# UK Finance Limited

Company no.
10250295

## Annual Report and Financial Statements

## 1 January to 31 December 2020

UK Finance is the collective voice for the banking and finance industry. Representing almost 300 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

Chair's foreword ....................................................................................................... 4
Officers and professional advisers ............................................................................................. 5
Strategic report ........................................................................................................................ 8
Directors' duties ....................................................................................................................... 8
Review of the business ............................................................................................................ 10
Results and performance ......................................................................................................... 20
Corporate governance ............................................................................................................. 20
Risk management ..................................................................................................................... 22
Directors' report ....................................................................................................................... 24
Independent auditor's report to the members of UK Finance Limited ......................................... 26
Profit and loss account ............................................................................................................. 30
Balance sheet ........................................................................................................................... 31
Cash flow statement ................................................................................................................. 32
Statement of changes in equity ................................................................................................. 33
Notes to the financial statements ............................................................................................. 34
1. Accounting policies ................................................................................................................ 34
2. Critical accounting judgements and key sources of estimation uncertainty .............................. 40
3. Revenue ............................................................................................................................... 41
4. Administrative expenses ........................................................................................................ 41
5. Staff costs and numbers ........................................................................................................ 41
6. Directors' remuneration ......................................................................................................... 42
7. Finance costs ........................................................................................................................ 42
8. Profit before taxation ............................................................................................................. 42
9. Taxation ................................................................................................................................ 43
10. Intangible fixed assets .......................................................................................................... 44
11. Tangible fixed assets ............................................................................................................ 45
12. Debtors ................................................................................................................................ 45
13. Financial instruments ............................................................................................................ 45
14. Creditors: amounts due within one year ................................................................................. 46
15. Creditors: amounts due after more than one year ................................................................... 46
16. Provisions for liabilities ........................................................................................................ 47
17. Accumulated fund ................................................................................................................. 47
18. Operating lease commitments ............................................................................................... 47

UK FINANCE

## Chair's foreword

I wanted to take the opportunity to add a few words to the beginning of this year's Annual Report to reflect on the achievements of UK Finance and our members over 2020.

Last year was a year of phenomenal change for us all, even when physically we barely moved. The Covid-19 pandemic forced us to change the way we live our lives, from how we educate our children to how businesses operate. At the same time, the UK was going through the Brexit transition period and considering what our future looks like outside the EU. Although 2020 was filled with a lot of change and no small amount of uncertainty, I look back at what UK Finance and our members have achieved with a great sense of pride.

This annual report sets out the value that we have delivered to members over the last year. At UK Finance, our clear focus was, and continues to be, to act as the collective voice of our industry and to advocate on behalf of our members to enhance competitiveness, support customers and facilitate innovation.

We know that the banking and finance industry plays a crucial role in people's lives in normal times, but this role became even more significant through the pandemic. In this time of national crisis, understandably there was a lot of attention on how we and our members would respond to the changing needs of our customers and I believe that we have collectively risen to that challenge.

Looking ahead to 2021, the future continues to be uncertain but there are also many opportunities for us as an industry. As ever, UK Finance stands ready to help champion the needs of our members through whatever lies ahead.

Bob Wigley

Director and Chair, UK Finance

# 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 1 March 2017) |
| **Chief Executive Officer** | David Postings (Appointed to the Board 26 September 2018 and appointed as CEO UK Finance 1 January 2021) |
| | Stephen Jones (Appointed 24 May 2017, resigned 16 June 2020) |
| **Other Board members** | Clare Woodman (Appointed 1 July 2017, resigned 31 December 2020)<br>Chief Executive Officer, EMEA<br>Morgan Stanley |
| | John Stuart (Appointed 1 July 2017, resigned 1 July 2020)<br>Chief Executive Officer<br>HSBC UK |
| | Joanna Elson, OBE (Appointed 1 July 2017)<br>Chief Executive Officer<br>Money Advice Trust |
| | Joe Garner (Appointed 1 July 2017)<br>Chief Executive Officer<br>Nationwide Building Society |
| | Miles Celic (Appointed 1 July 2017)<br>Chief Executive Officer<br>TheCityUK |
| | Lord Nick Macpherson (Appointed 11 October 2017, resigned 11 October 2020)<br>Chairman<br>C. Hoare & Co |
| | Paul Gallagher (Appointed 24 June 2016, resigned 1 July 2020)<br>Chief Executive Officer<br>ABN AMRO UK<br>Chair of Audit & Oversight Committee from 01 July 2019 to 30 June 2020 |
| | Paul Lynam (Appointed 24 June 2016, resigned 1 July 2020)<br>Chief Executive Officer<br>Secure Trust Bank |

**(continued)**

Peter Smith (Appointed 1 July 2017, resigned 1 July 2020)
Co-Founder & Chief Executive Officer
Blockchain

Tracey McDermott (Appointed 1 July 2017)
Group Head, Corporate Affairs, Brand & Marketing; and Group Head, Conduct, Financial Crime and Compliance
Standard Chartered

Vimlesh Maru (Appointed 1 July 2017)
Group Director, Retail
Lloyds Banking Group

Charlotte Duerden (Appointed 23 April 2018, resigned 23 April 2021)
UK Country Manager
American Express UK

David Duffy (Appointed 1 July 2017)
Chief Executive Officer
Virgin Money UK

Mark Barnett (Appointed 26 September 2018, resigned 31 December 2020)
President, Europe
Mastercard

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

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

Leslie Matheson (Appointed 5 December 2019, resigned 17 September 2020)
Chief Executive, Personal Banking
Royal Bank of Scotland

Anne Marie Verstraeten (Appointed 13 February 2020)
UK Country Head
BNP Paribas

Ruth Leas (Appointed 7 May 2020)
Chief Executive Officer
Investec Bank plc

Stephen Hughes (Appointed 7 May 2020)
Chief Executive Officer
Coventry Building Society
Chair of Audit & Oversight Committee from 29 January 2021

UK FINANCE

| | |
|---|---|
| **(continued)** | Beatriz Martin Jimenez (Appointed 7 May 2020)<br>UK Chief Executive / Global Chief Operating Officer, Investment Bank<br>UBS |
| | Anne Boden (Appointed 7 May 2020)<br>Chief Executive Officer<br>Starling Bank |
| | Jeni Mundy (Appointed 22 May 2020)<br>Managing Director UK & Ireland<br>Visa |
| | David Lindberg (Appointed 8 October 2020)<br>CEO, Retail Banking<br>NatWest Group plc |
| | Nigel Terrington (Appointed 30 September 2020)<br>Chief Executive Officer<br>Paragon Group |
| | David Best (Appointed 1 February 2021)<br>Managing Director and Deputy Chief Operating Officer for EMEA<br>Morgan Stanley |
| | Kelly Devine (Appointed 1 February 2021)<br>President, UK & Ireland<br>Mastercard |
| | Adrian Sainsbury (Appointed 1 February 2021)<br>Chief Executive Officer<br>Close Brothers |
| | Anil Sai Tummalapalli (Appointed 1 February 2021)<br>Chief Executive Officer<br>Monzo Bank |

**Registered number**

10250295

**Registered office**

5th Floor
1 Angel Court
London
EC2R 7HJ

**Auditor**

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

# Strategic report

The directors present their strategic report for the year ended 31 December 2020.

## Directors' duties

The directors of UK Finance Limited (the 'Company', or 'UK Finance'), and those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the company.'

As part of their induction a director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise the directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the company and details of this can be found in our Corporate governance section on page 20.

The following paragraphs summarise how the directors fulfil their duties:

**Risk management**

UK Finance actively manages risk on a daily basis and consideration of risk is part of the process in all long-term decision making. Details of our approach to risk management can be found on page 22.

**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 2020 showed continued progress across all pillars of engagement and reflect the ongoing investment by management in these areas.

UK FINANCE

***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 set ourselves the target of achieving 40% female representation within senior management by January 2021, and UK Finance reached 38% female representation in senior management in 2020; in comparison to 30% at the time of our signing up in 2017. In addition, we are also very pleased to report we achieved 50% female representation on our Board in 2020. We have now updated our target to 50% female representation within senior management by January 2023.

**Business relationships**

Our strategy is to work with business partners to champion a thriving banking and finance industry, acting always in the best interests of consumers, businesses and wider society. Our operational activity enhances members' own services in situations where collective industry action adds value. Developing and maintaining strong relationships with our members, customers and suppliers is essential to this. We value our suppliers and aim to have multi-year contracts with our key suppliers.

***Prompt Payment Code***

UK Finance is proud to be signed up to the Prompt Payment Code (the "Code") and has had 30-day standard payment terms since its inception. The Code sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management on behalf of the Department for Business, Energy and Industrial Strategy. Compliance with the principles of the Code is monitored and enforced by the Prompt Payment Code Compliance Board. The Code covers prompt payment, as well as wider payment procedures.

***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.

**Community and environment**

UK Finance is committed to supporting the wider community and protecting our environment. UK Finance provides a volunteering programme to colleagues which demonstrates our commitment to our communities, our people and our members, and is integral to our role as a responsible business. We support colleagues to take up to three days paid time off per year to volunteer. During 2020, this has included colleagues volunteering to support the community response to Covid-19. In 2020, UK Finance nominated The Institute of Cancer Research as our charity of the year, which was supported through fundraising initiatives by colleagues.

We continue to ensure that we use our resources appropriately to deliver both environmental and financial benefits and, where possible, reduce our impact on the environment. We work closely with our suppliers to make sure that they support our commitment to sensible environmental practices and good corporate responsibility.

**Members**

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.

**Associate members**

Associate members of UK Finance are firms that support the financial services industry – including in the legal, accountancy, consulting and technology sectors. Working together, UK Finance and our associate members aim to ensure that the UK retains its position as a safe and transparent global leader in financial services, placing the interests of customers at the heart of our work.

## Review of the business

### Covid-19 response

2020 was marked by our work on the industry response to the Covid-19 pandemic. Like many other organisations, we successfully pivoted to working remotely and we did so without disruption to our members. The continuity of service provided by UK Finance was highlighted by members through our member survey.

We demonstrated value to our members and stakeholders by:

Supporting personal customers

UK Finance led design of, and advocated for, measures to support customers whose finances were impacted due to the pandemic. This helped our members provide unprecedented levels of support to personal customers, including over four million payment deferrals across mortgage, credit card and personal loan payments and 26 million overdraft buffers applied to primary current accounts. Our advocacy also ensured that no worsening of customers' arrears was noted by credit reference agencies in relation to these deferrals.

To provide customers with the certainty of housing during the pandemic, UK Finance supported the Possession Moratorium, which banned all activity related to mortgage repossessions until 31 October 2020 and banned enforcement until 1 April 2021.

For individuals facing continued financial distress, UK Finance engaged with debt advice charities to provide detailed technical and business feedback to develop support options for consumers, such as payment plans and restructuring approaches, alongside firms' own solutions for customers. UK Finance also helped change the Insolvency Service IVA protocol to avoid legal variations for individual customer agreements to ensure customers severely financially affected by Covid-19 were treated fairly. In Scotland, we worked with the Accountant in Bankruptcy to extend periods of protection for consumers applying for insolvency.

Supporting business customers

UK Finance played a pivotal role in co-ordinating the industry's support for businesses impacted by Covid-19 restrictions. We worked with members, government and the British Business Bank on the design and implementation of the business lending schemes, which provided over £70 billion of essential finance to 1.6 million affected businesses, large and small.

We worked with the Lending Standards Board (LSB) and the Financial Conduct Authority (FCA) to issue new LSB guidance recognising the significant departures of these schemes from normal lending practice, allowing lenders to implement this support in compliance with LSB standards. UK Finance also engaged intensively on issues around the Corporate Insolvency and Governance Act, so this legislation did not negatively impact on the ability of businesses to access finance.

To support non-bank specialist lenders, we worked with HM Treasury to amend the business lending scheme rules to help non-bank lenders facilitate securitisation.

UK Finance produced a regular Payment Trends and Behaviours data report analysing the impact of the pandemic on business payment trends. This data enabled the industry to respond to poor payment practices, such as extension of payment terms and use of unfair contractual terms, and provided evidence to advocate for improvements to the Covid-19 business lending schemes to address unintended impacts on commercial finance facilities.

UK Finance worked with members to provide guidance to the Bank of England on access to the Covid Corporate Financing Facility, to provide support for larger firms with an investment grade credit profile and who make a material contribution to the UK economy.

Enabling more convenient forms of payment

To address public concern around the risk of Covid-19 contagion at PIN pads, UK Finance accelerated work on raising the contactless card limit from £30 to £45, which applied from 1 April 2020 through a phased and managed rollout. Since the introduction of the new upper limit, spending within the £30-£45 band has increased by over 65% compared to January 2020, demonstrating the enhanced convenience for customers whilst helping to ensure safer instore shopping.

Supporting vulnerable and isolating customers

UK Finance convened multiple stakeholders across charities, consumer groups, the NHS and local government with lenders to find ways for vulnerable or isolated people to make payments safely and efficiently during the first lockdown. This process led to the development of several new innovations, with 23 major banks and building societies putting in place at least one solution to assist these customers. This was implemented in less than three weeks.

UK Finance also developed guidelines to provide an overview of support for vulnerable and shielding customers through the pandemic. This led to our members proactively reaching out to nearly 17 million vulnerable customers to offer additional support and helping nearly one million customers to become digitally enabled, with some banks developing specialist partnerships to provide devices to elderly customers. In addition, dedicated vulnerable customer telephone lines enabled two million vulnerable customer calls to be prioritised and routed to specialist support teams during the pandemic.

UK Finance worked with members and the Home Office to support the government's *#YouAreNotAlone* campaign on domestic abuse, providing additional training and communication tools for frontline bank staff to identify and respond to signs of abuse.

Maintaining access to cash during the pandemic

UK Finance and members maintained our commitment to ensuring cash remained available for those that were reliant on, or still needed to use cash. We implemented weekly calls with members at the end of January 2020 to share issues, concerns and best practice around cash-related issues arising from the pandemic. We also activated the Cash Pandemic Playbook to allow a standard framework to be shared across the industry, and facilitated dialogue between members, the Royal Mint, HM Treasury and Bank of England to ensure the country did not experience cash shortages at any point. The rollout of the new polymer £20 was also largely unaffected.

Combatting Covid-19 fraud
UK Finance played an important role in responding to the fraud impact of Covid-19 support schemes. UK Finance co-hosted the Bounce Back Loan Scheme (BBLS) Fraud Collaboration Working Group, allowing lenders to share fraud intelligence and develop good practices in managing the fraud risks associated with this scheme.

We worked with HMRC to support the safe processing of Job Retention Scheme (JRS) Bacs payments, providing a channel to disseminate key information and guidance from HMRC to assist banks in identifying any payments being issued under the JRS which may be fraudulent. We also assisted the industry and Pay.UK in enabling Confirmation of Payee checks to be used for the JRS.

The Financial Fraud Panel (FFP) convened on a weekly basis for the majority of 2020 to assess the fraud landscape and address any fraud management operational issues which resulted from the pandemic. To mitigate the surge of investment scams during Covid-19, UK Finance set up an investment scams external stakeholder group with the Investment Association, Personal Investment Management & Financial Advice Association, Financial Services Compensation Scheme, FCA and National Economic Crime Centre (NECC) to share relevant information about scams.

Supporting the housing market
We worked with stakeholders to ensure the housing market continued to function through lockdown restrictions. We arranged for mortgage acceptance letters to be extended by three months at the height of the pandemic to support housing chains and the wider market. We held regular member discussions with HM Land Registry so that lenders were updated on backlogs and could adapt their approach to conveyancers accordingly. In Scotland and Northern Ireland, we agreed new processes with the land registries and legal representative bodies to enable home buying and selling to continue when land registry offices were closed.

Facilitating Covid-19 travel refunds
Due to increased demand for refunds created by Covid-19 disruption to the travel industry, UK Finance set up a Section 75 Working Group to provide a collaborative industry response to help customers receive the appropriate form of redress. UK Finance developed guidance explaining protections available to consumers, which was updated to reflect changing government policy.

Obtaining temporary modifications to regulatory requirements
We engaged closely with the Bank of England and Prudential Regulation Authority (PRA) to propose temporary modifications to regulatory requirements and supervisory approaches as the pandemic developed. Many of our proposals were implemented by the Bank of England and PRA, enabling banks and building societies to better support households and businesses.

UK Finance ensured that banks' government guaranteed exposures in the BBLS and Coronavirus Business Interruption Loan Scheme would be zero risk weighted for prudential capital purposes so that banks could support customers to the fullest extent possible. We also worked together with the PRA to ensure impacts of loan relief extended to customers were reflected properly in members' accounting and regulatory capital calculations.

To ensure members were able to focus on the pandemic response, UK Finance worked closely with the Payment Systems Regulator to secure extensions to the implementation deadlines for Confirmation of Payee; the Competition and Markets Authority to secure forbearance around implementing Open Banking requirements; and the FCA on implementation of Strong Customer Authentication.

UK Finance also ensured a proportionate approach was taken to interim LIBOR milestones on the transition roadmap, securing an additional six months for firms to cease new issuance which was critical to implement transitional change and ensure immediate client engagement was focused on Covid-19 support.

Introducing Covid-19 Impact and Next Steps webinar programmes
UK Finance's Covid-19 Impact and Next Steps webinar programmes enabled 27,000 delegates at all levels in member firms to receive support and guidance from experts and sector leaders and to join a collaborative space to keep them connected and informed on the latest Covid-19 developments.

Championing the banking and finance industry
With a significant focus on the industry's response to Covid-19 and support for customers, UK Finance secured over 3,800 pieces of coverage across print and online in 2020, supported by a programme of media briefings, proactive media stories and increased social media activity.

UK Finance gave oral evidence to the Treasury Committee in April 2020, providing the industry's perspective in response to early difficulties relating to the operationalisation of the business lending schemes. We also held frontbench briefing sessions with Labour, SNP, Liberal Democrat and DUP on the industry's Covid-19 response, as well as regular virtual meetings with Parliamentarians.

UK Finance set up a Covid-19 MP casework inbox to help resolve constituents' Covid-19 banking-related issues. Working with members, we addressed constituents' issues and provided clear communication to MPs. We responded to over 1,000 MP casework enquiries and UK Finance's Covid-19 casework function was commended by the Chief Secretary to the Treasury in the House of Commons on 9 September 2020.

## Strategic priorities

Our strategic priorities underpin all the work we do on behalf of members.

### *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:

Improving financial education
To help improve financial education, UK Finance co-chaired the Financial Foundations Financial Services Challenge Group, working towards the goal of providing meaningful financial education to two million more children and young people by 2030. We also coordinated the distribution of financial education to all age groups of children and young people between the ages of 3 - 18 years old, ensured that financial education will be delivered into the three most deprived wards in each of the four nations of the UK and introduced a quality assurance methodology in conjunction with the Money and Pensions Service, based on delivering good outcomes for all children receiving financial education.

Ensuring access to dispute resolution services for business customers
After two years of work by UK Finance, its members, SME groups and other stakeholders, the Dispute Resolution Service Implementation Steering committee reached an agreement on the framework for the Business Banking Resolution Service, which will work to resolve disputes between eligible larger SMEs and participating banks.

During 2020, UK Finance oversaw the successful transfer to a new alternative independent dispute resolution provider under the Invoice Finance and Asset Based Lending (IFABL) Standards Framework. We consulted with members and stakeholders on the extension and implementation of the perimeters of the IFABL independent complaints process, which will continue to provide a high-quality independent redress process for businesses accessing these facilities.

Maintaining fair treatment of personal customers in financial distress
UK Finance advocated for 'breathing space' regulations with HM Treasury and secured important additional clarifications to the accompanying Insolvency Service guidance to provide individuals in problem debt with legal protections from creditor action for up to 60 days (or longer for those suffering mental health issues). UK Finance also led on changes to consumer credit statutory notices proposed by HM Treasury to lessen the detrimental impact on customers in default.

Finding solutions for mortgage prisoners
UK Finance continued to work with the FCA and HM Treasury to find solutions for as many mortgage prisoners as possible, including supporting members' product development work to help deliver solutions for creditworthy mortgage prisoners. Those lenders have also created bespoke administration and underwriting teams to work with customers and brokers.

Leading the mortgage industry's response to cladding and other fire safety issues
UK Finance continues to work with members and key stakeholders, including the Building Societies Association (BSA), the Royal Institution of Chartered Surveyors (RICS) and government to help address the most pressing issues in cladding and building safety in the aftermath of the Grenfell Tower Fire tragedy. On behalf of members, we are working to ensure the return of a stable and functioning market for flats in cladded buildings. Over 2020, we worked closely with RICS to inform the development of its new guidance for valuers to support consistency in mortgage valuations of flats in buildings with cladding issues. UK Finance also proactively engaged with MPs to increase political awareness of the challenges for mortgage providers and lenders' efforts to help their constituents.

Access to cash
UK Finance provided leadership on the Communities Access to Cash Pilots initiative, delivering on the banking and finance industry's commitment to help local communities to identify and secure appropriate free access to cash for customers. UK Finance also worked with regulators, HM Treasury and the Bank of England to ensure the pilots were viewed as a key component of future access to cash policy decisions.

To help provide flexibility across the cash system to meet changing customer needs, UK Finance advocated for legislative change to facilitate cashback without purchase, which was acknowledged in HM Treasury's Access to Cash call for evidence.

Access to banking services
To ensure the availability of banking provisions for prisoners approaching release, UK Finance led the development of a common framework - 'The Prisoner Banking Programme Principles' which will ensure firms are adopting a consistent approach and sharing best practice. This will help enable offenders to access accommodation, benefits and employment, in turn helping reduce reoffending rates.

Following a member enquiry, UK Finance raised concerns with the Ministry of Justice that children with limited or no capacity would be unable able to access funds in their Child Trust Fund account due to the product construct. In the absence of a government-led solution, UK Finance worked with the BSA and the Investing and Saving Alliance to develop an industry exceptions process which has now been adopted by most providers, enabling vulnerable children to benefit from their savings.

Work of the Dedicated Card and Payment Crime Unit (DCPCU)
The DCPCU continued the delivery of savings for members, including a focus on Covid-19 smishing and phishing attacks. Despite Covid-19 placing restrictions on law enforcement's operating procedures,

the team still performed 122 arrests and interviews under caution, with an additional 75 charges and 54 convictions. 17 Organised crime groups were disrupted and £2.6 million of assets were seized and recovered. Total savings and disruptions for members came in at just under £20 million for the year.

Take Five

Utilising the *Stop, Challenge, Protect* messaging, UK Finance's Take Five to Stop Fraud campaign continued to highlight to consumers and businesses the risks associated with fraud and scams. Take Five actively engaged with key stakeholders and government to issue timely communications on emerging scams, and business-specific toolkits on the latest fraud trends. Scam alerts, press releases and social media activities which took place during 2020 included coverage of Black Friday scams, Valentine's Day romance fraud, investment scams, Covid-19 vaccine scams and impersonation scams.

Providing industry leadership in events and learning activities for members

Despite shifting to a virtual platform, UK Finance's broad portfolio of events and learning activities continued to offer high quality content, real and relevant topical thought leadership and access to platforms to collaborate and share best practice in a challenging environment. Over 2020, we reached more than 60,000 people from across UK Finance member firms.

***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:

Preparing for the end of the Brexit transition period

UK Finance supported members and their customers to maintain business continuity and market stability, in view of the legal, regulatory, market access and operational challenges arising from the end of the Brexit transition period. In collaboration with HM Treasury, we provided a forum for members, other trade associations, law firms, government, and regulators to analyse draft onshoring legislative instruments to prevent unintended consequences and support a functioning regime.

UK Finance hosted workshops in partnership with the FCA and Bank of England to provide targeted guidance to members on regulatory expectations across key capital markets regimes, such as MiFID, EMIR and Securitisation and Benchmarks Regulations.

We engaged with the FCA to advocate the need for clearer guidance which was published in the final version of the FCA's forbearance temporary transition powers (TTP). UK Finance also gained clarity for European-headquartered firms on how the PRA's Temporary Permissions Regime (TPR) operated in conjunction with TTP.

UK Finance outlined to HM Treasury how industry would be supported by the UK granting equivalence under EMIR Article 13, relating to credit valuation adjustment on over the counter derivatives, leading to an announcement from HM Treasury on this.

We published guidance collateral for members including a technical briefing prepared in collaboration with Clifford Chance on what the MiFIR third-country regime means for UK-EU cross-border services.

UK Sanctions Statutory Instruments Review

UK Finance worked with six law firms to publish the UK Sanctions Statutory Instruments Review, which provides a detailed analysis on recent legislative changes to the new UK sanctions regime. As a result of this work, the Democratic People's Republic of Korea sanctions (UK s.26) and the Libya sanctions (EU s.7) were successfully challenged and amended, resulting in clearer statutory instruments.

International work on economic crime and information sharing

UK Finance led industry input to the design of an International Centre of Excellence on Illicit Finance, ensuring that this new public-private partnership will feed in to the NECC's single picture of the economic crime threat and align with Economic Crime Plan governance and prioritisation.

We also helped drive industry engagement with the European Commission's proposals for fundamental reform of the EU Anti-Money Laundering (AML) regime. We worked with the European Banking Federation (EBF) to agree a clear European industry position on how the current AML directives should be changed. This included establishing a new EBF Strategy Group on Financial Crime, publishing an EBF blueprint for reform and developing detailed technical papers on harmonisation and simplification of Know Your Customer, improved proportionality of risk-based measures and a clearer legal basis for AML information sharing.

General Export Finance Guarantee

We partnered with UK Export Finance on the development of the General Export Finance Guarantee (GEF) which was launched at the end of 2020 and provides a partial guarantee on a range of trade finance products, enabling members to support the growth of UK exporters.

***3. A regulatory framework fit for all***

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

Regulatory Initiatives Forum

UK Finance's advocacy led to the creation of the Regulatory Initiatives Forum and the publication of the first Regulatory Initiatives Grid (RIG) in May 2020. This benefits members by improving regulatory coordination to manage the cumulative impact of regulatory change and plan against the timing of initiatives that may have a significant operational impact on them.

We submitted feedback on the RIG in June 2020, calling for Forum members to consider not just when but whether to reintroduce initiatives postponed as a result of Covid-19. The second RIG was published in September 2020 with expanded coverage and public authorities subsequently deciding to abandon a single easy-access savings rate and to defer a duty-of-care consultation and implementation of prudential reforms.

Proportionality

UK Finance has led engagement with government and regulators to make the case for proportionality of regulation to remove barriers to growth for the mid-tier and specialist banks. The need for more proportionate regulation was recognised in a speech by Sam Woods, Deputy Governor of the Bank of England, in November 2020.

Future Regulatory Framework Review

HM Treasury's future regulatory framework review will set the parameters and tone for financial services regulation for years to come. Recognising its importance, UK Finance submitted recommendations to HM Treasury in early 2020 to help shape the approach government should take ahead of the framework review's phase II consultation launched in October 2020.

Regulatory Roadmap webinar series

Over 7,000 delegates registered for UK Finance's Regulatory Roadmap webinar series which delivered current information from regulators including the FCA, PRA and PSR as well as HM Treasury on areas of regulatory change caused by Covid-19 and Brexit, ensuring the UK remains a world leader.

***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:

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Data Ethics
In 2020, UK Finance published the Data Ethics Principles for Financial Services. This set of ethical principles on AI and Advanced Analytics helps guide members of all sizes grappling with the moral and legal complexities surrounding AI and the development of new products and services.

UK Finance led engagement with key government and regulatory stakeholders to ensure better regulation and guidance governing algorithms and AI, better coordination between authorities on regulation of data use and AI, and better rules to prevent the misuse of Data Subject Access Requests by claims management companies.

Digital Identity
UK Finance and members conducted legal research to understand specific legal and regulatory obstacles to digital ID, which helped shape the DCMS Digital Identity: Call for Evidence Response and is directly informing the emerging legal framework that will enable members to safely harness the potential afforded by advances in digital service models.

UK Finance and Innovate Finance partnered to establish the cross-cutting Digital Identity Taskforce to lead engagement with DCMS on the scope and content of the Digital Identity Trust Framework.

Digital Innovation Summit
The Digital Innovation Summit, our flagship technology event, moved online and was free to attend for members. 1,000 delegates attended over three weeks of virtual events covering an extensive number of themes including Innovation in Practice, Digital Strategy, Ethical AI, Mortgage Tech, Payments Tech, and Economic Crime, each featuring industry experts discussing what digital disruption means for them and how digitisation, innovation, and transformation are changing their business models.

Economic Crime Information & Intelligence Unit
Economic Crime's Information & Intelligence Unit repatriated 2.1 million compromised cards and victim account details to members in 2020. The unit sent out over 500 fraud alerts and intelligence briefings, 75 information requests for law enforcement and held 129 intelligence calls. Alerts for more than 200 merchant data compromises and nearly 233,000 intelligence records were shared via the Fraud Intelligence Sharing System, resulting in the disruption of over 4,500 confirmed money mules and saving £3.8 million for members. Work with our public and private sector partners continued, with over 133,000 intelligence records shared with the National Fraud Intelligence Bureau and over 3,000 with Royal Mail, as well as supporting the industry's contribution to products addressing public sector threats, such as the National Strategic Assessment.

### *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:

Operational Resilience
2020 saw a series of challenging operational disruptions including the effects of Covid-19, Digicert's website authorisation revocation and two significant CREST failures which saw UK Finance successfully support members in minimising operational disruptions. Working closely with members and stakeholders, we developed bespoke industry and media communications and proactively informed members of relevant developments, providing information they needed to mitigate the impact of the disruption.

To address cross-sectoral risks to resilience, UK Finance worked with the Bank of England and in consultation with members, to design and deliver a business plan for the Cross Market Operational Resilience Group (CMORG) to enhance the sector's ability to deliver operational resilience improvements through collective action. This plan sets out a number of important reforms to the existing structure and established a CMORG Project Management Office, jointly resourced by the Bank of England and UK Finance.

UK Finance also led member feedback to the Bank of England on operational challenges arising from negative base rates, resulting in letters from Andrew Bailey and Sam Woods to the sector providing clarification as to regulatory expectations and how industry can meet them.

The Financial Sector Cyber Collaboration Centre (FSCCC)
FSCCC had a busy first full year. It convened eight incident management calls with its members to share time-critical information on topics including SolarWinds, heightened geopolitical tensions, expiring browser certifications and attacks on the finance sector supply chain. The creation of a set of 'Authorities Sharing Principles' has allowed FSCCC to share anonymised outputs of these calls with the financial authorities which has helped to inform them of the sector's awareness of these incidents and reduced the quantity of regulatory requests to individual firms. In addition, the FSCCC's Fusion Cell sent out 'Threat Alert Bulletins' as required to its members and also published its first 'Finance Forward Look', a high-level overview of the cyber threat that the financial sector faces.

Transition away from LIBOR
The transition away from sterling LIBOR before the end of 2021 is a significant undertaking across the financial services industry and its clients. UK Finance mobilised a central project team in 2020 and worked with around 100 of our impacted members on the transition. UK Finance actively engaged on the Working Group on Sterling Risk-Free Reference Rates and several of its subgroups and has provided members with best practice to support the transition.

UK Finance secured legislative support to address tough legacy LIBOR contracts through the Financial Services Bill, including providing expert witness testimony to the House of Commons. This will support our members in transitioning the most challenging legacy contracts, including up to 200,000 mortgages.

Ensuring all customers have awareness of, and confidence in, the transition away from LIBOR has been a key focus. UK Finance led the drive to increase end user engagement, working with business groups, and publicising both a joint-UK Finance/CBI guide to LIBOR discontinuation for business customers and a two-page factsheet.

UK Finance also developed a number of thought leadership and best practice pieces including a joint report with the LSB on 'Best Practice Guidance on Transitioning from LIBOR for SME customers', and a guide to LIBOR transition for smaller lenders.

Confirmation of Payee
To facilitate the implementation of Confirmation of Payee by members, UK Finance played a pivotal role in enabling collaboration between Pay.UK, the PSR and members. We established an industry steering group to co-ordinate technical testing and implementation between members and Pay.UK. This enabled firms to meet their regulatory obligations. Collectively, this provides customers with greater assurance that they are sending payments to the intended recipient, helping avoid accidental, misdirected payments to the wrong account holder; as well as providing another layer of protection in the fight against fraud and scams. We also worked with IFABL members to mitigate the risks presented for confidential finance facilities and trust accounts from the implementation of Confirmation of Payee.

Strong Customer Authentication
UK Finance co-ordinated the managed rollout of Strong Customer Authentication (SCA), working closely with members and FCA and established the SCA Programme Management Office to resolve issues around the rollout. The implementation of SCA will both protect customers shopping online and ultimately reduce economic and financial crime in the industry.

Banking Protocol results

Banking Protocol is a rapid response system deployed by branch staff across the UK, when they suspect a customer may be acting under duress from criminals. In February 2020, the Banking Protocol achieved a significant milestone, having prevented a total of £100 million of fraud since it was first introduced. Over £45 million losses were prevented during the course of 2020, taking the total since inception to £142 million. In addition, even under Covid-19 restrictions, an additional 200 suspected criminals were arrested and nearly 8,000 emergency calls made through the nationwide scheme.

## *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:

Sustainability Committee

In 2020 UK Finance set up a new, senior industry committee to oversee our activity in respect of climate risk, green finance and sustainability; reflecting the priority that these issues increasingly represent for member firms. In November 2020, UK Finance published a Sustainable Finance white paper, which sets out a principles-based framework for the measurement and reporting of multi-year commitments to sustainable finance.

Supporting a Just Transition

To ensure the banking and finance industry supports an economic transition towards net zero in a just and fair way, UK Finance worked with the Grantham Research Institute and Leeds University on the cross-country research workshops culminating in the publication in July of their report 'Financing climate action with positive social impact: How banking can support a just transition in the UK'.

'The Road to COP26' webinar series

Although most of UK Finance's output around COP26 was postponed until 2021, we delivered a successful series of free sustainability webinars 'The Road to COP26' to keep members apprised of developments.

Taskforce on Climate-related Financial Disclosures

UK Finance engaged in dialogue with government and regulatory authorities in support of embedding the disclosure recommendations of the Financial Stability Board-sponsored Taskforce on Climate-related Financial Disclosures (TCFD) into UK listing rules and companies' legislation. We also engaged with the PRA to understand their expectations around bringing responsibility for climate risk into mainstream banking supervision and participated in initiatives on the part of the PRA and FCA, including co-chairing the Climate Financial Risk Forum (CFRF).

## 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 2020 survey results demonstrated our positive impact and the percentages with positive views were higher than 2019 in all four categories:

- Satisfaction: 98% (2019: 97%) positive views
- Effectiveness: 95% (2019: 93%) positive views
- Influence: 86% (2019: 84%) positive views
- Expertise: 95% (2019: 92%) positive views

The messages taken from this year's survey indicate:

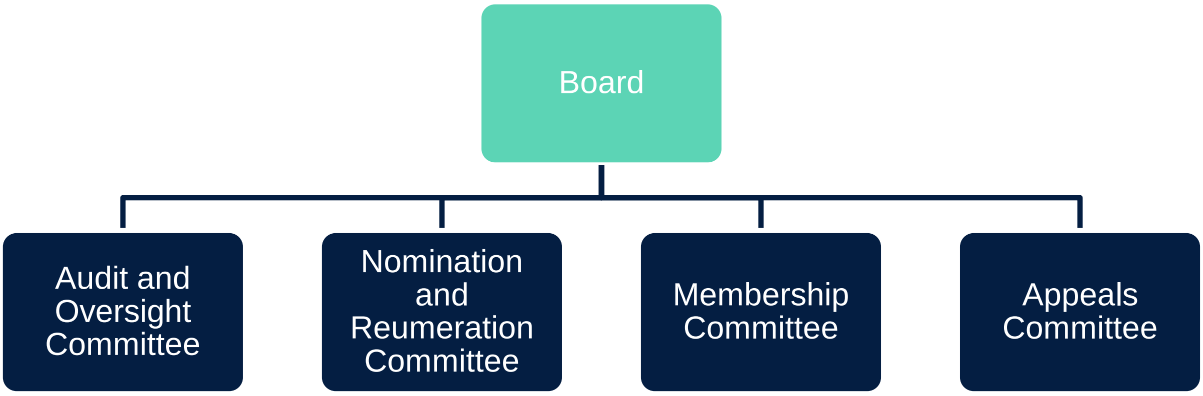
- Members were very positive about the services provided by UK Finance to members throughout lockdown, with 96% positive feedback.
- 96% of members positively rate UK Finance's performance at advancing the interests of our members and stakeholders. In particular, engagement with regulators is seen as a key strength, as is work aimed at influencing the government.
- UK Finance has worked hard to develop member relationships, and this is reflected in overwhelmingly positive feedback about both the management of membership (97% positive feedback) and the strength and depth of relationships between members and UK Finance (97% positive feedback).
- UK Finance's expertise and understanding of the issues facing our members is without question, with 99% positive feedback. Furthermore, 97% of members feel that UK Finance is moving in a positive direction.

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 2020 – despite the headwinds arising from the Covid-19 measures – and the surplus assets arising from the final winding up of the legacy trade associations were credited directly to reserves as capital contributions. As a result, our deficit has reduced by £322,677 in 2020 to stand at £7,064,266 at 31 December 2020 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.

The Board and the committees of the Board structure are as shown below:




**Board**

UK Finance's Board has been developed to ensure senior and fair representation across our membership. 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.

Stephen Jones resigned as CEO on 16 June 2020; Bob Wigley was then appointed Executive Chair on an interim basis. David Postings was appointed CEO on 8 October 2020, with effect from 1 January 2021, and following a short transition period Bob Wigley then resumed his position as Chair.

**Committees of the Board**

***Audit and Oversight Committee***
The Audit and Oversight Committee (A&OCo) 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. A&OCo is an advisory body, reporting to the Board. It is comprised of two or three Non-Executive Board Directors with voting rights and attended by the CEO and COO. In the second half of 2020 the Chair of UK Finance temporarily assumed the role of Chair of A&OCo following the resignation of the previous A&OCo Chair from the UK Finance Board. One of the existing members of A&OCo was appointed as its Chair on 29 January 2021. The external audit function is provided by RSM, following the resignation of Deloitte as auditors in 2020, and internal audit is undertaken by Protiviti.

***Nominations and Remuneration Committee***
The Committee leads and advises the Board on matters relating to Board governance, the approach to remuneration by the Company, appointments and remuneration of senior staff. It leads and advises the Board on the 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.

***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.

**Executive Committee**
The Executive Committee (ExCo), previously called the Management Committee, 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 ExCo. 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. The committee is the investment appraisal authority for the Company and is responsible for overseeing transformation and change programmes across the business.

## 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 ExCo and 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 Executive Committee members, and regular reports provided to the Audit and Oversight Committee on significant risks. ExCo 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 ExCo 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 ExCo to focus on the key risks that might undermine the delivery of the organisation's objectives, and their mitigating actions.

Departmental level and project risks are reviewed by the Managing Directors, their senior management teams and the Risk & Assurance Director 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 & Assurance Director 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 |
|---|---|
| Financial viability | That we do not demonstrate ongoing financial viability in order to be able to deliver on our strategy and obligations to members and other stakeholders. |
| Deliver value to members | That there might be a loss of individual members or a particular cohort of members if UK Finance were not able to deliver the value to members that they expect. |
| Reputation | That our reputation with key stakeholders is damaged through an inappropriate policy position being taken. |
| Data integrity | We share, or base briefings or policy positions on data or analysis which is inaccurate, incomplete or misrepresented. |
| Competition law breach | We or our members are found to have breached competition law through an initiative that we control. |
| Operational resilience including data security | That we lose the trust of members and other stakeholders as a consequence of a significant operational failure, or security breaches, of member/stakeholder facing platforms/services. |

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

As the majority of income is paid in advance as annual membership fees 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 on 6 May 2021 by:

David Postings
Director and Chief Executive Officer

# Directors' report

The directors present their report on the affairs of UK Finance Limited together with the financial statements and auditor's report, for the year ending on 31 December 2020. Details of the directors can be found in the Officers and professional advisers section on page 5.

### 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' duties

Information regarding Directors' duties can be found in the Strategic report section on page 8.

### 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

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- 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.

### 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.

### Political donations and political expenditure

UK Finance made no political donations and incurred no political expenditure in the year ending 31 December 2020 or for the year ending 31 December 2019.

### Streamlined energy and carbon reporting

Pursuant to The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, our energy usage and greenhouse gas emissions were as follows:

| Item | |
|---|---|
| Energy use (kWh) (1) | 567,794 |
| Associated greenhouse gas emissions (CO2 tonnes equivalent) (2) | 122,278 |
| Intensity ratio (emissions in CO2 tonnes equivalent per FTE staff) (3) | 672 |

(1) Covers all our activities within the UK

(2) These have been calculated using the Government 2020 conversion factors and management's best estimate of the suitable categories

(3) As a professional services body, UKF has used its staff numbers (full time equivalent) to demonstrate the intensity of energy use

### Going concern

As at the balance sheet date UK Finance has accumulated losses of £7.1m (2019: £7.4m), the reduction due to the legacy trade association cash transfer and the reported surplus in 2020.

In late 2020 the Board reviewed and approved a fully evaluated budget for 2021 and subsequently reviewed and approved the forecast outturn for 2021 prepared in April 2021. It has also reviewed longer-term high-level projections which demonstrate that the underlying activities of UK Finance should 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.

Approved by the Board and signed on its behalf by:

David Postings
Director and Chief Executive Officer
6 May 2021

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

## Opinion

We have audited the financial statements of UK Finance Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, balance sheet, cashflow statement, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## 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 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

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### 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.

### Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, 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.

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### The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and reviewing tax computations.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to General Data Protection Regulations. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities where relevant.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal and other accounting entries and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### 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.

RSM UK Audit LLP

NICHOLAS SLADDEN (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

06 May 2021

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# Profit and loss account

For the year ended 31 December 2020

| | Note | 31-Dec-20 | 31-Dec-19 |
|---|---|---|---|
| | | £ | £ |
| Revenue | 3 | 46,883,385 | 48,064,374 |
| Cost of sales | | (3,773,322) | (2,747,000) |
| Gross profit | | 43,110,063 | 45,317,374 |
| Administrative expenses | 4 | (22,174,200) | (25,432,883) |
| Staff costs | 5 | (20,545,864) | (19,406,073) |
| Operating profit | | 389,999 | 478,418 |
| Finance costs | 7 | (199,322) | (188,670) |
| Profit on ordinary activities before taxation | 8 | 190,677 | 289,748 |
| Taxation | 9 | - | - |
| **Profit for the year** | | **190,677** | **289,748** |

**Other comprehensive income**

There were no items of other comprehensive income in the period (2019: Nil).

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# Balance sheet
As at 31 December 2020

| | Note | 31-Dec-20 | 31-Dec-19 |
|---|---|---|---|
| | | £ | £ |
| **Fixed assets** | | | |
| Intangible assets | 10 | 5,950,846 | 6,983,811 |
| Tangible assets | 11 | 3,561,790 | 4,308,614 |
| | | 9,512,636 | 11,292,425 |
| **Current assets** | | | |
| Debtors due within one year | 12 | 23,929,244 | 22,482,311 |
| Cash at bank | | 7,456,879 | 13,880,928 |
| | | 31,386,123 | 36,363,239 |
| **Total assets** | | 40,898,759 | 47,655,664 |
| **Liabilities** | | | |
| Creditors: amounts due within one year | 14 | (38,869,604) | (40,613,720) |
| **Total assets less current liabilities** | | 2,029,155 | 7,041,944 |
| Creditors: amounts due after more than one year | 15 | (8,028,420) | (13,363,886) |
| Provisions for liabilities | 16 | (1,065,000) | (1,065,001) |
| **Net assets** | | **(7,064,265)** | **(7,386,943)** |
| **Capital and reserves** | | | |
| Accumulated fund | 17 | **(7,064,265)** | **(7,386,943)** |

The financial statements of UK Finance Limited, registered number 10250295, were approved by the board of directors and authorised for issue on 6 May 2021. They were signed on its behalf by:

David Postings
Director and Chief Executive Officer

# Cash flow statement

For the year ended 31 December 2020

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| Operating profit | 190,677 | 289,748 |
| Depreciation and amortisation | 1,731,603 | 1,731,546 |
| Impairment of assets | 901,053 | - |
| Net finance costs | 188,787 | 173,573 |
| Increase in trade and other receivables | (1,446,933) | (1,828,091) |
| (Decrease)/increase in trade and other payables | (6,579,580) | 7,337,559 |
| Decrease in provisions | - | (111,410) |
| **Net cash (outflow)/inflow from operating activities** | **(5,014,393)** | **7,592,925** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (30,789) | (62,878) |
| Purchase of intangible assets | (822,079) | (573,194) |
| Interest paid | (188,787) | (173,573) |
| **Net cash outflow from investing activities** | **(1,041,655)** | **(809,644)** |
| **Cash flows from financing activities** | | |
| Legacy trade association transfers | 132,000 | 628,876 |
| Term loan repayments | (500,001) | (500,001) |
| **Net cash (outflow)/inflow from financing activities** | **(368,001)** | **128,875** |
| **(Decrease)/increase in cash and cash equivalents** | **(6,424,049)** | **6,912,156** |
| **Cash and cash equivalents at beginning of the year** | **13,880,928** | **6,968,772** |
| (Decrease)/increase in cash and cash equivalents | (6,424,049) | 6,912,156 |
| **Cash and cash equivalents at end of the year** | **7,456,879** | **13,880,928** |

# Statement of changes in equity

For the year ended 31 December 2020

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| At start of year | (7,386,943) | (8,305,567) |
| Profit for the year | 190,677 | 289,748 |
| | (7,196,266) | (8,015,819) |
| Legacy trade association transfer | 132,000 | 628,876 |
| **At end of year** | **(7,064,266)** | **(7,386,943)** |

Legacy trade association transfer represents the surplus of assets of the Asset Based Finance Association Limited trade association which was transferred to UK Finance following its winding up.

In 2019, the legacy trade association transfer related to the surplus of assets of the Financial Fraud Action and UK Cards 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.

# Notes to the financial statements

For the year ended 31 December 2020

## 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 7.

This accounting period runs from 1 January 2020 to 31 December 2020, with comparatives for the year ended 31 December 2019.

The principal activities of the Company and the nature of the Company's operations are set out in the Strategic report on pages 8 to 23.

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 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 £7.1m (2019: £7.4m), this improvement being driven by a cash transfer received from a legacy trade association 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 300 financial institutions.
- UK Finance has a term loan facility and a revolving credit facility with Barclays Bank PLC in the amount of £7.7m and £7.0m, respectively, of which £8.4m was undrawn as at 31 December 2020.
- The Board has reviewed and approved a fully evaluated budget for 2021. It has also reviewed longer-term high-level projections which demonstrate that UK Finance should generate surpluses which should, over time, fully mitigate the net liabilities position and ultimately build up reserves. In the intervening period they demonstrate full compliance with funding covenants.

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 ten years, and less impairment losses.

# Notes to the financial statements

For the year ended 31 December 2020

*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:

- 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.

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

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.

### *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.

# Notes to the financial statements

For the year ended 31 December 2020

*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.

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.

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

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.

### *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.

# Notes to the financial statements

For the year ended 31 December 2020

### *j. Pro bono activities*

Services received from associate members on a pro bono basis are recognised within commercial income at the fair value of the services provided as determined by the third parties, with an equivalent amount recognised within cost of sales.

### *k. 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.

### *l. 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.

### *m. 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, its 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 2020

## 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.

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

## 3. Revenue

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

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Subscriptions invoiced to members | 32,137,602 | 30,301,034 |
| Commercial income | 3,500,543 | 4,737,300 |
| Other income | 11,245,241 | 13,026,040 |
| | **46,883,385** | **48,064,374** |

Included within Other income is £3,101,699 (2019: £1,157,000) for the value of pro bono activities received from associate members. Cost of sales has been grossed up by an equivalent amount.

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-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Professional & consultancy | 6,449,034 | 10,363,867 |
| Occupancy | 2,625,131 | 2,802,044 |
| Data management and research cost | 4,471,092 | 5,088,534 |
| General & admin expenses | 4,783,586 | 3,809,732 |
| Information technology | 2,389,775 | 1,729,223 |
| Member & external relations cost | 520,025 | 351,829 |
| Publications and subscriptions to other trading bodies | 769,052 | 812,922 |
| Travel and expenses | 166,507 | 474,732 |
| | **22,174,201** | **25,432,883** |

## 5. Staff costs and numbers

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

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Salaries and benefits | 16,909,943 | 16,049,730 |
| Social security costs | 1,974,059 | 1,845,646 |
| Pension costs | 1,661,863 | 1,510,697 |
| | **20,545,864** | **19,406,073** |

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

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

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| Administrative staff | 182 | 179 |

## 6. Directors’ remuneration

The Directors' remuneration for the year was as follows:

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Remuneration (including benefits in kind) | 1,131,020 | 1,315,000 |

The remuneration of the highest paid director was £688,299 (2019: £1,060,000).

## 7. Finance costs

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Loan interest payable | 199,321 | 188,669 |

## 8. Profit before taxation

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

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Operating lease rentals in respect of land and buildings | 1,563,076 | 1,518,282 |
| Depreciation of tangible assets | 777,613 | 828,859 |
| Amortisation of intangible assets | 953,992 | 902,687 |
| Impairment losses on intangible assets | 901,052 | - |
| Bad and doubtful debt | 130,328 | 308,954 |
| Foreign exchange loss | 1,049 | 9,593 |
| Auditor's remuneration: | | |
| - Statutory audit fees | 40,000 | 37,500 |
| - Tax services | 15,362 | 11,882 |

# Notes to the financial statements

For the year ended 31 December 2020

## 9. Taxation

The tax charge comprises:

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| **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-20 | 31-Dec-19 |
|---|---|---|
| **Profit/(loss) before tax** | 190,677 | 289,748 |
| | | |
| Tax on profit/(loss) at standard UK corporation tax rate of 19% (2018: 19%) | 36,229 | 55,052 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 16,565 | 23,108 |
| Depreciation in excess of capital allowances | 49,875 | 23,166 |
| Short term timing differences | 16,875 | 14,250 |
| Utilisation of tax losses not previously recognised | (119,544) | (115,576) |
| Deferred tax not recognised | - | - |
| Total tax charge for year | - | - |

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

## 10. Intangible fixed assets

| | Commercial business activities £ | Secure information systems £ | Other £ | Total £ |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 31 December 2019 | 8,307,800 | 738,194 | 194,533 | 9,240,527 |
| Additions | - | 722,163 | 99,916 | 822,079 |
| At 31 December 2020 | 8,307,800 | 1,460,357 | 294,449 | 10,062,606 |
| **Amortisation** | | | | |
| At 31 December 2019 | 2,076,950 | 82,500 | 97,266 | 2,256,716 |
| Charge for the year | 830,780 | 84,305 | 38,906 | 953,991 |
| Impairment losses | 793,192 | 49,500 | 58,361 | 901,053 |
| At 31 December 2020 | 3,700,922 | 216,305 | 194,533 | 4,111,760 |
| **Carrying amount** | | | | |
| At 31 December 2019 | 6,230,850 | 655,694 | 97,267 | 6,983,811 |
| At 31 December 2020 | 4,606,878 | 1,244,052 | 99,916 | 5,950,846 |

Commercial business activities comprise the associate membership, events, training and other commercial revenue streams from the old trade associations. Secure information systems include fraud intelligence systems and other secure information sharing platforms. Other includes brands, trademarks and websites acquired from the old trade associations as well as new IT projects that are not yet live. Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated as a realised loss.

Intangible assets are assessed annually and impaired where their determined recoverable amount is less than their book value. Within commercial business activities, the cash flows of certain revenue streams are separately identifiable and have been tested for impairment as individual Cash Generating Units (CGUs). The value in use methodology has been used to estimate the recoverable amount, as fair value less cost to sell cannot be readily determined. Valuation models are based on the current budget and the longer-term financial plan. Management has determined an appropriate discount rate for each CGU via an analysis of the relevant Weighted Average Cost of Capital (WACC) and this discount rate is used in calculating the present value of cash flows over the estimate life of the asset.

As a consequence of this review an impairment within commercial business activities was identified and the net book value written down by £0.8m.

Where assets are non-revenue generating and deemed to have reached the end of their useful life, they are written down to a nil carrying amount. This has been identified as applicable to the legacy TA brands and trademarks, websites and certain information systems which have been superseded or replaced, and their total net book value written down by £0.1m to nil.

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

## 11. Tangible fixed assets

| | Leasehold improvements | Fixtures & Fittings | IT equipment & software | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Cost** | | | | |
| At 31 December 2019 | 3,167,459 | 2,125,676 | 1,501,617 | 6,794,752 |
| Additions | - | 30,789 | - | 30,789 |
| Disposals | - | (256,719) | (190,585) | (447,304) |
| At 31 December 2020 | 3,167,459 | 1,899,746 | 1,311,032 | 6,378,237 |
| **Depreciation** | | | | |
| At 31 December 2019 | 545,371 | 693,610 | 1,247,157 | 2,486,138 |
| Charge for the year | 219,414 | 329,720 | 228,479 | 777,613 |
| Disposals | - | (256,719) | (190,585) | (447,304) |
| At 31 December 2020 | 764,785 | 766,611 | 1,285,051 | 2,816,447 |
| **Carrying amount** | | | | |
| At 31 December 2019 | 2,622,088 | 1,432,066 | 254,460 | 4,308,614 |
| At 31 December 2020 | 2,402,674 | 1,133,135 | 25,981 | 3,561,790 |

Fixtures & Fittings 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

| **Amounts falling due within one year:** | **31-Dec-20** | **31-Dec-19** |
|---|---|---|
| | **£** | **£** |
| Trade debtors | 21,867,199 | 20,423,174 |
| Prepayments and accrued income | 2,056,341 | 1,612,318 |
| Other debtors | 5,705 | 446,820 |
| | **23,929,244** | **22,482,312** |

## 13. Financial instruments

| | **31-Dec-20** | **31-Dec-19** |
|---|---|---|
| | **£** | **£** |
| **Carrying amount of financial assets** | | |
| Measured at amortised cost | 30,374,305 | 35,549,353 |
| **Carrying amount of financial liabilities** | | |
| Measured at amortised cost | 14,876,767 | 18,716,470 |

# Notes to the financial statements

For the year ended 31 December 2020

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-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Trade creditors | 719,489 | 541,729 |
| Other taxation and social security | 525,633 | 819,623 |
| Accruals | 5,978,704 | 9,984,511 |
| Deferred income | 28,973,639 | 27,384,062 |
| Term loan | 800,001 | 500,001 |
| Other creditors | 1,872,139 | 1,383,794 |
| | **38,869,604** | **40,613,720** |

Deferred income principally relates to annual memberships invoiced in advance.

The comparative figure on the term loan has been re-classified from amounts due after more than one year to amounts due within one year to reflect the £0.5m scheduled repayment on the term loan made during 2020.

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

| | 31-Dec-20 | 31-Dec-19 |
|---|---|---|
| | £ | £ |
| Deferred income | - | 3,875,000 |
| Term loan | 5,506,434 | 6,306,435 |
| Other long term creditors | 2,521,985 | 3,182,451 |
| | **8,028,420** | **13,363,886** |

Deferred income represents membership subscriptions received in advance.

UK Finance has a sterling term loan facility with Barclays Bank PLC for £7.7m, secured with a fixed and floating charge over the assets of the Company. The interest rate on the loan is base rate +1.75% per annum and the loan is fully repayable on 30 September 2022.

The comparative figure on the term loan has been part re-classified from amounts due after more than one year to amounts due within one year to reflect the £0.5m scheduled repayment on the term loan made during 2020.

Other long-term creditors comprise deferred rent on 1 Angel Court which is being released from February 2020 when the rent-free period ended.

# Notes to the financial statements

For the year ended 31 December 2020

## 16. Provisions for liabilities

| | Dilap-idations | Onerous contracts | Total |
|---|---|---|---|
| | £ | £ | £ |
| At 31 December 2019 | 1,065,000 | - | 1,065,000 |
| Provided in the year | - | - | - |
| Utilised in the year | - | - | - |
| At 31 December 2020 | **1,065,000** | **-** | **1,065,000** |

| | 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** |

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:

UK FINANCE

# Notes to the financial statements

For the year ended 31 December 2020

| Operating leases which expire: | Land and buildings 31-Dec-20 £ | Land and buildings 31-Dec-19 £ |
|---|---|---|
| Within one year | 1,464,748 | 1,236,007 |
| Within two to five years | 5,863,006 | 5,863,006 |
| After five years | 9,266,037 | 10,730,785 |
| | **16,593,791** | **17,829,798** |