UK Finance Limited

Annual Report and Financial Statements

1 January to 31 December 2019

Company no.
10250295

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

Our Purpose

To champion a thriving banking and finance industry, acting always in the best interests of consumers, businesses and wider society.

Our Objectives

- Enhancing competitiveness
- Supporting customers
- Facilitating innovation

Our Values

- **Integrity.** We act transparently and ethically for the good of our members as well as their customers and wider society. We seek to enhance trust in the banking and finance industry.
- **Excellence.** We lead from the front as a beacon of quality, inspiration and best practice.
- **Leadership.** We are proactive and innovative in helping to shape tomorrow's banking and finance landscape.

Contents

Officers and professional advisers

Directors

The directors who served during the period under review and up until the date of signing the financial statements were:

Chair	Bob Wigley (Appointed 01 March 2017)
Chief Executive Officer	Stephen Jones (Appointed 24 May 2017)
Other Board members	Ashok Vaswani (Appointed 01 July 2017, resigned 30 June 2019) Chief Executive Officer Barclays UK
	Clare Woodman (Appointed 01 July 2017) Chief Executive Officer, EMEA Morgan Stanley
	John Stuart (Appointed 01 July 2017) Chief Executive Officer HSBC UK
	James Bardrick (Appointed 18 August 2016, resigned 30 June 2019) Chief Executive Officer Citigroup Global Markets Limited
	Joanna Elson, OBE (Appointed 01 July 2017) Chief Executive Officer Money Advice Trust
	Joe Garner (Appointed 01 July 2017) Chief Executive Officer Nationwide Building Society
	Mark Sismey-Durrant (Appointed 24 June 2016, resigned 30 June 2019) Former Chief Executive Officer Hampshire Trust Bank Chair of Audit & Oversight Committee to 30 June 2019
	Miles Celic (Appointed 01 July 2017) Chief Executive Officer TheCityUK
	Lord Nick Macpherson (Appointed 11 October 2017) Chairman C. Hoare & Co

UK FINANCE

(continued)

Paul Gallagher (Appointed 24 June 2016)
Chief Executive Officer
ABN AMRO UK
Chair of Audit & Oversight Committee from 01 July 2019

Paul Lynam (Appointed 24 June 2016)
Chief Executive Officer
Secure Trust Bank

Peter Smith (Appointed 01 July 2017)
Co-Founder & Chief Executive Officer
Blockchain

Ron Kalifa (Appointed 01 July 2017, resigned 30 June 2019)
Deputy Chairman and Executive Director
Worldpay

Tracey McDermott (Appointed 01 July 2017)
Head of Corporate, Public and Regulatory Affairs
Standard Chartered

Vimlesh Maru (Appointed 01 July 2017)
Group Director, Retail
Lloyds Banking Group

Charlotte Duerden (Appointed 23 April 2018)
UK Country Manager
American Express UK

David Duffy (Appointed 01 July 2017)
Chief Executive Officer
Virgin Money UK

Mark Barnett (Appointed 26 September 2018)
Division President, UKINB
Mastercard

Charlotte Benham Crosswell (Appointed 26 November 2018)
Chief Executive Officer
Innovate Finance

Mark Parsons (Appointed 5 December 2018, resigned 17 April 2020)
Chief Executive Officer
Coventry Building Society

David Postings (Appointed 26 September 2018)
Global Chief Executive Officer
Bibby Financial Services

Susan Allen (Appointed 16 September 2019)
CEO Retail and Business Banking
Santander UK

(continued)	Charlotte Hogg (Appointed 16 September 2019, resigned 07 May 2020) Chief Executive Office, Europe Visa
	Leslie Matheson (Appointed 05 December 2019) Chief Executive, Personal Banking Royal Bank of Scotland
	Anne Marie Verstraeten (Appointed 13 February 2020) UK Country Head BNP Paribas
	Ruth Leas (Appointed 07 May 2020) Chief Executive Officer Investec Bank plc
	Stephen Hughes (Appointed 07 May 2020) Chief Executive Officer Coventry Building Society
	Beatriz Martin Jimenez (Appointed 07 May 2020) UK Chief Executive / Global Chief Operating Officer, Investment Bank UBS
	Anne Boden (Appointed 07 May 2020) Chief Executive Officer Starling Bank

Registered number

10250295

Registered office

5th Floor
1 Angel Court
London
EC2R 7HJ

Auditor

Deloitte LLP

London

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

UK Finance Limited (the 'Company', or 'UK Finance') is the collective voice for the banking and finance industry. Our members are large and small, national and regional, domestic and international, corporate and mutual, retail and wholesale, physical and virtual, banks and non-banks. Our members' customers are individuals, corporates, charities, clubs, associations and government bodies, served domestically and cross-border. These customers access a wide range of financial and advisory products and services, essential to their day-to-day activities.

We work for and on behalf of our members to promote a safe, transparent and innovative banking and finance industry. We offer research, policy expertise, thought leadership and advocacy in support of our work. We provide a single voice for a diverse and competitive industry. Our operational activity enhances members' own services in situations where collective industry action adds value.

We do so to champion a thriving banking and finance industry, acting always in the best interests of consumers, businesses and wider society through:

- Enhancing competitiveness
- Supporting customers
- Facilitating innovation

Review of the business

Since the formation of UK Finance we have focused on significant, value-adding cross-cutting work, including in areas such as Brexit analysis and planning; digital, technology and cyber; economic crime; and on aspects of consumer vulnerability and financial inclusion. This year the Covid-19 pandemic has already demonstrated the value we can offer members through our work with government, regulators and the banking and finance industry. We have facilitated the industry coming together to develop solutions across policy and practice for the good of businesses and consumers at a time of unprecedented change and upheaval.

In **2019**, some of the key successes delivered for our members include:

- In Mortgages the team had extensive engagement with the FCA on the follow up work from the Mortgage Market Study, in particular on how customers on reversion rates and in closed books can be supported. It also worked with regulators and members on the challenges in the transition from LIBOR, including publishing a contract toolkit with associate member Pinsent Mason.

- The Digital, Tech and Cyber PSB was set up last year to steer UK Finance's work on digital innovation, data protection and data ethics, and cyber security. It was closely involved with the establishment of the Financial Sector Cyber Collaboration Centre (FSCCC), a public-private partnership that aims to improve the cyber resilience of the entire UK finance sector. UK Finance has been working with firms from retail and wholesale banking, market infrastructure, insurance and payments as well as partners from government, law enforcement and regulators to ensure that the services provided are fit for purpose and create tangible improvements to the sector.

- The IFABL team carried out substantial work to demonstrate the likely impact on lending of the proposed return of secondary preferential creditor status for HMRC. The team also successfully advocated for delay to and review of the introduction of reverse charge for VAT in the construction services sector. Detailed work has begun on assessing the particular issues arising from the transition from LIBOR to SONIA.

- In Economic Crime, UK Finance coordinated an industry and consumer group that put in place a voluntary code against authorised push payment (APP) scams, which launched in May 2019. We represent our members on the Joint Money Laundering Intelligence Taskforce (JMLIT) and are working with the National Crime Agency (NCA) to support JMLIT to develop approaches to sharing information and broadening the reach and representation, including to the insurance sector. We worked with government, law enforcement regulators and our members to develop the joint Public Private Economic Crime Plan which launched in July, setting out a comprehensive framework of where and how we will work together to detect and deter economic crime.

- In FRPC, UK Finance worked with the PRA to discuss the challenges for members that model credit risk in becoming 'IRB Repair programme' compliant, at the same time as shortening the days past due input into the definition of default from 180 to 90 days. We were given observer status to the joint PRAFCA Financial Climate Risk Forum in March. We published a joint report with Linklaters on ethics in banking and finance, and picked up on the themes explored in this in our autumn 'strategic purpose' series at which we addressed issues from three key stakeholder perspectives – colleagues, customers and the wider community, in the form of climate responsibility. UK Finance endorsed the UN Principles for Responsible Banking during the September UN General Assembly in New York.

- In Cards, we sought early engagement with the FCA and key industry stakeholders in advance of the FCA's Credit Information Market Study to influence the content and tone of the terms of reference. We engaged HMT and the FCA on core regulatory policy issues, including the failure of Thomas Cook failure, co-ordinating customer claims guidance, forbearance support for impacted employees and pro-active fraud awareness campaigns.

- The Personal Finance team responded to the FCA's Strategic Review of Retail Banking Business Models Final Report and highlighted members' concerns that the conflation of multiple uncoordinated and un-sequenced regulatory and legislative proposals over the short to medium term will increase operational risks in the banking and financial services sector considerably. UK Finance responded to the Access to Cash Review recommendations by announcing the UK banking and finance industry's commitment to helping local communities identify and secure appropriate free access to cash.

- In Capital Markets and Wholesale, UK Finance, in partnership with Ashurst, published our Senior Managers Certification Report Survey, the first survey of its type post-implementation. In response to the authorities' "Dear CEO" letter, we wrote to the Bank of England highlighting factors key to a successful LIBOR transition. We joined the Bank of England Sterling Risk-Free Rate Working Group, a number of Bank of England sub-committees, and we serve as a key interlocutor with policy makers.

- In Commercial Finance, UK Finance supported the development and implementation of a new independent dispute resolution service for business customers, the BBRS (Business Banking Resolution Service), through member and stakeholder engagement and via our role as observer on the Implementation Steering Group. UK Finance continued to work with members, government and business groups to minimise industry and customer disruption as a result of the UK leaving the EU. Our ongoing "Let's Talk Business" campaign was launched to drive business readiness by encouraging SMEs to consider their external finance needs and ensure they know where to go for information.

- In Payments we worked closely with the Payment Systems Regulator to we develop a realistic timetable for the implementation of Confirmation of Payee, in collaboration with Pay.UK. We successfully negotiated continued membership of the Single Euro Payments Area (SEPA) on behalf of the UK in a 'no-deal' Brexit scenario. We led the industry response to the Thomas Cook failure, helping coordinate payment claims for hundreds of thousands of customers, supporting industry forbearance for former employees, and pre-empting fraudulent activity with proactive campaigns. We convened the industry's consideration of the future supply chain model for wholesale cash working with the Bank of England on the end state model, business case and transition plan.

In addition to this work we continue to support major industry projects on behalf of our members. These projects are diverse in nature and include:

- The Strong Customer Authentication programme, a response to the Payment Service Directive and Regulatory Technical Standards, that aims to reduce fraud and increase security
- Wholesale Cash Supply Chain Programme, ensuring a proposal is presented of an efficient new model for wholesale cash distribution
- Open Banking, establishing an industry and stakeholder group to assess and recommend a future operating model for Open Banking
- Authorised Push-Payment Contingent Reimbursement Model (APP CRM), supporting operationalisation of the APP CRM voluntary code including oversight of the interim no-blame fund

We continued to engage closely with government and regulators on important topics to our members and their customers. This involved facilitating a number of member committees, working groups and project groups and engaging with stakeholders. The Company has focused on leading the debate on the future of financial services and the role of the banking and finance industry in areas such as consumer vulnerability, sustainability and operational risk. In 2019 we published 15 thought leadership papers, including 'SMCR: Evolution and Reform'; 'Artificial Intelligence in Financial Services'; and 'Mid-tier Banking: Creating a Level Playing Field for Competition'. As part of our drive to provide valuable and thought-provoking content and thought leadership to the sector, we also published 140 blogs and numerous discussion papers as well as requests for information and written parliamentary submissions.

At the end of 2019 we had 268 members, growing numbers of whom have taken advantage of the breadth of expertise within UK Finance and joined one or more of our focused product and service streams. Our member retention rate rose from 97% in 2018 to 99% in 2019. We also have 189 associate members, as of the end of 2019. Our associates are a highly-valued community within UK Finance, providing significant capacity and capability, as well providing financial support against our priority objectives and work programme.

Our members benefited from our extensive range of events, training, data services, webinars and networks. During 2019 we welcomed over 6,200 delegates at our conferences, lunches and dinners. Our 'marquee' events, including the Digital Innovation Summit, Economic Crime Congress and Festival of Finance, were both well attended and well received by members. Meanwhile 20,400 delegates attended UK Finance workshops and academies. These value-add products and services add considerable value to the membership proposition and support the financial sustainability of UK Finance.

Strategic priorities

The six key priority areas driving forward and informing our engagement with members and other stakeholders in 2020 are as follows:

1. Purpose

We champion and drive actions across the banking and finance industry that are taken to benefit the long-term interests of consumers, businesses and wider society:

- Promoting and delivering a long-term approach through establishing clear non-financial public KPIs against which performance is measured
- Ensuring financial inclusion, households and home ownership and access to finance are at the centre of our work
- Addressing vulnerability and persistent debt
- Working in partnership with the public sector, NGOs and relevant industries to tackle shared global challenges of economic crime, rapid technological advancement and changing demographics

2. Competitiveness and our place in the world

We focus on ensuring the competitiveness of the UK banking and finance industry on the global stage before, during and after the UK's departure from the EU:

- Preserving and enhancing the UK's position as a leading global centre for finance and innovation
- Advocating our members' priorities for any trade/market access arrangements between the UK and other jurisdictions (including the EU post-Brexit)
- Attracting, retaining and developing the best talent for the industry

3. A regulatory framework fit for all

We represent our members' interests in the development of the regulatory framework for financial services:

- Promoting better coordination of regulatory interventions by UK bodies with jurisdiction over the finance and banking industry
- Responding to the challenges identified by the Bank of England's review of the Future of Finance
- Informing HM Treasury's financial services future regulatory framework review, particularly to promote proportionality of regulation in line with systemic importance
- Supporting the development of global standards and promoting regulatory convergence in their regional implementation
- Ensuring the appropriate alignment of UK regulation and supervision with the EU, US and other major jurisdictions

4. Digital innovation and data

We promote digital innovation across the banking and finance industry in a responsible, inclusive and ethical way that protects customer data:

- Developing and enhancing payments systems for the benefit of customers
- Helping members adapt to rapid technological change
- Supporting the responsible adoption of machine learning and artificial intelligence

5. Resilience, security and transparency

We want the UK to be the safest and most transparent place from and in which to do financial business:

- Identifying risks and solutions across different areas of operational resilience
- Working with members to facilitate the transition from LIBOR to SONIA
- Tackling economic and cyber-crime in partnership with the public sector and other industries

- Highlighting the societal cost and impact of financial crime and developing solutions, in areas such as modern slavery, human trafficking and terrorism
- Protecting customers and members from fraud

6. Sustainability

We help the banking and finance industry play a key role in supporting a sustainable future as firms embed climate risk and green finance into the heart of their business models:

- Supporting businesses to adapt to the changing requirements and impacts of a net-zero carbon economy
- Encouraging members to commit to non-financial disclosures and take a longer-term approach
- Promoting solutions on green finance that address the needs of society and the environment

Results and performance

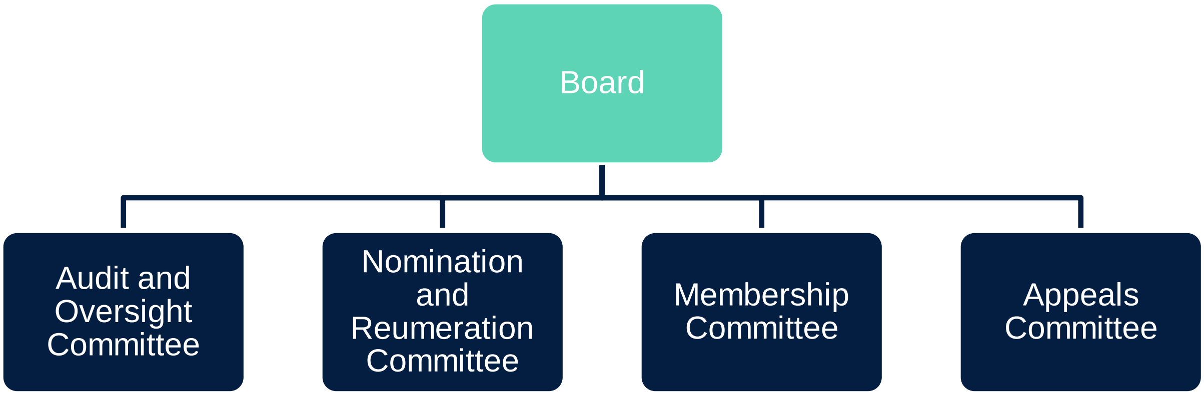
A key performance indicator by which UK Finance measures its performance is member engagement, which is monitored through an annual survey of our members. The survey is conducted to ensure that our governance structure is providing a fair representation and voice to our diverse membership, and to find out if we are focused on the issues and outcomes that are a priority to our membership. The 2019 survey results demonstrated our positive impact and provided a strong foundation for our future work:

- Satisfaction: 97% (2018: 91%) positive views – members record high levels of satisfaction in UK Finance
- Effectiveness: 93% (2018: 89%) positive views – UK Finance is generally seen as an effective organisation
- Influence: 84% (2018: 84%) positive views – UK Finance has become influential and respected among key stakeholders since its creation
- Expertise: 92% (2018: 87%) positive views – UK Finance is seen as having a strong grasp of the key issues facing the industry

UK Finance measures its financial performance using the key performance measures of net income, net surplus, balance sheet strength and longer-term financial resilience as measured by net asset position. In line with our plan we reported a profit in 2019, and the surplus assets arising from the acquisition of Cash Services and from winding up of the legacy trade associations were credited directly to reserves as capital contributions. As a result, our deficit has reduced by £918,624 in 2019 to stand at £7,386,943 at 31 December 2019 as we continue our trajectory towards eliminating the deficit in net assets in line with our longer-term financial plan.

Corporate governance

Our corporate governance has been developed to ensure effective management of the organisation and its priorities, within budget and ensuring member value, in line with the performance expectations through the defined key performance indicators.



Board
UK Finance's Board has been developed to ensure senior and fair representation across the industry. The Board leads key strategic, industry-wide issues at a senior level, with responsibility for the overall approach to promoting the industry's reputation and building customer trust. The Board focuses on the breadth of issues across the financial services sector including ethics, financial inclusion, financial fraud and economic crime, access to markets and diversity.UK Finance's Board ensures the consumer voice is represented via the inclusion of a strong, independent consumer champion.

The Board is the ultimate decision-making body of UK Finance, responsible for setting its strategy, culture, objectives, budget and brand. It has a responsibility to ensure that all members have their interests properly represented.

Committees of the Board

Nominations and Remuneration Committee
The Committee leads and advises the Board on matters relating to Board governance, appointments and remuneration of senior staff. It leads and advises the Board on the (re)appointment of the Chair, Chief Executive and Non-Executive Directors of UK Finance and overall process for appointments. It sets the remuneration policy for the Chair, CEO and all Senior Management (Managing Directors and Directors of UK Finance). It also reviews and advises on the Board's governance, composition and mechanisms to review the effectiveness of the Board in order to promote high standards of governance in line with established best practice where relevant.

Audit and Oversight Committee
The Audit and Oversight Committee has been established by the Board in line with good corporate governance to oversee aspects relating to the internal control, financial and risk management of the Company. The Audit and Oversight Committee is an advisory body, reporting to the Board. It is comprised of three Non-Executive Board Directors with voting rights and attended by the CEO and COO. The external audit function is provided by Deloitte and internal audit is undertaken by Protiviti.

Membership Committee
The Membership Committee has been established, in line with our Articles of Association, to fairly consider applications for membership that could not be approved by the Membership Officer. It is also the formal mechanism to carry out procedures for the expulsion of members where appropriate. The Membership Committee has not yet been required to undertake those duties and instead has provided a forum to consider the relevance of UK Finance's membership criteria and approach to ensuring member value and satisfaction.

Appeals Committee
The Appeals Committee has been established for dealing with appeals against rejections of applications for membership and expulsions of members. It has not yet been required.

Management Committee
The Management Committee (MCo) is the senior internal decision-making body. It leads and oversees the implementation of the vision, values, strategy and activities of UK Finance, including delivery of business plans and financial targets in line with the Board's strategic direction. It is responsible for managing the operations, performance, risk mitigation, resource allocation and financial position (including revenue generation) of the organisation within the strategic framework set by the Board, reporting to the Board as appropriate. Two Committees report to MCo. These are Policy Committee and Operational Committee.

The role of the Policy Committee is to provide challenge, guidance and approval of policy initiatives to ensure that they best support members' desired outcomes and are prioritised and risk assessed appropriately.

The role of the Operational Committee is to provide challenge, guidance and approval on operational initiatives and programmes to ensure that they best support the effective and efficient delivery of the UK Finance remit.

Risk management

Risk management framework
UK Finance actively manages risk, engaging with the Board and its Committees. The Board has overall responsibility for monitoring the effectiveness of UK Finance's internal control and receives regular reports from the Audit and Oversight Committee. The Board considers the strategic risk register, following its review by the Audit and Oversight Committee. The Board is also responsible for defining the organisation's risk appetite, which is formally reviewed at least once a year.

The Audit and Oversight Committee advises the Board on the adequacy of UK Finance's risk management policies and procedures, the extent to which they are applied, and the reliability and integrity of assurances. Assurances are provided by the work of external and internal audit, regular reviews by the Risk & Assurance Director, annual assurance statements from Management Committee members, and regular reports provided to the Audit and Oversight Committee on significant risks. The Management Committee regularly review, challenge and assess the risks faced by UK Finance in achieving its objectives.

To ensure that our risk management framework is effective and aligned to the requirements of the organisation, a review of our risk management framework is undertaken periodically by management and as part of the internal audit plan. The recommendations that emerge from the reviews form part of an ongoing programme to improve our risk management framework.

UK Finance's risk management policy and procedures clearly define its approach to risk management, as well as identifying specific risk management roles, accountabilities and responsibilities across the organisation.

UK Finance's strategic risk register is reviewed quarterly by the Management Committee and the Audit and Oversight Committee, and regularly by the UK Finance Board. During the past year, the strategic risk register has continued to evolve, to enable the Management Committee to focus on the key risks that might undermine the delivery of the organisation's objectives, and their mitigating actions.

Departmental level risks are reviewed by the Managing Directors, their senior management teams and the Risk and Control Manager at least quarterly and escalated onto the strategic risk register where appropriate.

Senior managers are responsible for ensuring that colleagues have the appropriate skill levels to identify, assess and manage risk in line with UK Finance's policy to embed and support a culture of well-managed risk. In support of senior managers' role in championing the risk process, the Risk and Controls Manager works across all areas of the organisation to promote and integrate the risk management process and to support and inform colleagues.

Principal risks and uncertainties

The table below details the principal risks and uncertainties that UK Finance is currently facing.

Type	Principal risk description
Data Security and integrity	That sensitive data is shared inappropriately, by error, or through data theft, or is found to be incomplete or inaccurate.
Deliver value to members	That there might be a loss of membership or commercial revenues if UK Finance were not to deliver the value to members and others that they expect, in part through not creating enough capacity to be flexible and agile in responding to changing circumstances.
Reputation	That our reputation with key stakeholders is damaged through issues with relationship management or negative media coverage.
Commercial activity	That the Associate, Members Events, and Training propositions generate less income than planned, through sub-optimal design, and/or inadequate marketing or resourcing.
Financial	That we do not demonstrate ongoing financial resilience or sustainability.

UK Finance actively manages mitigating actions to control these and other risks.

As the majority of income is paid in advance by members, the Company is not materially exposed to credit, liquidity or cash flow risks and the Company, therefore, does not use financial instruments to manage financial risk.

Approved by the Board and signed on its behalf by:

Stephen Jones
Director and Chief Executive Officer
07 May 2020

Directors' report

The directors present their report on the affairs of UK Finance Limited together with the financial statements and auditors' report, for the year ending on 31 December 2019.

Principal activity

UK Finance is a company limited by guarantee whose principal activity is to work for and on behalf of our members to promote a safe, transparent and innovative banking and finance industry.

Future developments

Details of future developments can be found in the Strategic report section on page 10.

Political donations and political expenditure

UK Finance made no political donations and incurred no political expenditure in the year ending 31 December 2019 or for the year ending 31 December 2018.

Employees

Our employee values are integral to the way we work. They inform everything that we do and are core to our operations. Our three core values are:

- Integrity – We act transparently and ethically for the good of our members as well as their customers and wider society. We seek to enhance trust in the banking and finance industry.
- Excellence – We lead from the front as a beacon of quality, inspiration and best practice.
- Leadership – We are proactive and innovative in helping to shape tomorrow's banking and finance landscape.

Colleague Engagement

UK Finance engages with staff through an annual colleague engagement survey and through pulse surveys. The two surveys undertaken during 2019 showed continued progress across all pillars of engagement and reflect the continued investment by management.

Women in Finance

UK Finance is committed to the HM Treasury Women in Finance Charter (the 'Charter'). The Charter is a commitment by HM Treasury and signatory firms to work together to build a more balanced and fairer financial services industry. The Charter was a recommendation following a review by Dame Jayne-Anne Gadhia DBE into harnessing the talents of women in finance, with a focus on fairness, equality and inclusion.

A balanced and diverse workforce is good for business, helping create fairer and more inclusive working environments which boost creativity and productivity, ultimately better serving everyone from customers to shareholders. Recognising this, UK Finance, the body that represents around 300 of the leading firms providing finance, banking, markets and payments-related services in or from the UK, has signed up to the HM Treasury Women in Finance Charter.

We have set ourselves the target of achieving 40% female representation within senior management by January 2021 (as at 31 December 2019: 37%) and aspire to achieve gender parity over the medium term.

Living Wage

As a London Living Wage employer, UK Finance is proud to be a supporter of the Living Wage Foundation, the independent movement of organisations, businesses and people campaigning for a real living wage based on the cost of living, not just the government determined minimum wage.

UK FINANCE

Post balance sheet events: Covid-19

Since the year-end the Covid-19 pandemic has dominated the global agenda. As the situation with Covid-19 in the UK evolves many consumers and businesses have questions about how the banking and finance industry will be able to support them to access the finances, support and guidance they need.

We have helped to facilitate the industry coming together to develop solutions to support customers at a time of unprecedented change and upheaval. Related to this, we are providing businesses and consumers with up to date details of the support available, whether in the form of business loans or assistance with mortgage payments, and where to go for advice, via a dedicated section on our website at www.ukfinance.org.uk/covid-19.

We are also mindful of the potential impact to our business as a result of the unprecedented measures introduced by Governments worldwide in response to the Covid-19 pandemic, and this has been factored into our assessment of Going concern – see below for further details.

Going concern

As at the balance sheet date UK Finance has accumulated losses of £7.4m (2018: £8.2m), the reduction being driven by legal trade association cash transfers and the reported surplus in 2019. In addition, six of the prefunding institutions have provided a guarantee to the landlord of Angel Court with assurance that the rent will be paid for the full 15-year term of the lease.

The Board has reviewed and approved a fully evaluated budget for 2020, and an updated high-level forecast for 2020 reflective of the estimated impacts of covid-19. It has also reviewed longer-term high-level projections which demonstrate that the underlying activities of UK Finance will be profitable over the course of the plan and generate ongoing surpluses to repay the liabilities and, over time, achieve a net asset position. The projections include an appropriate level of conservatism/prudence.

After considering the above, the directors are satisfied that the Company has sufficient liquidity to meet obligations as they fall due for at least one year from the date the financial statements are approved, and that UK Finance will continue to operate as a going concern.

Directors

Details of the directors can be found in the Officers and professional advisers section on page 4.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;

- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' indemnities

The Company has qualifying third party indemnity provisions for the benefit of its directors which were in force during the period and remain in force at the date of this report.

Directors' confirmations

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Stephen Jones

Director and Chief Executive Officer
07 May 2020

UK FINANCE

Independent auditor's report to the members of UK Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of UK Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

UK FINANCE

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

UK FINANCE

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

AJ Morley

Alastair Morley, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

07 May 2020

UK FINANCE

Profit and loss account

For the year ended 31 December 2019

	Note	31-Dec-19	31-Dec-18
		£	£
Revenue	3	48,064,374	37,528,022
Cost of sales		(2,747,000)	(1,169,088)
Gross profit		45,317,374	36,358,934
Administrative expenses	4	(25,432,883)	(20,045,722)
Staff costs	5	(19,406,073)	(17,496,665)
Operating profit/(loss)		478,418	(1,183,453)
Finance costs	7	(188,670)	(191,051)
Profit/(loss) on ordinary activities before taxation	8	289,748	(1,374,504)
Taxation	9	-	-
Profit/(loss) for the year		**289,748**	**(1,374,504)**

All results relate to continuing activities.

Other comprehensive income

There were no items of other comprehensive income in the period (2018: Nil).

Balance sheet
As at 31 December 2019

	Note	31-Dec-19	31-Dec-18
		£	£
Fixed Assets			
Intangible assets	10	6,983,811	7,313,303
Tangible assets	11	4,308,614	5,074,596
		11,292,425	12,387,899
Current Assets			
Debtors due within one year	12	22,482,311	20,654,220
Cash at bank		13,880,928	6,968,772
		36,363,239	27,622,992
Total assets		47,655,664	40,010,891
Liabilities			
Creditors: amounts due within one year	14	(40,113,719)	(30,088,784)
Total assets less current liabilities		7,541,945	9,922,107
Creditors: amounts due after more than one year	15	(13,863,887)	(17,051,264)
Provisions for liabilities	16	(1,065,001)	(1,176,410)
Net assets		**(7,386,943)**	**(8,305,567)**
Capital and reserves			
Accumulated fund	17	**(7,386,943)**	**(8,305,567)**

The financial statements of UK Finance Limited, registered number 10250295, were approved by the board of directors and authorised for issue on 07 May 2020. They were signed on its behalf by:

Stephen Jones

Director and Chief Executive Officer

UK FINANCE

Cash flow statement

For the year ended 31 December 2019

	31-Dec-19	31-Dec-18
	£	£
Cash flows from operating activities		
Operating profit/(loss)	289,748	(1,374,504)
Depreciation and amortisation	1,731,546	2,106,589
Net finance costs	173,573	191,051
(Increase)/decrease in trade and other receivables	(1,828,091)	5,087,679
Increase/(decrease) in trade and other payables	6,837,558	(299,950)
Decrease in provisions	(111,410)	(1,082,269)
Net cash inflow/(outflow) from operating activities	**7,092,924**	**4,628,596**
Cash flows from investing activities		
Purchase of property, plant and equipment	(62,878)	(26,496)
Purchase of intangible assets	(573,194)	-
Interest paid	(173,573)	(191,051)
Net cash outflow from investing activities	**(809,644)**	**(217,547)**
Cash flows from financing activities		
Legacy trade association transfer	628,876	400,000
Net cash inflow from financing activities	**628,876**	**400,000**
Increase in cash and cash equivalents	**6,912,156**	**4,811,050**
Cash and cash equivalents at beginning of the year	**6,968,772**	**2,157,722**
Increase in cash and cash equivalents	6,912,156	4,811,050
Cash and cash equivalents at end of the year	**13,880,928**	**6,968,772**

Statement of changes in equity

For the year ended 31 December 2019

	31-Dec-19	31-Dec-18
	£	£
At start of year	(8,305,567)	(15,081,063)
Profit/(loss) for the year	289,748	(1,374,504)
	(8,015,819)	(16,455,567)
Legacy trade association transfer	628,876	400,000
Waiver of pre-funder amounts	-	7,750,000
At end of year	**(7,386,943)**	**(8,305,567)**

Legacy trade association transfer represents the surplus of assets of the Financial Fraud Action and UK Cards UK legacy trade associations which were transferred to UK Finance following their winding up, as well as the surplus assets transferred relating to the Cash Services acquisition.

In 2018 prefunding institutions agreed to irrevocably waive the right to repayment of 50% of their prepaid future membership subscriptions. This was credited directly to reserves as a capital contribution and improved the balance sheet position by £7,750,000.

Notes to the financial statements

For the year ended 31 December 2019

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

a. General information and basis of accounting

UK Finance Limited is a private Company limited by guarantee incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 6.

This accounting period runs from 1 January 2019 to 31 December 2019, with comparatives for the year ended 31 December 2018.

The principal activities of the Company and the nature of the Company's operations are set out in the Strategic report on pages 7 to 14.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with section 1A of Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of UK Finance is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

b. Going concern

The financial statements have been prepared using the going concern basis of accounting. As at the balance sheet date UK Finance has accumulated losses of £7.4m (2018: £8.2m), this improvement being driven by cash transfers received from legacy trade associations and the surplus in the year.

- UK Finance was created in response to the proposed consolidation set out by The Financial Services Trade Associations Review (FSTAR), which was set up by a steering committee of major UK banks and a building society. UK Finance also has the support of its other members who comprise a broad network of around 260 financial institutions;
- Six of the prefunding institutions have provided a guarantee to the landlord of Angel Court with assurance that the rent will be paid for the full 15 year term of the lease;
- The Board has reviewed and approved a fully evaluated budget for 2020, and an updated high-level forecast for 2020 reflective of the estimated impacts of Covid-19 (see below). It has also reviewed longer-term high-level projections which demonstrate that UK Finance will generate surpluses which will, over time, fully mitigate the net liabilities position and ultimately build up reserves. In the intervening period they demonstrate full compliance with funding covenants.

In making their assessment, the directors have considered the impact of the current economic uncertainty as a result of the Covid-19 pandemic. The directors determined that the key risks that the business is exposed to are: a decrease in subscriptions income due to potential loss of members and increased bad debts; decreased commercial income as training and events are either cancelled or postponed due to the current government guidance in relation to social distancing; and increased operational risk as our employees may not be able to work in the office for an extended period of time.

UK FINANCE

Management have considered a variety of stressed scenarios, which assume a reduction to revenue for the rest of 2020 followed by gradual return to more normal levels for commercial income over the following two years. The impact on cash inflows is partially mitigated as the majority of members have already paid subscriptions for 2020 and, even in the most severe of these scenarios, management would be able to take appropriate action to reduce the Company's cost base and mitigate the impact of reduced cash inflows and remain liquid throughout the going concern period. Furthermore, management have fully deployed remote working for all staff.

After considering the above, the directors are satisfied that the Company has sufficient liquidity to meet obligations as they fall due for at least one year from the date the financial statements are approved, and that UK Finance will continue to operate as a going concern.

c. Intangible fixed assets

Commercial business activities

The commercial business activities acquired from the legacy trade associations are capitalised and stated at cost less accumulated amortisation, over a period of 10 years, and less impairment losses.

Brands and trademarks

Separately acquired brand and trademarks are included at cost and amortised in equal annual instalments over a period of five years which is their useful economic life. Provision is made for impairment.

Websites

Acquired websites are included at cost and amortised in equal annual instalments over a period of five years which is their useful economic life. Provision is made for impairment.

Fraud intelligence systems

Separately acquired fraud intelligence systems are included at cost and amortised in equal annual instalments over a period of five years which is their useful economic life. Provision is made for impairment.

Amortisation

Amortisation is charged to the profit and loss on a straight-line basis over the lives of the intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives as follows:

- Acquisition of commercial business activities 10 years
- Brands and trademarks 5 years
- Websites 5 years
- Acquisition of fraud intelligence systems 5 years

d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

UK FINANCE

Notes to the financial statements

For the year ended 31 December 2019

• Leasehold land and buildings	15 years
• Fixtures and fittings	5 years
• Software systems	5 years
• Computer equipment	3 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

e. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being ‘basic’ financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being ‘basic’ financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements

For the year ended 31 December 2019

f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. For the purpose of the Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of the cash-generating unit (CGU), the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

UK FINANCE

Notes to the financial statements

For the year ended 31 December 2019

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements

For the year ended 31 December 2019

(i) Revenue

Revenue is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Where a contract has only been partially completed at the balance sheet date revenue represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

(j) Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

(k) Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, it’s carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Notes to the financial statements

For the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairments of the Company's intangible fixed assets. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability, and expected future performance of that unit.

- Determining whether there are indicators of issues with the recoverability of the Company's trade debtors. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the customer and valuation of assets.

Key sources of estimation uncertainty

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

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial are discussed below.

Impairment of intangible assets

The company determines the recoverable amount of its intangible assets by reference to their value-in-use, assessed using discounted cash flow models. There is judgement in determining the assumptions that are considered to be reasonable, in particular the timing of cash flows and the discount rate to be applied.

Notes to the financial statements

For the year ended 31 December 2019

3. Revenue

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

	31-Dec-19	31-Dec-18
	£	£
Subscriptions invoiced to members	30,301,034	29,143,060
Commercial income	4,737,300	4,287,376
Other income	13,026,040	4,097,586
	48,064,374	**37,528,022**

Other income principally represents charges to members for activities that fall outside of the core membership offerings.

4. Administrative expenses

Administrative expenses comprise of the following:

	31-Dec-19	31-Dec-18
	£	£
Professional & consultancy	10,363,867	3,554,159
Occupancy	2,802,044	2,758,098
Data management and research cost	5,088,534	5,163,453
General & admin expenses	3,809,732	4,878,619
Information technology	1,729,223	2,086,312
Member & external relations cost	351,829	394,582
Publications and subscriptions to other trading bodies	812,922	898,725
Travel and expenses	474,732	311,776
	25,432,883	**20,045,722**

5. Staff costs and numbers

Staff costs, including directors' remuneration, were as follows:

	31-Dec-19	31-Dec-18
	£	£
Salaries and benefits	16,049,730	14,658,627
Social security costs	1,845,646	1,588,582
Pension costs	1,510,697	1,249,456
	19,406,073	**17,496,665**

UK FINANCE

Notes to the financial statements

For the year ended 31 December 2019

The average monthly number of employees, including directors, during the year was as follows:

	31-Dec-19	31-Dec-18
Administrative staff	179	157

6. Directors' remuneration

The Directors' remuneration for the year was as follows:

	31-Dec-19 £	31-Dec-18 £
Remuneration (including benefits in kind)	1,315,000	929,000

The remuneration of the highest paid director was £1,060,000 (2018: £729,000).

7. Finance costs

	31-Dec-19 £	31-Dec-18 £
Loan interest payable	188,669	191,050

8. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging:

	31-Dec-19 £	31-Dec-18 £
Operating lease rentals in respect of land and buildings	1,518,282	1,517,422
Depreciation of tangible assets	828,859	1,203,079
Amortisation of intangible assets	902,686	903,510
Bad and doubtful debt	308,954	173,968
Foreign exchange loss	9,593	3,931
Auditor's remuneration:		
- Statutory audit fees	37,500	35,000
- Tax services	11,882	30,350

UK FINANCE

Notes to the financial statements

For the year ended 31 December 2019

9. Taxation

The tax charge comprises:

	31-Dec-19	31-Dec-18
	£	£
Corporation tax		
Current tax on profits for the year	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax	-	-
Total deferred tax	-	-
Total tax on profit	-	-

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	31-Dec-19	31-Dec-18
Profit/(loss) before tax	289,748	(1,374,504)
Tax on profit/(loss) at standard UK corporation tax rate of 19% (2018: 19%)	55,052	(261,156)
Effects of:		
Expenses not deductible for tax purposes	23,108	37,476
Depreciation in excess of capital allowances	23,166	228,585
Short term timing differences	14,250	(68,147)
Utilisation of tax losses not previously recognised	(115,576)	-
Deferred tax not recognised	-	63,242
Total tax charge for year	-	-

UK FINANCE

Notes to the financial statements
For the year ended 31 December 2019

10. Intangible fixed assets

	Commercial business activities £	Brands and trademarks £	Websites £	Fraud intelligence systems £	Total £
Cost:					
At 31 December 2018	8,307,800	38,000	156,533	165,000	8,667,333
Additions	-	-	-	573,194	573,194
At 31 December 2019	8,307,800	38,000	156,533	738,194	9,240,527
Amortisation					
At 31 December 2018	1,246,170	11,400	46,960	49,500	1,354,030
Charge for the year	830,780	7,600	31,306	33,000	902,686
At 31 December 2019	2,076,950	19,000	78,266	82,500	2,256,716
Carrying amount					
At 31 December 2018	7,061,630	26,600	109,573	115,500	7,313,303
At 31 December 2019	6,230,850	19,000	78,267	655,694	6,983,811

Commercial business comprises the associate membership, events, training and other commercial revenue streams from the old trade associations.

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated as a realised loss.

The intangible fixed assets were assessed for indicators of impairment at the balance sheet date and no write-down in their carrying amount was required.

Notes to the financial statements

For the year ended 31 December 2019

11. Tangible fixed assets

	Leasehold improvements	Fixtures & Fittings	Computer equipment	Software	Total
	£	£	£	£	£
Cost					
At 31 December 2018	3,141,293	2,088,964	1,482,043	19,574	6,731,874
Additions	26,166	36,712	-	-	62,878
At 31 December 2019	3,167,459	2,125,676	1,482,043	19,574	6,794,752
Depreciation					
At 31 December 2018	322,751	512,927	815,729	5,872	1,657,279
Charge for the year	222,620	180,683	421,641	3,915	828,859
At 31 December 2019	545,371	693,610	1,237,370	9,787	2,486,138
Carrying amount					
At 31 December 2018	2,818,542	1,576,037	666,314	13,702	5,074,595
At 31 December 2019	2,622,088	1,432,066	244,673	9,787	4,308,613

Leasehold improvements include £945,889 relating to the dilapidations assessment and included as part of the cost of that asset in accordance with FRS 102.17.10. The corresponding liability is included within provisions for liabilities (Note 16).

12. Debtors

	31-Dec-19	31-Dec-18
Amounts falling due within one year:	**£**	**£**
Trade debtors	20,423,174	19,211,038
Prepayments and accrued income	1,612,318	861,404
Other debtors	446,819	581,778
	22,482,311	**20,654,220**

13. Financial instruments

	31-Dec-19	31-Dec-18
	£	**£**
Carrying amount of financial assets		
Measured at amortised cost	35,549,353	26,828,138
Carrying amount of financial liabilities		
Measured at amortised cost	18,716,470	13,190,312

Notes to the financial statements

For the year ended 31 December 2019

Financial assets measured at amortised cost comprise cash at bank, trade debtors, other others and accrued income. Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and bank loans.

The fair value of these financial instruments is deemed to be equal to the carrying value and, other than cash (level 1), all items have been classified as level 3 in the fair value hierarchy.

14. Creditors: amounts due within one year

	31-Dec-19	31-Dec-18
	£	£
Trade creditors	541,729	855,717
Other taxation and social security	819,623	975,275
Accruals	9,984,511	6,055,354
Deferred income	27,384,062	21,301,840
Other creditors	1,383,795	900,598
	40,113,720	**30,088,784**

Deferred income principally relates to annual memberships invoiced in advance.

15. Creditors: amounts due after more than one year

	31-Dec-19	31-Dec-18
	£	£
Deferred income	3,875,000	7,750,000
Term loan	6,806,436	7,306,436
Other long term creditors	3,182,451	1,994,829
	13,863,887	**17,051,264**

Deferred income represents membership subscriptions received in advance.

UK Finance has a sterling term loan facility with Barclays Bank PLC for £7.7 million. The interest rate on the loan is base rate +1.75% per annum and the loan is fully repayable on 30 September 2022.

Other long-term creditors comprise deferred rent on 1 Angel Court which will be released from February 2020 when the rent-free period ends.

Notes to the financial statements

For the year ended 31 December 2019

16. Provisions for liabilities

	Dilap-idations	Onerous contracts	Total
	£	£	£
At 31 December 2018	1,065,001	111,409	1,176,410
Provided in the year	-	-	-
Utilised in the year	-	(111,409)	(111,409)
At 31 December 2019	**1,065,001**	**-**	**1,065,001**

	Dilap-idations	Onerous contracts	Total
	£	£	£
At 31 December 2017	26,758	1,286,032	1,312,790
Provided in the year	1,038,243	-	1,038,243
Utilised in the year	-	(1,174,623)	(1,174,623)
At 31 December 2018	**1,065,001**	**111,409**	**1,176,410**

Dilapidations – as part of the Company's property leasing arrangements there is an obligation to return the property to an agreed condition at the end of the lease. Following an external valuation in 2018, the directors have estimated the cost of returning the property to the agreed condition in 2032 to be £1,065k when the lease terminates. Therefore, an obligation exists from the outset and a full provision for the associated cost has been made. In accordance with FRS 102.17.10, where a provision is recognised that relates to a specific asset, it is treated as a decommissioning cost and also included as part of the cost of that asset.

Onerous leases – UK Finance agreed to assume liability for certain leases of the legacy trade associations as part of the agreements to transfer their business and assets to UK Finance. To the extent that the unavoidable cost of meeting the obligations under the contracts exceeds the economic benefit expected to be received thereunder, the contract value is recognised as a provision. The remainder of this provision was unwound in 2019.

17. Accumulated fund

As the Company is limited by guarantee, the accumulated fund represents cumulative losses and total recognised gains or losses made by the Company.

18. Operating lease commitments

At the reporting end date, the Company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

Notes to the financial statements

For the year ended 31 December 2019

Operating leases which expire:	Land and buildings 31-Dec-19 £	Land and buildings 31-Dec-18 £
Within one year	1,236,007	-
Within two to five years	5,863,006	5,630,251
After five years	10,730,785	12,199,547
	17,829,798	**17,829,798**

19. Post balance sheet events

Since the year-end the Covid-19 pandemic has dominated the global agenda. Management has considered the potential impact on UK Finance as a result of the unprecedented measures introduced by Governments worldwide in response to the Covid-19 pandemic, and this has been factored into our assessment of Going concern – see Note 1b for further details.