

LINK
Annual Report
2021/2022



**Protecting access
to cash**



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Company Information:

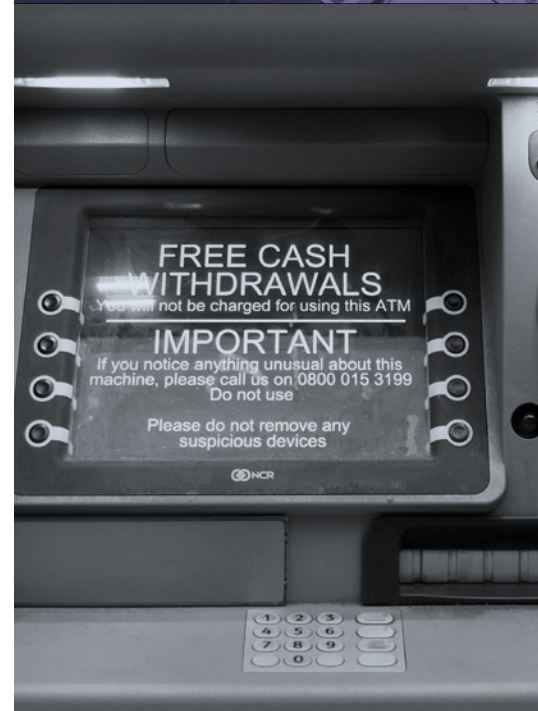
Link Scheme Holdings Ltd
Company Number 10535808

Registered Office address:

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Designed on behalf of LINK by:

Soukias Jones Design
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LINK AT A GLANCE

LINK's Strategic Plan

In early 2020 LINK set out its plan for the next three years; how LINK will manage the fall in cash usage in a way that ensures a smooth transition from cash to more digital payments. Since then, the country and indeed whole world has been in grip of the coronavirus crisis and cash use has fallen faster than expected, while the use of digital payments has increased dramatically. However, despite this acceleration of change the fundamentals remain the same and LINK's objectives remain unchanged.

LINK's Strategic Plan is built around objectives that address the challenges that LINK will face. Delivering access to cash for UK consumers for as long as they need it is the focus of the access to cash objective. Maintaining confidence in the LINK Payment System is the focus of the operational resilience and risk management objectives. Retaining the support of large Members, without which LINK cannot exist, is the focus of the membership objective.

LINK's key objectives



1 Deliver satisfactory consumer access to cash in the UK

2 Ensure effective operational resilience of the LINK payment system

3 Ensure effective systemic risk management of the LINK payment system

4 Sustain a viable LINK membership

To support these objectives LINK, as a regulated systemic risk manager, has an extensive and sophisticated risk management approach that is subject to direct and detailed scrutiny by the Bank of England.

LINK is also regulated by the Payment Systems Regulator for optimal approaches to competition, innovation, and service users' interests.

Finally, LINK must have the resources to meet its objectives. LINK had already stress tested its resource plan and, even with the additional impact and uncertainty of the coronavirus crisis, remains satisfied it can meet its future requirements under a wide range of scenarios.

LINK in numbers

The LINK Scheme is the national ATM network that connects virtually all the UK's ATMs. LINK's role is to provide UK consumers with universal access to cash in a safe, convenient and rapid manner.



53,000
ATMs



34
Members



100m+
UK issued cards

In 2021

£79bn
withdrawn

1.5bn
transactions

980m
cash withdrawals

31m
different cards
used each month

PREPARING FOR REFORM



Chairman's message
Sir Mark Boleat

Cash usage in the UK continues its long-term decline as consumers increasingly choose to move to digital payments. Withdrawals at ATMs by the end of 2022 will be almost half what they were just before the pandemic. This ongoing decline puts great pressure on the commercial providers of infrastructure such as ATMs and will inevitably lead to lower numbers over time. However, LINK's research shows that 10 million consumers still rely on cash and the UK is not ready to go cashless yet.



The Government has recognised the need to protect cash and intends to put in place legislation to support the widespread availability of free cash access, including through ATMs, in 2023. LINK will be key to supporting this, allowing the large card issuers to meet their new legislative responsibilities by acting as a consumer-focused co-ordinating body for them to ensure widespread provision of free to use cash infrastructure. It is expected that the Financial Conduct Authority (FCA) will be the lead regulator of LINK's work and LINK will uniquely become overseen by the FCA as well as by the Bank of England and the Payment Systems Regulator. LINK's role will be ensuring the widespread availability of cash access through facilities such as cashback without purchase at retailers' tills and shared banking hubs, as well as ATMs. This will ensure that every community across the UK is guaranteed good free access to cash and the ability to make deposits for years to come. LINK warmly welcomes the Government's plans and is looking forward to working with the FCA. We are already engaged with communities across the UK in advance of legislation to protect cash access with the support of our bank, building society and deployer network members.

LINK is also working closely with its infrastructure provider Vocalink, part of the Mastercard Group, on ensuring effective operation of the network. Infrastructure is only useful if it is operationally reliable and safe to use. The war in Ukraine has heightened the risk of threats such as cyberattacks, and fraud in digital payments is also a growing

problem. Maintaining an excellent level of operational resilience for the LINK network and continuing the very high levels of consumer safety when using ATMs are also priorities for LINK.

My thanks to my Board colleagues for their continued commitment and support and for responding so effectively to the challenges of the past year. I am pleased to have welcomed Chris Davis as a Non-Executive Director to the LINK Board, bringing with him rich experience including most recently as the COO of a major UK bank. I would also like to pay tribute to all the staff of LINK whose dedication and focus has been unrelenting even during some of the very difficult times that we have seen. Cash availability including through ATMs has been one area that has not caused problems to the UK in the last year and the professionalism of the LINK Board and staff has been key to achieving that.

Mark Bullock



ENSURING INCLUSIVE AND SAFE ACCESS TO CASH



Chief Executive's report
John Howells

LINK processes over 4.5 million cash withdrawals and balance enquiries a day and ATMs account for almost 90% of cash acquisition in the UK. Ensuring that the network runs safely and is easily available to all consumers is our priority. Cash remains a vital means of payment for 10 million consumers and many more value cash for its reliability and convenience and won't leave home without it. Despite the steady move to digital payments methods, this important role for cash will remain for some time.



There are currently 40,000 free-to-use and 11,250 pay-to-use ATMs operating across a highly diverse range of UK locations from bank branches to pubs, from train stations to convenience stores. Despite the massive decline in cash usage seen through the pandemic, free ATM numbers remain stable, and the number of free machines outside of bank branches, which form the backbone of the footprint available to consumers, has actually increased to 27,103 from 26,747 over the last 12 months. LINK intends that its secure, high volume, 24/7 payments network is available to ATMs at all times and that the ATMs themselves are operating at over 97% of the time. The sophisticated technology that underpins LINK, and the high performance of the 34 banks and deployers that make up the membership, has ensured that these stringent targets have been achieved consistently over the last year.

Two new Members have joined LINK in the last twelve months: Dominion ATM Banking Services Ltd and Post Office Limited. They are most welcome. Two have left: Triodos Bank and ICE Processing Technologies Ltd. We appreciate their contribution to access to cash during their time with LINK.

LINK's staff have delivered outstanding work through these challenging times, and I would like to thank each and every one of them for their professionalism and energy. The increased focus on financial inclusion, and the growing role for LINK in helping to minimise the impact of branch closures on access to cash, has meant that the team has grown. Full time equivalent numbers by December 2021 had risen to 50 from 39 over the previous 12 months. LINK now operates a highly flexible hybrid working model supported by new technology and employment practices to ensure that we can deliver for consumers regardless of challenges from COVID-19. LINK also aims to be an excellent employer, offering highly rewarding careers rich with development opportunities and with a positive and diverse working environment

for all staff. The new hybrid ways of working are designed to support this. The focus of the LINK team on maintaining access to cash requires close working with key suppliers and in particular with the infrastructure provider Vocalink, part of the Mastercard Group. LINK is responsible for ensuring a very high level of operational resilience across the ATM network and our close partnership with Vocalink is core to this. LINK is also the systemic risk manager of the LINK payment system, supervised by the Bank of England in that role as one of a handful of systemically vital payment systems for the UK. Understanding, mitigating and controlling risks to acceptable levels is also a key role for the LINK team and one that is especially challenging given the increasing risks including from cyber-attacks, the high rate of technology change, and the complexity inherent in so many parts of modern payment systems. However, LINK is determined to defend the network for as long as is needed and look forward to continuing to work with industry, regulators and Government to deliver free access to cash across the UK.



CASH AND ATMS THROUGH AND AFTER COVID-19

Graham Mott

Director of Strategy, LINK

As the COVID-19 pandemic eases and we emerge blinking into the light it is perhaps an opportunity to see what has changed because of the pandemic, and perhaps, see what has not. As friends, family and colleagues meet again face-to-face, often after a gap of two years or more, it is often striking how little they have changed, sometimes older (and if we have only ever seen them on Teams or Zoom, often taller or shorter) but still fundamentally the same and it doesn't feel like two years have passed. Perhaps the wider world is like that, different but somehow familiar as well.



During the pandemic it seemed that the changes were profound, it was a transformative event, and the world would never be the same again. In the post-pandemic world, while some things have changed and there are obviously those who have lost friends and relatives or are still struggling with the effects of long-COVID, some things have perhaps not changed as much we might have expected.

ATM cash withdrawals is one area where change has been accelerated but the overall position is not that different to where the UK was heading even before COVID-19. If we look at total cash withdrawals, they plummeted at the start of the pandemic before rising again in the summers of 2020 and 2021 when lockdowns were eased, but never getting close to pre-pandemic levels. 2022 seems to be very similar, with ATM usage almost the same as last year, but still well down on 2019. Therefore, it appears what while for many their usage of cash has fallen significantly, for some they are still using it a little, if much less than before. It is also interesting that if we look at the Quarterly chart right, we can see how ATM usage had been on a downward trajectory for some time and that if we extend that trend line forward, the position we are in now may not be massively different to where we might have been if there hadn't been a pandemic at all. This phenomenon may be repeated in other areas, such as hybrid working patterns, increased use of online shopping, increasing use of contactless payments; namely that the pandemic accelerated trends which were already there and perhaps we are now, or will be shortly, not be far from where we would have been anyway.

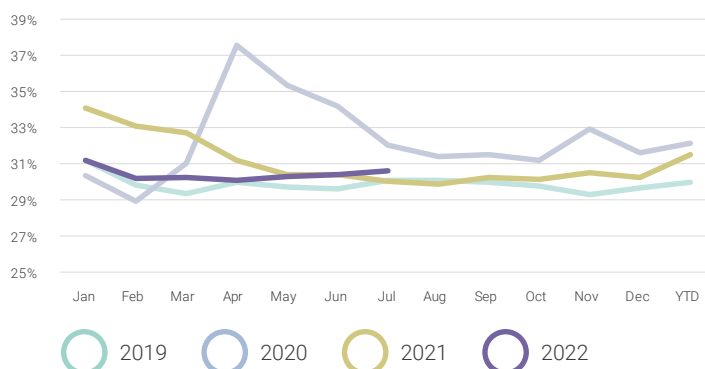
The proportion of balance enquiries was another area which saw change during the pandemic. For many years, balances were consistently around 31% of total transactions. Lockdowns, both in 2020 and early 2021, saw them rise up to 38% as consumers wanted to check how much cash they could take out, perhaps knowing they may not be visiting an ATM again for some time. In so called "normal" periods during the pandemic, the summers and into autumn, the proportion of balances fall back and this year they are once again exactly where they were before the pandemic. This despite the reported increased use of mobile banking apps and bank websites which allow easy access to balance information.

An area which has probably seen a permanent change is the average cash withdrawal value. While average withdrawal values always increased at Christmas, the first lockdown saw it rocket from around £65-£68 to over £85 as consumers stopped going out and took out more cash to last them for a longer period. In the

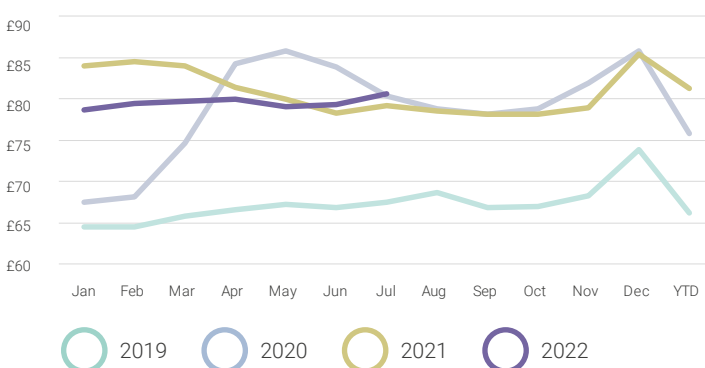
summer of 2020 it fell back to around £78 before a Christmas increase and then another rise to around £85 during the early 2021 lockdown. After that it fell back again to the same level as the previous summer and this year has seen it remain at this new, consistent, but higher level of around £80.

Therefore, consumers using less cash, visiting ATMs less often, but taking out more cash when they do is the post-pandemic pattern. All very much in line with a long-term trend from cash to digital payments but with cash remaining an important part of the overall way that many consumers choose to pay.

Balances as a % of total transactions



Average withdrawal value



LINK BOARD MEMBERS



Sir Mark Boleat**Director and Chair**

Sir Mark Boleat is Chair of Link Scheme Holdings Ltd. He is also Vice Chair of the Advisory Council of the International Business and Diplomatic Exchange. He has previously been the Chair of the City of London's Policy and Resources Committee, and in this capacity was also Deputy Chair of TheCityUK (the promotional body for the UK finance industry) and the International Regulatory Strategy Group, a Vice Chair of London Councils and a Board Member of London and Partners. He has also chaired the Housing and Finance Institute and the Board of Governors of the City of London Academy Highbury Grove. Mark was awarded a knighthood for services to the financial services industry and local government in London in June 2017.



John Howells**Director and Chief Executive Officer**

John is CEO of Link Scheme Holdings Ltd and an Executive Director. He is a member of the LINK Scheme's Consumer Council, and a Non-Executive Director and Chair of the Risk Committee for MedCo, the medical report system. Prior to LINK, John held a number of senior roles with Gemini Consulting and Capgemini. His early career was with Lloyds Bank.



The Rt. Hon. the Lord Hunt of Wirral MBE (David Hunt)**Senior Non-Executive Director and Chair of the Remuneration and Nominations Committee**

Lord Hunt is Chair of the Financial Services Division of the international commercial law firm DAC Beachcroft LLP. David Hunt has been a parliamentarian for over 40 years, first as MP for Wirral, then Wirral West, from 1976-1997. He was a Minister in successive Governments for 16 years and a member of the Cabinets of both Margaret Thatcher and John Major. He became a life peer in 1997.



John Gill**Director and Chair of the Risk Committee**

John is also a Non-Executive Director and Chair of the Audit and Risk Committee for Quilter Investment Platform Limited and Quilter Life & Pensions Limited.



Liz Richards

(Retired December 2021)

Director and Chair of the Audit Committee

Liz has extensive experience as a CFO of private equity-backed business in the Fintech sector. She is also a Non-Executive Director and Chair of the Audit Committee of Tracsis plc. A Governor Director of Leeds Trinity University, Liz also chairs its Audit Committee and sits on its Remuneration Committee.



Tracey Graham

Director and Chair of the LINK Consumer Council

Tracey is also a Non-Executive Director of Close Brothers Plc, discoverIE plc and Ibstock plc, where she is also the Senior independent Director.



Bill Raynal

Director

Bill is an experienced banker having spent over 30 years with RBS Group where he was part of the wider Group Executive Team. Latterly, Bill was Chief Operating Officer of YourCash Europe Limited, an independent ATM deployer operating ATMs across Europe.



David Rigney

Director

David has considerable experience as an Executive and Non-Executive Director. He was a main Board Executive Director at Nationwide Building Society and Chairman of BACS. He has also held Non-Executive Director roles in Central Government and in the Energy, Financial Services and Sport sectors.



Chris Davis

(Appointed November 2021)

In addition to his role at LINK Chris is Managing Director of Ireland & Senior Partner BOI at Kyndryl and Chairman of DVCP. He has over 30 years banking and financial services experience and is a Certified Bank Director and is SMF accredited.

SENIOR MANAGEMENT TEAM

John Howells**Chief Executive Officer**

John is CEO of Link Scheme Holdings Ltd and an Executive Director. He is a member of the LINK Scheme's Consumer Council, and a Non-Executive Director and Chair of the Risk Committee for MedCo, the medical report system.

Deanne Clifton**Chief Operating Officer**

Deanne is LINK's COO, responsible for LINK's operational services and performance of its payment system. She was previously a Director at Ernst & Young in its Financial Services practice.

Mike Knight**Finance Director**

Mike is a qualified Chartered Accountant and has an extensive business career in both SMEs and large corporates.

Graham Mott**Director of Strategy**

Graham's role covers external relations, public relations, public affairs, and strategic issues like interchange, industry initiatives such as polymer, fraud management, and physical ATM crime.

Adrian Roberts**Chief Commercial Officer**

Adrian is responsible for innovation and development of industry structure for LINK. He was previously the Director of the UK ATM Business at the Bank of Ireland Group where he was responsible for over 2,700 ATMs. Adrian is a former LINK Board Director.

Tom Sleight**Chief Risk Officer**

Tom is responsible for risk management and regulatory compliance. He is a qualified solicitor, and was previously Risk and Compliance Director at TransUnion operations area.

Sue Wallace**Chief Scheme Development Officer**

Sue is LINK's Chief Scheme Development Officer and has over 40 years' experience of working in payments, having previously held senior roles at Barclaycard and Vocalink and now specialising in Scheme Governance and Development.



LINK MEMBERS

LINK currently has 34 Members consisting of organisations such as banks, building societies, the Post Office and Independent ATM Operators (IADS).

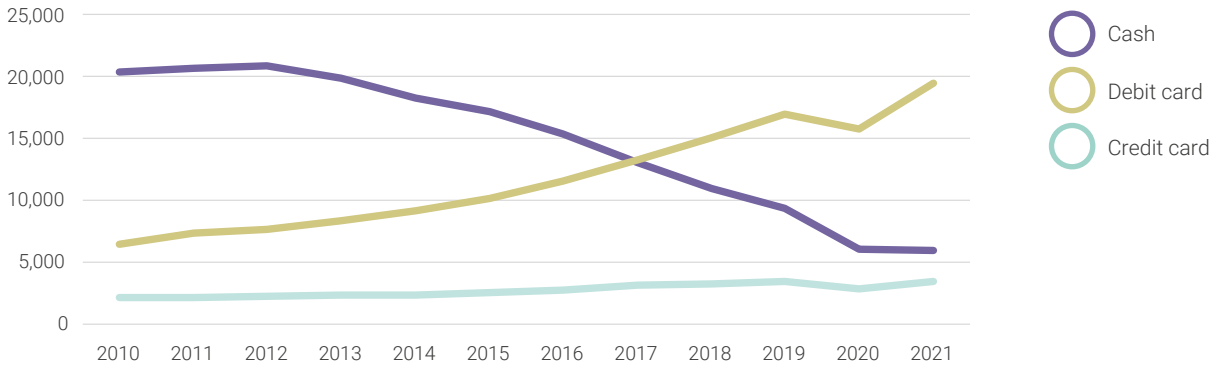
LINK Members April 2022

	Branch ATMs (Free-to-use)	Remote ATMs (Free-to-use)	Remote ATMs (Pay-to-use)	Total ATMs
AIB Group	8	17		25
American Express				Card issuer only
Bank of Ireland	35	5		40
Bank of Scotland	387			387
Barclays Bank UK	1,387	1,359		2,746
Barclays Bank	12	2		14
Cardtronics		9,427	6,430	15,857
ChangeGroup	1	148	39	188
Citibank	4			4
Clydesdale Bank	128			128
Cooperative Bank				Card issuer only
Coventry Building Society	45	5		50
Cumberland Building Society	20			20
Dominion ATM Banking Systems		23	129	152
G4S	1	2		3
Halifax	1,545			1,545
Handelsbanken				Card issuer only
HSBC UK	1,286	12		1,298
Lloyds Bank	1,849			1,849
Metro Bank				Card issuer only
Nationwide Building Society	1,311	1		1,312
NatWest	2,483	3,627		6,110
Northern Bank	93	106		199
NoteMachine	324	5,742	3,157	9,223
PayPoint		2,231	1,366	3,597
Post Office	45	1,359		1,404
Sainsbury's Bank	8	1,361		1,369
Santander	1,682	4		1,686
Tesco Personal Finance				Card issuer only
Travelex		130	152	282
TSB Bank	701			701
Yorkshire Bank	193			193
Yorkshire Building Society				Card issuer only
YourCash		1,567	333	1,900
Total LINK ATMs	13,548	27,128	11,606	52,282

STATISTICS SUMMARY

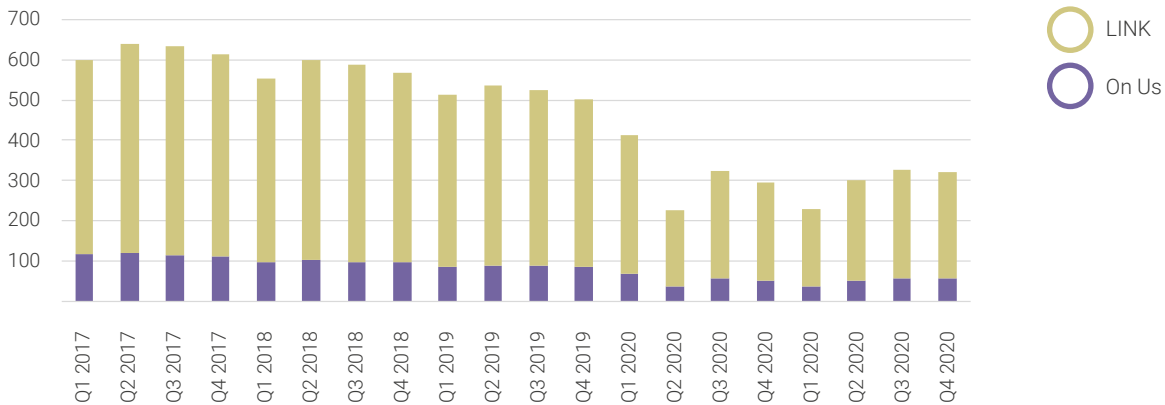
LINK provides weekly and monthly updates.
See the LINK website
<https://www.link.co.uk/about/statistics-and-trends>

Number of Payments (m)



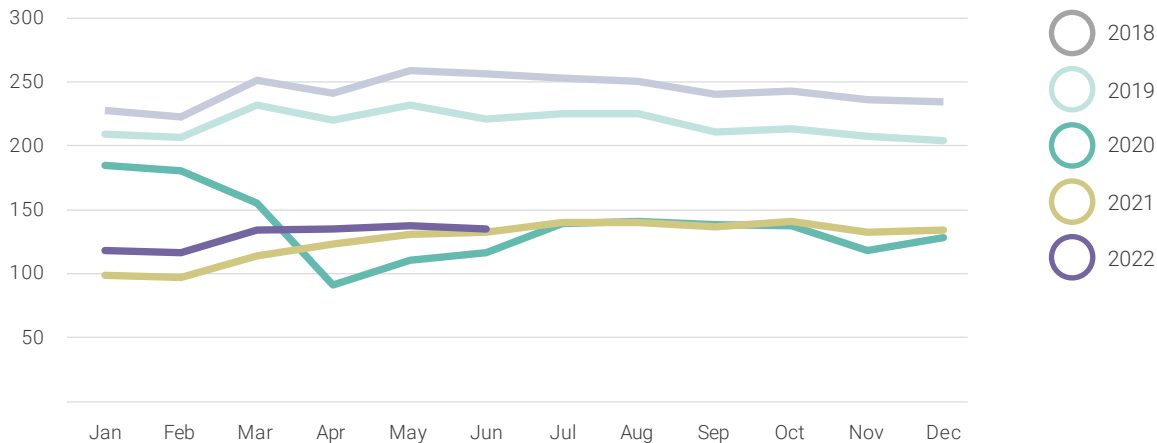
Source: UK Finance

Total ATM cash withdrawal volumes by quarter, including on-us (1) (millions)



(1) On-us is where someone uses an ATM which belongs to their own bank or building society.

Monthly LINK transaction volumes (millions)

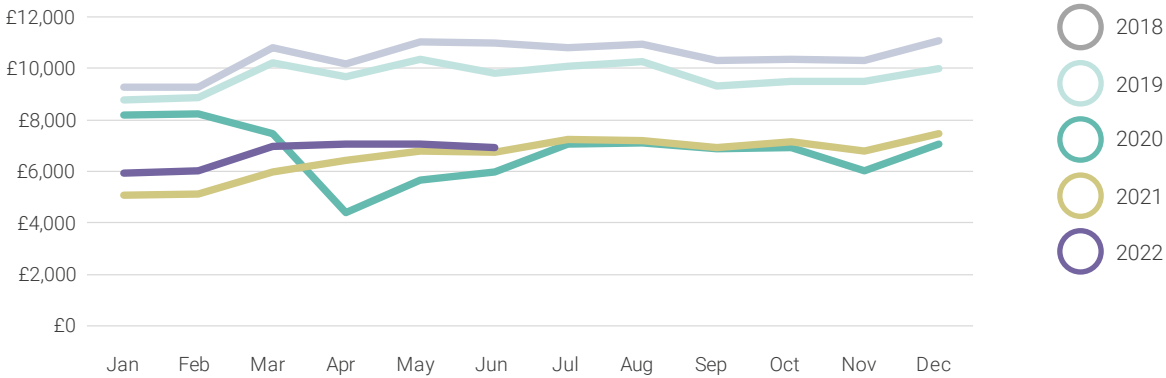


LINK also regularly posts updates on Twitter and LinkedIn.

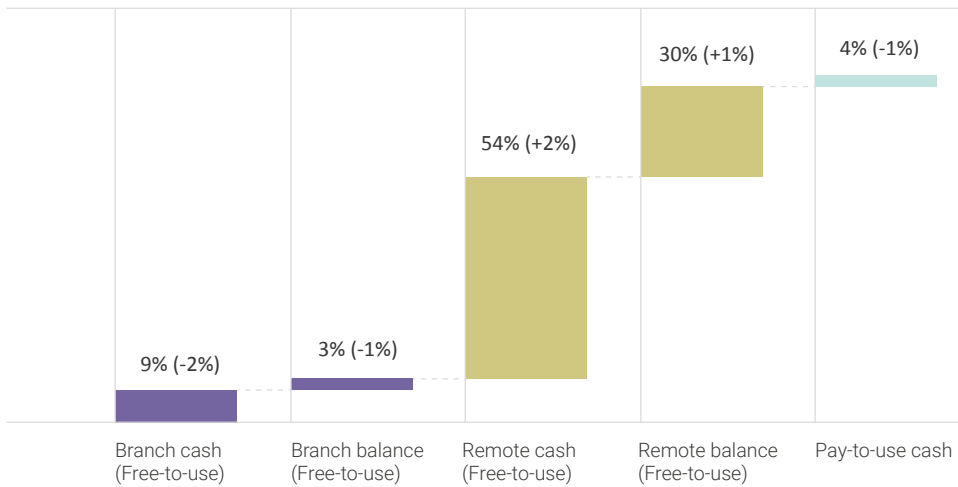
[LINK Scheme@LINK_ATM_Scheme](https://twitter.com/LINK_ATM_Scheme)

www.linkedin.com/company/link-atm-scheme

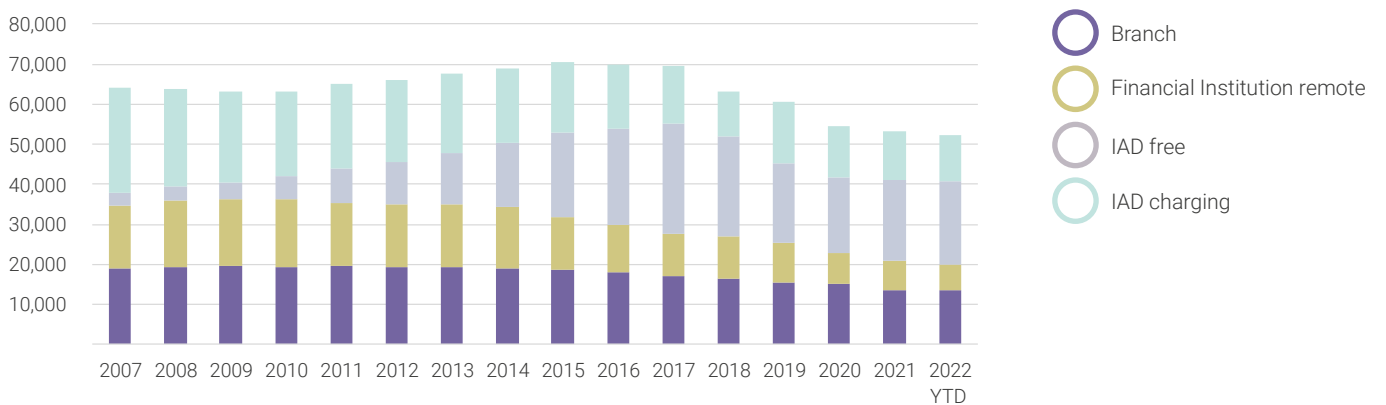
Monthly LINK transaction values (millions)



LINK transaction proportions 2021



Year end ATM numbers



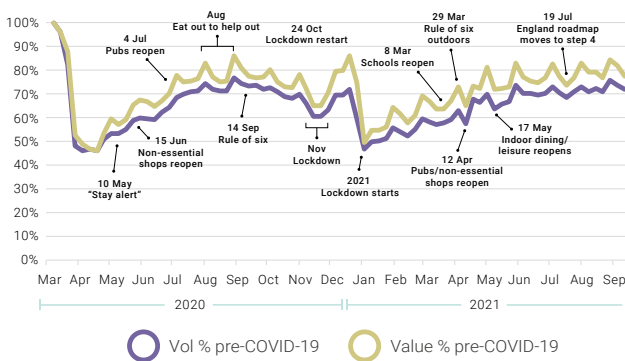
CONSUMERS

LINK's Financial Inclusion Programme

LINK's Financial Inclusion Programme has focused on promoting the interests of consumers since 2006 and has demonstrated its value by effectively supporting access to cash throughout the coronavirus pandemic.

Financial inclusion in numbers	99.8% High streets have cash access within 1km	£75m Withdrawn from directly commissioned ATMs
3,200 Protected ATMs	£15m Invested in critical ATMs	85.3% Consumers live within 1km of a free ATM
2,189 Deprived areas with good cash access	100+ Remote and deprived ATMs commissioned by LINK to improve free access	3,365 ATMs receive a financial inclusion subsidy

Weekly Volume and Value percentage to pre-COVID-19



Since 2018, LINK has been tasked with preserving the geographic spread of ATMs. To do that, it protects free-to-use ATMs that have no alternative for one kilometre and subsidises those in specific deprived areas. LINK does this by paying additional interchange to protected ATMs, and providing low volume premiums of up to £2.75 to ATMs that have low numbers of transactions.

During COVID-19, the way we use cash changed rapidly, but the ATM network remained robust and resilient. Despite this rapid shift and the impact it has on the network, LINK's financial inclusion incentives continue to support thousands of communities across the country.

Over the past three years, the number of free ATMs has reduced by 25%. However, there remains good access to cash across the country. LINK's financial inclusion work is a key reason behind the fact that over 85% of people live within one kilometre of a free cash machine, as it supports ATMs that may otherwise be under threat of removal.

Access to Cash Legislation

LINK has welcomed the announcement in the Queen's Speech in May 2022 that the government intends to legislate to protect access to cash as part of the new Financial Services and Markets Bill. This is a major step forward and will formalise the current voluntary approach in place that is coming under increasing strain as cash usage continues to fall and introduce oversight by the FCA.

LINK installs 100th community requested ATM

In October 2019, LINK opened its doors to allow people to highlight local cash access issues. Since then, LINK has spoken to over 4,500 people and has now funded 100 ATMs across the UK following requests from local people. These now serve communities which otherwise wouldn't have free access to cash.

Following the first ATM going live in Durness, Northwest Highlands, the 100th machine was been installed in Handsworth, Birmingham in May 2022.

In total, the ATMs installed following a community request have served one million customers and over £65m has been withdrawn from them.

Landmark for Financial Inclusion as Cashback Without Purchase service launched

Following a year-long trial to allow people to use retailers' tills to withdraw cash and the amendment to the Financial Services Bill, cashback without a purchase has now been rolled out across the UK.

Using LINK's ATM switch, consumers can withdraw any amount up to £50 from their accounts from participating retailers' tills. That isn't limited to notes –and it can be as specific as £3.63.

LINK expects this service to be rolled out to more and more shops in the coming months and it is hoped that this service will become a valuable additional cash access point –providing more convenient options to get cash out and ensuring that consumers who have small amounts left in their accounts can access it without travelling to their bank branch.

"Cashback without a purchase has the potential to be a valuable facility to cash users, and to play an important role in the UK's cash infrastructure."

John Glen MP, Economic Secretary to the Treasury

"This is a very positive step and brings much needed innovation in access to cash."

John Howells, LINK CEO

Of people who used the new service

67%

of respondents found the service safe

59%

were happy to use it to support local retailers

47%

say they prefer it to an ATM

CONSUMER SUPPORT

Cash Locator launched

With the introduction of LINK Cashback Without Purchase, the ATM Locator has been renamed the Cash Locator.

Available to download on the LINK website, the locator now lets people see where their nearest ATM, Post Office or Cashback Without Purchase location is. The locator has also been updated to make it easier for people to highlight issues in their local area and ask for LINK’s support.



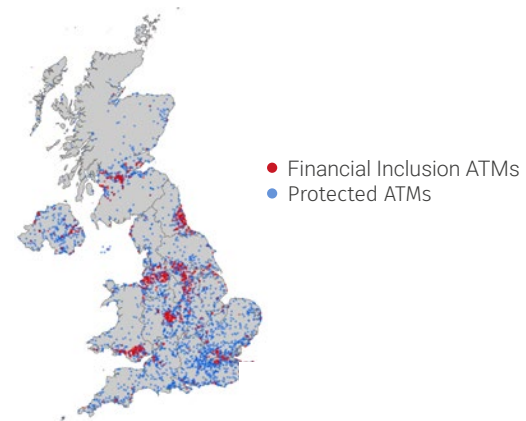
LINK takes up the role as the Co-ordinating Body for Access to Cash

In January 2022, at the request of the High Street banks, LINK took up the role of the Co-ordinating Body tasked with ensuring that access to cash is retained across the UK.

Using criteria developed by the Cash Action Group, LINK assesses all communities where bank branches close to ensure that adequate access to cash remains and where necessary, instructs a delivery body to commission new services such as shared banking hubs.

Since July 2022, consumers have been able to ask LINK to make an assessment of their community and commission new services where necessary.

Financial Inclusion Programme ATMs



Consumer Council

The LINK Consumer Council has been acting as the guardian of cash since 2006. It provides advice on consumer issues relating to cash and payment preferences and ensures LINK’s work is targeted at consumers. The work of the Consumer Council in protecting the interest of consumers is more important than ever, with falls in the overall demand for cash, accelerated by the coronavirus crisis, making the UK’s ATM network more fragile than ever before.

- Tracey Graham**, Chair and LINK Non-Executive Director
- Tim Allen**, Barclays
- Adam Bailey**, NatWest
- Lady Margaret Bloom CBE**
- Kerry Fearn**, Department for Work and Pensions
- Iain Gibson**, Sainsbury’s Bank
- Martin Kearsley**, Post Office
- Scott Kennerley**, Consumer Council of Northern Ireland
- Paul Maynard MP**
- Nick Wiles**, PayPoint
- Sian Williams**, Toynbee Hall



LINK
Consumer Council

MANAGING SYSTEMIC RISK

The effective management of risk is central to the success of a vital national payment system such as LINK.

LINK has a well-developed three lines of defence approach to maintaining operational performance and managing risk. This comprises a First Line operations function, a Second Line risk management and compliance function, and an independent Third Line Internal Audit function. The Board Risk Committee supports the Board in oversight.

LINK's response to the coronavirus crisis is an excellent example of the way in which LINK manages risk and maintains operational resilience. Throughout the coronavirus crisis LINK's First Line teams maintained critical operations, with the Second Line providing oversight of, and challenge to, key operational processes. Risk assessments were used throughout the crisis, and have been a critical tool in return to workplace planning, with risks identified and controls implemented in respect of those risks. Internal Audit provides additional insight via the Board Audit Committee.



GOVERNANCE AND REGULATION

As a payment systems operator, LINK is regulated by both the Payment Systems Regulator (PSR) and the Bank of England. The PSR is concerned with ensuring that LINK meets the needs of its service users, and is effective at competition and innovation. The Bank's focus is on ensuring that LINK manages systemic integrity effectively. Both regulators work closely with the LINK Board and management team.

LINK manages its internal governance through a Board, which is comprised of the CEO and a number of independent non-executive directors with a wealth of payments and financial services experience. The Board is supported by a number of sub-committees, including the Risk Committee, Audit Committee, and the Remuneration and Nominations Committee.



LINK Board members

Sir Mark Boleat, Director and Chair
John Howells, Director and Chief Executive Officer
The Rt. Hon. the Lord Hunt of Wirral MBE (David Hunt), Senior Non-Executive Director and Chair of the Remuneration and Nominations Committee
John Gill, Director and Chair of the Risk Committee
Liz Richards, (Retired December 2021), Director and Chair of the Audit Committee
Tracey Graham, Director and Chair of the LINK Consumer Council
Bill Raynal, Director
David Rigney, Director and Chair of the Audit Committee
Chris Davis, (Appointed November 2021)

(See pages 10 and 11 for full biographies)

Audit Committee members

David Rigney (Chair)
 John Gill
 Bill Raynal
 Chris Davis – from 9th December 2021

Remuneration and Nominations Committee members

Lord David Hunt (Chair)
 Sir Mark Boleat
 Tracey Graham
 David Rigney – from 2nd August 2021

Risk Committee members

John Gill (Chair)
 Sir Mark Boleat
 Bill Raynal
 David Rigney



FINANCIAL INFORMATION

Background

Link Scheme Holdings Ltd ("LSHL") is a company limited by guarantee without share capital. Its guarantors are the LINK network members. The company is responsible for the running of the LINK Scheme through its wholly owned subsidiary, Link Scheme Ltd ("LSL"). LINK is a not-for-profit organisation with a public interest remit. It works closely with the Treasury and its two regulators, the Bank of England and the Payment Systems Regulator, to maintain access to cash for UK consumers for as long as it is needed.

Cash usage for payments continues to fall and the UK is moving relentlessly towards a low cash economy where most people use digital methods for making payments. LINK transaction volumes in 2021 ended up 9% lower than in 2020 and have reduced by 42% since 2019, which was the last full year prior to the onset of the coronavirus crisis in the UK. Nevertheless, there were still 1.5bn LINK transactions in 2021 with some 5m consumers relying at some level on cash. LINK's monthly fee income is primarily based on transaction volumes with budgets and fee rates set six months in advance of the year to which they apply. In 2020,

LINK had initiated a £4m member funding call to cover the potential income shortfall under an extreme but plausible worst-case scenario in the face of a precipitous decline in transaction volumes at the beginning of the coronavirus crisis. In 2021, fee levels were set in the Summer of 2020 on a conservative basis as there was still considerable uncertainty at that time as to the levels of transaction volumes that would be experienced post pandemic. Ultimately, the reduction in transaction levels in 2021 was not as great as LINK's worst-case forecasts. As a result, fee income was higher than budgeted and the group has posted a pre-tax surplus of £733,992 (2020: £2,178,120) for the year. The retained surplus, plus the annual adjustment to capital reserves from members in accordance with the CPMI-IOSCO Principles for Financial Market Infrastructures, has resulted in an increase to the group's capital and reserves to £7,693,802 at 31 December 2021 from £6,208,115 at the end of 2020. This represents a further improvement to the group's financial position and LINK's overall financial resilience.

The Company's financial statements, included within the Report and Financial Statements, are audited by the Company's auditor, PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds LS1 4DL and are available on request from the Company's registered address or from the Company's website www.link.co.uk.

Summary statement of comprehensive income for the year ended 31 December 2021

	2021	2020
	£	£
Turnover	12,947,860	13,272,246
Administrative expenses	(12,219,873)	(11,135,873)
Operating profit	727,987	2,136,373
Interest receivable and similar income	6,005	41,747
Profit before taxation	733,922	2,178,120
Tax on profit	(50,338)	–
Profit and total comprehensive income for the financial year	683,654	2,178,120

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Turnover

Turnover consists of monthly fees charged to members by virtue of their membership of the LINK Scheme and fees for specific projects as agreed by the members from time to time. Monthly fee turnover is recognised in the period to which it relates. Specific project turnover is recognised on an accruals basis and is matched with the expenditure in the period in which it is incurred. In 2020, a general budget funding call of £4m was made. This is included in turnover at the point of invoice. All turnover is shown net of VAT and other sales-related taxes.

Deferred income - Development Fund

Under the Framework Agreement dated 6 April 2017 between Mastercard UK HoldCo Limited ("Mastercard"), VocaLink Holdings Ltd, VocaLink Limited (together "Vocalink") and Link Scheme Ltd, the parties agreed to implement certain remedies in order to satisfy the Competition and Markets Authority ("CMA") that, following the acquisition of Vocalink by Mastercard, the competition of the LINK Scheme network would not be substantially lessened. In addition, Mastercard agreed to make a payment of £2 million to the Group to establish a Development Fund for the purposes of developing and implementing innovative products and services relating to the LINK network. If the Group does not adhere to the conditions regarding the use of the Development Fund, then the Group will be liable to pay the appropriate funds back to Mastercard.

Turnover in relation to the Development Fund is recognised on an accruals basis and matched with the expenditure in the period in which it is incurred. Any costs incurred and allocated against the Development Fund is accounted for in the appropriate manner according to their nature.

An analysis of the Group's turnover is as follows:

	2021	2020
	£	£
Turnover analysed by class of business		
Membership fees	9,520,700	5,486,384
Members' funding calls - specific projects	3,257,872	3,602,671
Members' funding calls - general budget	-	4,000,000
Other, including Development Fund	169,288	183,191
	12,947,860	13,272,246

Summary statement of financial position as at 31 December 2021

	2021	2020
	£	£
Fixed assets		
Tangible assets	100,862	126,843
Current assets		
Debtors	1,099,381	659,421
Cash at bank and in hand	17,835,783	13,851,496
	18,935,164	14,510,917
Creditors: amounts falling due within one year	(9,117,786)	(7,192,919)
Net current assets	9,817,378	7,317,998
Total assets less current liabilities	9,918,240	7,444,841
Creditors: amounts falling due after more than one year	(2,222,847)	(1,236,726)
Provisions for liabilities	(1,591)	-
Net assets	7,693,802	6,208,115
Capital and reserves		
Capital contribution reserve	8,786,659	7,984,626
Profit and loss reserves	(1,092,857)	(1,776,511)
Total equity	7,693,802	6,208,115

Summary statement of changes in equity for the year ended 31 December 2021

The total equity of the Company at 31 December 2021 of £7,693,802 was derived from capital contributions of £8,786,659 less the accumulated deficit of £1,092,857.

The cumulative capital contributions came from three sources:

- As part of the restructuring of the LINK Scheme in 2016 "advance payments" of VocaLink Limited's discount against the future payment processing fees it would charge to Members under its agreement for the provision of switching and settlement services were made to Link Scheme Ltd. Part of these advance payments were used to fund start up and transaction costs, particularly legal fees, incurred by Link Scheme Ltd in the setting up of the new arrangements between the various parties. The total of the advance payments made to the company for this purpose was £3,485,700.
- In addition, under the restructuring arrangements with VocaLink Limited in 2016, the surplus of the Scheme accumulated over its years of operation within that entity was to be transferred over to Link Scheme Ltd. The total amount transferred from VocaLink Limited was £825,514.
- In accordance with The Committee on Payments and Market Infrastructures and the Board of the International Organization of Securities Commission (CPMI-IOSCO) Principles for Financial Market Infrastructures, the company must hold a reserve of at least 50% of operational expenditure. As such, an initial call of £1,580,000 was received and recognised as a capital contribution. In 2018, a further call of £680,802 was received, and recognised as a capital contribution, in 2019 a third call of £833,301 was received and recognised as a capital contribution and in 2020, a further call of £579,309 was received and also recognised as a capital contribution. A further £802,033 has been received and recognised in 2021. The value of this reserve will be considered annually, and amended in line with operational expenditure.

	Capital contribution reserve £	Profit and loss reserves £	Total equity £
Balance at 1 January 2020	7,405,317	(3,954,631)	3,450,686
Year ended 31 December 2020:			
Loss and total comprehensive expense for the year	-	2,178,120	2,178,120
Capital contribution	579,309	-	579,309
Balance at 31 December 2020	7,984,626	(1,776,511)	6,208,115
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	683,654	683,654
Capital contribution	802,033	-	802,033
Balance at 31 December 2021	8,786,659	(1,092,857)	7,693,802



THE UK'S CASH MACHINE NETWORK

If you would like to know more about LINK or have any suggestions or feedback, please get in touch.

www.link.co.uk/contact-us

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