Change in asset limit other than interest	-	(3,732)
Amount to recognise outside profit or loss	-	(6,083)
Scheme assets	2021 £'000	2020 £'000
Cash and Net Current Assets/(Liability)	-	(52)
Aviva buy-in	-	39,244
Index linked gilts including leveraged funds	-	-
Total	-	39,192

UK Payments Administration Limited

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Notes to the accounts Year Ended 31 December 2021

15. Pension commitments (continued)

	2021 £'000	2020 £'000
Movement in the net balance sheet position		
Expense charged to profit and loss	52	9,830
Amount recognised outside of profit and loss	-	(6,082)
Employer contributions	(52)	(3,696)
	<hr/>	<hr/>
Closing net Liability	<hr/> <hr/> -	<hr/> <hr/> 52
Movement in present value of defined benefit obligation		
	2021 £'000	2020 £'000
Opening defined benefit obligation	39,244	36,726
Interest on plan liabilities	-	758
Actuarial (gains)/losses due to:	-	-
Experience on benefit obligation	-	(852)
Changes in financial assumptions	-	3,981
Changes in demographic assumptions	-	(196)
Benefit payments	-	(1,204)
Past service costs	-	31
Pension Buyout	(39,244)	-
	<hr/>	<hr/>
Closing defined benefit obligation	<hr/> <hr/> -	<hr/> <hr/> 39,244
Movement in fair value of scheme assets		
	2021 £'000	2020 £'000
Opening fair value of scheme assets	39,192	40,439
Interest on scheme assets	-	778
Actual return on scheme assets less interest on scheme assets	-	5,283
Contributions by the employer	52	3,696
Benefit payments	-	(1,204)
Curtailments and settlements	-	(9,800)
Pension Buyout	(39,244)	-
	<hr/>	<hr/>
Closing fair value of scheme assets	<hr/> <hr/> -	<hr/> <hr/> 39,192

Notes to the accounts
Year Ended 31 December 2021

15. Pension commitments (continued)

Movement in the impact of the asset ceiling

	2021	2020
	£'000	£'000
Effect of asset ceiling at the start of the period	-	3,713
Interest on asset limit	-	18
Change in asset limit other than interest	-	(3,731)
	<hr/>	<hr/>
Effect of asset ceiling at the end of the period	-	-
	<hr/>	<hr/>

Significant actuarial assumptions

	2021	2020
Retail Price Inflation (% pa)	-	3.20%
Consumer Price Inflation (% pa)	-	RPI less 1% pre 2030 and RPI less 0.1% post 2030
Discount rate (% pa)	-	1.20%
Pension increase rate (% pa)	-	Various
Salary growth rate (% pa)	-	n/a
Life expectancy of male/female aged 60 at balance sheet date	-	28.1/30.2
Life expectancy of male/female aged 60 in 20 years' time	-	30/32.1
Weighted average duration	-	14

UK Payments Administration Limited

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Notes to the accounts Year Ended 31 December 2021

16. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
Not later than 1 year	1,589,305	1,589,305
Later than 1 year and not later than 5 years	2,544,708	4,146,013
	<hr/> 4,134,013	<hr/> 5,735,318

The lease commitments on the first, second and third 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 also subject to negotiation from September 2021.

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

17. 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.

18. Post Balance Sheet Event - War in the Ukraine

Pay.UK Limited on behalf of the company commenced active monitoring of the evolving geo-political situation in early January 2022.

Working closely within established relationships in Government and Regulatory bodies ensured the group responded promptly to a number of advisories and new sanctions issued since January 2022. Pay.UK Limited has also worked closely with key suppliers and customers to share advice and knowledge and assure that the payments operating systems are responding effectively to official requests and fast time legislative changes.

It has also assessed the financial impact of the changes in the economic conditions since the beginning of this crisis. As per our recent analysis and based on revised assumptions, there should be no material impact to our financial projections.

The Group Executive and Board continue to focus on the situation very closely, within a formalised structure utilising the full depth of our relationships across Government, Regulators and Industry Partners and assess the additional risks and security threats this crisis could entail for Pay.UK and its key provider of services and have already taken actions to reinforce its position.

This is considered to be a non-adjusting post balance sheet event and as such does not impact the financial position of the Company as at 31 December 2021 or the going concern assessment made by the directors.