

Company Registration No. 10535808 (England and Wales)

LINK SCHEME HOLDINGS LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023



LINK SCHEME HOLDINGS LTD

COMPANY INFORMATION

Directors	Sir Mark Boleat Christopher Davis John Gill Tracey Graham John Howells Lord David Hunt of Wirral William Raynal David Rigney
Company number	10535808
Registered office	RSM Central Square 5th Floor 29 Wellington Street Leeds West Yorkshire United Kingdom LS1 4DL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL

LINK SCHEME HOLDINGS LTD

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LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Business review

The principal activity of the group is that of operating the LINK network. LINK operates the UK's cash machine network which connects the country's 47,000 ATMs and operates a range of access to cash activities. The LINK Scheme's members are the 32 industry organisations that issue ATM cards and deploy ATMs in the UK.

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 regulators, the Bank of England, the Payment Systems Regulator and, expected in 2024, the Financial Conduct Authority, to maintain access to cash for UK consumers as long as it is needed.

Total transaction volumes in 2023 were 1,493 million, a 6% reduction on 2022 and 43% down on pre-pandemic 2019. The total value of cash dispensed was £81.4 billion, a reduction of 2%, and aligned to the increasing average withdrawal value. This suggests that the long-term structural decline in cash use that was evident before the pandemic has continued. However, LINK's research shows that 5 million consumers still regard the ability to use cash as important. LINK still processes well over 4 million cash withdrawals and balance enquiries a day. Daily cash withdrawals totaled £223 million on average in the year with ATMs accounting for around 90% of cash acquisition in the UK. Therefore, despite more and more consumers moving to digital payments, cash remains useful for most people and is still vital for a significant minority.

Having generated a surplus in 2022, LINK utilised part of this amount to reduce overall member fees in 2023, thereby budgeting at a sizeable deficit. In the event increasing interest rates generated much higher than budgeted interest income on LINK's cash balances and offset the planned operational deficit to the extent that the final loss for the financial year was just £80,425 (2022 profit: £1,897,539). The resulting small reduction in reserves was more than offset by the annual adjustment to capital from members in accordance with the CPMI-IOSCO Principles for Financial Market Infrastructures, which for 2023 was £1,052,812. The group's total capital and reserves therefore increased to £11,184,563 at 31 December 2023 from £10,212,176 at 31 December 2022, representing a further improvement to the group's financial position and LINK's overall financial resilience.

Future developments

The Financial Services and Markets Act became law in July 2023. LINK will be key to supporting this, allowing the large card issuers to meet their new legislative responsibilities and ensuring the widespread provision of free-to-use cash infrastructure. The subsequent Policy Statement by the Treasury on cash access has set the framework for securing cash access for years to come. LINK had already taken on the role of an industry "co-ordinating body" to support access to cash in 2022 and expects to be formally designated by the Treasury as such in 2024. LINK will then become subject to the supervision of the Financial Conduct Authority.

At his Mansion House speech on 10 July 2023, the Chancellor of the Exchequer announced a Future of Payments Review. LINK duly responded to the call for evidence and the results of the Review were included in the Autumn Statement. In addition, the FCA announced a consultation on Access to Cash in December 2023 which closed in February 2024. The outcome of these reviews will have a significant long-term impact on payments systems generally, and cash specifically, in the UK. LINK is fully engaged with all parties involved and believes it is well positioned to deal with any regulatory or industry requirements that arise.

Research and development

Based on industry requirements, including suggestions from members, LINK engages periodically with its infrastructure provider, Vocalink, to further develop and enhance the ATM network switch and therefore the services offered to members and consumers. In 2023 the main development activity was to implement automated cash deposits across the LINK network.

Key performance indicators

The directors consider that the group's key performance indicators ("KPIs") that communicate financial performance are as follow:

	2023	2022
	£	£
(Loss)/profit for the year	(80,425)	1,897,539
Capital and reserves	11,184,563	10,212,176
Year-end cash balance	24,456,415	21,729,020

LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Key performance indicators (continued)

As a not-for-profit organisation, any profit is taken into account when setting future fees with the objective of LINK to be breakeven over the long term subject to financial resilience requirements.

Capital and reserves, which is an important indicator of financial resilience, increased as a result of the annual CPMI-IOCSO adjustment. In 2023, the Board agreed to maintain a £2 million financial resilience reserve which is included in the overall capital and reserves figure above. This was originally established in 2020 following a review of minimum capital requirements under the IOCSO Principles for Financial Markets Infrastructures.

The year-end cash balance increased mainly as a result of the £4 million funding call to finance the group's access to cash and co-ordinating body activities, particularly the direct commissioning of ATMs, net of expenditure.

Corporate governance

The current UK Corporate Governance Code was published in July 2018 and applies to accounting periods beginning on or after 1 January 2019. The Code was updated in January 2024 and the 2024 Code will apply to financial years beginning on or after 1 January 2025. The 2018 Code remains in place until this time. While the Code applies to listed companies and therefore does not specifically apply to Link Scheme Holdings Ltd, the Board has considered the requirements relevant to the group in preparing this report.

Board leadership and company purpose

Even prior to the coronavirus crisis, consumers in the UK were reducing their use of cash for payments and increasing their use of digital mechanisms. This change was accelerated by the coronavirus crisis and LINK volumes have halved since the start of the pandemic. Volumes are not expected to recover and reductions in cash usage for payments are anticipated to continue.

Despite this ongoing reduction, it is recognised that many consumers, including high numbers of the more vulnerable, still rely on cash. Transactional cash, albeit at lower volume, is therefore likely to be needed by consumers for many years to come. This ongoing reduction in volumes has placed increasing strain on maintaining the cash infrastructure. This includes the country's network of 47,000 ATMs, which accounts for around 90% of the cash distributed to UK consumers.

Cash infrastructure provision is a competitive market and there is not a central utility deciding on the location of ATMs, or other facilities such as bank branches. LINK has therefore been established with a primary focus of delivering access to cash for UK consumers for as long as they need it. It is a not-for-profit company limited by guarantee. There is a strong and independent Board of directors. Ownership, but not control, lies with the membership and there is a clear public interest objective. LINK also has an active independent Consumer Council which provides advice on consumer issues and represents the interests of consumers in the governance and development of the network. This governance structure helps LINK to navigate the commercial and political tensions that exist between the competitors in cash provision as it is focused on the public good alone. LINK is regulated by the Payment Systems Regulator to support the competitive, innovative, and end user components of this strategy.

The Access to Cash Action Group (the ACAG), a group chaired by Natalie Ceeney CBE and including David Postings as Deputy Chair (CEO of UK Finance), senior members from a number of the LINK's issuer members, Age UK, Toynbee Hall, the Federation of Small Businesses, the Post Office and Link Scheme Ltd was established in 2021 with the aim of ensuring that access to cash issues in the United Kingdom can be, and are, resolved for the benefit of consumers. Legislation in this area was passed in the summer of 2023 and places formal access to cash obligations on a number of banks and building societies. In anticipation of this legislation, at the request of the ACAG and some issuer members, LINK took on the role of an industry "co-ordinating body" to support access to cash. LINK assumed this role in January 2022 and now has responsibility for independently assessing the needs of any community that faces the closure of a core cash service, such as a bank branch or ATM, against agreed criteria. LINK will then determine whether a new solution should be provided to meet that community's cash needs. LINK expects the Treasury to formally designate it as the co-ordinating body in 2024 after which time LINK will become subject to the supervision of the Financial Conduct Authority.

LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Board leadership and company purpose (continued)

It is also a necessity, regardless of commercial and political factors, for any payment system to maintain consumer confidence in its safety and integrity. Without this confidence, any payment system will simply not be used. LINK's Board therefore manages the network to high levels of operational resilience, which entails a detailed understanding and management of system-wide risks. This is not only a consumer requirement, but a regulatory obligation, as LINK is designated as the systemic risk manager of the LINK payment system by the Bank of England.

The LINK team headcount grew in 2023 by 9% which, while substantially lower than the previous 3 years' growth rate, is still rapid. From the original team of 9 in 2016, headcount is now at 69 full time equivalents (FTEs).

The Board recognises that such change needs to be managed carefully, with a particular emphasis on good staff engagement and clear staff communication. It achieves this through regular reviews at Board meetings, by active involvement of directors and senior management with staff communications, and by the use of best practice human resources techniques.

The development of LINK's equality, diversity and inclusion strategy is ongoing and includes new steps to measure and increase diversity and inclusion. The Board also regularly considers LINK's approach to environmental, social and governance issues and has a number of initiatives underway as part of its core strategy in relation to financial inclusion and governance best practice.

The forward priorities for people, agreed with the Board, are aimed at increasing the resilience of the expanding team. These aims are currently succession planning, learning and development, and staff communications.

In order to ensure that issues relating to the workforce are clearly understood and considered by the Board, the senior management team attends Board meetings and the CEO is a Board director. Regular updates on human resources are provided to the Board. The CEO and senior management team lead a workforce engagement programme to provide insight on the views of the workforce. This includes regular update meetings between senior management and the full team, regular written updates on company performance, and input from staff on a diverse range of matters from strategy to corporate and social responsibility.

Division of responsibilities

The Board carefully considers the standing of all non-executive directors and whether there are any conflicts of interest that would be of concern.

The Board has considered and confirms that all non-executive directors are independent under the company Articles and the provisions of the UK Corporate Governance Code.

The Board had three main committees in 2023: audit, risk, and remuneration and nominations. The Board has delegated specific responsibilities to each of the committees under formal terms of reference. The main activities of each are described below and their performance is assessed on an annual basis. Minutes of each meeting are distributed to the Board.

LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Division of responsibilities (continued)

The Board and committee attendance record for 2023 is as follows:

	LSHL Board	Audit Committee	Risk Committee	Remuneration and Nominations Committee
Sir Mark Boleat	11 (11) Chair	4 (4) Guest	4 (4)	2 (2)
Christopher Davies	11 (11)	4 (4)	1 (1) Guest	-
John Gill	11 (11)	4 (4)	4 (4) Chair	-
Tracey Graham	10 (11)	-	-	2 (2)
John Howells	11 (11)	4 (4)	4 (4)	2 (2)
Lord David Hunt of Wirral	11 (11)	-	-	2 (2) Chair
William Raynal	11 (11)	4 (4)	3 (4)	-
David Rigney	11 (11)	4 (4) Chair	4 (4)	2 (2)

() denotes number of meetings eligible to attend

Composition, succession and evaluation

A Board effectiveness review is carried out annually by means of a formal questionnaire and individual meetings between the Chair and directors. Periodically this review is carried out by an external independent organisation (Independent Audit), the most recent one being in 2022.

As noted earlier, one of the committees that supports the Board is the remuneration and nominations committee. This committee is chaired by the senior non-executive director. Directors are mindful of the requirements of the code in relation to remuneration and nominations matters and apply it where appropriate in a manner commensurate with the size and scale of the organisation.

Succession planning is reviewed regularly by the Board in terms of directors and the remuneration and nominations committee in terms of senior management where recommendations are made to the Board for consideration. The LINK Chair's three-year term was due to end in February 2023. After a robust process, the Board agreed that the Chair's tenure should be extended for a further three-year term, effective from February 2023. The Chair did not participate in the discussions on this matter.

Remuneration policies follow market best practice, and external expert advice is used periodically to benchmark compensation structures and levels. Nominations also follow market best practice and external expert advice is used for key appointments, taking into account the requirements of company strategy, regulatory non-objection requirements, and matters such as diversity and inclusion.

The committee works directly for the Board and reports its approach and recommendations to the Board for its consideration. Of the seven directors (excluding the CEO), six are male and one is female. Of the six senior managers (including the CEO), four are male and two are female.

LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Audit, reporting, risk management (including principal risks and uncertainties) and internal control

The audit committee meets at least four times a year and monitors the financial reporting of the company and group, ensuring that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the group and company's position and performance, business model and strategy. Issues such as revenue recognition, the accounting treatment of financial contributions from LINK members and other accounting policies are considered by the audit committee.

A review of the service provided by the external auditors, currently PricewaterhouseCoopers LLP, and its independence, and recommendation on appointment (or re-appointment) of the auditors is conducted annually in September. In evaluating the service provided, the audit committee considers the competency of the team assigned to the company and group, how areas such as conflict have been addressed, and how substantive accounting issues and policies are handled.

LINK understands that the external auditors must remain independent and objective throughout the provision of its external audit services and when formulating its audit opinion. The provision of additional non-audit related services by the external auditors has the potential to impinge upon its independence and objectivity. This can also give rise to an external perception that the external auditors' independence and objectivity is compromised.

The non-audit services policy therefore sets relevant criteria which need to be met prior to the appointment of professional financial advisors for non-audit services to safeguard the independence and objectivity of the external auditors.

A tender for the external audit services was initially carried out in 2016. As part of the annual review of the services, consideration is given as to whether to reappoint the current auditors, PricewaterhouseCoopers LLP, or whether to go out to tender. To-date the audit committee and the Board have been satisfied with the services provided. The audit committee terms of reference, set by the Board, requires LINK should consider re-tendering for its audit services contract every five years and should ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditors with those of other audit firms. In accordance with the terms of reference, in 2020 the audit committee considered whether LINK should re-tender for its audit services contract. After due consideration, the audit committee determined that it would not re-tender at the current time but that it would continue to review on an annual basis. In accordance with that determination, and after due consideration, in September 2023 the audit committee agreed that PricewaterhouseCoopers LLP be re-appointed to undertake the review of the 2023 financial statements and that a tender be undertaken in 2024 for the provision of audit services for the 2024 financial statements.

The responsibilities of the directors in relation to the preparation of the annual report and financial statements are contained in a directors' responsibilities statement. The directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the group and company's position and performance, business model and strategy.

LINK outsources its internal audit function to access the enhanced experience and expertise that this approach brings to a small organisation. BDO LLP is the company's internal auditor. The appointment is subject to regular review and a periodic tender exercise. Internal audit is responsible for the monitoring of internal control systems and providing assurance to the Board and audit committee on the robustness and integrity of LINK's controls.

The Board is advised by the risk committee which undertakes detailed consideration of risk issues, and therefore LINK's overall risk profile. The risk committee meets on a quarterly basis and is chaired by an independent non-executive director. The committee considers a variety of risk-related management information, including performance, in managing key risks to the achievement of LINK's strategic plan. This management information is collected and verified by LINK's risk and compliance team which maintains a detailed risk register, updated on a monthly basis and discussed at regular senior management team risk meetings. The results of the risk committee's analysis of LINK's risk profile are reported to the Board along with appropriate recommendations for the Board's approval. The Board also receives a summary of the key risks facing LINK at each Board meeting.

LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Audit, reporting, risk management (including principal risks and uncertainties) and internal control (continued)

As LINK's core service offering has not significantly changed in the last 12 months, the risks facing LINK remain relatively static, and include the resilience of the Scheme, the potential impact of increased regulation on the Scheme and its participants, the sustainability of the Scheme and the infrastructure to maintain it in the face of declining ATM transaction volumes, and the threat of cyber-attack. Detailed action plans to address these risks continue to evolve and are constantly monitored by LINK's risk and compliance team, with performance against those action plans reported to the risk committee and the Board. As noted earlier, LINK's appointment by the ACAG as the co-ordinating body represents a new strategic direction for LINK, and therefore brings with it a number of risk issues. The risks of that appointment, including the impact on LINK's other operations, the potential regulatory liability, and the relationship between LINK as co-ordinating body and other key stakeholders, together with the controls in place to address those risks, are all considered and discussed at the risk committee.

The risk committee operates in accordance with an annual programme of work, which includes an annual review of LINK's enterprise risk management framework and the associated risk taxonomy and risk appetites. The results of that review are then recommended to the Board for its consideration and, if appropriate, approval. In addition, the performance of the risk committee is assessed on an annual basis by means of a self-assessment process, informed by a questionnaire completed by the risk committee members and attendees. The terms of reference of the risk committee are reviewed at the same time to ensure they remain fit for purpose. The results of that self-assessment exercise and any recommended changes in the terms of reference are shared with the Board, which then assesses the performance of the risk committee and considers any recommendations.

The material controls in place in respect of key risks are overseen on a regular basis by the risk and compliance team, with deep dive activity undertaken in accordance with a compliance assurance plan, which is approved each year by the risk committee. The performance of those controls, and the completion of actions to improve LINK's control framework, is reported to the risk committee on a quarterly basis.

Going concern

The statement that the group and company is a going concern is contained in the Directors' Report. As part of its going concern review, the Board has reviewed income and expenditure and working capital forecasts for a period covering two years after the balance sheet date. This period covers the current year (2024) where the budget and membership fees have been agreed and the following year (2025) where there is a reasonable understanding of the levels at which the budget and membership fees will be set. The Board has a reasonable expectation that the group and company will be able to continue in operation and meet their liabilities as they fall due over this period.

2023
2024
2025

LINK SCHEME HOLDINGS LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Remuneration

The work of the remuneration and nominations committee is described in the section on Composition, Succession and Evaluation above. Directors are mindful of the requirements of the Code in relation to remuneration and nominations matters and apply it where appropriate in a manner commensurate with the size and scale of the organisation.

The remuneration of the directors is as follows:

	2023 (£)				
	Salary/ Fees (Gross)	Bonus	Benefits	Pension Contribution	Total
Sir Mark Boleat (Chair)	155,000	-	-	-	155,000
Christopher Davis	55,000	-	-	-	55,000
John Gill	65,000*	-	-	-	65,000
Tracey Graham	65,000*	-	-	-	65,000
John Howells (Chief Executive)	332,469	83,117	32,130	36,572	484,288
Lord David Hunt of Wirral	65,000*	-	-	-	65,000
William Raynal	55,000	-	-	-	55,000
David Rigney	65,000*	-	-	-	65,000
Total	857,469	83,117	32,130	36,572	1,009,288

	2022 (£)				
	Salary/ Fees (Gross)	Bonus	Benefits	Pension Contribution	Total
Sir Mark Boleat (Chair)	145,835	-	-	-	145,835
Christopher Davis	45,833	-	-	-	45,833
John Gill	55,833*	-	-	-	55,833
Tracey Graham	55,833*	-	-	-	55,833
John Howells (Chief Executive)	313,650	94,095	34,994	34,501	477,240
Lord David Hunt of Wirral	55,833*	-	-	-	55,833
William Raynal	45,833	-	-	-	45,833
David Rigney	55,833*	-	-	-	55,833
Total	774,483	94,095	34,994	34,501	938,073

* includes £10,000 p.a. for chairing a committee

On behalf of the Board



John Howells
Director

Date: 2 May 2024

LINK SCHEME HOLDINGS LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and audited financial statements of the group and company for the year ended 31 December 2023.

Principal activities

The principal activity of the group is that of operating the LINK network. LINK operates the UK's cash machine network which connects the country's 47,000 ATMs and operates a range of access to cash activities. The LINK Scheme's members are the 32 industry organisations that issue ATM cards and deploy ATMs in the UK. The principal activity of the company is that of a parent company.

Future outlook

Likely future developments in the business of the group and company are discussed within the Strategic Report starting on page 1.

Stakeholder engagement

Our statements summarising our stakeholder engagement are discussed in the Strategic Report starting on page 1.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Sir Mark Boleat
Christopher Davis
John Gill
Tracey Graham
John Howells
Lord David Hunt of Wirral
William Raynal
David Rigney

Going concern

The Board regularly reviews the financial position of the group and company in addition to the principal risks and uncertainties that it faces. The Board has undertaken a review of the group and company's ability to continue as a going concern, including its latest budgets and forecasts. The annual budget has been agreed based on a conservative view of likely LINK transaction volumes and, in conjunction with the further strengthened capital and reserves position brought forward, is sufficient to enable the group and company to operate for at least the next 12 months from the date of signing these financial statements. Financial modelling based on extreme but plausible scenarios, including an acceleration in the decline of transaction volumes from forecast levels, show that LINK has sufficient funds to operate over a much longer period. The Board will continue to keep the long-term funding of the Scheme under review, including as part of the normal annual budget-setting process. The Board is therefore satisfied that it is appropriate for the financial statements to be prepared on a going concern basis.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors. These provisions remain in force at the reporting date.

Independent auditors

In accordance with the terms of reference of the group's audit committee, a re-tender for the role of auditors, currently held by PricewaterhouseCoopers LLP, with effect from the audit of the 2024 financial statements is underway. A resolution to appoint the successful firm as auditors will be put at a General Meeting.

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management, research and development and future developments.

LINK SCHEME HOLDINGS LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of disclosure to auditors

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and 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 group's and company's auditors are aware of that information.

On behalf of the Board



John Howells

Director

2 May 2024

LINK SCHEME HOLDINGS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors are responsible for preparing the 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 group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group 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 102 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 group will continue in business.

The directors are responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINK SCHEME HOLDINGS LTD

Report on the audit of the financial statements

Opinion

In our opinion, Link Scheme Holdings Ltd's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2023; the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows 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 group 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 group's and 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 group's and 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 on, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINK SCHEME HOLDINGS LTD (CONTINUED)

Reporting on other information (continued)

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 2023 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 group and company and their 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 Directors' Responsibilities Statement, 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 group's and 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 group or 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINK SCHEME HOLDINGS LTD (CONTINUED)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to being the Operator of the LINK Scheme as set out in the Financial Services (Banking Reform) Act 2013. LINK is recognised as an inter-bank payment system under section 184 of the Banking Act 2009, bringing LINK into the scope of the Bank of England's supervisory regime. It is regulated by the Bank of England and the Payment Systems Regulator in accordance with the Financial Services Banking Reform Act 2013, 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 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 posting inappropriate journals entries to overstate revenue, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with Management including consideration of known or suspected instances of non-compliance with laws, regulation and fraud;
- Review of Board minutes;
- Review of correspondence with tax authorities and regulators;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Evaluation of Management's controls designed to prevent and detect irregularities;
- Assessed the appropriateness of accounting policies, estimates and judgements relevant to the financial statements;
- Considered any one off, significant or complex transactions;
- Designing audit procedures that incorporated unpredictability around the nature, timing or extent of our testing to material financial statement line items; and
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations.

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. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINK SCHEME HOLDINGS LTD (CONTINUED)

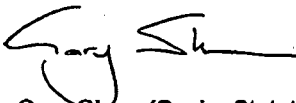
Other required reporting

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
2 May 2024

LINK SCHEME HOLDINGS LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	2022 £
Turnover	3	13,364,814	15,065,806
Administrative expenses		(13,984,470)	(12,809,236)
Operating (loss)/profit	7	(619,656)	2,256,570
Interest receivable and similar income	8	538,047	87,685
(Loss)/profit before taxation		(81,609)	2,344,255
Tax on (loss)/profit	9	1,184	(446,716)
(Loss)/profit for the financial year		(80,425)	1,897,539

(Loss)/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.

LINK SCHEME HOLDINGS LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2023**

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Tangible assets	10		237,932		45,634
Current assets					
Debtors	13	1,952,862		1,787,251	
Cash at bank and in hand		24,456,415		21,729,020	
		<u>26,409,277</u>		<u>23,516,271</u>	
Creditors: amounts falling due within one year	14	<u>(13,387,099)</u>		<u>(11,119,164)</u>	
Net current assets			<u>13,022,178</u>		<u>12,397,107</u>
Total assets less current liabilities			<u>13,260,110</u>		<u>12,442,741</u>
Creditors: amounts falling due after more than one year	15		(2,041,927)		(2,230,565)
Provisions for liabilities	16		(33,620)		-
Net assets			<u>11,184,563</u>		<u>10,212,176</u>
Capital and reserves					
Capital contribution reserve	19		10,460,306		9,407,494
Profit and loss account	19		724,257		804,682
Total equity			<u>11,184,563</u>		<u>10,212,176</u>

The notes on pages 21 to 34 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 2 May 2024 and are signed on its behalf by:


John Howells
Director

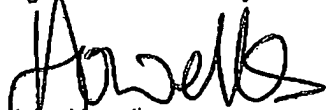
LINK SCHEME HOLDINGS LTD**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2023**

	Notes	2023 £	£	2022 £	£
Fixed assets					
Investments	11		1		1
Current assets					
Debtors	13	191,392		162,704	
Creditors: amounts falling due within one year	14	<u>(16,656)</u>		<u>(22,930)</u>	
Net current assets			<u>174,736</u>		<u>139,774</u>
Total assets less current liabilities			<u>174,737</u>		<u>139,775</u>
Capital and reserves					
Profit and loss account	19		<u>174,737</u>		<u>139,775</u>

The notes on pages 21 to 34 are an integral part of these financial statements.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group financial statements. The company's profit for the year was £34,962 (2022: £25,431).

The financial statements were approved by the board of directors and authorised for issue on 2 May 2024 and are signed on its behalf by:



John Howells
Director

LINK SCHEME HOLDINGS LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Capital contribution reserve £	Profit and loss account £	Total £
Balance at 1 January 2022		8,786,659	(1,092,857)	7,693,802
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	1,897,539	1,897,539
Capital contribution	19	620,835	-	620,835
Balance at 31 December 2022		9,407,494	804,682	10,212,176
Year ended 31 December 2023:				
Loss and total comprehensive expense for the year		-	(80,425)	(80,425)
Capital contribution	19	1,052,812	-	1,052,812
Balance at 31 December 2023		10,460,306	724,257	11,184,563

LINK SCHEME HOLDINGS LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Profit and loss account £
Balance at 1 January 2022	114,344
Year ended 31 December 2022:	
Profit and total comprehensive income for the year	25,431
Balance at 31 December 2022	139,775
Year ended 31 December 2023:	
Profit and total comprehensive income for the year	34,962
Balance at 31 December 2023	174,737

LINK SCHEME HOLDINGS LTD

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	20	2,950,283		3,946,338	
Income taxes paid		(452,019)		(48,066)	
		<u>2,498,264</u>		<u>3,898,272</u>	
Net cash inflow from operating activities					
Investing activities					
Purchase of tangible fixed assets		(279,878)		(5,035)	
Interest received		509,009		-	
		<u>229,131</u>		<u>(5,035)</u>	
Net cash generated from/(used in) investing activities					
Net increase in cash and cash equivalents					
		<u>2,727,395</u>		<u>3,893,237</u>	
Cash and cash equivalents at beginning of year		21,729,020		17,835,783	
		<u>24,456,415</u>		<u>21,729,020</u>	
Cash and cash equivalents at end of year					

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Company information

Link Scheme Holdings Ltd ("the company") is a private company limited by guarantee, and is registered, domiciled and incorporated in England and Wales. The registered office is RSM Central Square, 5th Floor, 29 Wellington Street, Leeds, West Yorkshire, United Kingdom, LS1 4DL.

The group consists of Link Scheme Holdings Ltd and its subsidiary Link Scheme Ltd.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Link Scheme Holdings Ltd and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

Link Scheme Holdings Ltd is the smallest and largest group for which consolidated financial statements are prepared that include Link Scheme Ltd. Copies of the consolidated financial statements are available from Companies House.

All financial statements are made up to 31 December 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Going concern

The Board regularly reviews the financial position of the group and company in addition to the principal risks and uncertainties that it faces. The Board has undertaken a review of the group and company's ability to continue as a going concern, including its latest budgets and forecasts. The annual budget has been agreed based on a conservative view of likely LINK transaction volumes and, in conjunction with the further strengthened capital and reserves position brought forward, is sufficient to enable the group and company to operate for at least the next 12 months from the date of signing these financial statements. Financial modelling based on extreme but plausible scenarios, including an acceleration in the decline of transaction volumes from forecast levels, show that LINK has sufficient funds to operate over a much longer period. The Board will continue to keep the long-term funding of the Scheme under review, including as part of the normal annual budget-setting process. The Board is therefore satisfied that it is appropriate for the financial statements to be prepared on a going concern basis.

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. 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. The development fund was fully utilised in 2023.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	5 years straight line
Fixtures and fittings	3 years straight line
Computer equipment	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Fixed asset investments

In the separate financial statements of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs.

Capital contribution reserve

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 group must hold a reserve of at least 50% of operational expenditure. The initial call and annual adjustments made in line with changes in the level of operational expenditure are recognised as capital contributions in the Capital Contribution Reserve.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Direct commissioning

The direct commissioning liability arises when ATMs are installed by the ATM Operator under LINK's direct commissioning programme. At the point of installation the full cost and liability of the direct commissioning payments over the life of the ATM contract are recognised.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Member fees

Fees charged to Members by virtue of their membership of the LINK scheme and fees for specific projects as agreed by the Members are recognised as Turnover in the Consolidated Statement of Comprehensive Income as they are deemed to be consideration for the services undertaken by Link as agreed by the Members. Fees charged to Members in respect of the initial call and annual adjustments made in line with the requirements of CPMI-IOSCO requirements to hold a reserve of at least 50% of operational expenditure are recognised as capital contributions within equity.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

3 Turnover and other revenue

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

	2023 £	2022 £
Turnover analysed by class of business		
Membership fees	11,167,658	11,882,246
Members' funding calls - specific projects	2,034,940	2,764,160
Other including Development Fund	162,216	419,400
	<u>13,364,814</u>	<u>15,065,806</u>
	2023 £	2022 £
Other revenue		
Interest income	538,047	87,685
	<u>538,047</u>	<u>87,685</u>
	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	13,364,814	15,065,806
	<u>13,364,814</u>	<u>15,065,806</u>

Membership fees consist of monthly fees made by Members to cover the normal operating costs of the group plus joining fees for new members. Members' funding calls cover the cost of activities outside the normal operating budget.

4 Employees

The average monthly number of persons (including non-executive directors) employed during the year was:

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
Commerical	8	6	-	-
Corporate	8	8	-	-
Financial inclusion	8	6	-	-
HR and Support services	9	7	-	-
Information security and technology	8	6	-	-
Operations	9	8	-	-
Risk and Compliance	9	7	-	-
Scheme Development and assurance	10	8	-	-
Strategy	1	1	-	-
	<u>70</u>	<u>57</u>	<u>-</u>	<u>-</u>
Total	<u>70</u>	<u>57</u>	<u>-</u>	<u>-</u>

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

4 Employees (Continued)

Their aggregate remuneration comprised:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Wages and salaries	5,976,635	4,983,545	-	-
Social security costs	738,166	645,743	-	-
Other pension costs	316,860	263,396	-	-
	<u>7,029,661</u>	<u>5,892,684</u>	<u>-</u>	<u>-</u>

There were no pension commitments outstanding at the year end (2022: £nil).

5 Directors' remuneration

	2023	2022
	£	£
Remuneration paid to directors	972,716	903,572
Company pension contributions to defined contribution schemes	36,572	34,501
	<u>1,009,288</u>	<u>938,073</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023	2022
	£	£
Remuneration	447,716	442,739
Company pension contributions to defined contribution schemes	36,572	34,501
	<u>484,288</u>	<u>477,240</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022: 1).

6 Auditors' remuneration

	2023	2022
	£	£
Fees payable to the company's auditors and their associates:		
For audit services		
Audit of the financial statements of the group and company	6,000	5,500
Audit of the financial statements of the company's subsidiaries	45,000	42,000
	<u>51,000</u>	<u>47,500</u>

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

7 Operating (loss)/profit	2023	2022
Operating (loss)/profit for the year is stated after charging:	£	£
Exchange losses	668	479
Research and development costs	242,008	47,437
Depreciation of owned tangible fixed assets	87,580	60,263
Operating lease charges	126,645	102,733
	<u> </u>	<u> </u>
8 Interest receivable and similar income	2023	2022
	£	£
Interest on bank deposits	538,047	87,685
	<u> </u>	<u> </u>
9 Tax on profit	2023	2022
	£	£
Current tax		
UK corporation tax on (loss)/profits for the current year	-	452,019
Adjustments in respect of prior years	(37,835)	(681)
Total current tax	<u>(37,835)</u>	<u>451,338</u>
Deferred tax		
Origination and reversal of timing differences	36,651	(3,513)
Changes in tax rates	-	(1,109)
Total deferred tax	<u>36,651</u>	<u>(4,622)</u>
Total tax (credit)/charge	<u>(1,184)</u>	<u>446,716</u>

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

9 Tax on profit (Continued)

The total tax (credit)/charge for the year included in the consolidated statement of comprehensive income can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2023 £	2022 £
(Loss)/profit before taxation	(81,609)	2,344,255
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 23.50% (2022: 19.00%)	(19,178)	445,408
Tax effect of expenses that are not deductible in determining taxable profit	995	1,112
Adjustments in respect of prior years	(37,835)	(681)
Fixed asset differences	5,828	1,986
Remeasurement of deferred tax for changes in tax rates	2,169	(1,109)
Losses carried back	46,837	-
Total tax (credit)/charge	(1,184)	446,716

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021.

10 Tangible fixed assets

Group	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2023	157,384	104,995	112,286	374,665
Additions	92,760	75,082	112,036	279,878
Disposals	-	(66,096)	(38,566)	(104,662)
At 31 December 2023	250,144	113,981	185,756	549,881
Accumulated depreciation				
At 1 January 2023	143,923	98,744	86,364	329,031
Depreciation charged in the year	25,479	21,682	40,419	87,580
Eliminated in respect of disposals	-	(66,096)	(38,566)	(104,662)
At 31 December 2023	169,402	54,330	88,217	311,949
Carrying amount				
At 31 December 2023	80,742	59,651	97,539	237,932
At 31 December 2022	13,461	6,251	25,922	45,634

The company had no tangible fixed assets at 31 December 2023 or 31 December 2022.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

11 Investments

	Group 2023 £	2022 £	Company 2023 £	2022 £
Investments	-	-	1	1

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2023 and 31 December 2023	1
Carrying amount	
At 31 December 2023	1
At 31 December 2022	1

12 Subsidiaries

Details of the company's subsidiary at 31 December 2023 and 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Link Scheme Ltd	RSM Central Square, 5th Floor, 29 Wellington Street, Leeds, LS1 4DL	Operating the LINK network	Ordinary	100.00

13 Debtors

	Group 2023 £	2022 £	Company 2023 £	2022 £
Amounts falling due within one year:				
Trade debtors	-	2,100	-	-
Corporation tax recoverable	37,835	-	-	-
Amounts owed by group undertakings	-	-	172,052	142,976
Other debtors	9,273	11,082	-	-
Prepayments and accrued income	1,905,754	1,771,038	19,340	19,728
	1,952,862	1,784,220	191,392	162,704
Deferred tax asset (note 17)	-	3,031	-	-
	1,952,862	1,787,251	191,392	162,704

Amounts owed by group undertakings are unsecured, repayable on demand and no interest is charged.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14 Creditors: amounts falling due within one year

	Group 2023 £	2022 £	Company 2023 £	2022 £
Trade creditors	380,781	125,102	-	-
Corporation tax payable	-	452,019	-	5,965
Other taxation and social security	425,090	432,502	-	-
Deferred income	10,467,157	8,154,265	-	-
Direct commissioning liability	970,480	859,614	-	-
Accruals	1,143,591	1,095,662	16,656	16,965
	<u>13,387,099</u>	<u>11,119,164</u>	<u>16,656</u>	<u>22,930</u>

Included within deferred income is £nil (2022: £137,550) relating to development funds, £9,615,836 (2022: £6,966,628) relating to direct commissioning and access to cash, £16,613 (2022: £92,558) relating to the Community Cash Advisory Panel, £292,883 (2022: £402,321) relating to the co-ordinating body and £541,825 (2022: £555,208) relating to interchange challenge.

The direct commissioning liability of £970,480 (2022: £859,614) represents incentives payable to ATM operators over a period of five years from the date of installation under the LINK Direct Commissioning Programme.

15 Creditors: amounts falling due after more than one year

	Group 2023 £	2022 £	Company 2023 £	2022 £
Direct commissioning liability	2,041,927	2,230,565	-	-
	<u>2,041,927</u>	<u>2,230,565</u>	<u>-</u>	<u>-</u>

The direct commissioning liability of £2,041,927 (2022: £2,230,565) represents incentives payable to ATM operators over a period of five years from the date of installation under the LINK Direct Commissioning Programme.

16 Provisions for liabilities

	Notes	Group 2023 £	2022 £	Company 2023 £	2022 £
Deferred tax liabilities	17	33,620	-	-	-
		<u>33,620</u>	<u>-</u>	<u>-</u>	<u>-</u>

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

17 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2023	Liabilities 2022	Assets 2023	Assets 2022
Group	£	£	£	£
Accelerated capital allowances	33,620	-	-	3,031

The company has no deferred tax assets or liabilities.

	Group 2023	Company 2023
	£	£
Movements in the year:		
Asset at 1 January 2023	(3,031)	-
Charge to profit or loss	36,651	-
Liability at 31 December 2023	33,620	-

The deferred tax liability set out above is expected to reverse within 12 months and relates to the accelerated capital allowances that are expected to mature within the same period.

18 Legal status of the company

The company is limited by guarantee and therefore has no share capital. In the event that the company is wound up the members together with any member in the preceding 12 months, are liable to contribute to the company up to a maximum of £1.

19 Reserves

Capital contribution reserve

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, in the years from 2017 to 2022 calls totalling £5,096,280 were received and recognised as capital contributions. A further £1,052,812 has been received and recognised in 2023 (2022: £620,835). The value of this reserve will be considered annually and amended in line with operational expenditure.

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

19 Reserves (Continued)

The cumulative capital contributions at the year end amounted to:

	2023 £	2022 £
Vocalink Advance payments of discount to Members	3,485,700	3,485,700
Transfer of Scheme surplus from Vocalink	825,514	825,514
IOSCO Call	6,149,092	5,096,280
	<u>10,460,306</u>	<u>9,407,494</u>

Profit and loss account

The cumulative profit and loss reserves of the group consist of the retained cumulative surplus of £724,257 (2022: £804,682).

The cumulative profit and loss reserves of the company consist of the retained cumulative surplus of £174,737 (2022: £139,775).

20 Cash generated from operations

	2023 £	2022 £
(Loss)/profit for the year after tax	(80,425)	1,897,539
Adjustments for:		
Taxation (credited)/charged	(1,184)	446,716
Investment income	(538,047)	(87,685)
Capital contribution from IOSCO Call	1,052,812	620,835
Depreciation of tangible fixed assets	87,580	60,263
Movements in working capital:		
Increase in debtors	(101,769)	(684,839)
Increase in creditors	218,424	436,321
Increase in deferred income	2,312,892	1,257,188
Cash generated from operations	<u>2,950,283</u>	<u>3,946,338</u>

21 Analysis of changes in net funds - group

	1 January 2023 £	Cash flows £	31 December 2023 £
Cash at bank and in hand	21,729,020	2,727,395	24,456,415

LINK SCHEME HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

22 Financial commitments, guarantees and contingent liabilities

Financial commitments

The group had entered into contracts with ATM operators for the payment of incentives under the LINK Direct Commissioning Programme for a total value of £363,352 at 31 December 2023 (2022: £150,506) where the ATMs had not yet been installed and hence the liability is not included in the financial statements.

23 Operating lease commitments

Lessee

At the reporting end date the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Within one year	79,152	79,152	-	-
Between one and five years	263,479	316,608	-	-
In over five years	-	26,023	-	-
	<u>342,631</u>	<u>421,783</u>	<u>-</u>	<u>-</u>

24 Controlling party

The directors consider there to be no ultimate controlling party.