



THE UK'S CASH MACHINE NETWORK

# LINK ANNUAL REPORT 2018/2019





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## Company Information

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Company Number 10535808

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# Introduction to LINK

The LINK Scheme provides the operational service and contractual certainty that connects card issuers and cash machine operators to enable card holders to access their cash.

LINK membership consists of all the UK's main debit and cash machine card issuers (banks and building societies) and all the main cash machine operators (banks, building societies and independent ATM deployers – IADs).

Effectively, all the UK's 62,000 cash machines are LINK-enabled and almost 49,000 of these ATMs are free-to-use. There are over 100 million UK-issued LINK-enabled cards in circulation.

**LINK's objective is to provide nationwide access to cash for consumers. Financial inclusion is a key common objective of all LINK's Members.**

LINK and its Members are committed to defending and, where possible, improving access to cash. This is especially important given the decline in cash usage in the UK. In pursuit of this, LINK has operated a Financial Inclusion Programme since 2006. This Programme has been significantly enhanced in 2018 and 2019 and will continue to be strengthened to maintain consumer access to cash in the coming years.

LINK's Members compete vigorously to identify and secure new ATM locations. There is no central organisation or plan for ATM locations; rather competition to meet consumer demand. This has proved very effective, with UK consumers continuing to enjoy excellent access to free-to-use cash machines.

LINK has a well-established Consumer Council to provide advice on relevant consumer issues and to represent consumers in the governance and development of the network. It gives advice to the Scheme and can independently publish its views as it wishes.

**LINK is managing interchange to secure the future of free-to-use ATMs.**

Interchange is the fee the customer's bank pays to the ATM operator to cover the cost of its transactions. The changes LINK has made are designed to maintain and rebalance the UK's ATM network – shifting incentives from deploying ATMs in urban centres to more remote and less-affluent communities. Interchange will be reviewed at least annually, taking into account the impact on consumers.

**In 2018, LINK commissioned the independent Access to Cash Review, the report of which was published early in 2019.**

This comprehensive review was commissioned as a response to the rapid decline in cash use and to the growing concerns about whether people who can't use or access cash in an increasingly digital society are being left behind. Chaired by Natalie Ceeney CBE, it had an independent panel of consumer champions and industry experts and was funded by, but independent of, LINK. It conducted extensive research into payment methods trends, international developments, consumer needs and behaviour across the UK and the financial and economic drivers of the cash economy. The Review met with regulators, banks, industry experts and consumer groups to understand the economics and practicalities of cash and digital payments. The Access to Cash Review published its final report in March with the following recommendations:

- 1. Guarantee access to cash.**
- 2. Ensure cash remains widely accepted.**
- 3. Create a more efficient, effective and resilient wholesale cash infrastructure.**
- 4. Make digital payments an option for everyone.**
- 5. Ensure joined-up oversight and regulation of cash.**

LINK welcomes this report and believes it provides a blueprint for how LINK and others can help maintain access to cash for many years to come.

**The LINK rules also support pay-to-use cash machines as they supplement the strong free-to-use network with additional machines to improve consumer access.**

These cash machines do not receive ATM interchange for dispensing cash. There are around 13,000 such machines (20% of all ATMs), but they account for less than 3% of all cash withdrawals. All decisions about charging are made by the ATM operator, usually in agreement with the owner of the premises where the ATM is located, and not by LINK itself.

**LINK is tendering its infrastructure platform.**

LINK has been undertaking a competitive procurement for ATM switching and settlement services, the mechanism that links together all the card issuers and operators. In July 2019, LINK announced the completion of the best and final offer (BAFO) phase of the procurement and Vocalink Limited has been selected as preferred supplier. LINK will now seek to finalise the contractual terms and complete the governance process for approval of the contractual terms by Members.

# Chairman's Message

As consumers turn at a rapid rate to other payment methods, maintaining free access cash is the central focus of LINK.



**Sir Mark Boleat**  
LINK Chairman

**At the time of writing, consumer use of LINK ATMs is seeing an annual decline of 10%, which is a precipitous drop. This is no longer just concentrated in the south of England, but spread right across the United Kingdom.**

This reduction in cash usage for payments is in turn placing enormous pressure on the commercial companies running the UK's cash infrastructure. The cost of this infrastructure at over £5 billion a year (including ATMs) is largely fixed. Revenue, which tracks usage, is declining at 10% per annum. This is not sustainable and, without firm action, the whole system is at risk.

LINK set out this risk at the start of 2018 when it made urgent changes to the commercial arrangement supporting ATMs to sustain a broad free network and protect the excellent access to cash service that

consumers have today. These changes included an up to tenfold increase in payments to ATM operators in more remote areas and a cut of 10% in busy urban areas where there is a proliferation of machines. We also commissioned the Access to Cash Review, chaired by Natalie Ceeney CBE, who is a past CEO of the Financial Service Ombudsman and is currently the Chair of Innovate Finance. This Review reported

in March this year and set out a comprehensive manifesto for sustaining cash across wholesale and retail infrastructure. LINK strongly supports the recommendations from Natalie's work and is delighted that government, consumer groups and industry have also widely endorsed it.

The government has asked the Treasury to bring together the regulators that support cash to lead a coordinated reform. LINK is deeply engaged with this work and we are now confident that, in time, consumers will be better protected as cash usage drops away and digital payments take over as the dominant form of payment.

LINK also understands the role of cash as a vital part of the overall UK payment system. When digital methods to pay fail, we need cash as a safety net. LINK welcomes the Bank of England's comprehensive and timely work on operational resilience. Over the coming year, LINK expects to work closely with the Bank to optimise how the various digital payment systems and LINK coordinate to provide the UK with a robust and safe payments infrastructure.

Cash access is not just about ATMs. The Post Office in particular is a key channel for consumers with free access available for debit card holders across its entire branch network. LINK is now working closely with the Post Office to coordinate our support for consumers. LINK's free consumer app was enhanced this summer and now also shows the location of every Post Office in the country in addition to ATMs. I expect to see more initiatives such as this.

I am grateful for the strong support of my Board colleagues, the skilled executive team led by CEO John Howells, and LINK's participants as we continue to develop LINK and maintain its position as one of the leading payment systems in the UK. In particular, the role of LINK's Board is central to the ongoing success. Leading a heavily regulated not-for-profit organisation that is providing a vital public service at a time of great change is always a challenging task. All of LINK's Directors continue to make excellent contributions, for which I thank them.

**Sir Mark Boleat**

*“LINK welcomes the leadership of the Treasury in driving much needed reforms of the industry alongside LINK and other key market participants.”*

Sir Mark Boleat, LINK Chairman

# Chief Executive's Report

The LINK network is a vital part of the UK's payments infrastructure, delivering almost 90% of all cash to consumers via an estate of almost 62,000 ATMs.



**John Howells**  
LINK Chief Executive

**The Access to Cash Review, independent from LINK but commissioned by it, found that 97% of people still carried cash, while 85% of people still kept cash at home. The Review also found that 54% of people were still using cash for day-to-day shopping for items like bread and milk, 76% were paying for bus tickets in cash and 74% of charity donations were still in cash. When considering a cashless future, the Review found that 17% of the population felt they either wouldn't be able to cope without cash or didn't know how they would.**

Across the whole country, cash use is falling rapidly. LINK is now seeing an accelerating annual drop of 10% (eight-week moving average) in ATM usage. There are 5.4 million people who used cash once a month or not at all during 2018 – one in ten adults. LINK's conclusion is that cash access needs preserving for many years, but that the rate of decline demands a radical reform of the cash payment system, including ATMs.

LINK is determined to defend the excellent free access to cash provision that UK consumers currently have. Our initial priority has been to target the maintenance of the existing footprint of free ATMs. Through a well-funded Financial Inclusion Programme supported by UK banks, LINK has protected all free ATMs in remote and less well-off places across the UK since the start of 2019. Despite rapid drops in cash usage by consumers, cash access to these 2,502 protected communities remains safely in place for all but 35 locations. For these 35 locations, LINK is now directly commissioning ATMs from the market to ensure free cash access.

LINK also is dealing with the overprovision of ATMs in busy urban centres. Many urban centres have some 40 or 50 free ATMs within a few minutes' walk of each other and this number was growing.

This is clear evidence of the need for the interchange reform that LINK started at the beginning of 2018. It is not possible to sustain having sharply growing ATM numbers when usage is sharply falling. We are pleased to see that the average distance between free ATMs has increased from 231 metres to 265 metres. We plan for this trend to continue.

LINK is committed to the consumers that its Members support. The LINK Consumer Council brings the voice of the customer to the heart of everything that LINK does. This has delivered great benefits to consumers, including a Financial Inclusion Programme that invests some £12m a year in support for deprived, remote and rural areas. The Council also leads on important initiatives, such as the LINK App, which gives all consumers easy access to information on their nearest free ATM or Post Office counter (where cash access is also available for free).

Risk management is a central part of LINK's role and LINK is designated as a systemic risk manager for by the Bank of England. As part of this, LINK comprehensively invests in network risk management and resilience. There are a range of best practice arrangements in place to protect the network. The retender of LINK's central infrastructure, which will be completed later this year, will further strengthen risk management across the UK's largest ATM network.

**John Howells**

*“LINK is determined to defend free access to cash for consumers in the face of now precipitous drops in cash usage.”*

John Howells, LINK CEO

# LINK Board Members

## Board Members

### **Sir Mark Boleat** Director and Chairman

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

### **John Howells** Director and Chief Executive Officer

John is CEO of Link Scheme Holdings Ltd and an Executive Director. He is a member of the Payment Systems Regulator's Panel and the LINK Scheme's Consumer Council. Prior to LINK, John held a number of senior roles with Gemini Consulting and Capgemini. His early career was with Lloyds Bank.

### **The Rt. Hon. the Lord Hunt of Wirral MBE (David Hunt)**

#### Senior Non-Executive Director and Chair of the Remuneration and Nominations Committees

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

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

John is also a Non-Executive Director and Chair of the Audit and Risk Committee for Quilter Plc's

UK platform business, Old Mutual Wealth, and is a Non-Executive Director and Chair of the Risk Committee for Chetwood Financial, the digital bank.

### **Liz Richards** Director and Chair of the Audit Committee

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

### **Tracey Graham** Director and Chair of LINK Consumer Council

Tracey is a Non-Executive Director of Royal London Group, where she is Chair of the Remuneration Committee, and Chair of Investment Funds Direct Limited, a subsidiary company of the Royal London Group. Tracey is also a Non-Executive Director of Istock plc and a Non-Executive Director of DiscoverIE plc. Tracey is also a Member of the City of London Court of Common Council.

### **Bill Raynal** Director

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

### **David Rigney** Director

David is Non-Executive Director at Principality Building Society and ELEXON Limited. He was previously Chairman of BACS, and a main Board Executive Director at Nationwide Building Society, where his responsibilities included ATMs.

*"I expect LINK to play a leading role in ensuring the highest levels of operational resilience for UK payments."*

Lord David Hunt, Senior Non-Executive Director

# Senior Management Team

**John Howells**  
Chief Executive Officer

John is CEO of Link Scheme Holdings Ltd and an Executive Director. He is a member of the Payment Systems Regulator's Panel and the LINK Scheme's Consumer Council.

**Sue Wallace**  
Chief Operating Officer

Sue is LINK's COO and has over 35 years' experience of working in payments, having previously held senior roles at Barclaycard and Vocalink.

**Adrian Roberts**  
Chief Commercial Officer

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

**Graham Mott**  
Director of Strategy

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

**Tom Sleight**  
Chief Risk Officer

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

**Mike Knight**  
Finance Director

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



# LINK Members

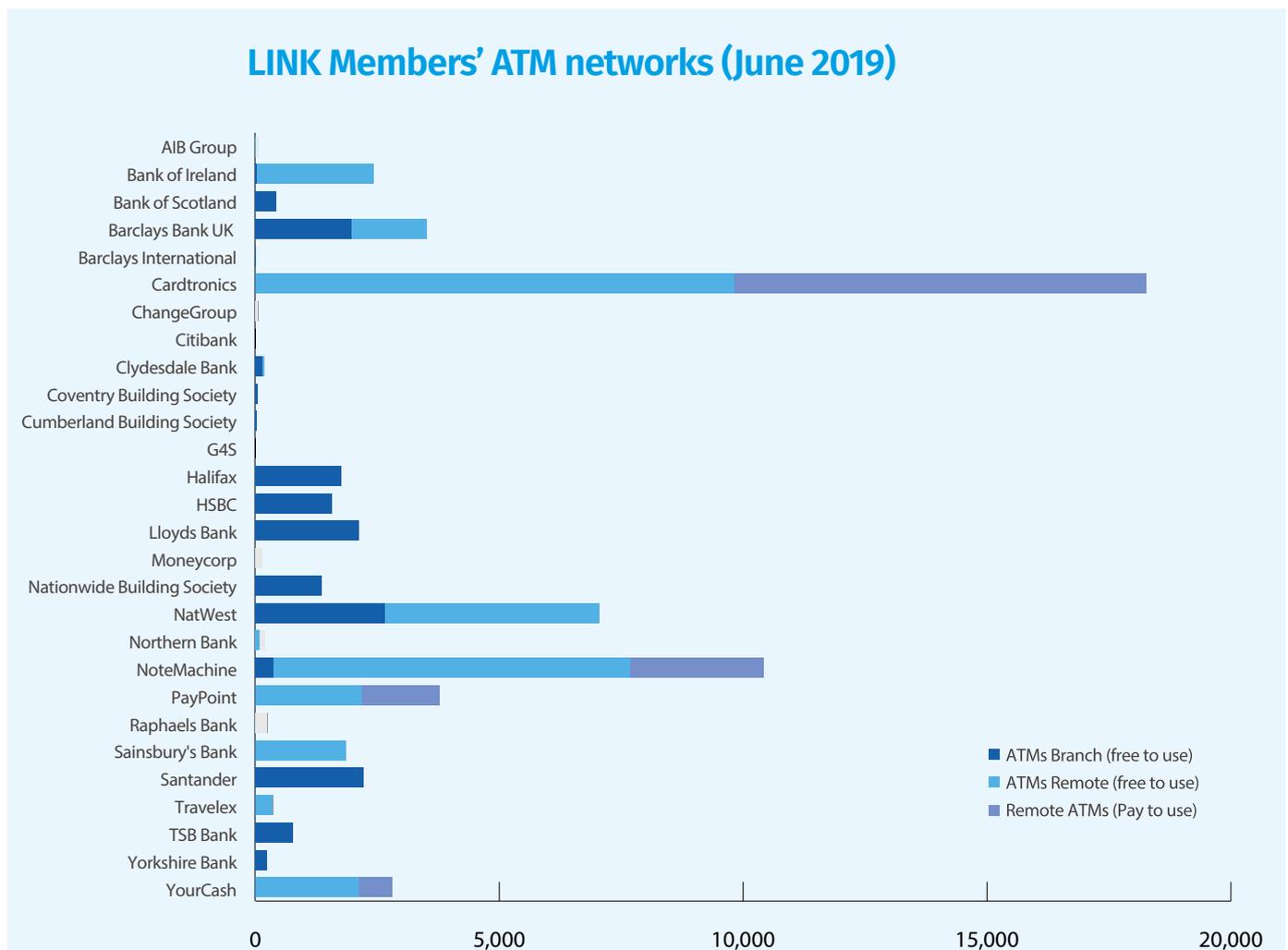
LINK currently has 35 Members consisting of banks, building societies and independent ATM operators.

Membership is open to all on equal terms – existing Members have no say over who joins.

*“Helping LINK’s Members maintain a broad free footprint of ATMs is a key part of LINK’s work.”*

Bill Raynal, Non-Executive Director

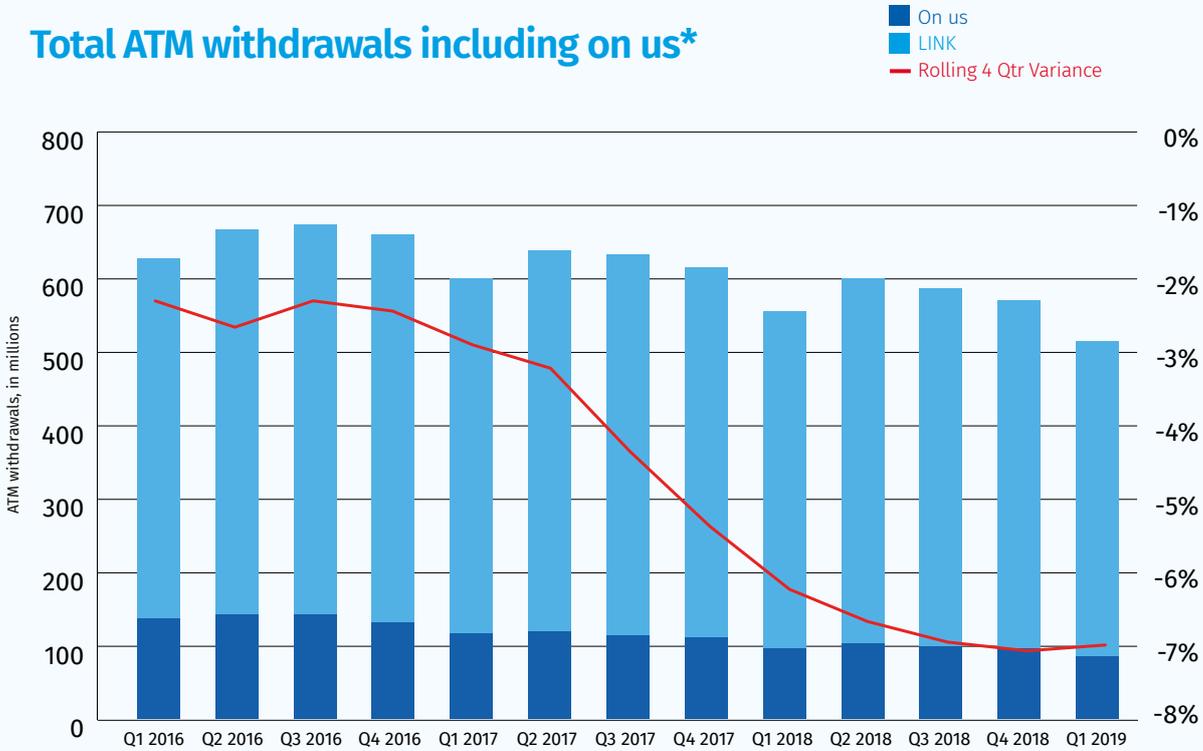
## LINK Members’ ATM networks (June 2019)



Source: Link Scheme

# Statistics

## Total ATM withdrawals including on us\*



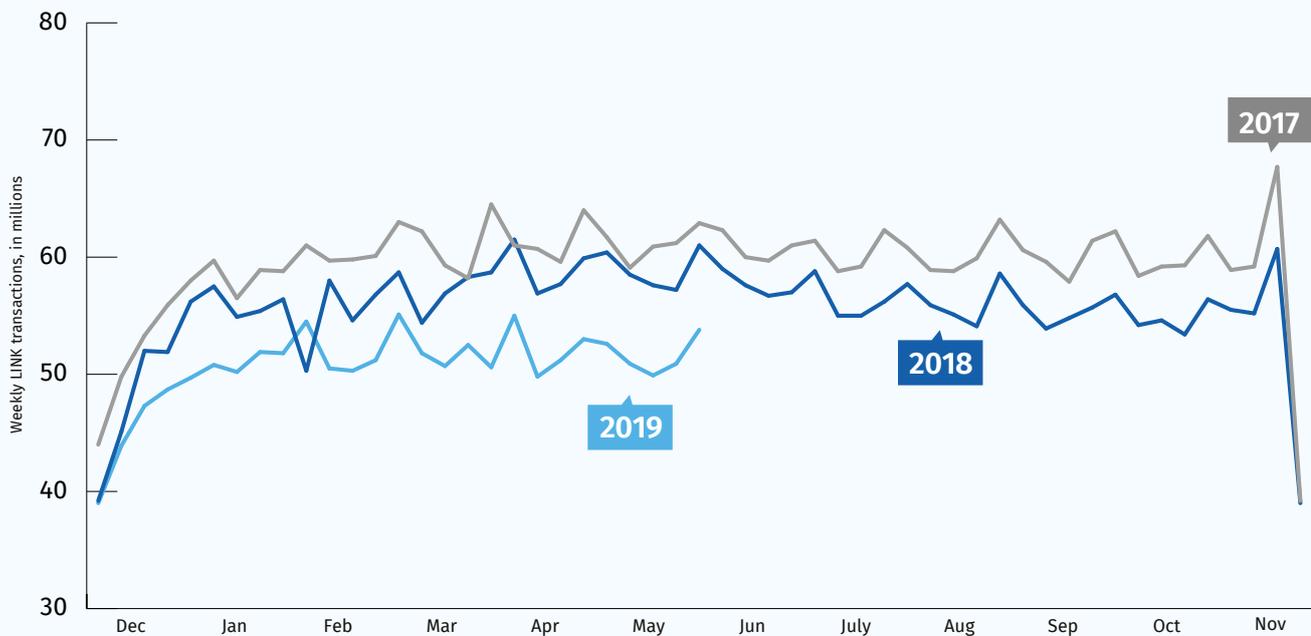
## Monthly transaction volumes



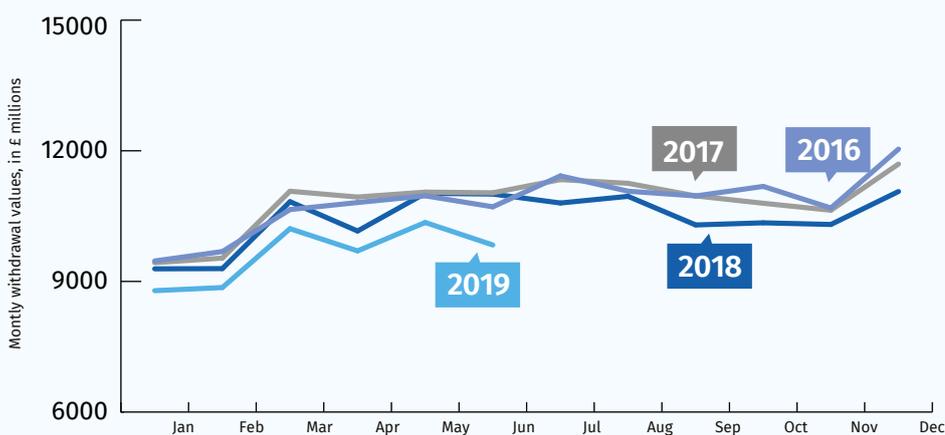
The busiest days of 2019 so far were 29 March, which saw **10.7million** LINK ATM transactions, and 28 June, which saw over half a billion pounds paid out by LINK ATMs.

\*'On us' is where someone uses an ATM that belongs to their own bank or building society

## Weekly LINK transaction volumes



## Monthly withdrawal values



*"It is clear that we are in a period of major change for consumer preferences as digital payments become more popular. LINK will help to manage this transition to ensure that no one is left behind."*

David Rigney, Director

Source: Link Scheme

# Consumers

## LINK's Financial Inclusion Programme

**The LINK Financial Inclusion Programme has been improving access to cash for the most remote and less well-off communities since 2006. It provides subsidies to ATM operators who run free-to-use machines in these communities. In 2006, 1,694 deprived areas were identified with no free access to cash where the subsidy could apply.**

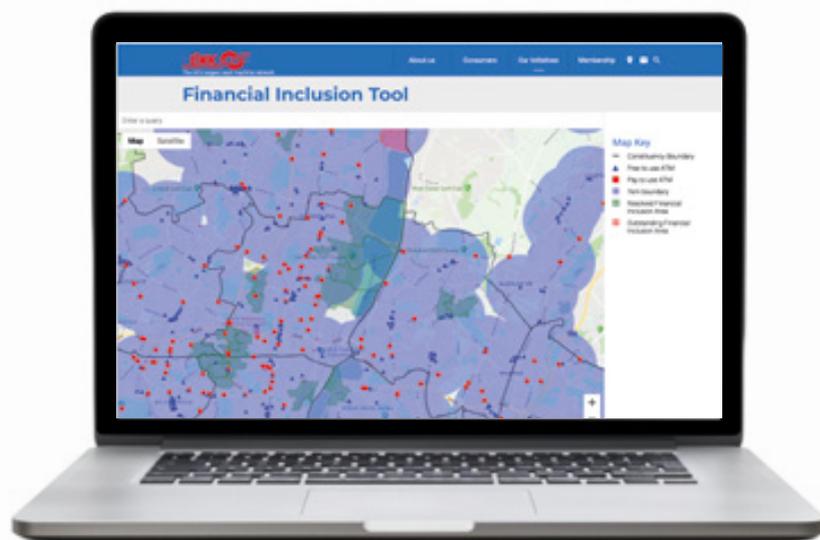
In 2015, 957 further sites were brought into the Programme following independent research by Toynbee Hall. A further 112 Scottish Output Areas were brought into the Programme in September 2018, making a total of 2,763 in scope today. Of these 2,763 sites, 1,836 have a free ATM and 927 are without a free ATM. The remaining 8,743 deprived sites across the UK already have a free ATM without the need for a subsidy.

On 1st April 2019, LINK introduced additional premiums that can significantly increase payments to ATM operators by up to £2.75 per cash withdrawal (the standard payment is about 25 pence).

Premiums are available to all eligible ATMs that resolve access in the most deprived areas or are Protected, i.e. they are a free-to-use ATM that does not have another free-to-use ATM within one kilometre. These measures are aimed at safeguarding free-to-use ATMs in remote and deprived areas.

The LINK Board will review and refine the criteria as the strengthened Financial Inclusion Programme develops in use. There is no financial cap on the Financial Inclusion Programme's cost.

The LINK website includes a Financial Inclusion Mapping Tool [[www.link.co.uk/initiatives/financial-inclusion-tool/](http://www.link.co.uk/initiatives/financial-inclusion-tool/)] that helps consumers, policy makers and consumer groups identify areas that may still have requirements for additional free ATM access. Resolved areas are shown in green while outstanding target areas are in red and each free-to-use ATM has its one kilometre access boundary displayed.



**LINK's Financial Inclusion Tool**

[www.link.co.uk/initiatives/financial-inclusion-tool/](http://www.link.co.uk/initiatives/financial-inclusion-tool/)

# Consumer Support

## Consumer Council

The LINK Consumer Council was established in 2006 and consists of independent consumer representatives and LINK Members and is chaired by Tracey Graham. The Council provides advice on consumer issues relating to the UK cash machine network. The Council represents consumer interests and produces its own report towards the year end.

The members of the Consumer Council are listed below. The Council has recently agreed with the Post Office that one of its senior Directors will join the Council later in 2019.

**Tracey Graham**, Chair (also a LINK Non-Executive Director)

**Lady Margaret Bloom**, CBE

**Teresa Pearce**, MP for Erith & Thamesmead

**Eimear Duffy**, Consumer Council of Northern Ireland

**Joe Lane**, Citizens Advice

**Helen Walker**, Department for Work and Pensions

**Sian Williams**, Toynbee Hall

**Tim Allen**, Barclays

**Adam Bailey**, NatWest

**Nigel Constable**, NoteMachine

**Tim Watkin-Rees**, PayPoint

## LINK ATM Locator App

In June 2019, LINK updated its ATM locator app to include thousands of Post Office locations across the country.

Originally launched in 2017, the app now allows consumers to see the location of Post Office branches where they can conduct their everyday banking services over the counter, as well as every LINK ATM. Post Office counters offer customers of all the major banks and building societies a range of free services, including withdrawing and depositing cash, and checking their balance.

The app also has the ability to filter search results, for example by finding ATMs that provide audio assistance for consumers who are blind or partially sighted; ATMs that will dispense £5 notes; free-to-use ATMs; or those belonging to specific organisations, e.g. a particular bank. It also includes top tips for ATM users on how to stay safe when at an ATM. For the Post Office branches, the app also gives opening times, so customers can make sure their visit is easy and convenient.

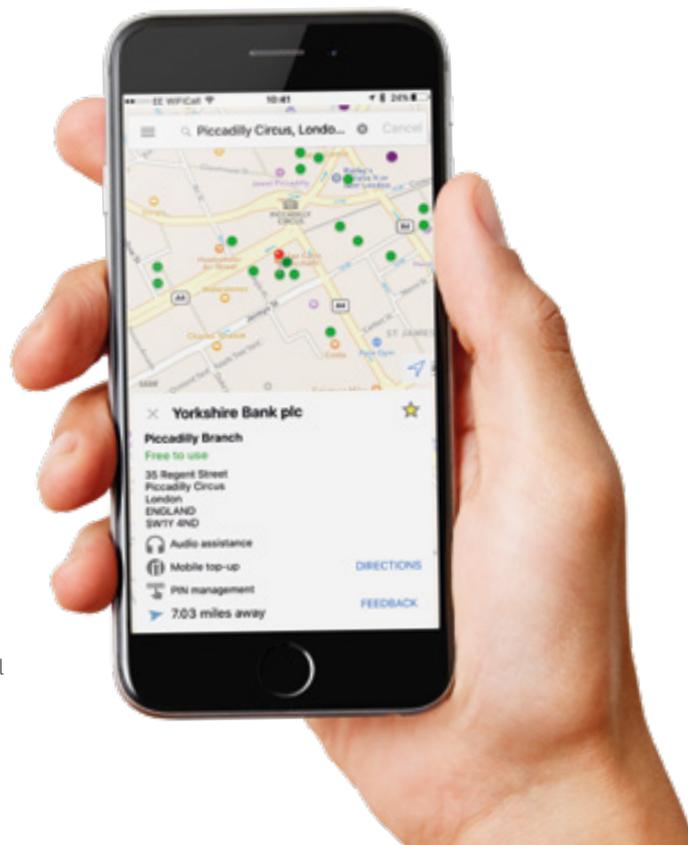
The app is available to download free of charge on both the Apple and Android stores.

## Fraud and Crime Prevention

Cash machines are a very safe way for consumers to access their accounts and avoid the risks of having to carry large amounts of cash or keep it at home. Millions of transactions are made through the LINK system every day and the chances of someone becoming a victim of ATM crime are very low. However, to make cash access even safer, LINK publishes security tips and online, downloadable guides to help consumers stay safe when using ATMs.

To help counter physical attacks on cash machines themselves, LINK supports the cross-industry ATM Security Working Group and also runs and chairs the European Expert Group on Physical ATM Crime. LINK actively liaises with counterparts, technical experts and law enforcement bodies across the UK, Europe and the wider world to share intelligence and information as widely as possible.

LINK has also been a partner of Crimestoppers for over 10 years, giving people the opportunity to speak up anonymously and help stop crime.



*"I am delighted to see the launch of an updated LINK App to include Post Offices. It's another great way to help consumers have a much broader picture of services they can use."*

Tracey Graham, Chair, LINK's Consumer Council

# Managing Systemic Risk

The effective management of risk is central to the success of any organisation. LINK takes its risk management responsibilities seriously. A second line independent risk function, monthly Board discussions on risk, and a dedicated

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*“The new Board Risk Committee that I chair will maintain LINK as a highly safe and resilient payment system.”*

John Gill, Risk Committee Chair, Director

Risk Committee all contribute to LINK’s risk management approach. By managing its risk in this way, LINK also ensures that it is compliant with its regulatory obligations.

The procurement exercise to secure a new infrastructure service has been an excellent example of the way in which LINK has managed risk. A key element of the procurement process was to ensure that the supply contract for the infrastructure service contained provisions which will allow LINK to discharge its responsibilities as a systemic risk manager. The procurement process itself was run by a dedicated team, with LINK’s second line risk function providing oversight and challenge to the process, as required.

# Governance and Regulation

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

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

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## **Audit Committee Members**

**Liz Richards (Chair)**  
John Gill  
Bill Raynal

## **Remuneration and Nominations Committee Members**

**Lord David Hunt (Chair)**  
Sir Mark Boleat  
Tracey Graham  
Liz Richards (for nominations matters)

## **Risk Committee Members**

**John Gill (Chair)**  
Sir Mark Boleat  
David Rigney  
Bill Raynal  
Tracey Graham\*

\*Risk Committee Member to June 2019

# Access to Cash Review



**Natalie Ceeney CBE**  
Chair  
Access to Cash Review

“The independent Access to Cash Review brought together consumer representatives and industry experts to examine the future cash needs of consumers across the UK and we published our final report in March 2019.

The decline in cash is irrefutable. Today in Britain, we only use cash for three in every 10 transactions, down from six in 10 a decade ago. Advances in technology and the resulting convenience of online banking and shopping, and direct debit, contactless and mobile payment options mean increasing numbers of consumers rarely come into contact with physical cash. As a consequence, cash is forecast to fall as low as one in 10 transactions within the next 15 years.

Despite its decline, cash remains critically important. Digital payments don't yet work for everyone. Our research showed that, for 17% of the adult population, cash is an economic necessity, whether that be because of the need to budget and avoid debt, a reliance on others to help with shopping or odd jobs, or just because a village has no mobile signal. These needs will remain for some time.

The Access to Cash Review conducted extensive research into payment methods trends, international developments, consumer needs and behaviour, and the financial and economic drivers of the cash economy. Our interim report in December 2018 explored the question ‘Is Britain ready to go cashless?’ and concluded that, as of today, the answer is no, but there is a risk that we are sleepwalking into a cashless society. The decline in cash has happened so quickly that our cash infrastructure is in danger of fracturing before we have a plan. Without intervention, market forces will lead to services increasingly being withdrawn – which will be difficult put back once they've gone. The rapid decline in cash is now a serious matter of public policy.

The Review's final report in March reiterated that we need to take action and that there are solutions we can adopt to ensure that no one is left behind and these are practical and affordable. The report sets out a series of recommendations that can keep cash viable as its use declines. We need a clear government policy position on cash – giving certainty that, until digital payments work for everyone, we will maintain an effective cash infrastructure. Consumers need to have guaranteed access to cash, and to be able to spend it. And underpinning this, we need to radically rethink the complex network that moves cash around to ensure that it is affordable in a low cash economy.”

## Access to Cash Review – Panel Members

**Sian Williams**, Director, Financial Health Exchange, Toynbee Hall

**Lucy Malenczuk**, Senior Policy Advisor, Age UK

**Monica Kalia**, Founder, Neyber

**Lady Margaret Bloom**, CBE, Independent, LINK Consumer Council

**James Daley**, CEO, Fairer Finance

**Richard Lloyd**, Independent, former Executive Director, Which?

**David Hensley**, Head of Cash Services

**Phil Kenworthy**, Independent, former CEO, CHAPS

**Website:** [www.accesstocash.org.uk](http://www.accesstocash.org.uk)



# Financial Information

## Background

Link Scheme Holdings Ltd (“the Company”) was incorporated on 21 December 2016 as a company limited by guarantee without share capital. Its guarantors are the LINK network members. The Company is responsible for the running of the LINK Scheme through its wholly owned subsidiary, Link Scheme Ltd (together “the Group”).

The Group recorded a surplus for the year of £83,750 from its activities. This amount was added to reserves. The Group’s capital was further strengthened during the course of the year by capital injections from members. Together, these resulted in an increase in total equity to £2,687,123 as at 31 December 2018, compared with £1,922,571 as at 31 December 2017.

The Company’s **Full Statutory Accounts, Report and Financial Statements** are audited by the Company’s auditor, PricewaterhouseCoopers LLP, Central Square, 29 Wellington Street, Leeds LS1 4DL.

The full financial statements are available on the LINK website.

[www.link.co.uk](http://www.link.co.uk)

*“LINK operates a best practice first, second, and third lines of defence model with robust finances and strong controls.”*

Liz Richards, Audit Committee Chair, Director

## Summary statement of comprehensive income for the year ended 31 December 2018

	Year ended 31 December 2018	Period* ended 31 December 2017
	£	£
<b>Turnover</b>	<b>8,032,129</b>	<b>4,233,971</b>
Administrative expenses	(7,977,916)	(4,675,264)
<b>Operating profit/(loss)</b>	<b>54,213</b>	<b>(441,293)</b>
Interest receivable and similar income	29,537	2,893
<b>Profit/(loss) before taxation</b>	<b>83,750</b>	<b>(438,400)</b>
Taxation	–	–
<b>Profit/(loss) and total comprehensive income/(expenditure) for the financial year</b>	<b>83,750</b>	<b>(438,400)</b>

Profit/(loss) for the financial year is all attributable to the members of the parent company.

\*The comparative period covers 21 December 2016 to 31 December 2017, as this was the period of incorporation.

Turnover consists of monthly fees charged to members by virtue of their membership of the LINK Scheme and fees for specific projects as agreed by the members from time to time. Monthly fee turnover is recognised in the period to which it relates. Specific project turnover is recognised on an accruals basis and is matched with the expenditure in which it is incurred. All turnover is shown net of VAT and other sales-related taxes.

Prior to 2018, the Group collected the annual fees from members, which are due to the Payments Systems Regulator (PSR), and paid them over to the PSR. Since the Group was acting as an agent in this regard, these amounts are not included in the Group's turnover. From 1 January 2018, the PSR has collected its fees direct from payment service providers without using the Group as its agent.

Under the Framework Agreement dated 6 April 2017 between Mastercard UK HoldCo Limited ("Mastercard"), Vocalink Holdings Ltd, Vocalink Limited (together "Vocalink") and Link Scheme Ltd, the parties agreed to implement certain remedies

in order to satisfy the Competition and Markets Authority (CMA) that, following the acquisition of Vocalink by Mastercard, the competition of the LINK Scheme network would not be substantially lessened. In addition, Mastercard agreed to make a payment of £2 million to the Group to establish a Development Fund for the purposes of developing and implementing innovative products and services relating to the LINK network. If the Group does not adhere to the conditions regarding the use of the Development Fund, then the Group will be liable to pay the appropriate funds back to Mastercard.

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

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

	2018	2017
	£	£
<b>Turnover analysed by class of business</b>		
Membership Fees	5,882,027	3,253,227
Members' Funding Calls	1,639,161	954,000
Other, including Development Fund	510,941	26,744
	<b>8,032,129</b>	<b>4,233,971</b>

## Summary statement of financial position as at 31 December 2018

	<b>2018</b> £	<b>2017</b> £
<b>Fixed assets</b>		
Tangible assets	211,506	15,701
<b>Current assets</b>		
Debtors	619,342	425,450
Cash at bank and in hand	9,571,754	4,316,221
	<b>10,191,096</b>	<b>4,741,671</b>
<b>Creditors: amounts falling due within one year</b>	(7,715,479)	(2,834,801)
<b>Net current assets</b>	2,475,617	1,906,870
<b>Total assets less current liabilities</b>	2,687,123	1,922,571
<b>Capital and reserves</b>		
Other reserves	6,572,016	5,891,214
Profit and loss reserves	(3,884,893)	(3,968,643)
<b>Total equity</b>	2,687,123	1,922,571

## Summary statement of changes in equity for the year ended 31 December 2018

The total equity of The Company at 31 December 2018 of £2,687,123 was derived from capital contributions of £6,572,016 less the accumulated deficit of £3,884,893,

The cumulative capital contributions came from three sources:

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

	Merger reserve	Capital contribution reserve	Profit and loss reserves	Total equity
	£	£	£	£
<b>Balance at 21 December 2016</b>	1	4,311,214	(3,530,243)	780,972
<b>Period ended 31 December 2017:</b>				
Loss and total comprehensive expense for the financial period	-	-	(438,400)	(438,400)
Capital contribution	-	1,580,000	-	1,580,000
Reduction in merger reserve	(1)			(1)
<b>Balance at 31 December 2017</b>	1	5,891,214	(3,968,643)	1,922,571
<b>Year ended 31 December 2018:</b>				
Profit and total comprehensive income for the year	-	-	83,750	83,750
Capital contribution	-	680,802	-	680,802
<b>Balance at 31 December 2018</b>	1	6,572,016	(3,884,893)	2,687,123

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