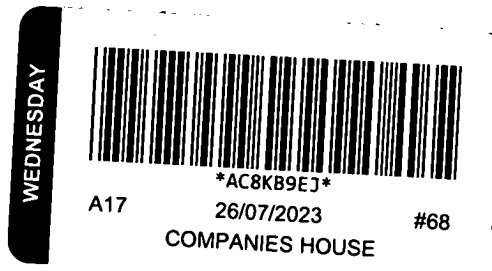


**Vocalink Limited**

**Annual Report and Financial Statements  
31 December 2022**

Registered number: 06119048



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## Strategic Report for the year ended 31 December 2022

The Directors present their Strategic Report of Vocalink Limited (the 'Company') for the year ended 31 December 2022.

### Principal activities

The Company provides managed services to support critical payments in the UK. The Company designs, builds and operates industry-leading bank account-based payment systems. Our technology powers the UK's real-time payments, settlements and direct debit systems, as well as networks of over 55,000 ATMs. The principal activity of the Company did not change during the year.

The Company's sole focus is on UK national infrastructure and closely associated services which comprise:

- a. the central payment infrastructure services that support the three Bank of England supervised and recognised payments systems namely: (i) BACS; (ii) Faster Payments Services (FPS) and (iii) LINK (UK's largest cash machine network);
- b. certain services closely associated with the foregoing central payment infrastructure services which are specific to the UK payments market (including, without limitation, the Cash ISA Transfer Service and the Sort Code Checker);
- c. certain services supporting the UK government's 'Access to Cash' policy including certain services provided to the Post Office as well as ATM Managed Services; and
- d. the central payment infrastructure services which support the UK Cheque Imaging Clearing System.

This business continues to be: (i) operated by the Company as a designated infrastructure company under the Financial Services (Banking Reform) Act 2013 in respect of the recognised payment systems; and (ii) to the extent applicable, supervised by the Bank of England ("the Bank") under Part V of the Banking Act 2009.

### Review of business and future outlook

The Company's ultimate parent undertaking and controlling party is Mastercard Incorporated. Mastercard's vision is to power economies and empower people, building a sustainable economy where everyone prospers. The Mastercard strategy is to grow the core payments network, diversify its customers and geographies and build capabilities through a combination of organic and inorganic strategic initiatives, to which the Company is fully aligned.

The Company's strategy is solely focused on its existing customer relationships within the UK. Our mission is to remain the partner of choice for providing critical payment services to the UK economy. Enhancing the Company's business remains a cornerstone of this strategy, with UK managed service operations continuing to deliver a key source of revenue allowing the Company to continue investment in maintaining the security, resilience and service quality in its operations.

The Company leverages assets and expertise from Mastercard to bring innovation to the UK payments market and develop and enhance its products and services. The shared mission is to power an inclusive, digital economy that benefits everyone, everywhere, by making transactions safe, simple, smart and accessible.

The total revenue arising from the Company's contracts with its customers in the financial year ended 31 December 2022 was £208.1m (2021: £214.1m). The external revenue was £163.8m (2021: £166.0m), a decrease of £2.2m is largely due to alterations in pricing of customer contracts extended during the year, in addition to the ongoing decline in cash transactions. Internal revenue was £44.3m (2021: £48.1m), a decrease of £3.8m. £2.3m of reduction in revenue from IPCO 2012 Limited (IPCO) was due to lower expenses rechargeable on patented products and £1.5m of reduction in overhead charges to Vocalink International Limited (VIL) for use of shared functions operated by Vocalink Limited (VLL) mainly was due to a reducing balance of depreciation recharged.

The operating costs increased by £27.5m to £210.0m (2021: £182.5m), resulting in an operating loss of £1.9m (2021: operating profit £31.6m) due to increased investment into security and other regulatory requirements, commencement of technical investment initiatives which required additional headcount and increased contractor fees and to inflationary pressures on core spending.

The loss before taxation for the financial year ended 31 December 2022 was £0.5m (2021: profit £31.4m). The loss after taxation was £1.2m (2021: profit £23.9m).

## Strategic Report (continued) for the year ended 31 December 2022

### Review of business and future outlook (continued)

The Company's defined benefit pension scheme had a surplus of £33.5m (2021: £80.4m). The reduction in the surplus in the defined benefit pension scheme primarily was due to market conditions as at 31 December 2022 which resulted in negative investment returns on scheme assets.

As a result of the reduction in the pension surplus and the remeasurement of the pension assets during the period, the total comprehensive income reduced by £100.0m to a loss of £45.0m.

In relation to the future outlook, the Directors have carried out a detailed and comprehensive review of the business, its future prospects and any potential impact of current economic uncertainty. Inflationary pressures are expected to continue in 2023. Pay.UK, a key client of the Company, restarted the New Payment Architecture (NPA) programme with a competitive tender process which commenced in 2022; the Company is closely monitoring the potential impact of all possible outcomes of the procurement process on the business. However, all other high value customer contracts have been successfully extended for a minimum period of five years. The trend in recent years of declining cash transactions has slowed, and management are hopeful that the decrease will start to plateau over the next few years. The Company continues to invest heavily in security and resilience capabilities to enhance and maintain service quality, which has resulted in a forecasted loss for 2023; however from 2024, it is projected to return to profitability through actively managing the cost base and will continue to seek additional revenue opportunities.

### Key performance indicators

The Company measures and monitors a number of key performance indicators. Key financial measures tracked for each area of the business are revenue and profit or loss; these are detailed above in the review of business section. Operational performance monitoring by the Company includes key metrics such as service availability, change success rates, and incident mean time to recovery, along with specific performance against contractual Service Level Agreements. The Company tracks key strategic business cases as well as the ongoing review of the output of the Company's risk and resiliency management processes. Non-financial key performance indicators such as employee involvement, environment and governance are discussed in the Directors' Report and the principal risks and uncertainties section.

### Financing and investment

The Company has continued its programme of investment in existing and new products and markets, including a significant focus on cyber protection. Operating costs include research and development expenditure of £0.6m (2021: £7.0m), which are charged to the Statement of Comprehensive Income in relation to new products and services; the significant reduction is due to the international products moved to VII, which historically accounted for the majority of development expenditure. Investment continued in relation to both tangible and intangible asset development, with capital expenditure in the year totalling £20.1m (2021: £35.5m), which included the capitalisation of staff costs of £7.9m (2021: £9.0m); further information is contained in note 3.

The Company's defined benefit pension scheme contributions in the year were £9.7m (2021: £14.7m), made under the 2018 deficit reduction programme. The 2021 valuation determined that no further deficit contributions were required from September 2022, hence the year on year reduction in contributions. The defined benefit pension scheme closed to new entrants on 31 July 2013; the Company operates a defined contribution scheme which is open to new members.

## Strategic Report *(continued)* for the year ended 31 December 2022

### Section 172 (1) Statement

The Directors have a duty to promote the long-term sustainable success of the Company which is a key consideration when determining the Company's strategy. The Directors ensure they have suitable access to information to allow them to make informed business decisions and consider whether they possess sufficient information regarding the stakeholder interests which are affected by their actions. In instances when the Directors do not have all the information relevant to a decision, it is important to consider the expertise of others, and care is taken to assess the source, quality and quantity of all information available. During the year, there were significant personnel changes in the Board which included new appointments to ensure continued strengthening of capabilities in areas of strategic priority.

The Board has communicated its strategic vision, priorities and business imperatives to all employees in order to clearly establish the purpose, culture and values of the Company.

Vocalink Townhalls are held regularly across all offices providing a forum for the Board to share their objectives and an opportunity for employees to share feedback, encouraging engagement and open communication with employees. Employee engagement is measured annually using an external anonymised tool, enabling the Directors to see and respond to anonymised feedback.

The Company is subject to supervision by the Bank of England. The Bank has regular meetings with the Directors and senior management of the Company and has access to Board and Committee papers, for example Risk Committee and Audit Committee papers.

The Board is committed to investing in people, aiming to attract and retain talented employees from diverse backgrounds and industries by building a world-class culture based on integrity, respect and inclusion in which people have opportunities to do purpose driven work that impacts customers, communities and co-workers.

The Directors are aligned to Mastercard's focus on diversity, equity and inclusion (DEI) and plan to make this core to VLL's way of working. DEI is a key aspect of the Board's focus on culture, which is intrinsic to improvements across governance, cyber and risk management capabilities. The Directors ensure that key management personnel are consulted on any principal decisions, to ensure that all stakeholders are fairly considered. Key management decisions and significant Board decisions made during 2022 include the following:

#### *Internal review of Board structure*

- Internal governance considerations resulted in a number of changes to Board members.
- A new independent Chair was appointed in June 2022, the current Audit Committee Chair was appointed as the Senior Independent Director in January 2023, a non-executive Director retired in September 2022 and a new independent non-executive Director with Technology & Cyber expertise was appointed in January 2023.

#### *New Chief Executive Officer (CEO) appointed*

- The previous CEO of VLL resigned as at September 2022.
- An interim CEO was appointed in August 2022 and was officially confirmed as permanent CEO in April 2023 after the Bank of England confirmed its non-objection.

#### *Technology investment*

- A significant multi-year remediation programme was initiated in 2022 to address these actions; this programme will drive significant cost investment for the duration of the programme. The timeline for completion of this is expected over the period to 31 December 2024.

## Strategic Report (continued) for the year ended 31 December 2022

### Section 172 (1) Statement (continued)

Delivering service excellence for customers, partners and stakeholders is another key priority of the Board. Through the adoption of appropriate and refreshed business strategy, the Directors will continue to foster and evolve the Company's business relationships with suppliers, customers and stakeholders, partnering with businesses that share the values of the Company and the wider Mastercard group with a dedication to conducting business in a legal, ethical and socially responsible manner, delivering the best possible value for the Company and mitigating risk.

The Board strives to maintain a reputation for high standards of business conduct by strengthening operational resilience, embedding risk and control environments and enabling transformation through business focus, agile processes and scalable technology. The Company has embarked on a multi-year risk transformation programme that will improve its Three Lines of Defence (3LoD) governance model and its risk culture, while investing in strategic initiatives that will take the Company towards industry best practice.

The Company monitors its energy usage and associated CO2 emissions annually to measure and reduce the impact of its operations on the environment. Since 2020, the Company has prepared a disclosure in accordance with the UK Streamlined Energy and Carbon Reporting Regulations 2019. This shows that the Company procured 100% of its electricity from renewable sources in 2022 as part of the Company's (and the wider Mastercard group's) commitment to the Climate Group's Renewable Energy 100 (RE100) campaign, a global initiative bringing together the world's most influential businesses committed to 100% renewable electricity. See pages 8 to 10 for the full disclosure and details of the additional steps being taken by the Company to reduce the environmental impact of its operations.

### Principal risks and uncertainties

The Company adopts an enterprise-wide risk management approach to identify, assess, measure, manage and report across a wide range of business and operational risks in accordance with the Company's risk appetite. An annual programme of independent controls testing is performed to ensure the design and operation of key controls remains effective.

As part of continuous improvement in risk management the Company continues to improve its 3LoD governance model. A 1st Line Risk and Control Team and greater capability in the 1st and 2nd Lines have been added to support the roll out of an updated Risk Management Framework.

Significant opportunities continue to arise in the payments market, and the Company continues to monitor and focus on the risks presented in the following areas:

- Strategic;
- Operational Resilience and Technology;
- Security;
- Regulatory;
- Reputational; and
- Third-Party

### Strategic Risk

Following the strategic decision for Vocalink Limited to focus on UK supervised payment services which was effected on 1 January 2021, the organisation has reduced its risk exposure linked to international business development. The Company now generates its revenue through a small number of high value contracts. This removes a resilience risk by virtue of not being significantly exposed to the international business and development activity. All high value contracts have been recently extended ensuring the strategic risk remains within appetite for the coming years.

Pay.UK, a key client of the Company, restarted the NPA programme with a competitive tender process which commenced in 2022. A decision is expected to be communicated in late 2023 once non-objection from the regulators is obtained.

The Company is cognisant of the criticality of maintaining positive industry perceptions of its operations. The Company places specific attention upon the prevention of events which could result in any negative publicity or litigation that could affect its existing or new business opportunities. The Company's reliance on people to deliver and maintain the technology and manage risks, people and capability, culture and wellbeing remain a focus.

## **Strategic Report (continued) for the year ended 31 December 2022**

### **Principal risks and uncertainties (continued)**

#### **Operational Resilience and Technology Risk**

The services provided by the Company requires a high level of dependability and continuous service availability. To achieve this, VLL adopts a resilience by design strategy supported by rigorous IT service management procedures. Resilience and the ability to recover are continuously assured through a 3LoD model which includes external certifications and standards assessment, thorough Disaster Recovery testing and recovery simulations. Investment in technology, tools and people enables VLL to meet contractual performance commitments.

Under the Bank of England's Code of Practice and Supervisory Statement on Operational Resilience, which came into force on 31 March 2022, VLL, as a Specified Service Provider (SSP), is required to have in place sound, effective and comprehensive strategies, process and systems that enable it to adequately identify and address any risks to its ability to remain within the agreed impact tolerance for each Important Business Service (IBS). VLL's Operational Resilience policy provides a statement of VLL's commitment to ensure that it has the ability to prevent, respond to and recover from extreme but plausible operational disruption of its IBSs. A programme to meet these commitments has been completed with the increasing regulatory scrutiny requiring additional operational overhead. To meet increasing stakeholder expectations, the CEO enhanced Operational Resilience and Security governance to provide the Executive Committee and the Board with independent assurance as to the effectiveness of these capabilities, which as noted in the review of business has increased operating costs in the year considerably.

#### **Security Risk**

Cyber Security remains a prevalent and fast-evolving threat across many industries and particularly within financial and payment services. Global inter-connectivity and technological advancement are adding to the complexity of Cyber Security Risk and enabling more advanced methods to be employed by perpetrators.

The Company continues to work closely with customers, government and the wider payment industry to understand and evaluate the nature of these threats, enabling the business to steer strategic and tactical risk decisions in line with the constantly evolving threat landscape. The Company is committed to the continued delivery of cyber resilience and will ensure that it has the capability to resist and counter such threats through mature and robust layered defences, system monitoring and traffic analysis and close alignment with Industry and International security standards. Additional threat intelligence capability has been introduced following the setup of a new team.

Continual assessment and security testing are central to the safe provision and operation of payment services. In Q3 2020, an external assessment identified several control weaknesses, although no evidence of malicious activity and no related operational risk events crystallised. In response to the assessment, an initial remediation programme of work commenced which continued throughout 2021 and into Q1 2022. Subsequently, following a further assessment, the Company has embarked on a longer-term programme of continuous improvement which is ongoing as part of a wider security roadmap.

#### **Regulatory Risk**

The Company operates within a regulated environment and its key customers are Recognised Payment System Operators (RPSO). The Company was specified by HM Treasury in April 2018, under Part 5 of the Banking Act 2009, as a service provider to each of the operators of the Bacs, FPS and LINK payment systems, and as a result the Company is subject to the supervision of the Bank of England. As a specified service provider, the Company is required, inter alia, to provide periodic risk reporting information and documents, to report specified events and to obtain the Bank's 'non-objection' to certain business changes and appointments, as well as being subject to the Bank of England's Recognised Payment Systems Code of Practice ("the Code of Practice"). The Company is also subject to annual priorities from the Bank emanating from the Bank's annual risk reviews of the Company ("Annual Priorities").

The Company, as an Infrastructure Provider as defined under the Financial Services (Banking Reform) Act 2013, also falls under the regulatory perimeter of the Payment Systems Regulator (PSR).

The Company's enhanced governance framework ensures that it meets the Bank's and the Code of Practice's governance expectations including through the decision-making authority of the Company's Board, the roles performed by Executive and non-executive Directors and Board-level Risk and Audit Committees. The Company takes an active role in understanding the regulatory landscape and associated risks reporting these to the Executive Committee, the Board Risk Committee and the Vocalink Limited Board.

**Strategic Report (continued)  
for the year ended 31 December 2022**

**Principal risks and uncertainties (continued)**

**Regulatory Risk (continued)**

As described above under "Operational Resilience and Technology Risk", the Company has taken steps through its Operational Resilience Policy and enhanced Operational Resilience and Security governance to meet the expectations of the Code of Practice in regard to Operational Resilience.

On 8 February 2023, the Bank published its Code of Practice and Supervisory Statement on Outsourcing and Third-Party Risk Management for Recognised Payment System Operators and Specified Service Providers. The Company has initiated a project with a dedicated project manager to implement the requirements throughout 2023 to ensure its compliance by the deadline of 9 February 2024. The Company is currently on track to meet the requirements within the planned timeframe.

The Company continues to focus on ensuring that it meets the expectations of and delivers against the requirements within the Annual Priorities set by the Bank.

In December 2021, the PSR published a regulatory framework that sets out the requirements on V.I.L., in the event that it is successful in its bid to be the central infrastructure services provider to the NPA. The purpose of the framework is to address risks to competition and innovation in the NPA ecosystem identified by the PSR.

**Reputational Risk**

The effective and ongoing management of the reputational standing of Vocalink and its brand is of strategic importance.

V.I.L. is cognisant of the criticality of maintaining positive industry perceptions of its operations and places specific attention upon the prevention of events which could result in any negative publicity or litigation that could affect its existing or new business opportunities.

**Third-Party Risk**

The Company operates the majority of its core infrastructure and uses partners only for selected activity such as supporting software development. In certain limited circumstances, specific third-party components are deployed within solutions.

Following implementation of a Supplier Management Framework, the Company is able to fully understand the dependencies, functionalities and corresponding risks within its supply chain and is able to demonstrate the controls around how suppliers are managed on an ongoing basis. Key risks are failure of critical or key third-party supplier and adverse data security incident with a critical or key third-party supplier.

As noted above, the Company is enhancing its framework to address the requirements set out in the Bank of England's Code of Practice on Outsourcing and Third-Party Risk Management.

On behalf of the Board

*E R Fullerton-Rome*

**Elizabeth Fullerton-Rome**

Director

Date: 18 July 2023

## **Directors' Report for the year ended 31 December 2022**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Elizabeth Fullerton-Rome (appointed on 27 June 2022)  
David Boast (resigned on 16 October 2022)  
Diana Brightmore-Armour  
Jeffrey Brooker (appointed on 9 January 2023)  
Kelly Devine  
Gregor Dobbie (resigned on 30 September 2022)  
Keith Douglas (appointed on 9 May 2023)  
Sir John Gieve (resigned on 30 September 2022)  
Edward McLaughlin  
Tim Neill (resigned on 21 July 2022)  
Benedicte Schilbred Fasmer  
Paul Stoddart (resigned on 1 April 2022)

### **Secretary**

Jacqueline Panayi

### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and to the date of signing these financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### **Dividends**

The Directors do not recommend payment of a dividend (2021: *Nil*).

### **Political and charity donations**

The Company made no political donations and incurred no political expenditure, and no charitable donations were made during the year (2021: *Nil*).

### **Financial risk management**

The Company has limited exposure to financial risk as all material financial instruments are with companies within the group headed by Mastercard Incorporated, its ultimate parent company.

### **Employees**

Details on the number of persons employed and their gross remunerations are contained in note 5 to the financial statements.

The Company is committed to employee involvement, as it believes that its business objectives are best achieved if the Company's staff understand and support the Company's strategy. Staff members are kept informed of performance through briefing meetings, supplemented by a range of internal communications. Regular discussions with the Executive team and management team take place to discuss matters of current interest with staff, business and strategy updates and the Company's financial performance.

### **Employee involvement**

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its business.

### **Suppliers, customers and others**

In the Strategic Report, within the Section 172 (1) Statement on pages 3 and 4 and the third-party risk section on page 6, the Directors have summarised how they have engaged with suppliers, customers and others in a business relationship.

## **Directors' Report (continued) for the year ended 31 December 2022**

### **Equal opportunities**

The Company is committed to develop and retain a diverse and inclusive workforce. Staff members who consider themselves to have a disability are under no obligation to inform their employer of this, however, the Company is fully aware of and complies with the obligations in accordance with the relevant provisions of the Equality Act 2010. Training is available and provided to all levels of staff, and investment in employee development is a priority. Within this policy, the Company gives full consideration to applications for employment from disabled persons where a disabled person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions.

### **Future developments**

The nature of the business is not expected to change going forward, as discussed in the Strategic Report.

### **Going concern**

These financial statements have been prepared on a going concern basis. In preparing these financial statements, the Directors have carried out a detailed and comprehensive review of the business and its future prospects taking into account all information that could reasonably be expected to be available for the following 12 months and beyond. They have considered the following:

- the Company's loss in the year and net assets.
- projected loss for 2023 due to the significant security remediation investment costs,
- forecast return to profitability during 2024,
- the Bank of England minimum capital requirement of £92.1m which is guaranteed by the Company's parent as detailed in note 18,
- the 2022 Bank of England priorities under financial resources and risk management, including a financial recovery plan, which has been implemented such that the Company remains financially resilient; and
- the written letter of support received from Mastercard International Incorporated, the intermediate parent company.

In considering these factors, the forecast future performance and anticipated cash flows to 31 December 2024 have been stress tested with plausible but severe assumptions such as the removal of variable revenue.

As a result of the review and the written support from Mastercard International Incorporated, the Directors are confident that the Company has sufficient resources to continue as a going concern for at least 12 months from the date of signing these financial statements and on this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

The Company's overriding objective when managing capital resources is to safeguard the business as a going concern. In practice, this involves regular reviews by the Board and the Executives. These reviews take into account the Company's strategic priorities, economic and business conditions and opportunities that are identified to invest across all points of the business cycle, whilst maintaining the minimum risk profile established by the Board and Executives. This objective has been achieved and is expected to be achieved in the foreseeable future.

### **Subsequent events**

Please see note 22 for details of the Company's subsequent events.

### **Environmental sustainability**

Mastercard is committed to ensuring people, communities, businesses and the planet can thrive. Recognising that no company can succeed in a failing world, bold targets have been set to address critical global issues such as economic inclusion, cultural diversity, and the security of the global payments ecosystem - all with the goal of helping partners engage and serve customers in relevant ways. Mastercard has created a Priceless Planet Coalition to mobilise its network of partners to achieve ambitious aims.

The Company is taking further steps to reduce the environmental impact of the operations. Responsible engineering practices include a range of projects to enable more efficient cooling of UK data centres. Operational strategies include updating the building management system to increase monitoring and reporting of energy usage to target potential waste at source. The Company is proudly accredited to ISO 14001 environmental management standards. In 2016, the Company joined the Climate Change Agreement (CCA), making a voluntary commitment to reduce energy use and carbon dioxide (CO<sub>2</sub>) emissions. The Company meets CCA targets as set out by the UK's Environment Agency.

## **Directors' Report (continued) for the year ended 31 December 2022**

### **Streamlined Energy and Carbon Reporting (SECR)**

#### *Responsibly managing the environmental impact of the business*

The Company recognises that the importance of serving customers and creating value for stakeholders in a manner that minimises the environmental impact. This ambition extends to the impact of the property portfolio, business and use of services by the customers to climate change. The transition to a sustainable future is deeply linked to how the Company manages the environmental impact of the business.

The Company's approach to improve the environmental footprint is guided by the business philosophy of Connecting Everyone to Priceless Possibilities. To realise this, the Company is committed to accelerating the plan to engage the value chain, including customers, and to make a positive contribution to key environmental issues affecting the business, notably climate change.

The Company is committed to ensuring that the properties in the portfolio are operated in a sustainable manner that demonstrates this philosophy. The Company complies with local laws as a minimum standard and continually reviews its approach to manage the impact of the office space, considering emerging risks and opportunities associated with, for example, the carbon footprint. Quantifying the energy use and carbon emissions footprint.

#### *Quantifying the energy use and carbon emissions footprint*

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 introduced the obligation for quoted companies to report on their greenhouse gas (GHG) emissions. These requirements have been extended to certain unquoted companies, including VLL, by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and the UK Streamlined Energy & Carbon Reporting (SECR) regulations 2019 in respect of the energy consumption and emissions for which the Company is responsible.

#### *Organisational boundary and responsibility*

The reporting boundary adopted to consolidate the energy and GHG emissions for this disclosure is aligned with the operational control approach, i.e. relevant energy and inventory emission sources associated with the properties over which VLL has control. The operational control boundary of VLL includes VIL, which pays a monthly occupancy charge to the Company.

#### *Reporting period*

The energy and GHG emissions data presented below relates to the operations of the property portfolio from 1 January to 31 December 2022, which is aligned with the fiscal reporting year.

#### *Methodology*

The methodology to quantify the energy use and GHG emissions is based on the internal Environmental Reporting Guidelines, which is informed by the guidance outlined in the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting & Reporting Standard (Revised edition), as well as the mandatory GHG reporting guidance (March 2021) issued by the Department for Business, Energy & Industrial Strategy (BEIS).

In exceptional circumstances, the Company extrapolates energy and GHG emissions by using available information from part of a reporting period and extending it to apply to the full reporting year. For example, this has occurred where sufficient quality activity data evidence and/or supplier invoices were not available to substantiate performance data.

In cases where actual supplier and/or third-party information was not available to calculate all the energy and GHG emissions, the Company adopted a tiered estimation approach, extrapolating average portfolio floor area intensity across the buildings without data, before using the same data for the corresponding month of the previous reporting period.

Calculation of the annual GHG emissions is based on the BEIS 2022 emission conversion factors for the UK (as part of Mastercard's reporting obligations in the United States, UK emissions are bundled into the global dataset using International Energy Agency and eGRID emission factors). Scope 3 data has been calculated at a global level and extrapolated to VLL using FTE employee figures and revenue.

#### *2022 performance*

The purpose of this section is to report on the UK energy use and related GHG emissions associated with VLL for the 2022 fiscal period. The operations management continues to make a concerted effort to manage the carbon footprint associated with the operation of the offices to service clients, in-line with the corporate environmental ambition.

**Directors' Report (continued)**  
**for the year ended 31 December 2022**

**Streamlined Energy and Carbon Reporting (SECR) (continued)**

<b>Greenhouse gas emissions by scope (MTCO<sub>2</sub>e)<sup>1</sup></b>		<b>2022</b>	<b>2021</b>
Scope 1	Emissions from combustion of gas & other fuels	297	369
Scope 2	Location-based emissions from electricity purchased for own use	2,155	2,296
	Goods and services	5,192	6,765
	Fuel and energy-related activities	10	860
Scope 3	Waste generated in operations	8	6
	Business travel	310	57
	Employee Commuting	226	427
<b>Greenhouse gas intensity (MTCO<sub>2</sub>e/£revenue)<sup>2</sup></b>		<b>0.000039</b>	<b>0.000030</b>
<b>Energy Management (MWh)</b>		<b>2022</b>	<b>2021</b>
	Energy use from the combustion of gas and other fuels	1,593	2,013
	Energy use from consumption of electricity purchased for own use	11,144	10,814
	<b>Total energy consumed</b>	<b>12,737</b>	<b>12,827</b>

<sup>1</sup> 2022 Department for BEIS emission conversion factors have been utilised for the UK to calculate the greenhouse gas emissions.

<sup>2</sup> The intensity measure disclosed reflects the most appropriate measure to consistently compare the emissions performance against other reporting entities.

Overall, VLL's energy and emissions performance this year was driven primarily by the operation of the offices and the on-going business activities of the employees. VLL has adopted a hybrid working policy following the removal of all UK COVID-19 restrictions.

The Company continually reviews and refines its approach and reporting related to the environmental impacts of the business, considering emerging risks and opportunities that support the achievement of the core corporate philosophy.

*2022 initiatives to drive enhancements in the environmental performance*

VLL has continued to purchase renewable energy (through a mixture of unbundled renewable energy credits, on-site renewable generation or direct renewable procurement) as part of Mastercard's commitment to procure 100% renewable energy as a signatory to the RE100 campaign.

**Independent auditors**

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

**Directors' Report** *(continued)*  
**for the year ended 31 December 2022**

**Statement of Directors' Responsibilities in respect of the financial statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

**Directors' confirmations**

In the case of each Director in office at the date on which the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

*Jackie Panayi*

**Jacqueline Panayi**  
Company Secretary

1 Angel Lane  
London  
EC4R 3AB

Date: 18 July 2023

# Independent auditors' report to the members of Vocalink Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Vocalink Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to but not limited to Banking Act 2009 and payment services regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as applicable tax legislation in relevant jurisdictions and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial statement line items through manual journal postings and the use of inappropriate assumptions or management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement;
- Challenging assumptions and judgements made by management in their significant accounting estimates and validating key assumptions where appropriate;
- Inquiring with management with respect to known or suspected instances of fraud; and
- Inquiring with management, reviewing correspondence, including with regulators, in consideration of instances of non-compliance with laws and regulations and evaluating management's assessment on the possible effect of non-compliance to the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Gemma Clark*

Gemma Clark (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date: *18 July 2023*

**Statement of Comprehensive Income  
for year ended 31 December 2022**

	Note(s)	2022 £m	2021 £m
<b>Revenue</b>	2	<b>208.1</b>	<b>214.1</b>
Staff costs	3,5	(57.9)	(49.7)
Depreciation, amortisation and impairment	3	(37.7)	(41.2)
Licence fees	3	(39.9)	(40.2)
Other operating expenses	3	(74.5)	(51.4)
<b>Total expenses</b>		<b>(210.0)</b>	<b>(182.5)</b>
<b>Operating (loss)/profit</b>		<b>(1.9)</b>	<b>31.6</b>
Finance income	4	2.0	0.4
Finance costs	4	(0.6)	(0.6)
<b>(Loss)/profit before tax</b>		<b>(0.5)</b>	<b>31.4</b>
Taxation	7	(0.7)	(7.5)
<b>(Loss)/profit for the financial year</b>		<b>(1.2)</b>	<b>23.9</b>
<b>Other comprehensive (expense)/income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement (losses)/gains on defined benefit pension	15	(58.2)	41.5
Deferred tax income/(expense) related to actuarial movements on defined benefit pension	7	14.4	(10.4)
<b>Total other comprehensive (expense)/income</b>		<b>(43.8)</b>	<b>31.1</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(45.0)</b>	<b>55.0</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Notes on pages 19 to 56 are an integral part of these financial statements.

**Statement of Financial Position  
as at 31 December 2022**

	Note	2022 £m	2021 £m
<b>Non-current assets</b>			
Property, plant and equipment	8	64.4	64.0
Right of use assets	9	15.0	18.3
Intangible assets	10	14.7	22.8
Trade and other receivables	12	8.4	1.6
Contract fulfilment assets	12	7.5	8.5
Pension surplus	15	33.5	80.4
<b>Total non-current assets</b>		<b>143.5</b>	<b>195.6</b>
<b>Current assets</b>			
Trade and other receivables	12	55.2	80.6
Contract fulfilment assets	12	1.7	6.1
Cash and cash equivalents		129.0	94.1
<b>Total current assets</b>		<b>185.9</b>	<b>180.8</b>
<b>Total assets</b>		<b>329.4</b>	<b>376.4</b>
<b>Current liabilities</b>			
Trade and other payables	13	73.1	61.5
Lease liabilities	14	2.2	3.1
Provisions	16	1.7	0.2
<b>Total current liabilities</b>		<b>77.0</b>	<b>64.8</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	11	1.8	11.9
Lease liabilities	14	12.2	14.4
Provisions	16	5.6	6.8
<b>Total non-current liabilities</b>		<b>19.6</b>	<b>33.1</b>
<b>Total liabilities</b>		<b>96.6</b>	<b>97.9</b>
<b>Net assets</b>		<b>232.8</b>	<b>278.5</b>
<b>Equity</b>			
Called up share capital	17	52.9	52.9
Share premium account		18.5	18.5
Retained earnings		161.4	207.1
<b>Total equity</b>		<b>232.8</b>	<b>278.5</b>

The notes on pages 19 to 56 are an integral part of these financial statements.

The financial statements on pages 15 to 56 were approved by the Board of Directors on 18 July 2023 and were signed on its behalf by:

*E R Fullerton-Rome*

Elizabeth Fullerton-Rome  
Director

Company registered number: 06119048

**Statement of Changes in Equity  
for year ended 31 December 2022**

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>Balance at 1 January 2022</b>	52.9	18.5	207.1	278.5
<b>Total comprehensive expense for the year</b>				
Loss for the financial year	-	-	(1.2)	(1.2)
<b>Other comprehensive expense</b>				
Remeasurement losses on defined benefit pension (note 15(b))	-	-	(58.2)	(58.2)
Deferred tax income related to actuarial losses on defined benefit pension (note 11)	-	-	14.4	14.4
<b>Total comprehensive expense for the year</b>	-	-	(45.0)	(45.0)
<b>Transactions recorded directly in equity</b>				
Deferred tax expense related to share schemes (note 7)	-	-	(0.7)	(0.7)
<b>Total contributions by and distributions to owners</b>	-	-	(0.7)	(0.7)
<b>Balance at 31 December 2022</b>	<b>52.9</b>	<b>18.5</b>	<b>161.4</b>	<b>232.8</b>

**Statement of Changes in Equity  
for year ended 31 December 2022**

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>Balance at 1 January 2021</b>	42.5	18.5	152.6	213.6
<b>Total comprehensive income for the year</b>				
Profit for the financial year	-	-	23.9	23.9
<b>Other comprehensive income</b>				
Remeasurement gains on defined benefit pension (note 15(b))	-	-	41.5	41.5
Deferred tax expense related to actuarial gains on defined benefit pension (note 11)	-	-	(10.4)	(10.4)
<b>Total comprehensive income for the year</b>	-	-	55.0	55.0
<b>Transactions recorded directly in equity</b>				
Issue of share capital	10.4	-	-	10.4
Deferred tax expense related to share schemes (note 7)	-	-	(0.5)	(0.5)
<b>Total contributions by and distributions to owners</b>	10.4	-	(0.5)	9.9
<b>Balance at 31 December 2021</b>	52.9	18.5	207.1	278.5

The notes on pages 19 to 56 form an integral part of these financial statements.

## Notes to the financial statements

### 1 Accounting policies

#### 1.1 General information

Vocalink Limited ('the Company') is a private limited liability company, limited by shares. It is incorporated, domiciled and registered in England and Wales, within the United Kingdom. The registered number is 06119048 and the registered office is 1 Angel Lane, London, EC4R 3AB, United Kingdom.

#### 1.2 Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosures has been taken. On 31 December 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company's financial statements transitioned to UK-adopted international accounting standards (as described above) on 1 January 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change.

The consolidated financial statements of Mastercard Incorporated, which included the financial statements of the Company, are available from its registered office at 2000 Purchase Street, Purchase, New York. The Company has taken advantage of the exemption under Section 401 of the Companies Act 2006 not to prepare consolidated financial statements.

These financial statements were prepared under the historical cost convention and in accordance with the accounting policies set out below, unless otherwise stated, which have been applied consistently to all periods presented in these financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- b. the requirements of IFRS 7 Financial Instruments: Disclosures;
- c. Paragraph 38 of IAS 1, Presentation of financial statements - comparative information requirements in respect of:
  - i. Paragraph 79(a)(iv) of IAS 1;
  - ii. Paragraph 73(e) of IAS 16. Property, plant and equipment; and
  - iii. Paragraph 118(e) of IAS 38, Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- d. the requirements of IAS 7 Statement of Cash Flows;
- e. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- f. the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a wholly owned group;
- g. the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share Based Payments;
- h. the requirements of the second sentence of paragraph 110 and from paragraphs 113 (a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- i. the requirements of paragraph 134 (d) - (f) and paragraph 135 (c) - (e) of IAS 36 Impairment of Assets;
- j. the requirements of paragraph 18 (a) of IAS 24 Related Party Disclosures to disclose the compensation of Key Management Personnel;
- k. The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- l. the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

The Company does not currently have any assets or liabilities which are required to be held at fair value with corresponding movements in value taken through the income statement.

Critical accounting judgements and estimates made by the Directors in the application of these accounting policies that have a significant effect on the financial statements are discussed in note 1.19.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.3 Change in accounting policies

The Company has adopted the following IFRSs in these financial statements:

- Amendments to IAS 37: Onerous Contracts-Cost of Fulfilling a Contract (effective 1 January 2022). This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analysed all contracts existing at 1 January 2022 and 31 December 2022 and determined that none of them would be identified as onerous applying the revised accounting policy i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

- Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022). The amendment refers to the Conceptual Framework issued in 2018 under which the definition of liabilities is broader than that in the previous versions.

There is no material effect of this amendment as the Company has not made any new acquisitions during the year.

- Amendments to IAS 16: Property, Plant and Equipment-Proceeds before Intended Use (effective 1 January 2022). The amendments prohibit a Company from deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use.

There is no material effect of this amendment on the items of PPE recorded during the year.

- Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022):

- IFRS 9 - Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 - Leases - Lease incentives. The amendment to the Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

#### 1.4 Going concern

These financial statements have been prepared on a going concern basis. In preparing these financial statements, the Directors have carried out a detailed and comprehensive review of the business and its future prospects taking into account all information that could reasonably be expected to be available for the following 12 months and beyond. They have considered the following:

- the Company's loss in the year and net assets,
- projected loss for 2023 due to the significant security remediation investment costs,
- forecast return to profitability during 2024,
- the Bank of England minimum capital requirement of £92.1m which is guaranteed by the Company's parent as detailed in note 18,
- the 2022 Bank of England priorities under financial resources and risk management, including a financial recovery plan which has been implemented such that the Company remains financially resilient; and
- the written letter of support received from Mastercard International Incorporated, the intermediate parent company.

In considering these factors, the forecast future performance and anticipated cash flows to 31 December 2024 have been stress tested with plausible but severe assumptions such as the removal of variable revenue.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.4 Going concern (continued)

As a result of the review and the written support from Mastercard International Incorporated, the Directors are confident that the Company has sufficient resources to continue as a going concern for at least 12 months from the date of signing these financial statements, and, on this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

The Company's overriding objective when managing capital resources is to safeguard the business as a going concern. In practice, this involves regular reviews by the Board and the Executives. These reviews take into account the Company's strategic priorities, economic and business conditions and opportunities that are identified to invest across all points of the business cycle, whilst maintaining the minimum risk profile established by the Board and the Executives. This objective has been achieved and is expected to be achieved in the foreseeable future.

#### 1.5 Revenue from contracts with customers

Revenue from contracts with customers is recognised when services performed reflect the consideration to which the Company expects to be entitled to in exchange for those services. The Company primarily provides a hosted or managed service. The customer derives benefits from when the managed service is operational for payment processing. The Company classifies its revenue into the following three categories:

##### *Development, implementation and consultancy revenue*

Development, implementation and consultancy revenues are charged either on a percentage of completion basis or contract delivery milestones, when these services are deemed to be distinct within the contract. Where it is not distinct, the revenue is recognised evenly over the life of the contract from the date that the payment service is operational.

##### *Transaction processing revenue*

Charges for payment processing and connectivity services are recognised in the year in which the related transactions occur, excluding VAT.

##### *Licence and maintenance revenue*

The Company grants its customers licences to use its software, typically on a fixed term basis. Depending on the terms of the customer contracts, there are two types of licences:

- i) Right of access licences revenue is recognised over time. Where significant customisation of software is required and the customer is unable to benefit from it either on its own or in combination with readily available resources, licence sales are accounted for over time. Such fees are recognised evenly over the life of the operational phase of the contract, commencing on the date on which the payment service is operational.
- ii) Right of use licences revenue is recognised at a point in time. Where the rights and control over the software pass to the customer and the customer can benefit from the software on its own or in combination with readily available resources, the licence sale is accounted for at a point in time.

Maintenance revenue to provide customers with rights to software upgrades, enhancements and help desk access during a defined support period is recognised evenly over time over the operational period of the contract.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

##### *Costs to fulfil a contract*

Costs incurred in developing and implementing payment systems which relate to unfulfilled performance obligations at the reporting date are deferred as contract fulfilment assets in the Statement of Financial Position. The assets are amortised to the Statement of Comprehensive Income consistent with the pattern of recognition of revenue, on a straight-line basis over the term of the relevant customer contract, commencing on the date on which the payment service is operational.

At the reporting date, management undertakes an impairment review, comparing the carrying value of the assets with the total consideration that the Company expects to receive from the customer, less any costs to be incurred in delivering the services as specified in the contract.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.5 Revenue from contracts with customers (continued)

##### Practical expedients IFRS 15

Existence of a financing component:

The Company has adopted the practical expedient to not adjust the consideration receivable under a contract for the effect of a significant financing component if the Company expects, at contract inception, that the period between when the entity transfers a promised service to a customer and when the customer pays for that service will be less than one year.

##### Internal revenue

Revenue is recognised by the Company for services performed on behalf of other group companies. The revenue is calculated as stipulated in intercompany agreements. Revenue is recognised when services are performed and are accounted for net of VAT and other sales-related taxes.

#### 1.6 Foreign currency translation

The Company's financial statements are presented in pounds sterling, which is the Company's functional currency. All significant contracts are currently denominated and settled in pounds sterling, thereby mitigating foreign exchange risk. Other than certain costs from overseas suppliers, there are no transactions in currencies other than the entity's functional currency.

#### 1.7 Investments in subsidiaries

Investments in subsidiaries held as non-current assets are stated at cost less any provision for impairment. The need for any impairment is assessed by comparing the carrying value of the asset with the higher of realisable value or value in use, see note 20.

#### 1.8 Common control transactions

Common control transactions that arise between Group entities under the control of the same parent are accounted for at book value.

#### 1.9 Financial instruments

##### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### Financial assets

###### (a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, Fair value through other comprehensive income (FVOCI) - debt investment, FVOCI - equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.9 Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

##### **Financial assets (continued)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

##### **b) Subsequent measurement and gains and losses**

**Financial assets at FVTPL** - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**Financial assets at amortised cost** - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Debt investments at FVOCI** - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI** - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

##### **Financial liabilities and equity**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company 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; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.9 Financial instruments (continued)

##### iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets that do not contain a significant financing component are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

##### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

##### (iv) Derecognition

###### Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.9 Financial instruments (continued)

##### (iv) Derecognition (continued)

##### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### 1.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, commencing on the date on which the asset becomes functional and the related asset is available for use. Land is not depreciated. The estimated useful lives are as follows:

- freehold buildings 50 years
- leasehold improvements over the remaining period of the lease
- plant and equipment 4 to 20 years
- computers and ancillary equipment 4 to 10 years
- fixtures and fittings 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted prospectively, if appropriate indicators of impairment exist.

#### 1.11 Intangible assets

##### Research and development expenditure

Expenditure on research activities is recognised as an expense as incurred.

Expenditure on development activities is capitalised if:

- the product or process is technically and commercially feasible;
- the Company intends to complete the development;
- the Company has the technical ability and sufficient resources to complete the development;
- future economic benefits from the development are probable; and
- the Company can reliably measure the expenditure attributable to the development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct employee salary and benefits, direct technical contractor expenses. Other development expenditure is recognised in the income statement as an expense as incurred.

##### Software and development assets

Capitalised development expenditure is recorded under the cost model and is stated at cost less accumulated amortisation and less accumulated impairment losses.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.11 Intangible assets (continued)

##### *Capitalisation of staff costs*

Directly attributable costs in relation to software and development projects include employee costs that are capitalised as tangible and intangible assets respectively, only when it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured and are directly attributable to the creation of the asset. Capitalisation of such costs ceases when the asset is capable of operating in the manner intended by management.

##### *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. The amortisation period for these assets is three to five years.

Asset lives for assets supporting specific customer contracts are primarily determined by the duration of the respective customer contract. With due consideration given to the period over which it is estimated that the developed software will continue to be in use and economically viable, without significant redevelopment.

Assets utilised in serving multiple customers are grouped together according to the relevant payment product. Asset lives for payment products are typically relatively long, being five to ten years. Nevertheless, reflecting the ongoing investment required to maintain such products, Company policy is that asset lives for amortisation purposes do not exceed seven years. Subject to the constraints of this policy, asset lives are determined by reference to the useful economic life of the payment product within the markets in which it operates.

##### *Impairment testing*

The carrying values of assets are tested for impairment whenever there are events or circumstances that indicate that their carrying amount may not be recoverable. Impairment testing is carried out for groups of assets, which, in combination, form cash generating units ("CGU"s). CGUs are the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows arising from other assets. Vocalink CGUs comprise groups of intangible and tangible assets that are closely related, and which, in combination, form the systems supporting specific Vocalink payment products or customer contracts.

For testing purposes, the fair value of an asset is calculated using the present value of estimated net future cash flows arising from the relevant CGU. Cash flows are based on the most recent budgets or forecasts approved by management and reflect reasonable and supportable assumptions by reference to the range of economic conditions that will exist over the period of the budget or forecast. Where cash flows are extended beyond the period covered by the most recent budget or forecast, they are extrapolated using a steady or declining growth rate, unless an increasing rate can be justified.

If the carrying amount of the asset exceeds its fair value, an impairment is immediately recorded.

#### 1.12 Employee benefits

##### *Pension obligations*

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.12 Employee benefits (continued)

##### *Pension obligations (continued)*

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates one defined benefit plan in the UK which provides both pensions and retirement and death benefits to members. The plan closed to future accrual to new benefits on 31 July 2013, although members who remain in the Company's employment retain a link to their final salary.

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and taking account of the expected rate of cash commutation by members. The future benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the income statement.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

##### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Share-based employee remuneration*

##### **Mastercard share-based payment plans**

The Company participates in the following share-based compensation plans operated by Mastercard, a restricted stock unit scheme ('RSUs') and a performance stock unit scheme ('PSUs') under which units are awarded, in addition to a non-qualified stock option scheme ('Options'). The awards are granted by Mastercard and the Company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted.

##### **Restricted stock units**

A restricted stock unit (RSU) award is denominated in common Mastercard shares that will be settled either by delivery of common shares or the payment of cash based upon the value of a specified number of common shares. Mastercard grants RSUs periodically to employees in accordance with the RSU agreement.

Mastercard's RSUs are time-based awards that shall vest evenly over a four year period. These awards are conditional upon the employee's continued employment with the Mastercard Group as of the vesting date.

The fair value of RSUs is determined and fixed on the grant date based on the Mastercard stock price, adjusted for the exclusion of dividend equivalents.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.12 Employee benefits (continued)

##### Non-qualified stock options

A non-qualified stock option ('Option') entitles the participant to receive common shares upon exercise of such options. The remuneration committee may provide for grant or vesting options conditional upon the performance of services, the achievement of performance goals or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or any combination of the above. The exercise price per share for an award shall not be less than the fair market value per share as of the grant date. The option period fixed by the committee for any award shall be no longer than ten years from the option's grant date. The standard rate at which an option shall be exercisable shall be twenty five percent on each of the first four anniversaries of the grant.

Mastercard estimates the fair value of its non-qualified stock options awards using a Black-Scholes valuation model.

##### *Recognition of share-based employee remuneration in the Statement of Comprehensive Income*

At the end of each reporting period, the Company revises its estimates of the number of units and options that are expected to vest, based on any market and non-market vesting conditions.

The total expense of the above schemes is recognised on a straight line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The related share-based compensation expenses are recorded in staff costs.

##### *Share-based employee remuneration*

The fair value of RSUs is determined and fixed on the grant date based on the Mastercard stock price, adjusted for the exclusion of dividend equivalents. The related share-based compensation expenses are recorded in staff costs.

The total expense is recognised on a straight line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of RSUs that are expected to vest, based on the non-market vesting conditions.

##### Performance stock units

A performance stock unit (PSU) consists of the right to receive common shares or cash, as provided in the particular award agreement, upon achievement of a performance goal or goals. The performance unit award shall be earned in accordance with the agreement over a performance period. These awards typically vest at the end of a three year performance period (cliff vesting). These awards are conditioned upon the employee's continued employment with the Company and the achievement of the performance goals established by the committee and set forth in the employee's grant statement.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.13 Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.14 Leases

##### Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company's leases generally relate to property or office equipment. Lease terms are negotiated on an individual basis and do not impose any covenants. The lease term is determined by the non-cancellable period of the lease, together with; optional renewable periods if the Company is reasonably certain to extend; and periods after an optional termination date if the Company is reasonably certain not to terminate early.

##### As a Lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.14 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Right of use assets' and lease liabilities in 'Lease liabilities' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 1.15 Finance income and costs

##### *Finance income*

Finance income includes interest receivable on funds invested, interest receivable from group undertakings, pension interest, and net foreign exchanges gains.

##### *Finance costs*

Finance costs include finance lease interest recognised under IFRS 16, pension interest, interest payable to group undertakings and net foreign exchange losses.

Interest receivable and interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis. Dividend income is recognised in the Statement of Comprehensive Income on the date the entity's right to receive payments is established.

#### 1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

#### 1.17 Capital and reserves

##### *Called up share capital*

Represents the nominal value of shares issued.

##### *Share premium account*

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

##### *Retained earnings*

Represents the reserves for net gains and losses recognised in the Statement of Comprehensive Income.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.18 UK-adopted IFRS not yet applied

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 Insurance Contracts (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

#### 1.19 Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Critical judgements in the application of the accounting policies include:**

##### **Revenue recognition**

###### **Revenue recognition under IFRS 15**

Revenue from contracts with customers is recognised when services are performed. In management's assessment of the contracts significant judgement is used in determining whether the services components are single or multiple performance obligations. Customer contracts are typically long-term payment services contracts, with a duration of 3 to 5 years. Contracts with customers comprise multiple deliverables, and depending on the nature of the contract, include a combination of services for implementation and onboarding, software development, software licences, transaction processing and customer support services. This decision impacts the timing of the revenue recognition for the software licence and the development services.

##### **Indirect taxation**

The recovery of input VAT is subject to a partial exemption calculation. VAT returns are submitted quarterly and the final position regarding VAT recovered is agreed on an annual basis. As at the reporting date management exercised judgement in estimating the provision for input VAT that may not be recovered in respect of the financial year.

##### **Impairment testing of tangible and intangible assets**

In evaluating the cash flows used in testing for impairment, management exercises judgement in determining the assumptions supporting the cash flows, ensuring that they are reasonable and relevant. Where cash flows are extended beyond the period covered by the most recent budget, they are extrapolated using a steady or declining growth rate, unless an increasing rate can be justified.

Management exercises key judgements in assessing the useful life of the assets. These are established at the time each development commences and are regularly reviewed for appropriateness.

Payment systems require a long-term and significant investment of time and resources. They are developed with the quality and resilience necessary to support the national payment system infrastructure. Both the Company and the participating banks undertake significant system design, development and implementation, followed by rigorous testing undertaken prior to service go-live. Both parties have an economic interest in retaining the software in use over the medium to long-term. This has been shown to apply historically and is expected to continue. Economic useful lives of assets are therefore longer than is typical for technology products.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.19 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### *Impairment testing of tangible and intangible assets (continued)*

As at the reporting date, intangible assets with a net book value of £14.7m (2021: £22.8m), property, plant and equipment assets with a net book value of £64.4m (2021: £64.0m) and right of use assets with a net book value of £15.0m (2021: £18.3m) were held on the Statement of Financial Position. During the year there were no impairments (2021: £nil) recognised in relation to property, plant and equipment, right of use assets and intangible assets. As set out above, in reviewing these assets for impairment, management has exercised judgement regarding the future economic benefits to be generated as they are utilised or brought into use.

##### **Key estimates in the application of the accounting policies include:**

##### ***Contingent liabilities and provisions***

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of resources is less than probable, but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to a better than expected outcome in the related activities in terms of cash outflow.

Management exercises key judgements in relation to the appropriate provisions required for dilapidation and lease exit costs.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence of a future event or a present obligation that is uncertain as regards the amount. Where there is a possibility of an outflow of economic benefits the Company discloses an estimate of the financial effect and any uncertainties relating to it unless the probability the liability arising is considered to be remote.

Management's assessment of provisions and contingent liabilities are set out in note 16.

##### ***Retirement benefit obligations***

The Company operates a defined benefit pension scheme for which actuarial valuations are carried out as determined by the trustees at yearly intervals.

The pension cost under IAS 19 is assessed in accordance with Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on information supplied to the actuary, supplemented by discussions between the actuary and management. It is required to form judgements in relation to market conditions, including the discount rate and future inflation. Discussions also include a review of the profile of scheme members, including their life expectancy, entitlement and choices regarding future benefits and options, including cash commutation. The principal assumptions used to measure schemes' liabilities, sensitivities to changes in assumptions and future funding obligations are set out in note 15 of the financial statements.

**Notes to the financial statements (continued)**

**2 Revenue**

**2 (a) Disaggregation of revenue**

*Nature of service provided*

In the following table revenue is disaggregated by the nature of the service provided.

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Revenue from contracts with customers		
Transaction processing	<b>139.5</b>	142.6
Licence and maintenance	<b>14.9</b>	13.3
Development, implementation and consultancy	<b>9.4</b>	10.1
External revenue	<b>163.8</b>	166.0
Internal revenue: recharges to other group undertakings	<b>44.3</b>	48.1
<b>Total revenue</b>	<b>208.1</b>	214.1

**2 (b) Contract balances**

Contract assets comprise accrued income, which solely relates to revenue from contracts with customers.

Contract liabilities comprise deferred income; the Company's deferred income balances solely relates to revenue from contracts with its customers, further details of which are set out in 2 (c) below.

**2 (c) Revenue recognised in relation to deferred income**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<b>9.6</b>	13.0
	<b>9.6</b>	13.0

**Notes to the financial statements (continued)**

**2 Revenue (continued)**

**2 (d) Contract fulfilment assets**

	2022 £m	2021 £m
Contract fulfilment assets brought forward 1 January	14.6	21.1
Additions during the year	6.6	3.1
Amortisation during the year	(8.0)	(9.6)
Intercompany transfer	(4.0)	-
	<u>9.2</u>	<u>14.6</u>
Contract fulfilment assets carried forward as at 31 December	<u>9.2</u>	<u>14.6</u>

Amortisation of contract fulfilment assets was £6.6m (2021: £7.9m), as per note 3, which is stated after intercompany recharges of £1.4m (2021: £1.7m) to VII, in relation to fulfilment assets capitalised in advance of the BTA (business transfer agreement).

The Company capitalises the costs incurred in developing and implementing payment systems on specific customer contracts as these costs do not transfer a distinct good or service to the customer and are only required to provide the related payment service.

At 31 December 2022, the Company recognised assets of £9.2m (2021: £14.6m) in relation to these costs, of which £1.7m (2021: £6.1m) was short term and £7.5m (2021: £8.5m) was long-term.

**3 Operating (loss)/profit**

*Operating (loss)/profit is stated after charging:*

	2022 £m	2021 £m
Staff costs (note 5)	57.9	49.7
People related expenses including contractors	26.0	7.7
Maintenance, support and other costs	42.3	30.1
Research and product development	0.6	7.0
Licence fees	39.9	40.2
Rent and associated costs	1.3	2.8
Legal, professional and consultancy	4.3	3.8
Depreciation of property, plant and equipment (note 8)	17.9	17.3
Depreciation of right of use assets (note 9)	3.2	3.4
Amortisation of intangible assets (note 10)	10.0	12.6
Amortisation of contract fulfilment assets (note 2)	6.6	7.9
	<u>210.0</u>	<u>182.5</u>

**Notes to the financial statements (continued)**

**3 Operating (loss)/profit (continued)**

The increased cost on 'people related expenses' and 'maintenance, support and other costs' is due to increased expenditure on security, data processing maintenance and the strengthening of resilience capabilities.

People related costs charged to the Statement of Comprehensive Income, as shown above, are net of the capitalised costs. In the year third-party contractor expenses of £3.0m (2021: £2.1m) were capitalised; £0.6m (2021: £0.8m) within internally developed intangible assets, £1.2m (2021: £0.8m) in preparing computers and ancillary equipment for use within tangible assets and £1.2m (2021: £0.5m) to fulfilment. Staff costs of £7.9m (2021: £9.0m) were capitalised and the net cost is shown above; the full costs of permanent staff are detailed in note 5.

Licence fees are payable to a group undertaking, IPCO 2012 Limited, as provided for in agreements for the licensing of intellectual property utilised by the Company in the delivery of payment services.

*Lease expenses recognised in the Statement of Comprehensive Income:*

	2022 £m	2021 £m
Depreciation charged on right of use assets - leasehold premises	3.2	3.4
Interest expense (included in finance costs)	0.3	0.4

The total cash outflow for leases in the financial year was £3.3m (2021: £4.1m).

*Auditors' remuneration:*

The fees paid to PricewaterhouseCoopers LLP as auditors for the year ended 31 December 2022 and 2021 were:

	2022 £m	2021 £m
Audit of the financial statements	0.3	0.3
Audit-related assurance services	0.7	0.9
	1.0	1.2

**Notes to the financial statements (continued)**

**4 Net finance income/(costs)**

	2022 £m	2021 £m
<i>Finance income</i>		
Interest receivable	0.3	-
Pension scheme interest	1.7	0.4
	<u>2.0</u>	<u>0.4</u>
<i>Finance costs</i>		
Interest on lease liabilities	(0.3)	(0.4)
Foreign exchange loss	(0.2)	(0.2)
Other finance costs	(0.1)	-
	<u>(0.6)</u>	<u>(0.6)</u>
Net finance income/(costs)	<u>1.4</u>	<u>(0.2)</u>

**5 Staff costs**

The monthly average number of persons (including Directors) employed by the Company during the year was as follows:

	Number of employees	
	2022 No.	2021 No.
Operations	482	396
Sales and product development	106	114
Administration	46	44
	<u>634</u>	<u>554</u>

**Notes to the financial statements (continued)**

**5 Staff costs (continued)**

The aggregate payroll costs of these persons were as follows:

	2022 £m	2021 £m
Wages and salaries	53.1	46.7
Social security costs	7.0	4.6
Other pension costs (note 15)	5.3	4.6
Share based payment expense (note 15)	0.4	2.8
	<u>65.8</u>	<u>58.7</u>

In the year staff costs of £7.9m (2021: £9.0m) which are included above were capitalised; £2.4m (2021: £3.2m) within internally developed intangible assets, £1.3m (2021: £2.7m) to contract fulfilment assets and £4.2m (2021: £3.1m) in preparing computers and ancillary equipment for use within tangible assets.

Shared based payment expenses relate to the Mastercard equity plan. Further details are contained in note 15.

**6 Directors' remuneration**

Included within wages and salaries expense are amounts related to compensation for the Directors of the Company which were as follows:

	2022 £m	2021 £m
Directors' remuneration	2.4	1.3
Amounts receivable under other performance related scheme	0.3	2.3
	<u>2.7</u>	<u>3.6</u>

The amounts paid to the highest paid Director are included below:

	2022 £m	2021 £m
Directors' remuneration	0.8	0.4
Amounts receivable under other performance related scheme	-	1.0
	<u>0.8</u>	<u>1.4</u>

The emoluments of some of the Directors are paid by another entity in the Mastercard Group, which makes no recharge to the Company. The Directors are undertaking executive duties on a number of fellow Mastercard subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

During the year the Directors exercised 7,223 (2021: 736) Mastercard stock options and 4,291 (2021: 4,048) Restricted Stock Units ('RSUs'). 1,866 stock options (2021: nil) and 1,027 (2021: 3,048) RSUs were exercised by highest paid Director.

**Notes to the financial statements (continued)**

**7 Taxation**

**Recognised in the Statement of Comprehensive Income**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
<i>Current tax expense</i>		
Amounts (received)/paid for group relief	<b>(3.4)</b>	2.5
Adjustments for prior periods	<b>0.5</b>	-
Overseas taxation	-	0.2
	<hr/>	<hr/>
Current tax (credit)/expense	<b>(2.9)</b>	2.7
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of timing differences	<b>0.8</b>	1.4
Adjustment for prior years	<b>0.2</b>	-
Impact of changes in tax rate	<b>(0.2)</b>	(0.4)
Pension scheme related	<b>2.8</b>	3.8
	<hr/>	<hr/>
Deferred tax expense	<b>3.6</b>	4.8
	<hr/>	<hr/>
Total tax expense	<b>0.7</b>	7.5
	<hr/> <hr/>	<hr/> <hr/>

**Income tax recognised in other comprehensive (expense)/income**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Deferred tax expense related to actuarial movements on defined benefit pension	<b>(14.4)</b>	10.4
	<hr/>	<hr/>
	<b>(14.4)</b>	10.4
	<hr/> <hr/>	<hr/> <hr/>

**Tax recorded directly in equity**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
Deferred tax expense related to share schemes	<b>0.7</b>	0.5
	<hr/>	<hr/>
	<b>0.7</b>	0.5
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements (continued)**

**7 Taxation (continued)**

**Reconciliation of standard tax rate**

	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
(Loss)/profit for the financial year	<b>(1.2)</b>	<b>23.9</b>
Total tax expense	<b>0.7</b>	<b>7.5</b>
	<hr/>	<hr/>
(Loss)/profit before taxation	<b>(0.5)</b>	<b>31.4</b>
Tax using UK Corporation tax rate of 19% (2021: 19%)	<b>(0.1)</b>	<b>5.9</b>
Effects of:		
Expenses not deductible for tax purposes	<b>0.1</b>	<b>0.3</b>
Differences between current and deferred tax rates applicable	<b>0.7</b>	<b>0.8</b>
Adjustments to tax charge in respect of previous periods	<b>0.7</b>	<b>-</b>
Share options	<b>(0.7)</b>	<b>0.3</b>
Overseas taxation	<b>-</b>	<b>0.2</b>
	<hr/>	<hr/>
Total tax expense	<b>0.7</b>	<b>7.5</b>
	<hr/> <hr/>	<hr/> <hr/>

In the Finance Bill 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

Notes to the financial statements (continued)

8 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Computers & ancillary equipment £m	Fixtures & fittings £m	Total £m
<b>Cost</b>						
Balance at 1 January 2022	3.7	15.8	20.3	99.3	5.8	144.9
Additions	-	0.4	-	17.8	-	18.2
Disposals	-	(0.1)	(0.1)	(9.3)	(0.1)	(9.6)
<b>Balance at 31 December 2022</b>	<b>3.7</b>	<b>16.1</b>	<b>20.2</b>	<b>107.8</b>	<b>5.7</b>	<b>153.5</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2022	2.2	14.8	18.8	39.6	5.5	80.9
Depreciation charge for the year	0.3	0.2	0.6	16.7	0.1	17.9
Disposals	-	(0.1)	(0.1)	(9.4)	(0.1)	(9.7)
<b>Balance at 31 December 2022</b>	<b>2.5</b>	<b>14.9</b>	<b>19.3</b>	<b>46.9</b>	<b>5.5</b>	<b>89.1</b>
<b>Net book value</b>						
At 31 December 2021	1.5	1.0	1.5	59.7	0.3	64.0
<b>At 31 December 2022</b>	<b>1.2</b>	<b>1.2</b>	<b>0.9</b>	<b>60.9</b>	<b>0.2</b>	<b>64.4</b>

Additions in the year principally relate to Computers and Ancillary Equipment which totalled £17.8m (2021: £25.0m), of which £11.0m (2021: £15.7m) was invested in shared infrastructure projects. Internal time in preparing infrastructure and other assets for use is capitalised with the physical assets and depreciated over the economic useful life of the combined assets.

Depreciation is charged over the shorter of the useful economic life of the asset and related customer contracts. The depreciation of tangible assets commences when the asset is complete and available for use. Included in assets held as at 31 December 2022 are assets with a carrying value of £16.7m (2021: £15.7m) which were being prepared for use and therefore were not depreciated during the year.

Following an impairment review, no impairments were identified in 2022 (2021: £nil).

Notes to the financial statements (continued)

9 Right of use assets

Information about leases for which the Company is a lessee is presented below:

	Leasehold premises £m	Office equipment £m	Total £m
<b>Cost</b>			
Balance at 1 January 2022	28.6	0.2	28.8
Intercompany transfer	-	(0.2)	(0.2)
<b>Balance at 31 December 2022</b>	<b>28.6</b>	<b>-</b>	<b>28.6</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2022	10.4	0.1	10.5
Depreciation charge for the year	3.2	-	3.2
Intercompany transfer	-	(0.1)	(0.1)
<b>Balance at 31 December 2022</b>	<b>13.6</b>	<b>-</b>	<b>13.6</b>
<b>Net book value</b>			
Balance at 31 December 2021	18.2	0.1	18.3
<b>Balance at 31 December 2022</b>	<b>15.0</b>	<b>-</b>	<b>15.0</b>
	Leasehold premises £m	Office equipment £m	Total £m
<b>Cost</b>			
Balance at 1 January 2021	26.1	0.2	26.3
Additions	2.5	-	2.5
<b>Balance at 31 December 2021</b>	<b>28.6</b>	<b>0.2</b>	<b>28.8</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2021	7.0	0.1	7.1
Depreciation charge for the year	3.4	-	3.4
<b>Balance at 31 December 2021</b>	<b>10.4</b>	<b>0.1</b>	<b>10.5</b>
<b>Net book value</b>			
Balance at 31 December 2020	19.1	0.1	19.2
<b>Balance at 31 December 2021</b>	<b>18.2</b>	<b>0.1</b>	<b>18.3</b>

Notes to the financial statements (continued)

10 Intangible assets

	Total £m
<b>Cost</b>	
Balance at 1 January 2022	65.1
Additions	4.1
Intercompany transfer	(2.2)
Disposals	(0.8)
<b>Balance at 31 December 2022</b>	<b>66.2</b>
<b>Accumulated amortisation and impairment</b>	
Balance at 1 January 2022	42.3
Amortisation for the year	10.0
Impairment	-
Disposals	(0.8)
<b>Balance at 31 December 2022</b>	<b>51.5</b>
<b>Net book value</b>	
At 31 December 2021	22.8
<b>At 31 December 2022</b>	<b>14.7</b>

Intangible assets comprise software and other assets utilised in delivering payment services to customers. UK payment scheme assets are utilised in support of specific long-term customer contracts for the core payment platforms. Other products assets are developed and used in serving multiple customers. At the reporting date, the net book value of PbBa assets was £1.3m (2021: £5.1m) and shared infrastructure assets was £6.0m (2021: £9.8m).

Amortisation is charged over the shorter of the useful economic life of the product and related customer contracts: generally between three to five years. The amortisation of intangible assets commences when the asset is complete and available for use. Of the total assets of £14.7m (2021: £22.8m) as at 31 December 2022, assets with a carrying value of £4.9m (2021: £4.5m) were under development and therefore were not amortised during the year.

£0.8m of disposals during the year relate to assets with a nil net book value which are no longer in use.

Following an impairment review, no impairment was recognised in the current financial year (2021: *nil*).

**Notes to the financial statements (continued)**

**11 Deferred tax**

*Recognised deferred tax liabilities*

Deferred tax liabilities are attributable to the following:

	2022 £m	2021 £m
Property, plant and equipment	5.5	6.0
Other short-term timing differences	-	-
Share scheme	1.1	2.0
Pension schemes	(8.4)	(19.9)
	<u>(1.8)</u>	<u>(11.9)</u>

*Movement in deferred tax (liabilities) assets during the year*

	1 January 2022 £m	Recognised in income £m	Recognised in equity £m	Recognised in OCI £m	31 December 2022 £m
Property, plant and equipment	6.0	(0.5)	-	-	5.5
Other short-term timing differences	-	-	-	-	-
Share scheme	2.0	(0.2)	(0.7)	-	1.1
Pension schemes	(19.9)	(2.9)	-	14.4	(8.4)
	<u>(11.9)</u>	<u>(3.6)</u>	<u>(0.7)</u>	<u>14.4</u>	<u>(1.8)</u>

*Movement in deferred tax assets (liabilities) during the prior year*

	1 January 2021 £m	Recognised in income £m	Recognised in equity £m	Recognised in OCI £m	31 December 2021 £m
Property, plant and equipment	5.1	0.9	-	-	6.0
Other short-term timing differences	0.1	(0.1)	-	-	-
Share scheme	2.9	(0.4)	(0.5)	-	2.0
Pension schemes	(4.3)	(5.2)	-	(10.4)	(19.9)
	<u>3.8</u>	<u>(4.8)</u>	<u>(0.5)</u>	<u>(10.4)</u>	<u>(11.9)</u>

**Notes to the financial statements (continued)**

**12 Trade and other receivables**

	2022 £m	2021 £m
<b>Current</b>		
Trade receivables	15.5	8.2
Other receivables	3.1	1.7
Prepayments	16.5	21.2
Accrued income	13.7	20.9
Amounts due from other group undertakings	6.4	28.6
	<u>55.2</u>	<u>80.6</u>
Trade and other receivables	55.2	80.6
Contract fulfilment assets	1.7	6.1
	<u>56.9</u>	<u>86.7</u>

Amounts due to the Company from group undertakings classified as current and are unsecured, non-interest bearing and are repayable on demand.

	2022 £m	2021 £m
<b>Non-current</b>		
Prepayments	8.4	1.6
	<u>8.4</u>	<u>1.6</u>
Trade and other receivables	8.4	1.6
Contract fulfilment assets	7.5	8.5
	<u>15.9</u>	<u>10.1</u>

**13 (a) Trade and other payables**

	2022 £m	2021 £m
<b>Current</b>		
Trade payables	14.7	10.6
Other taxation and social security	4.3	4.0
Amounts due to group undertakings	13.6	14.5
Other payables	5.1	2.4
Accruals	24.3	16.8
Deferred income	11.1	13.2
	<u>73.1</u>	<u>61.5</u>

Amounts due by the Company to group undertakings classified as current are unsecured, non-interest bearing and are repayable on demand.

**Notes to the financial statements (continued)**

**13 (b) Deferred income**

The movements in the current and non-current deferred income were:

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>As at 1 January</b>	<b>13.2</b>	23.3
Deferred in year	16.3	6.1
Intercompany transfer	-	(5.5)
Recognised as revenue in the year	<b>(18.4)</b>	<b>(10.7)</b>
<b>As at 31 December</b>	<b>11.1</b>	13.2

The Company's deferred income balances solely relate to revenue from contracts with customers. Movements in the deferred income balances were driven by transactions entered into by the Company within the normal course of business in the year. Deferred income of £nil (2021: £5.5m) was transferred to VIL during the year in relation to customer contracts that novated as part of the BTA.

**14 Lease liabilities**

	<b>2022</b>	2021
	<b>£m</b>	£m
Lease obligation for right of use assets:		
Current	2.2	3.1
Non-current	12.2	14.4
	<b>14.4</b>	<b>17.5</b>

**As a lessee**

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Less than one year	3.4	4.1
Two to five years	9.8	13.3
More than five years	5.5	10.3
<b>Total undiscounted lease payments</b>	<b>18.7</b>	<b>27.7</b>
Current	3.4	4.1
Non-current	15.3	23.6
	<b>18.7</b>	<b>27.7</b>

Notes to the financial statements (continued)

15 Employee benefits

a) Post-retirement benefits

The Company operates two independent pension schemes. The Company's defined contribution scheme is open to new members and during the year ended 31 December 2022 the Company contributed £5.3m (2021: £4.6m) to the scheme.

The Company also operates a defined benefit scheme which is closed to new entrants and provides pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

b) Defined benefit pension scheme

The defined benefit scheme closed to new entrants and future accruals on 31 July 2013, although employed members retain a limited link to their final salary. Contributions to the scheme for the year ended 31 December 2022 are expected to be approximately £9.7m (2021: £14.7m). As part of the 2021 triennial revaluation, the group agreed with the pension scheme trustees that the deficit reduction contributions of £14.7m per annum agreed in the 2019 revaluation would be discontinued from September 2022; no further deficit contributions are required from that date.

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

	2022	2021
Discount rate	4.80%	2.00%
RPI inflation	3.25%	3.30%
CPI inflation	2.55%	2.60%
Salary inflation	3.50% for 2023 4.00% for 2024 2.50% thereafter	2.50%
Pension increases in payment (CPI, max 3%)	2.00%	2.20%
Pension increases in payment (RPI, max 4%)	2.75%	2.95%
Pension increases in payment (RPI, max 5%)	3.00%	3.20%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

Age	2022		2021	
	Males	Females	Males	Females
67	20.9 years	22.4 years	21.2 years	22.7 years
61 in 10 years	26.9 years	28.7 years	27.2 years	29.0 years

The major assumption sensitivities are considered to be discount rate, inflation and life expectancy. The approximate effects of movements in the main assumptions at 31 December are shown in the table below, detailing the impact on scheme liabilities:

	2022	2021
Discount rate +/- 0.1% pa	+/- 1.2%	+/- 1.5%
Inflation assumptions +/- 0.1% pa	+/- 1.0%	+/- 1.1%
Life expectancy +/- 1 year	+/- 2.8%	+/- 4.0%

The inflation sensitivity shown above includes the impact of corresponding changes to future increases to pensions in payment and in deferment assumptions.

The sensitivities shown reflect the duration of the scheme liabilities of approximately 16 years based on the Company's understanding of the Scheme's membership and liability profile.

Results under IAS 19 can change dramatically depending on market conditions. Changing markets in conjunction with discount rate fluctuations will lead to volatility in the funded status of the pension plan. To a lesser extent, changes in market conditions will lead to some movement in the IAS 19 pension expense in the Statement of Comprehensive Income.

**Notes to the financial statements (continued)**

**15 Employee benefits (continued)**

**b) Defined benefit pension scheme (continued)**

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

The assets in the scheme were:

	2022 £m	2022 %	2021 £m	2021 %
Liability-driven investments/Government bonds	135.9	52.0	205.4	49.2
Equities	41.2	15.8	82.4	19.7
Other*	47.1	18.0	89.1	21.4
Cash	5.2	2.0	4.0	1.0
Property	29.8	11.4	33.0	7.9
Insured pensioners	2.1	0.8	3.2	0.8
	<u>261.3</u>	<u>100</u>	<u>417.1</u>	<u>100</u>

\*Other assets comprise multi-asset, managed futures and credit funds.

The scheme invested assets comprising both quoted and unquoted assets. The value of quoted assets in 2022 was £123.7m (2021: £224.6m), included within corporate bonds, equities, cash and liability driven investments/government bonds in the above table, with the remaining assets being unquoted.

**Reconciliation of funded status to Statement of Financial Position**

	2022 £m	2021 £m
Fair value of scheme assets	261.3	417.1
Present value of scheme liabilities	(227.8)	(336.7)
<b>Funds in the scheme</b>	<u>33.5</u>	<u>80.4</u>
Related deferred tax liability (note 11)	(8.4)	(19.9)
Net pension funds	<u>25.1</u>	<u>60.5</u>
<b>Analysis of the amount charged to the income statement</b>		
	2022 £m	2021 £m
Interest cost on the defined benefit obligations	6.6	5.1
Interest income on plan assets	(8.3)	(5.5)
<b>Total interest credit (note 4)</b>	<u>(1.7)</u>	<u>(0.4)</u>

Notes to the financial statements (continued)

15 Employee benefits (continued)

b) Defined benefit pension scheme (continued)

Remeasurement of the net defined asset in Other Comprehensive Income

	2022 £m	2021 £m
Actuarial gain on defined benefit obligations arising from changes in financial assumptions	109.7	16.7
Actuarial gain/(loss) on defined benefit obligation arising from changes in demographic assumptions	2.0	(1.8)
Actuarial (loss)/gain on obligations arising from experience	(6.9)	10.4
<b>Total actuarial gain on liability</b>	<b>104.8</b>	<b>25.3</b>
Return on plan assets excluding amounts included in net interest cost	(163.0)	16.4
<b>Remeasurement of the defined asset in OCI</b>	<b>(58.2)</b>	<b>41.7</b>
Pension expense recognised in statement of comprehensive income	-	(0.2)
<b>Net impact of the defined asset on OCI</b>	<b>(58.2)</b>	<b>41.5</b>

Reconciliation of net defined asset:

	2022 £m	2021 £m
Net defined asset at beginning of year	80.4	23.8
Net interest income	1.7	0.4
Remeasurement of the net defined asset in OCI	(58.2)	41.5
Employer contributions	10.6	15.3
Administration expenses incurred	(1.0)	(0.6)
<b>Net defined asset at end of year</b>	<b>33.5</b>	<b>80.4</b>

Movements in the present value of defined benefit obligations were as follows:

	2022 £m	2021 £m
Defined benefit obligations at beginning of year	336.7	367.7
Interest cost	6.6	5.1
Actuarial gain on defined benefit obligations arising from changes in financial assumptions	(109.7)	(16.7)
Actuarial gain/(loss) on obligations arising from changes in demographic assumptions	(2.0)	1.8
Actuarial loss/(gain) on obligations arising from experience	6.9	(10.4)
Benefits paid	(10.7)	(10.8)
<b>Defined benefit obligations at end of year</b>	<b>227.8</b>	<b>336.7</b>

**Notes to the financial statements (continued)**

**15 Employee benefits (continued)**

**b) Defined benefit pension scheme (continued)**

Movements in the fair value of scheme assets were as follows:

	2022 £m	2021 £m
Fair value of scheme assets at beginning of year	417.1	391.5
Interest income on plan assets	8.3	5.5
Return on plan assets excluding amounts included in interest income on plan assets	(163.0)	16.4
Employer contributions	10.6	15.3
Benefits paid	(10.7)	(10.8)
Administration expenses incurred	(1.0)	(0.6)
Investment management fees	-	(0.2)
<b>Fair value of scheme assets at end of year</b>	<b>261.3</b>	<b>417.1</b>

**Regulatory framework for pension schemes in the UK**

The Pensions Regulator is established by UK Pensions Law and has significant powers in respect of ensuring the protection of UK pension plan members. The Regulator's key objectives are:

- To monitor pension scheme plan operation and funding
- Promote good governance
- To protect pension scheme members' benefits.

The Pension Protection Fund was set up to rescue defined benefit plans where the sponsoring employer fails. It is funded mainly from an annual levy on defined benefit plans.

Every three years, a defined benefit pension plan must undertake a full valuation of its assets and liabilities with agreement of the valuation to be reached within fifteen months of the effective date of the full valuation. The outcome will determine how much contributions a sponsoring employer will need to pay in the future. Where there is a funding deficit the sponsoring employer is required to make these contributions. The 2021 valuation was completed with the scheme estimated to be in surplus. It has been agreed that no further deficit contributions are required from 1 September 2022.

**c) Share-based payments**

**(i) Restricted Stock Unit ('RSU') scheme**

RSUs are denominated in Common Shares and are settled either by the delivery of Common Shares or the payment of cash based upon the value of a specified number of Common Shares. Mastercard grants RSUs periodically to employees in accordance with the Restricted Stock Unit Agreement.

Mastercard's RSUs are time-based awards that typically vest at the end of a one to three year requisite service period. However, during 2020 the rules changed whereby the awards shall vest evenly over a four year period. These awards are conditional upon the Employee's continued employment with the Company as of the Vesting Date. There are no market conditions applicable to the awards.

Notes to the financial statements (continued)

15 Employee benefits (continued)

c) Share-based payments (continued)

(i) Restricted Stock Unit ('RSU') scheme (continued)

RSU movements during the year:

	2022 Number	2021 Number
Shares Outstanding at beginning of year	29,655	68,060
Shares Granted	10,687	9,443
Shares Forfeited	(4,921)	(133)
Shares Release/Vested	(15,391)	(10,189)
Shares Transferred In	221	1,035
Shares Transferred Out	(2,630)	(38,561)
<b>RSU at end of year</b>	<b>17,621</b>	<b>29,655</b>

Outstanding awards vest between March 2023 and October 2025, typically vesting four years after grant date.

Due to the nature of these awards, they are exercised at the point of vesting. Details of the RSUs outstanding as at 31 December and their vest dates, are as follows:

Vest date	31 December 2022 Grant date			31 December 2021 Grant date		
	RSUs outstanding (no.)	market value per RSU US \$	Remaining contract life Years	RSUs outstanding (no.)	market value per RSU US \$	Remaining contract life Years
28 February 2022	-	-	-	10,738	223.58	0.16
01 March 2022	-	-	-	4,582	320.89	0.16
31 March 2022	-	-	-	319	235.35	0.25
30 September 2022	-	-	-	562	267.15	0.75
01 October 2022	-	-	-	176	355.85	0.75
01 March 2023	6,083	329.46	0.16	4,582	320.89	1.16
01 October 2023	159	355.85	0.75	1,063	341.45	1.75
01 March 2024	6,464	327.62	1.17	4,894	318.69	2.17
01 October 2024	159	355.85	1.75	176	355.85	2.75
01 March 2025	4,580	347.32	2.17	2,367	358.85	3.16
01 October 2025	176	355.85	2.75	196	355.85	3.75
<b>Total RSUs outstanding</b>	<b>17,621</b>			<b>29,655</b>		

For the shares vested during the period, the weighted-average share price at the exercise date was \$354.56 (2021: \$356.06).

Notes to the financial statements (continued)

15 Employee benefits (continued)

c) Share-based payments (continued)

(ii) Performance Stock Unit ('PSU') scheme

PSUs are funded primarily with the issuance of new shares of Class A common stock. PSUs vest after three years, however, are subject to a mandatory one-year post-vest hold. A participant's unvested awards are forfeited upon termination of employment. In the event of termination due to job elimination (as defined by the Company), however, a participant will retain a pro-rata portion of the unvested awards for services performed through the date of termination. In the event a participant terminates employment due to disability or retirement more than seven months after receiving the award, the participant retains all of their awards without providing additional service to the Company.

PSUs containing performance and market conditions have been issued. Performance measures used to determine the actual number of shares that vest after three years include net revenue growth, EPS growth and relative total shareholder return ("TSR"). Relative TSR is considered a market condition, while net revenue and EPS growth are considered performance conditions. The Monte Carlo simulation valuation model is used to determine the grant-date fair value.

PSU movements during the year:

	2022 Number	2021 Number
Shares Outstanding at beginning of year	3,561	2,505
Shares Granted	589	1,688
Shares Forfeited	(3,475)	-
Shares Transferred Out	-	(632)
Shares Changes due to Performance	(200)	-
<b>PSU at end of year</b>	<b>475</b>	<b>3,561</b>

No shares vested during the period. Outstanding awards vest between March 2023 and March 2025, typically vesting three years after grant date.

Due to the nature of the awards, they are exercised at the point of vesting and for nil consideration. Details of the PSUs outstanding as at 31 December and their vest dates are as follows:

Vest date	31 December 2022			31 December 2021		
	PSUs outstanding (no.)	Grant date market value per PSU US \$	Remaining contract life Years	PSUs outstanding (no.)	Grant date market value per PSU US \$	Remaining contract life Years
01 March 2023	49	291.18	0.16	1,873	291.18	1.16
01 March 2024	199	385.39	1.17	1,688	385.39	2.17
01 March 2025	227	335.44	2.17	-	-	-
<b>Total PSUs outstanding</b>	<b>475</b>			<b>3,561</b>		

**Notes to the financial statements (continued)**

**15 Employee benefits (continued)**

**c) Share-based payments (continued)**

(iii) Non-qualifying Stock Options 'Options' scheme

Mastercard periodically grants options to employees as determined by the remuneration committee. Options entitle the equity scheme participant to receive Mastercard common shares upon the exercise of the option. The grant or vesting of the awards may be conditional upon various criteria being met, as determined by the committee. The conditions include the employee's continued employment with the Company as of the Vesting Date. The option period for an award is fixed by Mastercard's Remuneration Committee and shall be no longer than ten years from the Option's grant date. The standard rate at which an option shall be exercisable is twenty five percent of the award on each of the first four anniversaries of the grant.

The exercise price per share for an award shall not be less than the fair market value per share as of the grant date.

Stock option movements during the year:

	2022 Number	2021 Number
Shares Outstanding at beginning of year	15,900	24,345
Shares Granted	1,554	2,924
Shares Forfeited	(6,456)	-
Shares Expired	(381)	-
Shares Exercised	(7,223)	(736)
Shares Transferred Out	-	(10,633)
<b>Stock options at end of year</b>	<b>3,394</b>	<b>15,900</b>

At the reporting date, the option had a weighted average exercise price of \$291.85 (2021: \$268.67), a weighted average remaining vesting life of 0.45 years (2021: 0.75 years) and the weighted average contractual term of outstanding options is 7.4 years (2021: 7.8 years).

Share based payments charged to the Statement of Comprehensive income in the year comprise the following:

	2022 £m	2021 £m
Mastercard Equity Scheme (RSUs issued)	0.4	2.8
	<b>0.4</b>	<b>2.8</b>

When share based instruments vest, where applicable, amounts settled are included within Directors' Emoluments, which is disclosed in note 6.

Vest Date	Ending Shares Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Weighted Average Remaining Vesting Life
01/03/2022	1,449	62.87	6.88	-
01/03/2023	1,066	64.58	7.17	0.16
01/03/2024	548	75.55	8.13	1.17
01/03/2025	331	88.81	8.77	2.17
	<b>3,394</b>			

Notes to the financial statements (continued)

16 Provisions

	Contract restructure provision £m	Reorganisation provision £m	Other provisions £m	Total £m
Balance at 1 January 2022	0.1	-	6.9	7.0
Provisions made during the year	-	0.3	0.1	0.4
Provisions reversed during the year	(0.1)	-	-	(0.1)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>0.3</b>	<b>7.0</b>	<b>7.3</b>
Non-current	-	-	5.6	5.6
Current	-	0.3	1.4	1.7
	-	0.3	7.0	7.3
	Contract restructure provision £m	Reorganisation provision £m	Other provisions £m	Total £m
Balance at 1 January 2021	0.5	0.3	7.8	8.6
Provisions made during the year	-	-	-	-
Provisions reversed during the year	(0.4)	(0.3)	(0.9)	(1.6)
<b>Balance at 31 December 2021</b>	<b>0.1</b>	<b>-</b>	<b>6.9</b>	<b>7.0</b>
Non-current	-	-	6.8	6.8
Current	0.1	-	0.1	0.2
	0.1	-	6.9	7.0

The Company recognises a provision for the present obligation resulting from a past event when it is probable that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Most provisions are expected to be utilised within one year, except for dilapidations (within 10 years).

Contract restructure provisions relate to onerous contracts, which are recognised as a provision on the date on which the contract is confirmed to be onerous. The amount recognised is the excess of the unavoidable costs of the contract over any expected economic benefits arising from the contract.

During the financial year a customer contract was renegotiated resulting in it no longer being onerous: therefore £0.1m (2021: £0.1m) was released to the Statement of Comprehensive Income. There are no remaining onerous contracts (2021: remaining £0.1m).

## Notes to the financial statements (continued)

### 16 Provisions (continued)

Other provisions include provisions for dilapidations and other lease exit costs of £6.2m (2021: £6.2m), transitioning costs relating to the potential termination of a customer contract of £0.7m (2021: £0.6m) and for input VAT of £0.1m (2021: £0.1m).

The lease for one of the properties is due to expire in September 2023, the Company has decided not to extend that lease and is currently in discussion with the landlord regarding the dilapidation settlement. At the time of signing these financial statements, the dilapidations provision recorded in relation to this lease and other leases is deemed to represent management's best estimate based on the information available and the negotiations in place at the time of signing.

#### Contingent liability

The Company's regulators commenced an investigation in November 2022. Management has determined there are no current financial implications to the 31 December 2022 financial statements, however the situation is subject to significant uncertainty and the Company has a possible obligation, from past events, if the investigation has an adverse outcome. Accordingly, this is considered to be a contingent liability and will continue to be closely monitored.

### 17 Called up share capital

	2022 £m	2021 £m
<b>Share capital</b>		
Authorised 52,900,000 (2021: 52,900,000) ordinary shares of £1 each	52.9	52.9
Allotted called up and fully paid 52,900,000 (2021: 52,900,000) ordinary shares of £1 each at 31 December	52.9	52.9
<b>Shareholders:</b>	<b>Holding</b>	Holding
Vocalink Holdings Limited	100%	100%
		<b>2022 £m</b>
<b>Share capital</b>		
On issue at 1 January		52.9
Issue for cash		-
On issue at 31 December		52.9

Mastercard owns 97.70% (2021: 97.27%) of the ordinary share capital of Vocalink Holdings Limited, the balance of the shares are owned by minority shareholders from the banking sector, which together own 2.30% (2021: 2.73%) of the ordinary share capital of the parent company.

On 17 October 2022, Nationwide Building Society, a minority shareholder exercised its option to sell its 0.43% shareholding in the Company to Mastercard Holdings I.P.

**Notes to the financial statements (continued)**

**17 Called up share capital (continued)**

<i>Shareholders of Vocalink Holdings Limited (ordinary shares)</i>	<b>2022</b>	<b>2021</b>
	<b>% Holding</b>	<b>% Holding</b>
<b>Mastercard UK Holdco Limited</b>	<b>92.41</b>	<b>92.41</b>
<b>Mastercard Holdings LP UK</b>	<b>5.29</b>	<b>4.86</b>
<b>Other shareholders</b>		
Barclays Unquoted Investments Limited	<b>1.52</b>	<b>1.52</b>
Santander Equity Investments Limited	<b>0.78</b>	<b>0.78</b>
Nationwide Building Society	<b>-</b>	<b>0.43</b>
	<b>100.00</b>	<b>100.00</b>

**18 Commitments and Guarantees**

The Company has a legally binding financial obligation from the Bank of England to maintain minimum capital requirements, for which the Company's parent Mastercard International Incorporated has provided a guarantee. At the year end, the guarantee was £60.0m, however subsequent to the year end, on 26 April 2023, the guarantee was amended to £92.1m.

*Capital commitments*

During the year ended 31 December 2022, the Company entered into contracts to purchase property, plant and equipment for £0.7m (2021: £1.9m). These commitments are expected to be settled in the following financial year.

**19 Immediate and ultimate holding company**

The Company is a subsidiary undertaking of Vocalink Holdings Limited, incorporated and domiciled in England and Wales within the United Kingdom. The Company's ultimate parent undertaking and controlling party is Mastercard Incorporated, a company incorporated and domiciled in the United States of America.

Mastercard Incorporated is the parent of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Mastercard Incorporated are available from its registered office at 2000 Purchase Street, Purchase, New York, United States of America.

**20 Investments in subsidiaries**

The Company has the following investments in subsidiaries:

	<b>Registered office address</b>	<b>Class of shares held</b>	<b>Ownership 2022</b>	<b>Ownership 2021</b>
Voca Pension Trustees Ltd*	Drake House, Three Rivers Court, Homestead Road, Rickmansworth, Hertfordshire WD31FX	Ordinary	100%	100%

The Statement of Financial Position carrying value of investments of £1 (2021: £1). The Directors believe that the carrying value of the investments is supported by their underlying net assets.

\*Dormant entities exempt from the requirement of the Companies Act 2006 relating to the preparation of their individual financial statements in respect of their year ended 31 December 2022.

**Notes to the financial statements (continued)**

**21 Related parties**

*Identity of related parties with which the Company has transacted*

The Company's related parties are its shareholders who have significant influence over the decision making process of the Company arising from representation on the Board of Directors (see note 17) and the defined benefit scheme (Company contributions are disclosed in note 15 (b)).

The following transactions with related parties were in the normal course of business and on substantially the same terms as unrelated parties. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

*Transactions with shareholders of the parent company, Vocalink Holdings Limited*

Services supplied by the Company to parent company shareholders comprised the provision of central payment processing infrastructure, principally through the Bacs, Faster Payments and Link Schemes.

	2022 £m	2021 £m
Sales: service supplied to shareholders of Vocalink Holdings Limited		
- Nationwide Building Society*	4.3	3.4
- Barclays Bank plc	25.8	21.1
- Santander Group	7.4	4.5
Amounts receivable from shareholders of Vocalink Holdings Limited		
- Nationwide Building Society	-	0.5
- Barclays Bank plc	1.7	0.6
- Santander Group	0.3	0.3
Loans from Mastercard Payment Gateway Services Limited:		
Beginning of the year	-	0.9
Loans advanced	-	-
Interest charged	-	-
Interest paid	-	(0.9)
End of year	-	-

\*Sales are for the period to 17 October 2022, the date when Nationwide Building Society sold its shareholding as detailed in note 17.

**22 Subsequent events**

There are no subsequent events noted.