



# VocaLink Holdings Limited

## Annual Report 2013

**Registered No. 6119036**

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## Highlights of the year

VocaLink's 2013 strategy was designed with the aim of protecting core contracts and building upon existing strategic capabilities. We achieved major successes against this strategy during the year, including

- Reinforcing VocaLink's position as the UK payments hub through the completion of a major **upgrade of our data centres.**
- Providing several one-off solutions to further establish VocaLink as a natural partner to UK Government. For example, with the support of VocaLink, HMRC launched its Real Time Information (RTI) service in 2013 which enables the validation of tax information provided by employers in real-time. We also provide a contingency solution for the Department for Work and Pensions to enable payments to be made to benefit claimants in situations where the government department was unable to initiate the payment (DWP Emergency Payments).
- We helped to deliver the **Current Account Switching Service**, demonstrating our capability to lead and develop major projects within the payments community.
- **Business in the Community:** Corporate Responsibility Index. In April 2013 we were proud to retain Gold status for achieving 93%. This puts us on par with top FTSE 100 companies.
- We have been awarded the **Investors in People (IiP) Gold**. This accreditation is in recognition of VocaLink's practices which are above the national benchmark quality requirement, placing us among the top 2% of IiP certified UK companies.

## At a glance

VocaLink is a global payments partner relied on by financial institutions, corporates and governments to provide high availability and resilient payment solutions. We operate class-leading payment clearing systems and ATM switching platforms which underpin the majority of UK electronic payments – we provide a national grid for payments. Our proven capability of implementing real time payment systems in the UK has led to the development of immediate payment solutions for other countries. Our platforms have made it easier to make payments confidently, securely and cost effectively. Last year we processed over 10 billion transactions with a value of £5 trillion.

We provide the platform for Bacs and the Current Account Switching Service, the real-time platform for the Faster Payments Service, and the LINK ATM Network, giving businesses and consumers simple, instant and reliable ways to access and move money. We are also at the forefront of mobile payments and Zapp, the UK's leading mobile payment innovation, is empowering consumers to be able to make secure real-time consumer to merchant payments through existing mobile banking services.

VocaLink is at the forefront of mobile payments, driving a new era of ultra-convenient commerce.

17% growth in income in 2013	£4.9 trillion transactions in value processed in 2013
3.1 billion LINK transactions processed in 1 year	3 billionth Faster Payments transaction processed
Over 70% household bills paid by Direct Debit	90% of salaries processed via Bacs
98% of benefits processed by Direct Credit	99.9% of ATMs connected via LINK
More than 99.98% core system availability	BitC - Corporate Responsibility Index Gold Standard
Investors in People Gold Standard	



## **The board of directors and executives**

### **Chairman**

Sir E J Gieve

### **Executive directors**

D G Yates (Chief Executive Officer)

C A Hafner (Chief Financial Officer)

### **Non-executive directors**

R Hooper CBE

A G MacLennan

G Gopalan

M Castrillo  
Santander Group

P Emney  
Barclays Bank plc

J Coyle  
Lloyds Banking Group

R Hemsley  
Royal Bank of Scotland Group

A Slough  
HSBC Bank plc

P Horlock  
Nationwide Group

### **Auditor**

KPMG LLP

### **Secretary**

T Ensor-Clinch

### **Registered office**

Drake House, Three Rivers Court  
Homestead Road, Rickmansworth  
WD3 1FX

## **Chairman's foreword**

### **Achievements in 2013 and opportunities ahead**

This is an exciting time for the company and the payments industry

Banking has remained at the centre of public debate and payments systems have moved up the political agenda, with debates in Parliament, at the Parliamentary Commission on Banking Standards and at the Treasury Select Committee. Vocalink has played a prominent part in this debate both in explaining the costs and technical feasibility of different options and in putting forward some ideas of our own.

The government has decided to introduce an economic regulator which will cover the schemes we support and the card schemes. I think this could be a big step forward in creating an innovative and open payments infrastructure but, of course, regulation carries costs and risks so we will continue to engage closely with government, legislators, the Financial Conduct Authority (FCA) and the Bank of England in the coming weeks as they establish the new system and with the new regulator as it comes into operation over the course of 2014 and early 2015.

Within that wider context, Vocalink has had a successful year. We have continued to provide a resilient and reliable service for the schemes we support in the UK and Sweden. We have completed two important industry projects for the Payments Council, building the new current account switching service and the mobile proxy database which will enable individuals to make payments by mobile phone. We have completed the major reconfiguration of our data centres with minimal disruption to our customers. We have successfully delivered Real Time Information (RTI) to HMRC to improve the tax and benefit system. We have also sold our first Immediate Payments system to Singapore. The company has continued to trade profitably, so our financial position has strengthened.

I am very grateful to the management and staff of the company for this excellent performance and to the board directors for their support, challenge and governance, including Geeta Gopalan who joined the board this year as our fourth independent non-executive director and has already made a big contribution. This has shifted the balance of the board, as we now have four independent directors, six from the shareholder banks and two executive Directors. Looking forward, the robust operation of the three core systems in the UK – Bacs, FPS, and LINK – will remain at the centre of our business next year. Alongside that, we are developing a limited number of innovative products and services which we hope will greatly strengthen the company and benefit households and businesses. The Immediate Payments system in Singapore which is nearing launch is attracting great interest elsewhere in Asia and more widely and may offer profitable new opportunities. In the UK, we have pushed forward our work on Zapp, a new mobile payment service. We have attracted great interest from consumers, banks, merchant acquirers and retailers and look forward to launching later this year.

We look forward to 2014 and the challenges and opportunities which lie ahead.

Sir John Gieve  
Chairman, Vocalink



## CEO update

2013 has been a highly productive and successful year for VocaLink and I am pleased to report that we have achieved and frequently exceeded the strategic objectives set by our Board across all of our key financial, customer service, risk and people-related objectives

VocaLink ended 2013 in a positive financial position, with a strong balance sheet. Our strong profitability enabled us to absorb costs incurred during our Data Centre renewal programme, during which we have significantly updated the company's technological infrastructure. We have also focussed on the development of our new international payments platform, Immediate Payments, which we are currently implementing in Singapore.

We delivered several industry-leading initiatives, most notably the Current Account Switching Service, for which we have received a number of accolades from the Payments Council, banks, scheme companies and the UK government.

*"VocaLink's delivery of the Payments Council's Current Account Switching Service exceeded our expectations. VocaLink delivered a high quality service on time and provided comprehensive support to the industry throughout the long period of industry testing. Since go-live the quality of service has been maintained"*

**Mark Curran**, Payment Technical Services Director, Lloyds Banking Group.

In addition, we have delivered, ahead of schedule, the Payments Council's Mobile Proxy Database. This will go live in spring 2014, enabling secure and easy person-to-person mobile payments.

During this busy time, I am proud of the achievements of the VocaLink team, who have maintained the highest levels of service level performance, exceeding 99.97% availability across all services throughout 2013, whilst we successfully migrated and upgraded the majority of our systems.

We continue to demonstrate our international capabilities, running a strategic clearing system, on behalf of Bankgirot, the national clearing provider in Sweden.

*"In partnering with VocaLink we have secured the future of Bankgirot's Direct Debit System at the Swedish payments infrastructure. We now have a partnership that will deliver value to both parties and with VocaLink's proven capability we continue to receive excellence in service levels and customer service."*

**Ulf Sandegren**, Chief Finance Officer, Bankgirot.

We have significantly strengthened our risk governance with the appointment of Bijal Desai as Chief Risk Officer. In addition, we have appointed Grant Thornton to drive our internal audit function. By pulling together rigorous management controls, internal and external audits, as well as best practice risk controls, we have established the multiple lines of defence, in order to deliver the best possible service and delivery outcomes.

Our annual People Survey confirmed that employee satisfaction at VocaLink is positive. Our scores for employee satisfaction have improved with a strong score of 75% from staff. Unplanned employee turnover is at 8%, which is a reduction of 3% on 2012.



We are also proud to have been awarded Gold status accreditation by Investors in People (IiP). This recognises that our people practices are above the national benchmark quality requirement, placing us among the top two per cent of IiP certified UK companies. We have also maintained Gold standard in Business in the Community's Corporate Responsibility Index. Both of these achievements demonstrate that we take our role within the UK economy seriously, as we continuously strive to improve the way we work.

With electronic payments growing in double digits per annum, our challenge is to ensure that our strategic direction allows us to make the most of the opportunities that lie ahead. Our investment in Zapp, which will enable secure payments between consumers and merchants, is a significant development. The innovative services, driven by Zapp, will play a defining role in the future of e-commerce, m-commerce and billing. Globally, there is also a growing demand for Immediate Payments and many national clearing houses and Central Banks are looking to us for advice on how to replicate the successes we have had in delivering the Faster Payments platform.

We have identified a number of areas in which VocaLink could add significant value to UK government departments and aim to deepen our relationships and service provision over the coming years. We can support important initiatives such as Real Time Information, Universal Credit and Federated Identity.

There is, of course, regulatory change on the horizon, reflecting the government's view that effective payment processing is vital to the successful functioning of the banking market and the economy. As the Financial Conduct Authority will be responsible for overseeing economic regulation of payments systems, one of their primary roles will be to review the ownership of payments systems companies. We welcome the new regulator and will work tirelessly to ensure the best quality outcomes for our customers and other stakeholders.

The investment we are making in developing market leading infrastructures, the innovation through Zapp, together with our international expansion, will ensure that we continue to deliver value to our investors.

I would like to thank my colleagues at VocaLink for their hard work and dedication, and our customers and investors for their continued commitment and involvement. I look forward to a prosperous 2014.

David Yates  
CEO, VocaLink

## **Building on our strategic capabilities**

We are building and presently helping with the implementation of a real-time payments service in Singapore, which is due to launch in 2014. This enhances VocaLink's position as a provider of payment products, services and expertise both in the UK and internationally. VocaLink has also pursued international partnership opportunities in 2013, with the aim of developing further new real-time payments businesses.

The payments industry is going through a once-in-a-generation shift in the way people pay. Consumers are demanding faster, safer and more convenient payment mechanisms, regulators are pursuing an agenda of innovation and open access to payment infrastructures, new business models and technological advances are threatening to disrupt the traditional payments value chain. This has created significant opportunities for VocaLink to build upon its reputation as a secure, reliable and efficient provider at the heart of the UK payments industry, with the innovative and technical know-how to provide new services both at home and abroad.

### **Looking forward**

VocaLink has a strategic vision for the next five years to be the leading real-time network, anchored by our core UK services, connecting our customers and their customers through innovative transaction processing and delivery of related opportunities in new markets.

To achieve this vision, VocaLink has identified four key strategic priorities:

- 1 **Securing VocaLink's core business** of Bacs, LINK and Faster Payments, which represent both VocaLink's largest current source of revenue and the most important foundation for the development of future services. This includes the renewal of key contracts for Faster Payments (completed in February 2014) and Bacs (due in early 2014). VocaLink will seek to continually improve the supporting platforms to ensure they are fit for purpose and reflect our customers' requirements, as well as new governance and regulatory driven models.
- 2 **Building and enhancing our UK government business**, which has become a major part of both our core and incremental business. Following the success of HMRC Real Time Information (RTI) and DWP Emergency Payments, VocaLink will seek to develop and offer additional solutions to government to support their drive towards greater efficiencies in 2014 and beyond.
- 3 **Building and developing an Alternative Payments business**, with the potential to deliver new value for both banks and VocaLink on a substantial scale. Our 100 percent owned mobile payments service Zapp, has already achieved significant backing from the industry and is expected to launch in 2014. VocaLink aims to build on this support to gain critical mass across banking participants, retailers and other sectors to enable us to achieve network effects, thereby maximising value for all stakeholders.
- 4 **Expanding our business internationally to leverage our real-time and Alternative Payments capabilities**. In 2014, Singapore will launch real-time payments, using a solution designed and implemented by VocaLink. VocaLink will build on this successful international deployment to target further opportunities where, through government intervention or market development, we can drive value from our real-time clearing or Alternative Payments capabilities and skills.





## Financial review

*"2013 has been an excellent year. We have achieved our revenue and profit targets, whilst delivering some very successful projects, and we are in a strong financial position to move the company forward into new markets."*

**Claire Hafner, CFO**

Continued focus on core service offerings and delivery of key projects in 2013 has resulted in strong revenue and profit growth for the core payments business. Turnover grew by £27.1m (17%), helped by delivery of the Current Account Switching Service project.

Improved profitability in the core business, offset by costs of £14.7m (2012: £1.7m) developing Zapp, saw operating profit before exceptional items fall by £9.0m to £32.5m (2012: £41.5m). Exceptional costs of the Data Centre renewal programme fell by £1.8m to £4.6m (2012: £6.4m). Interest costs fell by £1.6m to £0.3m (2012: £1.9m) mainly due to higher expected returns on pension scheme assets. Profit before tax fell by £5.6m to £27.6m (2012: £33.2m).

After a tax charge of £7.0m (2012: £6.3m), which had no cash impact due to the brought forward tax losses, profit after tax was £20.6m (2012: £26.9m). No dividends have been paid, with all profits retained to fund further growth, leaving net assets growing by £14.8m to £81.6m (2012: £66.8m).

Capital expenditure was £14.5m (2012: £32.2m), focused on development of Account Switching and continued strengthening of the core infrastructure, with most of Zapp development spend being charged to the profit and loss account in the year.

Working capital grew by £26.4m. The charge for Account Switching development was invoiced in December 2013 and collected in January 2014 contributing to a temporary year end increase in trade debtors to £41.6m (2012: £19.4m).

The deficit for the Voca Final Salary Pension Scheme fell by £1.8m to £43.9m (2012: £45.7m) after tax. Following the triennial valuation as at 5 April 2012, the scheme, which was closed to new entrants in 2004, was closed to future accruals on 31 July 2013. In addition, deficit reduction contributions increased to £14.6m per annum.

Net cash balances grew by £10.3m to £42.0m which, together with continued strong cash generation and committed lending facilities, provide the funding capacity to deliver key strategic objectives.



## Enterprise-wide Risk Management

### Governance and Risk Management

#### Governance

VocaLink conducts regular reviews of the external and internal governance arrangements to ensure that appropriate direction, decision making and control are being maintained to deliver the company's strategic objectives. This activity is becoming increasingly important as the payments services regulatory landscape evolves and new competitive commercial services are being introduced.

#### Risk Management

VocaLink adopts an enterprise wide risk management approach to identify, assess, measure, manage and report risk in accordance with our risk appetite and business strategy.

The risk framework design is aligned to the British Standard 311000 2008 Risk Management Code of Practice. The risk framework is subject to on-going reviews and benchmarking to risk practices and techniques used within Financial Services. VocaLink continuously seeks opportunities to strengthen the risk culture and promote a transparent risk aware environment.

Risk is assessed and managed at functional, operational and product levels within the company through,

- risk and control assessments,
- incident management processes, and
- independent control assurance activity conducted by internal audit, external audit and third party assurance providers.

#### Three Lines of Defence

VocaLink operates a three line of defence model to ensure risk management is embedded across all aspects of the company's operations.

##### 1<sup>st</sup> Line of Defence

Assessing, evaluating and measuring the risk management activities undertaken by the business. This includes adherence to the risk framework and company policies across VocaLink, identifying issues and taking remedial action where required.

##### 2<sup>nd</sup> Line of Defence

The Chief Risk Officer and Compliance functions are responsible for setting and monitoring the application of the company regulatory compliance, risk control frameworks and policies, and for providing oversight and reporting to executive management and the Board Audit and Risk Committee.

##### 3<sup>rd</sup> Line of Defence

Independent assurance to executive management, customers, shareholders and payment schemes is given through internal and external audit reporting, external ISAE 3000 service audits and ISO certifications.

In 2013, VocaLink successfully achieved recertification of ISO/IEC 27001 2005 Information Security Management System (ISMS) and ISO 23001 Business Continuity Management System, with no major conformity issues identified.

VocaLink remains compliant with the Payment Card Industry Data Security Standard (PCI DSS), in respect of protecting customer transactional data through the provision of ATM services.

**Concentration Risk**

The foundation of the Vocalink business is the processing of payment transactions for the Bacs, Faster Payments and LINK Schemes

The retention of the processing arrangements for these services is a key strategic objective for Vocalink. The loss of any of these processing arrangements or key customers would have a material adverse impact on the operations and profitability of the company. Contractual terms for both the Bacs and Faster Payments processing arrangements are in the process of being extended and the directors are confident that this will be concluded satisfactorily. The contract for the LINK scheme processing arrangement operates on a rolling basis.

Vocalink continues to invest in its core services and products. In light of the likely impact of regulatory reform across the payments industry and other external factors, Vocalink continues to leverage its capability, expertise and brand credentials to develop commercial opportunities globally.

Development of new commercial opportunities may require additional resources to open new revenue streams to Vocalink, thus reduce its dependence on its core services and products.

**Business Resilience Risk**

As a provider of technology based products and services, there is an inherent risk that Vocalink may suffer a significant technical or operational failure. Vocalink has a proven track record of a high level of service dependability and uninterrupted provision of service to its customers. The company consistently performs in accordance with its service level requirements. A proactive approach is adopted to minimise the likelihood of any service affecting incidents which could have a detrimental impact on the provision of payment services to our financial services customers.

The importance Vocalink attaches to this risk is reflected in the level of continuous investment it makes in its infrastructure, such as the successful completion in 2013 of a Data Centre Migration Programme which included the concurrent renewal of the infrastructure for the Faster Payments service and LINK ATM service.

In 2013 Vocalink transitioned from BS25999 and achieved certification to the new ISO 22301 Business Continuity Management System.

Vocalink will be supporting resilience and recovery scenario activities in conjunction with the payments industry, to develop detailed plans, in response to heightened assurance requirements from regulators.

**Reputational Risk**

Vocalink provides electronic payment services and solutions to the global financial services markets. The management of reputational risk is therefore a key area of focus. Vocalink customers operate within highly regulated markets and place significant trust in Vocalink to provide a highly available, secure and reliable payments infrastructure. Vocalink has dedicated IT Security and Business Resilience functions, which identify external threats and ensure the technology infrastructure and operations have appropriate resilience and recovery strategies in place.



## **Regulatory Risk**

It is likely that VocaLink will face increasing exposure to regulatory scrutiny and change. Failure to meet the standards required would impact the company's ability to operate. In Q4 2013, HM Treasury (HMT) announced the establishment of a new Payments Systems Regulator which will become fully operational during 2015. The new economic regulator will have three statutory objectives – competition, innovation and service user (access). It is anticipated that some VocaLink activities could fall within the scope of the new regulatory regime.

VocaLink activities are not formally designated in accordance with Part 5 of the Banking Act 2009 and as such, VocaLink is not formally overseen by the Bank of England. However, due to the importance of the continuity of supply of VocaLink core services and the consequential impact that an operational failure could have on the effective functioning of the payments markets, VocaLink operates in accordance with many of the CPSS-IOSCO (Committee on Payment and Settlement Systems – International Organisation of Securities Commissions) Principles for Financial Market Infrastructures.

To prepare for new regulation, VocaLink is taking a number of proactive steps to ensure

- all future opportunities include an assessment of the potential associated regulatory impacts, licensing is applied for where required,
- implementation of an on-going regulatory monitoring regime and horizon scanning programme, in order to effectively perform analysis of regulatory developments which may reasonably affect VocaLink,
- it responds to both HMT consultations and regular dialogue is entered into with them and with regulators, and
- opportunities are taken for lobbying in Europe regarding future rules and regulations relating to payments.

## **Information Technology Security Risk**

Security breaches may arise from the activities of individuals or criminal organisations seeking a new challenge, publicity or financial gain. The proactive management of security risk is a key priority for VocaLink, we continue to work closely with customers and the wider payment industry stakeholders to assess the 'threat landscape'. In May and September 2013, through industry wide consultations, VocaLink considered the threats, both current and future, that may impact the payments industry.

VocaLink maintains a multi layered control framework to reduce cyber security risk, which includes

- a company-wide information security policy, which provides the mandate for security governance within VocaLink,
- on-going external and internal audits to provide independent oversight of security management, including ISO27001 and PCI DSS,
- a regime of regular penetration testing to ensure that VocaLink systems are free from exploitable vulnerabilities, and
- maintenance and expansion of two-factor authentication mechanisms to control external and internal privileged access to high impact systems.

VocaLink achieved recertification of ISO/IEC 27001 2005 Information Security Management Systems (ISMS) in 2013 and was specifically recognised for having a clear understanding of the compliance requirements and the controls required to conform.



### **Change Management Risk**

VocaLink recognises that successful execution of the company's strategic objectives requires robust project governance and a continuous evaluation of resourcing to ensure the successful execution and delivery of projects. This is particularly important where change activities impact national payments infrastructures operated by VocaLink, or relates to large strategic programmes aimed at providing new services to the payments industry.

The VocaLink change governance framework is applied to the end to end change management processes. This is supported by a dedicated Project Assurance function that provides risk oversight and performance reporting across the delivery of projects and change activities. VocaLink utilises a number of key risk indicators to provide early identification of project risk, particularly across financial management, execution and resource demand and supply.

## Responsible business

Vocalink seeks to drive beyond industry best practice in everything we do, and sets the standard as an innovative business partner. This includes the way that we think about our own sustainability programme, and the positive impact that we can have in communities, where people use payments to support their day to day lives.

Vocalink works to minimise any key adverse social and environmental impacts, in order to improve our business sustainability. Our business strategy is centred on delivering long-term stability and value, not just short-term performance.

### Proven responsible business

Vocalink participates in the Business In The Community (BITC) Corporate Responsibility Index, to measure the effectiveness of our responsible business vision and its implementation. We were proud to be awarded Gold status for achieving a score of 93%. This puts us on par with FTSE 100 companies and demonstrates to our stakeholders that we take our role within the UK economy seriously, by continuously improving the way we work.

### Gold in class

Vocalink has been awarded the Investors in People (IIP) Gold Standard for going above and beyond in the way we develop, support and motivate our people. The accreditation is in recognition of Vocalink's practices, which are above the national benchmark quality requirement, placing us among the top 2% of IIP certified UK companies.

The standard provides a solid foundation for growth and development and is awarded to well-run organisations which meet set criteria, including learning and development, leadership skills and recognition and reward of staff, amongst others.

Our responsible business programme is sponsored at board and executive level and managed by a structured responsible business board. Our objective is to deliver responsible business practice through four interrelated work streams: Communities, Environment, People and Marketplace.

### Working in partnership with our surrounding communities

Marc Terry, Managing Director of Commercial Services, sponsors Vocalink's Communities programme. Through working in partnership within the payments community, local communities and our charity partners, we

- create new payment technologies to maximise market penetration and financial inclusion,
- support and inspire the new generation, by bringing young people through education and into employment, and
- increase exposure and awareness of our local community charity partnerships through charity support.

Contributions totalling £39,208 (2012: £49,561) were made during the year to charity and community projects. No contribution to political parties was made.



# VOCALINK

## **Environmental impacts of our technology**

Chris Rawson, Chief Operating Officer, sponsors Vocalink's Environment programme, improving our working environment and the impact that our data centres have on the global environment. For an information-led organisation like Vocalink, environmental management is not just about responsibility, it is about efficiency. We

- measure and monitor our companywide consumption of resource and waste disposal,
- develop low carbon strategies and policies in association with Carbon Footprint Ltd, and
- ensure that all of our operational sites conform to the ISO 14001 Environmental Management Standard

## **People are our most vital asset**

Debbie Lombard, Director of HR&OD, sponsors Vocalink's People programme, valuing the contribution of our employees, by maintaining a healthy and safe working environment and promoting a stimulating and engaging culture.

Vocalink requires employees to have skills that are sought after and valued in the marketplace. We place the highest importance on motivating, managing, developing and retaining our staff. We

- commit to providing equal opportunities and strive to create a workforce that reflects the diversity of the communities in which we operate,
- retain an appropriately skilled workforce by providing technical training and career development opportunities,
- engage our staff through a variety of communication channels to improve employee awareness and increase satisfaction, and
- ensure that all our operational sites operate at a certified OHSAS 18001 Occupational Health and Safety Management Standard

## **Responsible procurement is at the cornerstone of our business strategy**

Claire Hafner, Chief Financial Officer, sponsors Vocalink's Marketplace programme, establishing ethical supply chain partnerships and delivering responsible products and services to our customers.

Vocalink's suppliers are required to demonstrate the same commitment to sustainability as we do. For this reason, we will only enrol new suppliers who sign up to our supplier code of conduct, based on the universally accepted principles of the UN Global Compact. Our Marketplace initiatives include

- ensuring our Supplier Code of Conduct adopts the ten universal principles of the UN Global Compact,
- directing a proportion of our spend locally to support the communities that we work in, and
- offering reduced payment terms to SMEs, to support the management of their cashflow

Read our Responsible Business report to find out more about our material environmental and social issues, programmes and performance.

## Directors

The names of the current directors of the company are shown on page 4. The following change has occurred since the last annual report:

<b>Name</b>	<b>Appointed</b>
G Gopalan	25 March 2013

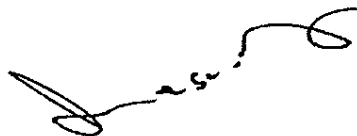
## Directors' disclosure of relevant information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the steps that he or she ought to have taken as a director, to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



T Ensor-Clinch  
Company Secretary

10 February 2014





**VOCALINK**

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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, they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the group and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

T Ensor-Clinch  
Company Secretary

10 February 2014

## **Independent auditor's report to the members of VocaLink Holdings Limited**

We have audited the financial statements of VocaLink Holdings Limited for the year ended 31 December 2013 set out on pages 20 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 Directors' Responsibilities Statement set out on page 17, 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK 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.



**VOCALINK**

### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

**John Ellacott (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants 15 Canada Square, London, E14 5GL

10 February 2014

## Consolidated profit and loss account

For the year ended 31 December

	Notes	2013 £m	2012 £m
Turnover	2	190 6	163 5
Administrative expenses			
- on-going	3,4	(158 1)	(122 0)
- exceptional	5	(4 6)	(6 4)
- total		(162 7)	(128 4)
Operating profit		27 9	35 1
Operating profit / (loss)			
- on-going		32 5	41 5
- exceptional	5	(4 6)	(6 4)
- total		27 9	35 1
Profit on ordinary activities before finance charge		27 9	35 1
Interest receivable and similar income		0 3	0 4
Interest payable and similar charges	7	(0 6)	(2 3)
Profit on ordinary activities before tax			
- on-going		32 2	39 6
- exceptional		(4 6)	(6 4)
- total		27 6	33 2
Tax on profit on ordinary activities	8	(7 0)	(6 3)
Profit for the financial year on ordinary activities after taxation		20 6	26 9

All activities derive from continuing operations

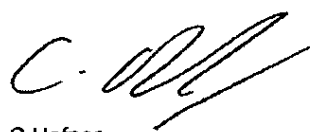


## Consolidated balance sheet

As at 31 December	Notes	2013 £m	2013 £m	2012 £m	2012 £m
<b>Fixed assets</b>					
Intangible assets	9	11 4		25 2	
Tangible assets	10	55 7		60 6	
			67 1		85 8
<b>Current assets</b>					
Debtors	12	70 3		38 1	
Deferred taxation	13	2 0		7 0	
Cash at bank and in hand		42 0		31 7	
		114 3		76 8	
<b>Creditors</b>					
Amounts falling due within one year	14	(44 3)		(40 9)	
<b>Net current assets</b>			70 0		35 9
<b>Total assets less current liabilities</b>			137 1		121 7
<b>Creditors</b>					
Amounts falling due after more than one year	15		(2 6)		-
Provision for liabilities and charges	16		(9 0)		(9 2)
<b>Total net assets excluding pension liability</b>			125 5		112 5
Pension liability	3b		(43 9)		(45 7)
<b>Total net assets including pension liability</b>			81 6		66 8
<b>Capital and reserves</b>					
Called up share capital	18		133 4		133 4
Deferred shares	18		9 3		9 3
Share premium account	19		14 6		14 6
Capital reserves	19		2 9		2 9
Other reserves	19		(75 6)		(75 6)
Profit and loss account	19		(3 0)		(17 8)
<b>Shareholders' funds</b>			81 6		66 8

These financial statements were approved by the Board of Directors on 10 February 2014 and signed on its behalf by

  
D Yates  
Chief Executive Officer

  
C Hafner  
Chief Financial Officer



## Company balance sheet

As at 31 December

	Notes	2013 £m	2013 £m	2012 £m	2012 £m
<b>Fixed assets</b>					
Investments in subsidiaries	11	163 8		163 8	
			163 8		163 8
<b>Current assets</b>					
Debtors	12	17 6		12 3	
Cash at bank and in hand		-		5 0	
		17 6		17 3	
<b>Creditors</b>					
Amounts falling due within one year	14	(10 7)		(10 6)	
<b>Net current assets</b>			6 9		6 7
<b>Total assets less current liabilities</b>			170 7		170 5
<b>Net assets</b>			170 7		170 5
<b>Capital and reserves</b>					
Called up share capital	18		133 4		133 4
Deferred shares	18		9 3		9 3
Share premium account	19		14 6		14 6
Capital reserves	19		2 9		2 9
Profit and loss account	19		10 5		10 3
<b>Shareholders' funds</b>			170 7		170 5

These financial statements were approved by the Board of Directors on 10 February 2014 and signed on its behalf by

D Yates  
Chief Executive Officer

C Hafner  
Chief Financial Officer

Company No 6119036

## Consolidated cash flow statement

For the year ended 31 December

	Notes	2013 £m	2013 £m	2012 £m	2012 £m
Net cash inflow from operating activities	20		24.8		42.8
Returns on investment and servicing of finance					
Interest received		0.4		0.2	
Interest paid		(0.4)		(0.4)	
			-		(0.2)
Capital expenditure and financial investments					
Payments to acquire intangible fixed assets		(4.3)		(11.0)	
Payments to acquire tangible fixed assets		(10.2)		(21.2)	
Sale of Investment in joint venture		-		0.5	
			(14.5)		(31.7)
Increase in cash for the year			10.3		10.9
Reconciliation of net cash flow to movement in net cash			2013 £m		2012 £m
Increase in cash in the year			10.3		10.9
Change in net cash in the year	21		10.3		10.9
Net cash at 1 January			31.7		20.8
Net cash at 31 December			42.0		31.7

## Consolidated statement of total recognised gains and losses

	Notes	2013 £m	2012 £m
Profit for the financial year		20.6	26.9
Actuarial loss recognised in the pension scheme	3b	(5.0)	(9.4)
Deferred tax relating to actuarial loss		(0.8)	1.0
Total recognised profit		14.8	18.5

## Reconciliation of movements in shareholders' funds

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Profit for the year	20.6	26.9	0.2	0.3
Actuarial (loss) net of tax recognised in the pension scheme	(5.8)	(8.4)	-	-
Net increase in shareholders' funds for the year	14.8	18.5	0.2	0.3
Shareholders' funds as at 1 January	66.8	48.3	170.5	170.2
Shareholders' funds as at 31 December	81.6	66.8	170.7	170.5



## **Notes to the financial statements**

### **1 Accounting policies**

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. A summary of the more important group accounting policies is set out below.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2013. The acquisition method of accounting has been adopted since the merger of Voca and LINK in 2007, for which merger accounting was used. Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

#### **Going concern**

The accounts have been prepared on a going concern basis. The directors confirm that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

#### **Income recognition**

Charges for the Group's automated money transmission, transaction switching and connectivity services are recognised in the month of processing, excluding VAT.

The Group has a number of long-term contracts to develop and deliver services for customers. Revenue on long-term contracts is calculated by reference to the value of work performed to date as a proportion of the total contract value. Where the outcome of a long-term contract cannot be measured reliably, contract revenue is recognised to the extent of contract costs when it is probable that such costs will be recovered. Where it is probable that total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

#### **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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results, as stated in the financial statements, that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.



## **Dividends**

Dividends payable are accounted for in the accounting period in which they are proposed and declared

Dividends payable are treated as a charge on reserves and accounted for through the reconciliation of movements in shareholders' funds

## **Intangible assets - development expenditure**

All systems and programming development expenditure is written off when incurred except where such costs meet the criteria stipulated under Statement of Accounting Practice 13 'Accounting for Research and Development'. In these instances, expenditure is capitalised as an intangible fixed asset and amortised over the shorter of its estimated useful life and the contract period, commencing in the year in which the development becomes functional. Provision is made for any impairment based on an annual review. Impairment is based on an assessment of future cash flows against the current asset value.

## **Tangible fixed assets**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than assets under construction and freehold land, at rates calculated to write off the cost, less estimated residual value, on a straight-line basis, over the estimated useful economic lives of the assets as set out below:

Freehold buildings – 50 years

Leasehold land and buildings – Over the remaining period of the lease

Plant and equipment – 4 to 20 years

Computers and ancillary equipment – 2 to 7 years

Fixtures and fittings – 3 to 10 years

Leased assets – The shorter of the term of the lease and the useful economic life of the asset

Certain items of ancillary equipment are coterminously depreciated over the estimated useful economic life of the primary equipment. Provision is made for any impairment.

## **Investments**

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

## **Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

## **Pension commitments**

### **Defined benefit scheme**

VocaLink Holdings Limited operates one defined benefit scheme in the UK which provides both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. The scheme closed to future accrual of new benefits on 31 July 2013, although members retain a link to their final salary.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit.

The expected return on the scheme's assets and the increase during the year in the present value of the Scheme's liabilities arising from the passage of time are included in the other finance income. Actuarial gains and losses are recognised in the statement of Group Total Recognised Gains and Losses.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

### **Defined contribution schemes**

The Group operates a defined contribution scheme. The amounts charged to profit and loss in respect of these schemes reflect the contributions payable in the year.

## **Provisions**

A provision is reflected in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect is material, provisions are discounted to net present value.

Provisions for losses on contracts are recognised when it becomes probable that total estimated contract costs will exceed total contract revenues. Such provisions are recorded as a write-down of receivables for that portion of work which has already been recognised in the profit and loss account and as liability provisions for the remainder. Losses are determined on the basis of estimated results over the life of the contract.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

## Financial instruments – equity

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following condition

- They include no contractual obligations upon the Company (or Group) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group)

## 2 Turnover

Turnover originates within the United Kingdom and consists of the charges for the Group's automated money transmission services and the provision of secure connectivity, managed services, information, management and other professional services

## 3 Information regarding employees and directors

### a) Employee costs (including Executive Directors)

	2013 £m	2012 £m
Wages and salaries	51.6	48.1
Social security	6.1	5.7
Pension costs		
Defined benefit scheme	1.4	2.4
Defined contribution schemes	4.5	3.4
<b>Total employee costs</b>	<b>63.6</b>	<b>59.6</b>

### Number of persons employed (including part-time staff)

	2013 No	2012 No
Average staff throughout the year	805	776

### b) Pension disclosures

VocaLink Holdings Limited operates one defined benefit scheme in the UK which provides both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

The scheme closed to future accrual of new benefits on 31 July 2013, although members retain a link to their final salary. Contributions to the scheme for the year ending 31 December 2014 are expected to be approximately £14,637,000.



## b) Pension disclosures (continued)

The major assumptions used by the actuary were (in nominal terms).

	2013	2012
Discount rate	4.60%	4.20%
Inflation assumption (RPI)	3.45%	2.80%
Inflation assumption (CPI)	2.45%	2.00%
Rate of increase of salaries	4.10%	3.45%
Pre 88 GMP pension increases	0.00%	0.00%
Rate of increase in pensions in payment (Post 88 GMP)	2.10%	1.85%
Rate of increase in pensions in payment (Pre 97 Excess)	3.05%	2.60%
Rate of increase in pensions in payment (Post 97 pension)	3.30%	2.75%

Assumed life expectancies on retirement at age 60* are	2013	2012
Retiring today		
Males	28.4	27.2
Females	29.6	29.8
Retiring in 20 years time		
Males	29.9	29.3
Females	31.2	31.7

\* With effect from 1 February 2007 the Normal Retirement Age (NRA) changed from 60 to 65 for service accrued from that date

The assumptions used in determining the overall expected return of the scheme have been set with reference to yields available on government bonds and appropriate risk margins

The assets in the scheme and the expected rate of return were

	Long-term rate of return expected at 2013	Value 2013 £m	Long-term rate of return expected at 2012	Value 2012 £m
Equities	7.30%	64.1	6.70%	56.2
Government bonds	3.60%	33.0	3.00%	31.2
Global/Broad bonds	6.30%	32.8	5.70%	32.0
Multi asset – Dynamic Asset Allocation	7.30%	39.6	6.70%	35.4
Cash	0.50%	2.0	0.50%	1.4
Insured pensioners	4.60%	4.0	4.20%	4.4
Absolute return funds	6.80%	0.2	6.20%	0.6
Swaps	3.60%	0.2	3.00%	(0.2)

	Value 2013 £m	Value 2012 £m
Fair value of scheme assets	175.9	161.0
Present value of scheme liabilities	(230.8)	(220.4)
Deficit in the scheme	(54.9)	(59.4)
Related deferred tax asset	11.0	13.7
<b>Net pension deficit</b>	<b>(43.9)</b>	<b>(45.7)</b>



## b) Pension disclosures (continued)

	2013	2012
Analysis of the amount charged to operating profit	£m	£m
Current service cost	14	24
Past service cost	03	01
Total operating charge	17	25

Analysis of the amount credited to other finance income	2013	2012
	£m	£m
Expected return on pension scheme assets	92	81
Interest on pension scheme liabilities	(92)	(97)
Net interest	-	(16)

Analysis of amount recognised in statement of total recognised gains and losses	2013	2012
	£m	£m
Actuarial losses	(50)	(94)

2013 Reconciliation of opening and closing balances of the present value of the scheme liabilities and the fair value of scheme assets

	Liabilities	Assets	Net Pension Asset/ (Liability)
	£m	£m	£m
(Liabilities) / Fair value of Scheme Assets at beginning of year	(220 4)	161 0	(59 4)
Current service cost	(14)	-	(14)
Interest cost	(92)	-	(92)
Expected return on scheme assets	-	92	92
Contributions by employers	-	112	112
Actuarial loss	(49)	(01)	(50)
Benefits paid	54	(54)	-
Past service cost	(03)	-	(03)
(Liabilities) / Fair value of Scheme Assets at end of year	(230 8)	175 9	(54 9)

**b) Pension disclosures (continued)**

2012 Reconciliation of opening and closing balances of the present value of the scheme liabilities and the fair value of scheme assets

	Liabilities	Assets	Net Pension Asset/ (Liability)
	£m	£m	£m
(Liabilities) / Fair value of Scheme Assets at beginning of year	(203.3)	148.0	(55.4)
Current service cost	(2.4)	-	(2.4)
Interest cost	(9.7)	-	(9.7)
Expected return on scheme assets	-	8.1	8.1
Contributions by employers	-	9.5	9.5
Actuarial gain / (loss)	(9.8)	0.4	(9.4)
Benefits paid	4.8	(4.8)	-
Past service cost	0.1	-	0.1
(Liabilities) / Fair value of Scheme Assets at end of year	(220.4)	161.2	(59.2)

**History of experience gains and losses**

	2013	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets					
amount (£m)	(0.2)	0.4	(0.5)	5.2	10.9
percentage of scheme assets	0%	0%	0%	4%	9%
Experience adjustments arising on scheme liabilities					
amount (£m)	(0.0)	6.4	(0.1)	0.2	(4.0)
percentage of scheme liabilities	0%	3%	0%	0%	(2%)
Total amount recognised in statement of total recognised gains and losses					
amount (£m)	(5.0)	(9.4)	(18.2)	4.3	(19.0)
percentage of the present value of the scheme liabilities	0%	5%	10%	3%	11%

**c) Directors' remuneration and transactions**

	2013	2012
	£m	£m
Emoluments	2.5	1.3
Amounts receivable under long-term incentive schemes	0.2	0.6
Company contributions to money purchase pension schemes	0.1	0.1
Compensation for loss of office	-	-
Amounts paid to third parties in respect of directors' services	0.1	0.1
<b>Total</b>	<b>2.9</b>	<b>2.1</b>

No directors were members of the group's defined benefit pension scheme

Total emoluments of the highest paid director were £1,453,671 (2012 £1,017,146)

Included in the total are deferred amounts due to be paid after more than one year of £0.8m (2012 £0.6m)

**4 Operating profit**

	2013	2012
	£m	£m
Operating profit from continuing operations is stated after charging.		
Depreciation		
On owned assets	15.2	10.5
Research & development		
Amortisation of deferred development costs	18.1	8.7
	<b>33.3</b>	<b>19.2</b>
Rental of premises	2.0	1.9

**5 Exceptional items and profit on sale of joint ventures**

	2013	2012
	£m	£m
Exceptional Operating items		
Data centre consolidation costs	4.6	6.4

Exceptional administrative expenses represent costs associated with an exercise to consolidate data centres



## 6 Auditor's remuneration

The aggregate remuneration of KPMG LLP and its associates for audit and other services (excluding value added taxes) is analysed below

	Audit and audit- related services £m	Non-audit Services £m	2013 Total £m	Audit and audit- related services £m	Non-audit services £m	2012 Total £m
Fees payable for the statutory audit of the company and VocaLink consolidation	0.2	-	0.2	0.2	-	0.2
Fees payable for other services						
Audit of the company's subsidiaries and associates	-	-	-	-	-	-
Tax services	-	-	-	-	-	-
Services related to information technology	-	0.2	0.2	-	0.6	0.6
Other services	-	0.6	0.6	-	0.2	0.2
Total other services		0.8	0.8		0.8	0.8
Total	0.2	0.8	1.0	0.2	0.8	1.0

## 7 Interest payable and similar charges

	2013 £m	2012 £m
Interest payable on overdrafts and bank loans	0.6	0.7
Net pension scheme interest	-	1.6
	0.6	2.3



## 8 Tax on profit on ordinary activities

	2013 £m	2012 £m
The taxation charge on the profit for the year comprises		
Corporation tax at 23.25% (2012: 24.5%)		
Current year	-	-
Prior years	-	-
Total current taxation	-	-
Deferred taxation		
Origination and reversal of timing differences	3.4	4.2
Adjustments in respect of prior periods	0.9	-
Effect of decrease in tax rate on opening liability	0.8	0.9
Pensions related	1.9	1.2
Total deferred taxation	7.0	6.3
<b>Taxation charge</b>	<b>7.0</b>	<b>6.3</b>

The actual tax charge for the current and previous year varies from the standard rate of 23.25% for the reasons set out in the following reconciliation

	2013 £m	2012 £m
Profit on ordinary activities before tax	27.6	33.2
Tax charge at 23.25% thereon (2012: 24.5%)	6.4	8.1
Effect of		
Expenses not deductible for tax purposes	0.1	0.1
Pension contribution in excess of charge	(2.2)	(1.3)
Capital allowances less than/(greater than) depreciation	1.3	(2.2)
Decrease in tax losses	(5.4)	(4.7)
Research and development taxation credit	(0.2)	-
<b>Current tax charge / (credit)</b>	<b>-</b>	<b>-</b>

## 9 Intangible fixed assets

	UK Payment Schemes £m	Other £m	Total £m
<b>Development Costs</b>			
<b>Cost:</b>			
1 January 2013	164.0	73.2	237.2
Incurred and capitalised during the year	4.3	-	4.3
31 December 2013	168.3	73.2	241.5
<b>Amortisation</b>			
1 January 2013	142.1	69.9	212.0
Amortised in the year	16.6	1.5	18.1
31 December 2013	158.7	71.4	230.1
Net book value – 31 December 2013	9.6	1.8	11.4
Net book value – 1 January 2013	21.9	3.3	25.2

UK Payment Schemes development expenditure includes the cost of developing the Vocalink payment platform and the Faster Payments central infrastructure. Other development expenditure includes the Bankgirot payments infrastructure and ATM Managed Services and Switching product development, together with the platforms for Current Account Switching Service, Cash ISA transfer and mobile payments. Amortisation is over the shorter of the useful economic life of the product and related customer contracts. These periods end between 2013 and 2018.

## 10 Tangible fixed assets

	Freehold Land & buildings £m	Leasehold Land & buildings £m	Plant & equipment £m	Computers & ancillary equipment £m	Fixtures & fittings £m	Total £m
<b>Cost</b>						
1 January 2013	8.2	17.5	19.7	120.4	3.8	169.6
Additions	-	-	0.5	9.7	-	10.2
Disposals	-	-	-	(1.9)	-	(1.9)
31 December 2013	8.2	17.5	20.2	128.2	3.8	177.9
<b>Depreciation:</b>						
1 January 2013	4.0	13.7	16.0	72.7	2.6	109.0
Charge for the year	0.2	1.3	0.6	13.0	0.1	15.2
Disposals	-	-	-	(1.9)	-	(1.9)
31 December 2013	4.2	15.0	16.6	83.7	2.7	122.3
Net book value – 31 December 2013	4.0	2.5	3.6	44.5	1.1	55.7
Net book value – 1 January 2013	4.2	3.8	3.7	47.7	1.2	60.6

## 11 Fixed asset investments

Investments in subsidiaries

	Company Subsidiaries £m
At 1 January 2013 and 31 December 2013	163.8

The company has taken advantage of merger relief in recording its investment in Voca Limited and LINK Interchange Network Limited

Principal investments are as follows

Subsidiaries	Proportion of equity share capital held	
	2013	2012
VocaLink Limited *	100%	100%
Voca Limited *	100%	100%
LINK Interchange Network Limited *	100%	100%
OneVu Limited**	100%	100%
InvestCo 2012 Limited	100%	-
IPCo 2012 Limited	100%	-
OpCo 2012 Limited	100%	-

\* held directly by VocaLink Holdings Limited

\*\* On 1 January 2012, the business and assets of One Vu Limited were transferred to the ownership of VocaLink Limited

All subsidiaries are incorporated in the United Kingdom which is their principal country of operation. The principal activity is the provision of payment services.

## 12 Debtors

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Trade debtors	41.6	19.4	-	-
Other debtors	0.1	0.2	-	0.1
Amounts due from Group undertakings	-	-	17.3	11.8
Prepayments	15.6	17.7	0.3	0.4
Accrued income	13.0	0.8	-	-
	70.3	38.1	17.6	12.3

All debtors fall within one year

### 13 Deferred taxation

Deferred taxation assets	Unprovided		Provided	
	2013	2012	2013	2012
	£m	£m	£m	£m
Accelerated tax allowances on plant and machinery	-	-	(0.4)	(3.2)
Short term timing differences	-	-	0.7	0.5
Trading losses	-	-	1.7	9.7
Deferred tax asset as at 31 December	-	-	2.0	7.0

A deferred taxation asset of £9.7m was brought forward as at 1 January 2013 in respect of trading losses. This was partially consumed in the year against current period profits. Additionally, the effect of accelerated capital allowances from previous periods has partially reversed. The asset in relation to remaining losses has been maintained as the directors are of the opinion that, based upon recent and forecast trading, the levels of profits in future years will exceed these losses incurred in previous periods. Deferred taxation at the end of the year has been recognised at a rate of 20% and all brought forward balances have been revalued on this basis.

### 14 Creditors: amounts falling due within one year

Notes	Group	Group	Company	Company
	2013	2012	2013	2012
	£m	£m	£m	£m
Trade creditors	5.2	3.8	-	-
Other taxation and social security	4.9	1.7	-	-
Accruals	24.9	30.8	0.1	-
Other creditors	0.5	0.4	-	-
Amounts due to Group undertakings	-	-	10.6	10.6
Deferred income	8.8	4.2	-	-
	44.3	40.9	10.7	10.6

### 15 Creditors: amounts falling due after more than one year

	Group	Group	Company	Company
	2013	2012	2013	2012
	£m	£m	£m	£m
Accruals	2.6	-	-	-
	2.6	-	-	-

This creditor relates to a long term employee benefit scheme.

## 16 Provision for liabilities and charges

	Group Contract Restructure Provision £m	Group Reorganisation Provision £m	Group Other Provision £m	Group Total £m
At 1 January 2013	3.6	1.6	4.0	9.2
Charged to profit and loss account	2.8	3.8	0.4	7.0
Utilised / released	(2.6)	(4.6)	-	(7.2)
At 31 December 2013	3.8	0.8	4.4	9.0

During the year £2.6m of a brought forward provision to restructure a contract with a European customer was consumed

£3.2m was charged to the profit and loss account during the year to cover property dilapidations and potential claims on contracts. In addition to a brought forward reorganisation provision of £1.6m, a net charge of £3.8m was made to the P&L of which £4.6m was utilised. Most provisions are expected to be utilised within 1 year, except for contract re-structuring (within 7 years) and dilapidations (within 12 years)

## 17 Financial commitments and contingencies

### (a) Operating leases

At 31 December 2013 the Group was committed to making the following payments in respect of operating leases

	2013 Land and Buildings £m	2013 Other £m	2012 Land and Buildings £m	2012 Other £m
Lease expiring				
within one year	0.5	-	-	0.1
between two and five years	-	0.3	0.3	0.1
over five years	1.5	-	1.5	-
	2.0	0.3	1.8	0.2

### (b) Capital commitments

At 31 December 2013 the Group was committed to purchasing the following fixed assets

	2013 Plant & equipment £m	2012 Plant & equipment £m
Contracted but not provided for	0.1	0.5

### (c) Contingent liability

The company has guaranteed certain operational and contractual obligations of its subsidiary undertakings with their customers

## 18 Called Up Share Capital

	2013	2012		
	£m	£m		
<b>(a) Share Capital</b>				
Authorised				
190,698,425 ordinary shares of £1 each	190.7	190.7		
9,301,575 deferred shares of £1 each	9.3	9.3		
30,000,000 preference shares of £1 each	-	-		
Allotted called up and fully paid				
133,354,708 ordinary shares of £1 each at 31 December	133.4	133.4		
9,301,575 deferred shares of £1 each at 31 December	9.3	9.3		
<b>(b) Shareholders</b>				
	2013 % Holding	2013 % Holding	2012 % Holding	2012 % Holding
Lloyds Banking Group				
Lloyds TSB Bank Plc	14.29		14.29	
HBOS Group (inc Bank of Scotland and Halifax Plc)	10.81		10.81	
		25.10		25.10
The Royal Bank of Scotland Group				
National Westminster Bank Plc	9.06		9.06	
The Royal Bank of Scotland Plc	12.31		12.31	
Coutts & Co	0.03		0.03	
		21.40		21.40
HSBC		15.91		15.91
Barclays Bank Plc		15.18		15.18
Santander Group				
Abbey National Plc	5.29		5.29	
Alliance & Leicester Commercial Bank Plc	2.45		2.45	
		7.74		7.74
Nationwide Group		4.34		4.34
Co-operative Banking Group				
The Co-operative Bank Plc	2.62		2.62	
Britannia Building Society	0.69		0.69	
		3.31		3.31
National Australia Group/Clydesdale Bank Plc		3.24		3.24
Virgin Money Plc		0.79		0.79
AIB Group (UK) Plc		0.84		0.84
Coventry Building Society		0.73		0.73
Yorkshire Building Society		0.73		0.73
Bristol & West Plc		0.69		0.69
		100.00		100.00

## 19 Movement in Reserves

	Profit and loss Group £m	Capital Reserve Group £m	Share Premium Group £m	Other Reserves Group £m
At 1 January 2013	(17.8)	2.9	14.6	(75.6)
Actuarial loss on pension scheme net of deferred tax	(5.8)	-	-	-
Retained profit for the financial year	20.6	-	-	-
At 31 December 2013	(3.0)	2.9	14.6	(75.6)

The company has taken advantage of s408 of the Companies Act 2006 not to present its own profit and loss account. The company's profit after tax for the year was £0.2m (2012: £0.3m). There was no other movement in the company's reserves.

"Other Reserves" arising on consolidation represent the merger reserve calculated from elimination of the share premium account and special reserve in 2007 against the book values of the merged businesses (Voca Limited and LINK Interchange Network Limited) on consolidation.

## 20 Reconciliation of Operating Profit to Cash Inflow from Operating Activities

	Notes	2013 £m	2012 £m
Group operating profit		27.9	35.1
Depreciation and amortisation	4	33.3	19.2
Increase in debtors		(32.6)	(5.0)
Increase in creditors	14	6.0	2.4
Decrease in provisions	16	(0.2)	(1.5)
Adjustment for pension contributions		(9.6)	(7.4)
Net cash inflow from operating activities		24.8	42.8

## 21 Analysis of Changes in Net Cash

	At 1 January 2013 £m	Cash Flows £m	At 31 December 2013 £m
Cash at bank and in hand	31.7	10.3	42.0

## 22 Related Party Transactions

The company has taken advantage of the exemption available under the terms of Financial Reporting Standard No. 8 not to disclose related party transactions with Group undertakings which have been eliminated on consolidation. There were no further transactions with related parties.