Vocalink Limited
Annual Report and Financial Statements
31 December 2023

Registered Number: 06119048

VOCALINK mastercard

Contents

Vocalink Limited Company Information

Registered Company Number	06119048 (England and Wales)
Registered Office Address	1 Angel Lane London EC4R 3AB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Directors	Elizabeth Fullerton-Rome Jeffrey Brooker Kelly Devine Keith Douglas Sheryl Lawrence Ed McLaughlin Victoria Mitchell
Company Secretary	Jackie Panayi

Who We Are

We are Vocalink, a Mastercard company. Our technology powers the UK economy.

In 2017, Vocalink Limited ("Vocalink") became part of the Mastercard family, joining one of the most widely recognised and respected technology companies in the world. Our shared vision is to power economies and empower people, building a sustainable economy where everyone prospers. Together, we're making payments safer, simpler and smarter.

As a member of the Mastercard Group of companies ("Mastercard"), headed by Mastercard Incorporated, Vocalink is part of the Vocalink Holdings Ltd group of companies ("Vocalink Group"), acquired by Mastercard in 2017.

Vocalink is the leading account-to-account payments solutions provider in the UK, providing managed services to support critical payments in the UK and designing, building and operating industry-leading bank account-based payment systems. Our technology powers the UK's real-time payments, settlement and direct debit systems, as well as ATM networks.

A WORLD-CLASS PAYMENTS INFRASTRUCTURE

IN THE UK, WE PROCESS:

Over 90%	Over 70%	Almost all
of salaries	of household bills	state benefits

What We Do

Vocalink provides UK critical national payments infrastructure and associated services, including:

- The central payment infrastructure services which support the three Bank of England supervised and Recognised Payments Systems, namely:
  - **Bankers Automated Clearing Services** ("Bacs")
  - **Faster Payments Service** ("FPS")
  - **LINK**
- Certain services associated with the above central payment infrastructure services which are specific to the UK payments market
- Certain services supporting the UK government's 'Access to Cash' policy including services provided to the Post Office as well as ATM Managed Services
- The central payment infrastructure services which support the UK Cheque Image Clearing System ("ICS")

Bank of England Supervision

The Bank of England has an objective to maintain monetary and financial stability. The Bank supervises the Recognised Payment System Operators ("RPSOs") recognised by HM Treasury, which currently include Pay.UK, LINK, Visa and Mastercard Europe. The Bank also supervises Specified Service Providers ("SSPs"). In April 2018, Vocalink was classified as an SSP in recognition that Pay.UK and LINK depend on Vocalink's infrastructure to deliver their services. Vocalink continues to be operated as a designated infrastructure company under the Financial Services (Banking Reform) Act 2013 in respect of the recognised payment systems and is supervised by the Bank of England ("the Bank") under Part V of the Banking Act 2009.

Business Overview

Bacs - Salaries, bills and benefits paid on time, every time

Automated payments are at the heart of the UK's financial system. Bacs is chiefly responsible for two payment products, Bacs Direct Credits and Direct Debit. Direct Debit is the payment option chosen by thousands of companies to collect important payments automatically and securely from millions of people and organisations. Bacs Direct Credit is used to pay eight in ten employees in the UK, whether in wages, salaries or benefits.

Vocalink runs, maintains and services the technical infrastructure that processes automated payments for Bacs on behalf of Pay.UK, ensuring that salaries, bills and benefits are paid on time, every time. Maintaining a robust and resilient payments infrastructure for the UK is a top priority for Vocalink.

Faster Payments Service - Instant payments, all day, every day

Pay.UK's Faster Payments Service ("FPS") facilitates real-time payments of up to £1m for millions of individuals, businesses and charities across the UK. Customers can initiate single immediate payments, forward-dated payments or standing orders online, using a mobile device, over the phone or in a branch, 24 hours a day, seven days a week (subject to their bank's service offering). FPS runs on Vocalink's real-time payments infrastructure, enabling consumers and businesses to make immediate payments 24 hours a day, 365 days a year.

LINK - Powering one of the busiest ATM networks

The LINK scheme enables consumers to withdraw cash from their bank account via an ATM using a debit, credit or pre-paid card. There are more than 100 million LINK-enabled UK debit and ATM cards in circulation, and virtually all cash machine operators in the UK are members of the LINK Scheme. Vocalink provides transaction switching, clearing and settlement for the UK LINK Scheme - one of the busiest ATM networks comprising over 50,000 ATMs. LINK processes over 5 million cash withdrawals and balance enquiries a day and ATMs account for over 92% of cash acquisition in the UK.

Image Clearing System

In 2019, Vocalink developed and launched the Image Clearing System ("ICS") in partnership with The Cheque and Credit Clearing company, part of Pay.UK. The migration of UK cheque volumes to an automated, image-based system fundamentally transformed cheque and credit processing by enabling digital images of cheques (and bank giros) to be exchanged between UK banks and building societies for clearing and settlement. As well as providing more choice, one of the main benefits of an image-based system is that the cheque clearing process has sped up, delivering a much-improved and more efficient customer experience.

Current Account Switch Service

Pay.UK's Current Account Switch Service allows customers to switch banks and building societies free of charge and within 7 working days. Vocalink developed the technical infrastructure which underpins the service and has facilitated the switching of over 9 million current accounts in the UK since its inception in 2013.

Post Office – Widening access to banking services

The Post Office is the largest retail network in the UK, with more branches than all of the banks and building societies combined and offers free banking services that include cash withdrawal and deposit. The Post Office has over 11,500 branches, and 93% of the UK's population live within 1 mile of a Post Office, greatly increasing customer convenience and promoting financial inclusion. Vocalink provides the switching network that underpins the Post Office network banking services offered at their branches.

We are proud of the services which we provide to the UK and how Vocalink's payment services power the economy and empower people, supporting a sustainable economy for the UK.

From the Independent Chair of the Board

"Vocalink's payments services, which form a key part of the UK's Critical National Infrastructure, remain resilient, robust and relevant, and Vocalink is committed to ongoing enhancements to ensure the longevity and security of the UK payments market."

Elizabeth Fullerton-Rome
Independent Chair

I am delighted to present our annual report for the year ended 31 December 2023, showcasing the remarkable journey and outstanding achievements of Vocalink over the past 12 months. Despite the challenges posed by the dynamic landscape of the financial industry, Vocalink continues to safeguard the operational resilience of the UK's Critical National Infrastructure payment services. As a responsible participant in the market, Vocalink delivers strong and enduring results for our broad range of stakeholders across the payments ecosystem.

This performance rests on the expertise and commitment of our people, and the Board and I would like to thank each member of our Vocalink team for their exceptional contribution throughout the year. The dedication, professionalism and collaborative spirit within Vocalink have been instrumental to our success, and I am proud of what we have accomplished together. Our people are our greatest asset, and we recognise and value them.

Performance

Delivering world-class, resilient and secure services for our stakeholders and meeting the ever-changing needs and demands of customers are vital to the longevity of Vocalink. Vocalink has performed well throughout 2023, with continued investment in key areas of our infrastructure and wider business. Our financial results and position remain strong, with a profit before tax of £1.9m for the year and a net asset position of £229m, including £127m of cash and cash equivalents.

Demonstrating our commitment to the UK and to continuous improvement, in the 2023 calendar year, Vocalink processed more than 13 billion transactions with a combined value exceeding £9.63 trillion, and our teams broke 22 processing records. We delivered service excellence to our customers, with over 99.9% service availability across all of our services. Vocalink continues to undertake substantial investment in payments innovation and to enhance the security and resilience of our services for the benefit of all stakeholders, including the experience of UK consumers. We expect to see the full benefits of these investments and our transformation activities in the years to come.

Operating Environment

While Vocalink's operating environment remained stable in 2023, a future path for the UK payments industry was outlined in Joe Garner's independent report on 'The Future of Payments Review', as commissioned by HM Treasury. The report provided a number of recommendations on the next steps for the UK to deliver a world-leading retail payments ecosystem, including the need to articulate a National Payments Vision and Strategy which provides clarity and direction to this ambition, thereby guiding both industry and regulatory activity.

Vocalink contributed to the independent report and is supportive of the conclusions drawn. We look forward to engaging proactively with the UK payments industry and the UK government on this journey towards a National Payments Vision and Strategy for the UK, which will improve efficiency and accessibility, will enable a quicker route to modernisation and will drive innovation.

Board Update

In 2023, Vocalink's independent Board focused on setting the strategy for the organisation and engaged with our Chief Executive Officer, Keith Douglas, and our Executive team to execute this strategy. We were delighted to appoint Mr Douglas as Vocalink's permanent Chief Executive Officer in May 2023, and he has built a team which brings diverse skills and experience to deliver our strategic priorities.

Since the beginning of 2023, the Vocalink Board has appointed three new Independent Non-Executive Directors, following the retirement of two Directors at the end of their terms. We welcomed Jeffrey Brooker, Victoria Mitchell and Sheryl Lawrence to the Board and are benefiting from the wealth of experience and expertise which they bring across technology, cyber security, risk, assurance and audit. We also were delighted to appoint Victoria Mitchell as our Senior Independent Director in July 2024, which is an important role for Vocalink from a regulatory and governance perspective. Further to their resignation and on behalf of the Board and the organisation, I would like to express our thanks to Benedicte Schilbred-Fasmer and Diana Brightmore-Armour for their contribution to Vocalink throughout their tenure.

I also would like to extend my sincere thanks to Mastercard, which has provided substantial support to Vocalink and its teams. The Board and I are grateful for Mastercard's significant investment of time and resources and for the value which it places on Vocalink as a member of the Mastercard family.

People, Prosperity, Planet

I am proud that Vocalink's culture is rooted in truth and transparency and in Diversity, Equity and Inclusion ("DEI"), with a focus on our Environmental, Social and Governance ("ESG") responsibilities. Our culture is reflective of the people and communities which we serve, and we have made real and enduring progress in delivering our DEI commitments and in advancing sustainable change at Vocalink in 2023. Our achievements include increasing diversity, promoting inclusive workplaces, strengthening our knowledge, skills and expertise and driving engagement across all areas and levels of our organisation. In particular, I would like to highlight that Vocalink has closed its gender pay gap from 18.1% in 2020 to 5% in 2023 and has improved ethnic diversity across all levels, including at the Board and across Executive leadership. We continue to work on these and other important areas of DEI.

Vocalink continues to drive positive change through innovation, tools and partnerships. Reduction in energy usage has been at the heart of Vocalink's data centre and engineering management practices for over 30 years. As member of the Climate Change Agreement ("CCA") since 2016, we continue to meet and surpass all energy reduction targets, successfully driving our business towards net-zero emissions and accelerating our transition to renewable energies.

Strategic Direction and Looking Ahead

In 2023, Vocalink celebrated two important milestones – our 55th anniversary of providing the Bacs service and our 15th anniversary of providing the FPS service. These mark our longstanding and enduring commitment to serving the UK and its payments industry. Over our many years of dedicated service, Vocalink has delivered consistently strong, resilient and robust services which support critical payments in the UK. In doing so, we continue to design, build and operate an industry-leading payments system and, importantly, to provide the infrastructure and technologies which enable and underpin key drivers of growth across the UK.

Given the dynamic landscape of the payments market, Vocalink is poised at a strategic inflection point and is committed to supporting the National Payments Vision and Strategy. We will maximise the opportunity to support the UK payments industry by utilising our extensive experience, by harnessing our culture, DEI and ESG priorities and by targeting our continued investment into making payments safer, simpler and smarter.

We have refreshed our business plans to shape our future growth strategy and to remain the leading account-to-account payments provider in the UK and a key participant in the payments ecosystem throughout this upcoming period of industry change. Our strategic imperatives focus on putting our people first, enabling more efficient ways of operating, continuing to deliver service and operational excellence, establishing robust risk management and regulatory compliance, and looking ahead proactively to how Vocalink contributes to the dynamic UK payments market, including shaping payment innovation in the account-to-account ecosystem. To that end, we are excited to engage with the industry regarding opportunities to enhance the resilience and capabilities of many of our existing systems and services to support the market's needs and, ultimately, to enable the National Payments Vision and Strategy for the UK.

Our people are key to the successful delivery of our commitments and achievement of our strategy, and it is a great privilege to witness their dedication and commitment as they run resilient, robust and relevant payment systems for the UK, 24 hours a day, every day of the year, with near flawless resilience. The Board and I are proud of our teams - their work is the cornerstone of the UK's payments industry, and we thank them for their outstanding contribution to Vocalink.

The Board and I look forward to continuing our important and rewarding work with the Executive and our teams in the year ahead. We remain steadfast in our commitment to the longevity and security of the UK payments market and to serving the UK.

E R Fullerton-Rome

Elizabeth Fullerton-Rome
Independent Chair of Vocalink Limited

Our Purpose and Strategy

In 2017, Vocalink became part of the Mastercard family. Our shared purpose is to power an inclusive, digital economy that benefits everyone, everywhere, by making payment transactions safe, simple, smart and accessible. Our shared strategy focusses on expanding our core payments network for consumers, businesses and governments, extending our services to enhance transactions and to drive customer value, while embracing innovation and new opportunities.

Enhancing our business remains a cornerstone of our strategy, and Vocalink's UK managed services continue to deliver a key source of revenue, allowing us to continue to invest in enhancing the security, resilience and service quality of our UK operations. Additionally, Vocalink is able to leverage assets and expertise from Mastercard to bring innovation to the UK payments market and to develop and enhance its products and services.

Our Strategic Priorities

Vocalink has five strategic priorities to support our core objective of continuing to be the leading account-to-account payments solutions provider in the UK:

People First

Making Vocalink a great place to work by increasing diversity, promoting inclusion, strengthening our knowledge, skills and expertise, driving engagement and sustaining a healthy culture. Ensuring that our organisational culture is based in truth and transparency and that behaviours are guided by the Mastercard Way.

Efficient ways of working

Enabling an effective working environment by creating opportunities to move fast and be agile, investing in reporting and communications to improve data-driven decision-making and improving our working environments.

Service and operational excellence

Delivering world-class, resilient and secure services for our stakeholders and meeting the ever-changing needs and demands of our customers. Providing service availability, delivering change with minimal service disruption and fortifying operational resilience.

Robust risk and regulatory compliance

Role modelling best-in-class risk management and ensuring that Vocalink meets its compliance and regulatory expectations, in turn providing confidence in our infrastructure and services to our customers and wider stakeholders.

Future state

Driving our commercial future through innovation, partnering with our customers and the wider sector, and, importantly, providing the infrastructure and technologies which enable and underpin key drivers of account-to-account payment growth across the UK.

Our Culture and Values

As a member of the Mastercard family, our collective **culture** is defined as the **Mastercard Way**, and it fuels our vision and strategic priorities. Organisational culture also plays a crucial role in shaping our behaviours and ensures that our purpose and shared actions are aligned.

We have a strong culture which is articulated in our four **values**, aligned with the Mastercard Way. Our values are central to our business and guide how we treat each other, our customers and our partners:

OUR VALUES

Create Value
Think big and bold – Innovate with intention – Deliver scalable solutions

Grow Together
Say what you mean – Bring in different perspectives – Help each other be great

Move Fast
Prioritise what matters – Learn and pivot – Own the outcome

Risk and Security Mindset
Create a strong risk culture to drive change

Our Stakeholders

Our purpose – to power an inclusive, digital economy that benefits everyone – has helped us to create a culture which puts our stakeholders at the heart of Vocalink. Building strong relationships and ensuring that we are engaging effectively with our stakeholders are critical to the long-term success of Vocalink and to our continuing to be a responsible business.

Our stakeholders are the people who work for us, own us, regulate us and work or partner with us. This includes payment system operators such as Pay.UK and LINK, customers that use our systems, individuals and businesses who make and receive payments, as well as our Group, our regulators and the wider payments ecosystem.

The considerations of our stakeholder groups are integral to our decision-making. Our section 172 (1) statement *on pages 19 to 20* details how the Board and the business have engaged with and considered stakeholders in decision-making. In recognition of our size, impact and systemic importance to the payments industry, Vocalink remains committed to doing business responsibly, with stakeholder engagement an essential part of our ESG strategy.

Environmental, Social and Governance ("ESG")

Doing Well by Doing Good

For Mastercard and Vocalink, "doing well by doing good" means that we drive long-term value for our stakeholders by empowering our people to reach their full potential, advancing equitable prosperity around the world, and putting innovative solutions to work to protect the planet. Our ESG strategy is expressed through three pillars - **People, Prosperity and Planet** - and all of the work which we do is grounded in **strong governance principles**.

ESG matters are core to Vocalink's business strategy and are fundamental to driving long-term value for our stakeholders. We leverage our technology, resources, partnerships, expertise and the skills of our people to drive a positive and enduring impact. We are committed to a culture of ethics and compliance which is grounded in honesty, decency, trust and personal accountability, and adhering to the highest standards in the protection and use of data. Vocalink has established ESG objectives that guide how we do business and to help us achieve our environment and social sustainability goals.

OUR ESG STRATEGY

People

Empowering people to reach their full potential. We are creating an inclusive workplace where everyone has an opportunity to succeed, enabled by a culture of inclusion and belonging and reflective of the diverse communities which we serve.

Prosperity

Fostering prosperity around the world. We are focused on helping everyone participate equitably in the digital economy, connecting people to the tools and resources which can help them chart pathways to prosperity for their families, communities and beyond.

Planet

Preserving the planet for future generations. We are driving our business towards net-zero emissions and accelerating the transition to a low-carbon, regenerative economy, because we all need a healthy planet to succeed.

2023 ESG Highlights

Environment

We are committed to making a meaningful impact by driving our business toward net-zero emissions and accelerating the transition to a low-carbon, regenerative economy.

- Reduction in energy usage has been at the heart of Vocalink's data centre and engineering management practices for over 30 years. Using the Data Center infrastructure Efficiency ("DCiE") accepted benchmarking standards, all four of Vocalink's data centres were graded over 60% DCiE and graded 'Efficient' in 2023.
- As Vocalink's data centres account for around 90% of our overall energy usage, Vocalink continues to stay focussed on enhancing our data centre efficiencies and transitioning to renewable energies. In 2023, we invested and installed PV solar generation and updated our data centre cooling systems, with one of Vocalink's data centres lowering cooling power consumption by 50%.
- Other energy efficiency initiatives in the reporting year included: the continuation of the LED light replacement project by upgrading energy light fittings, hot water secondary return pump upgrades and new energy efficient IT equipment.

- Since 2016, Vocalink has been a member of the Climate Change Agreement ("CCA"), a voluntary scheme in the data centre sector that sets out energy reduction targets, which we have met and surpassed since joining the scheme.
- Vocalink maintained its ISO 14001 certification for environmental management in 2023, demonstrating our green credentials in relation to energy use and recycling.

Social

We are focused on helping everyone participate equitably in the digital economy. We are creating an inclusive workplace where everyone has an opportunity to succeed.

- Aligned to Mastercard's mission to help everyone participate equitably in the digital economy, Vocalink continues to support a number of its customers with "Access to Cash" initiatives that ensure that cash is available for those who need it when they need it, particularly small businesses, the elderly and the vulnerable members of society.
- DEI remains a strategic imperative for Vocalink. In 2023, we continued to progress Vocalink's DEI Plan. *See further updates on Vocalink's DEI Strategy and achievements on pages 12 to 14.*
- We focussed on driving diverse sourcing efforts, growing and retaining under-represented talent, strengthening Board and senior leadership presence at all Vocalink offices and communicating and demonstrating our commitment to DEI-related topics.
- Our People and Capabilities Strategy allowed us to address evolving external and internal workforce and workplace dynamics to protect and transform our business. An inclusive, healthy and stimulating environment for our people helps us to succeed. To achieve this, we focussed on mechanisms to increase employee engagement and retention and tools to support our colleagues' resilience through wellbeing and learning resources.
- Vocalink continues to increase female representation across its workforce year-over-year by 1% across all levels. In 2023, we increased female representation at senior leadership levels by 15%. The Vocalink Board has retained strong female representation, with 57% of female Directors and a female Independent Chair.
- Representation of Asian and Black employees has increased year-over-year by 4% and 1% respectively, and the appointments to the Board and the Executive team have improved ethnic diversity across these leadership fora.

Governance

We have strong governance policies and practices that provide the foundation needed to support our overall business strategy and to meet our ESG commitments.

- Organisational culture plays a crucial role in shaping our behaviours and ensures that our purpose and shared actions are aligned. In 2023, we invested in organisational cultural transformation with the Board setting the culture and the 'tone from the top' and using a variety of tools to assess and monitor Vocalink's progress.
- The Mastercard Code of Conduct ("Code") applies to all companies in the Group, including Vocalink, and ensures that we conduct our business in a legal, ethical and socially responsible manner. All Directors and employees of Vocalink continue to adhere to the Code and uphold the values of truth and transparency in their interactions with all stakeholders.
- In 2023, appointments to the Board and to the Executive team further bolstered leadership skills and experience across security, risk, audit and compliance to deliver Vocalink's strategy. *See pages 21 to 26 of the Directors' Report for more information on Board appointments.*
- Vocalink continues to align with proportionate corporate governance best practice. In 2023, we continued ongoing enhancements in Board governance, completing an internal Board Effectiveness Review and a Board Capabilities Assessment with strong and positive results for both. *See page 26 of the Directors' Report for more information on the Board evaluation.*
- To further improve our governance, we restructured and refreshed Executive governance fora in a number of areas, improving focus and oversight as well as ensuring that we continue to achieve measurable

progress against our strategic priorities.

- The Board and the Executive team reviewed and approved key policies and practices, ensuring that they continue to reflect our culture and align to Vocalink's values and purpose.
- Vocalink maintained its ISO 27001 certification for information security management, demonstrating best practice standards and building trust with our customers and stakeholders.
- Vocalink continues to be audited annually under the ISAE 3000 assurance standard, which assures our customers, regulators and other stakeholders that the internal controls over our operational activities, including security, availability, processing integrity, confidentiality and privacy controls, remain robust.

Diversity, Equity and Inclusion ("DEI")

DEI remains a strategic imperative for Vocalink and Mastercard and underpins everything we do. DEI ensures that Vocalink is more adaptable, more innovative and more creative, and it helps us to grow, as we bring in different perspectives to foster meaningful connections and create innovative solutions. We strive to maintain a workplace built on decency and inclusion where everyone can thrive and to advance sustainable change throughout our industry and in historically marginalized communities.

- **Diversity** represents all of the qualities that make us both similar and different. None of us is the same, therefore we are all diverse.
- **Equity** is how we create equal opportunities for all by ensuring that our systems and approach create a level playing field for all to succeed.
- **Inclusion** is a leadership skill, and it focuses on ensuring that we hire and sustain diverse talent, so that everyone has a voice and a seat at the table.

Vocalink's DEI Strategy aligns to that of Mastercard and has expanded to include additional dimensions of diversity, including diversity of viewpoints and of background, which ensures that everyone is represented in the workplace, illustrated below.

DEI Plan

Vocalink's DEI Plan aligns to the DEI Plan for the Mastercard Group. Vocalink's Executive team is responsible for driving delivery of the actions outlined in Vocalink's DEI Plan, approved and monitored by the Board. In 2023, Vocalink's DEI Plan focussed on two key objectives: promoting inclusion for all employees across all Vocalink sites, and increasing representation across gender and ethnicity, with specific focus on Vice President and above levels.

In response, we strengthened senior leadership and Board presence across all Vocalink office locations and rotated events across all Vocalink sites, including Town Halls, Executive Committee and Board meetings, Meet and Greets and Business Resource Group ("BRG") events. To increase visibility of Vocalink's DEI commitments, Vocalink's DEI Strategy and DEI-related topics were communicated to all employees via Town Halls and roundtables co-hosted by Mastercard's Chief Inclusion Officer and Vocalink's Chief Executive Officer.

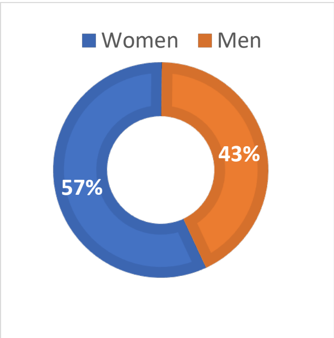
Our DEI focus also resulted in an increase in the representation of women and ethnically diverse talent across all levels, with a specific focus at leadership levels (notably at Vice President level and above). Our employee experience survey also saw employees rating DEI favourably at 89% (up from 76% in 2022).

Key DEI Metrics

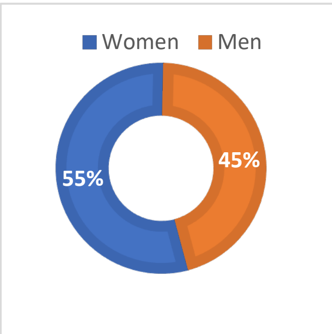
Although Vocalink is not a UK listed company and so is not within scope of mandatory Board diversity targets and disclosures, as at 1 January 2024, Vocalink has met all three mandatory Board diversity targets for UK Listed companies, with 57.1% of Board Directors being women, with the senior Board position of Chair being held by a woman, and with at least one ethnic minority Board Director.

Representation: gender

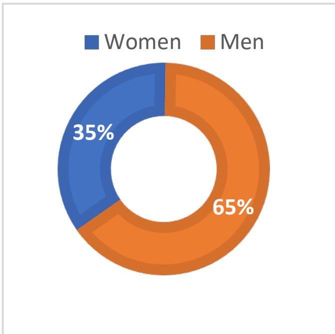
Vocalink's Board



Vocalink's Executive

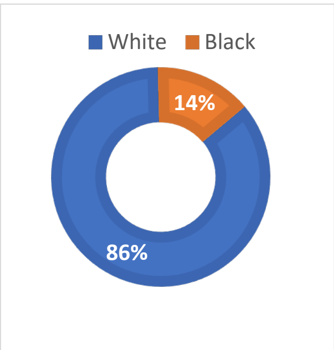


Vice President and above roles

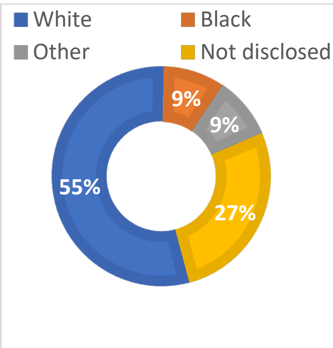


Representation: ethnicity

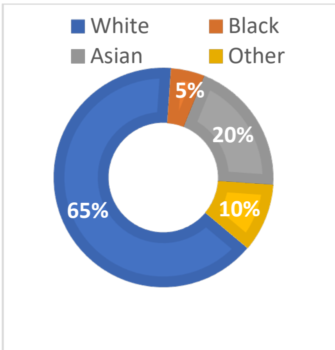
Vocalink's Board



Vocalink's Executive



Vice President and above roles



Vocalink's 2023 Gender Pay Gap

As well as ensuring equal pay for equal work, Vocalink and Mastercard are collectively working on closing our overall gender pay gap, which is driven by the fact that we have a lower proportion of women in senior roles and a higher proportion of women in lower paid roles.

Vocalink has made significant progress on its Gender Pay Gap, which has reduced from 18.1% in 2020 to 5% in 2023:

	2020		2021		2022		2023	
%	Mean Pay Gap	Mean Bonus Gap	Mean Pay Gap	Mean Bonus Gap	Mean Pay Gap	Mean Bonus Gap	Mean Pay Gap	Mean Bonus Gap
Vocalink UK	18.1	50.2	16.8	60.7	18.1	29.6	5	10

There is also a substantial focus on DEI by the Board, the CEO and the Executive team. We remain fully committed to continuing to improve, with initiatives such as structured mentoring programmes and implementing diverse recruitment slate policies supporting this commitment. We also are addressing the bonus gap with a series of specific measures, including the broadened roll-out of performance based long-term incentives at all levels throughout the organisation.

2023 Performance

The following are our key financial and operational highlights for 2023:

Operational Performance

Processing Volumes

- More than 13 billion transactions processed, a 5% increase from 2022, with a combined value of more than £9.6 trillion.
- 22 processing records broken, across Bacs and FPS.

Service Availability:

- 100% service availability across FPS and LINK
- Over 99.9% service availability on Bacs and ICS

Financial Performance	2023	2022
Total Revenue:	£218.2m	£208.1m
Total Expenses:	£223.2m	£210.0m
Operating Loss:	(£5.0m)	(£1.9m)
Net Finance Income:	£6.9m	£1.4m
Profit/(Loss) before Tax:	£1.9m	(£0.5m)
Net Assets:	£229.0m	£232.8m

Delivering service excellence for our customers, partners and stakeholders

Throughout 2023, Vocalink continued to deliver resilient, robust and secure critical national payment services in the UK with operational availability measured at more than 99.9% across all four core central infrastructure services: Bacs, FPS, LINK and ICS. Notably, both FPS and LINK services achieved 100% availability, reinforcing Vocalink's reputation for reliability and exceptional service delivery, 24 hours a day, every day of the year.

2023 saw transaction volumes increase to more than 13 billion (2022: 12.6 billion) with a total value of these showing a year-on-year increase, from £8.8 trillion in 2022 to £9.6 trillion in 2023. This year also saw Vocalink break 22 processing records.

Across our core services:

- **FPS** set new volume and value records. In 2023, we processed 4.5 billion transactions, a 14.3% increase on 2022, with a value of £3.7 trillion (2022: £3.2 trillion).
- **Bacs** had new records for Direct Debit, with 4.8 billion transactions processed by the Bacs Payment System (2022: 4.7 billion transactions), a year-on-year increase of 2%. In total, Bacs Debit and Credit processed 6.8 billion transactions (2022: 6.7 billion), worth £5.6 trillion (2022: £5.3 trillion).
- **ICS** processed 115 million items in 2023 (2022: 135 million items), including 112 million cheques (2022: 131 million cheques). The continued decrease in cheque usage has been driven to an extent by end users migrating to alternative automated payment systems.
- **LINK**: In 2023, Vocalink supported the LINK Scheme and their Members in the introduction of deposit capability at LINK ATMs. In 2023, 1.5 billion LINK transactions were processed using the Vocalink switch (2022: 1.6 billion).
- **Post Office ATM:** Vocalink processed an average of over 8.3 million ATM transactions per month for the Post Office across LINK (2022: 8.6 million).

Dedicated governance structures are in place to support Vocalink's delivery of infrastructure services to the RPSOs, Pay.UK and LINK, which cover all aspects of service delivery, change and contractual compliance. This is underpinned by a formal meetings structure, with regular management information reporting. Assurance and compliance-checking activities are regularly conducted, including ISAE 3000 audits of Vocalink's key controls.

Throughout 2023, we continued to work closely with RPSOs Pay.UK and LINK as well as with the Bank of England and Payment Systems Regulator ("PSR"), recognising the critical role that Vocalink holds as a designated infrastructure company and ensuring better outcomes for end users. Our operations remain robust and resilient as we continue to deliver services that are integral to the UK payments ecosystem.

Financial Review

The total revenue arising from Vocalink's contracts with its customers in the financial year ended 31 December 2023 grew by 4.9% to £218.2m (2022: £208.1m).

External revenue from customer contracts grew by £2m to £165.8m (2022: £163.8m) due to volume increases and contractual pricing changes, although partially offset by the ongoing decline in cash transactions and the revenue relating to financial crime services novated to Vocalink International Limited ("VIL") during the year. Internal revenue, for services charged to other Mastercard entities, increased by 18.3% to £52.4m (2022: £44.3m).

In 2023, Vocalink's operating costs rose by 6.3% to £223.2m (2022: £210.0m). This increase was driven principally by increased investment in key areas of our business and ongoing transformation activities, as well as investment in people to support the execution of our strategy. Capital expenditure on information technology infrastructure and software development in 2023 totalled £13.3m (2022: £20.1m).

Net assets continue to be stable at £229m, including £127m of cash and cash equivalents. For details of the Company's Provisions including Contingent Liabilities, please see Note 16 of the Financial Statements.

Vocalink continued to invest in maintaining excellent service quality for our customers and stakeholders. Given that Vocalink's 4.9% growth in revenue was offset by a 6.3% rise in costs, predominantly investment costs, Vocalink posted an operating loss of £5m for the financial year ended 31 December 2023 (2022: loss £1.9m). This was balanced by a £6.9m increase in net finance income, resulting in a profit before tax of £1.9m (2022: loss £0.5m). Vocalink is focused on returning to operating profitability in 2024, whilst continuing to maintain investments in key areas of our business and infrastructure.

Risk Management

Vocalink operates critical national infrastructure and payment services that have systemic importance to the UK and the UK payments ecosystem. Effective risk management is fundamental to the sustainable success of Vocalink and continues to be an integral part of Vocalink's activities and the ongoing management of our operations.

Vocalink adopts an Enterprise Risk Management Framework ("ERMF") to ensure a consistent approach to identifying, assessing, measuring, managing and reporting on risks to Vocalink and on emerging risks in the broader ecosystem which have the potential to disrupt our operations and impact our customers. Our ERMF also establishes guiding principles and boundaries to establish, communicate and report against Vocalink's risk appetite and to help foster a risk-aware culture, drive growth and innovation and support decision-making.

Vocalink operates a Three Lines of Defence ("3LoD") model, supported by Vocalink's corporate governance arrangements, which establishes a clear organisational structure and allocation of responsibilities for risk management. This comprises a First Line operations function, Second Line risk management and compliance functions, and an independent Third Line Internal Audit function. Our risk management processes are in line with industry and regulatory standards and are executed with collaboration and challenge across the 3LoD. The Board has overall responsibility for risk management, and the Risk Committee supports the Board in its oversight duties.

Acknowledging the importance of maintaining a resilient payment system, the ERMF is supported by an Operational Resilience Framework ("ORF"). This outlines our overarching approach to, and expectations for, managing the resilience of Vocalink's infrastructure and services, extending to business continuity, disaster recovery and supplier management.

Principal Risks

Although the 2023 financial year saw a continued period of political uncertainty and challenging macroeconomic conditions with high inflation and increasing interest rates, the key risks which could affect Vocalink's medium-term performance have not materially changed from those set out in Vocalink's 2022 Annual Report.

Strategic Risk

Vocalink's core strategy is to remain the leading account-to-account payments solutions provider in the UK through delivering resilient, robust and relevant UK payments services. Maintaining excellent and resilient services and high business standards is key to managing our strategic risks and securing new business opportunities. To support Vocalink's ability to retain its core contracts, Vocalink continues to invest in its core infrastructure and leverage payments innovation, without compromising resilience.

Vocalink also recognises that it relies on people to deliver and maintain its technology and manage strategic risks, and therefore our capabilities, culture and wellbeing remain a key focus for the Executive team and Board.

The outcome of the 'Future of Payments Review' (November 2023) and the recommendation for a New Payments Vision and Strategy have informed Vocalink's strategic risks and opportunities. Strategic risks will continue to be assessed, including taking into account industry perspectives and future HM Treasury updates on the strategic direction for the UK payments industry.

Information Security Risk

Cyber security remains a prevalent and fast-evolving threat across many industries and particularly within financial and payment services. Global inter-connectivity and technological advancement are increasing the complexity of cyber security risk and enabling more advanced methods of attack to be employed by perpetrators.

Vocalink continues to work closely with its customers, the UK government and the wider payments industry to understand and evaluate the nature of these threats, enabling us to make strategic and tactical risk decisions in line with the constantly evolving threat landscape. We are committed to the continued enhancement of cyber resilience and to ensuring that we have the capability to resist and counter such threats through mature and robust layered defences, system monitoring and traffic analysis and close alignment with UK industry and international security standards. Ongoing enhancements of our threat intelligence capabilities continue to keep pace with the evolving and dynamic cyber threat landscape.

Operational Resilience Risk (including Technology and Third-Party Management)

Vocalink's operational resilience is managed via an Operational Resilience Framework. Resilience and recovery capabilities are assured through active control management, external certifications and standards assessments, rigorous disaster recovery testing and scenario testing exercises. Ongoing investment in a multi-layered, secure IT infrastructure designed to safeguard client data and maintain uninterrupted access to critical systems, tools and people enables Vocalink to uphold its operational resilience and service availability obligations.

Vocalink manages the bulk of its core infrastructure and relies on partners for selected activities. Vocalink's suppliers are managed via a Supplier Management Framework and Outsourcing and Third-Party Risk Management Policy. Operational governance fora are in place for key and critical suppliers, enabling Vocalink to manage any risks within its supply chain.

Vocalink is committed to sustained operational capability and reliability, thereby safeguarding its business continuity and maintaining confidence in the broader financial ecosystem. Vocalink continues to conduct more sophisticated testing, including with other industry participants.

Regulatory Risk

As outlined *on page 3*, Vocalink is subject to the supervision of the Bank of England and also falls within the regulatory perimeter of the Payment Systems Regulator ("PSR") as the economic regulator for the payment systems industry in the UK. Failure to meet regulatory expectations and comply with relevant requirements would erode confidence in Vocalink and impact our operations.

Vocalink manages its regulatory risk by adopting a risk-based approach, tailored to our risk tolerance and proximity to potential disruptions. We have a dedicated regulatory legal and compliance team which is responsible for monitoring and assessing regulatory developments and for reporting regularly to the Executive team and Board. We also have proactive and transparent dialogue with our regulators at working and senior levels and regularly engage in regulatory and industry events and roundtables to remain informed about all aspects of the broader payments ecosystem.

Financial Risk

Vocalink has limited exposure to financial risk, including the impacts of inflation and reduced revenue, as all material financial liabilities are with companies within the Group headed by Mastercard Incorporated, Vocalink's ultimate parent company. Vocalink continues to hold cash and cash equivalents on the Vocalink balance sheet in excess of the Bank of England's minimum capital requirement to facilitate financial recovery and mitigate financial risk. The long-term profitability of Vocalink is regularly reviewed by the Executive Risk Committee, the Board and the Mastercard Group.

To ensure that Vocalink is able to recover financially from an 'extreme but plausible' scenario and, if required, to wind down in an orderly manner, a formal Wind-Down Plan and communications plan and an Equity Capital Requirement and Financial Recovery Plan are provided annually to the Board and are reviewed periodically by the Bank of England.

Reputational Risk

Vocalink acknowledges the importance of managing its reputation and brand effectively. Maintaining a positive industry perception is crucial for our operations, as negative publicity or litigation potentially could impact our current and future business opportunities. To address this risk, Vocalink has implemented a risk management framework, which ensures compliance with relevant regulations and standards and that resilient services are maintained. Vocalink places specific emphasis on fostering transparent communications with our stakeholders and the protection of our brand and industry reputation by delivering near-flawless Critical National Payments Infrastructure 24 hours a day, 365 days a year.

Board decision-making and engagement with stakeholders

The Board is committed to effective engagement with our stakeholders and seeks to understand their interests and the impact on them when making decisions.

Section 172(1) Statement

This section, from pages 19 to 20, forms the Board's section 172(1) statement. It describes how the Directors of Vocalink Limited ("Vocalink") have individually and collectively performed their statutory duty set out in section 172(1)(a) to (f) of the Companies Act 2006 and provides insight into how the Vocalink Board ("Board") engages with stakeholders.

Considering a broad range of stakeholders and their relative interests is integral to the Board's decision-making. Stakeholder engagement is essential to understanding the likely impact of any key decisions.

The Board recognises that, to promote Vocalink's success, the right culture must exist throughout our organisation, be clearly understood and be consistently applied. This is supported by Vocalink's values and the Mastercard Way, which help us succeed together by connecting, collaborating and acting with a shared purpose.

The Board promotes best governance practice by requiring that Board documents contain appropriate information to allow Directors to take informed decisions. The Chief Executive Officer's regular report to the Board provides key insights on customers, regulators, employees and other stakeholders, which informs the Board of the impact of Vocalink's operations and the interests and views of key stakeholders.

The likely consequences of any decision in the long term:

The Board understands its fundamental role in formulating and overseeing Vocalink's strategy to achieve long-term success and to fulfil its shared vision. When taking key decisions, the Directors remain mindful that the matter for consideration should align to Vocalink's strategy. The Board held a strategy offsite in June 2023 to consider Vocalink's long-term strategic direction. Market impact analysis, setting out the expected impact of proposed decisions on key stakeholder groups, feeds into Board discussions when key strategic decisions are proposed. Regular strategy updates are standing items at all Board meetings.

Risk management is an integral part of Vocalink's activities, focussing on managing the principal risks and inherent threats which could impact the achievement of our strategic goals, whilst identifying opportunities to improve the performance of our business. The Board also considers risk objectives when determining Executive remuneration.

The interests of the Company's employees:

The Board recognises the crucial importance of our employees to the success of Vocalink. Vocalink engages with employees on matters of interest to them, consulting them or their representatives regularly, so that their views can be considered when making decisions that are likely to affect their interests. The Board encourages open communication and engagement and throughout the year directly engages with employees across all Vocalink sites through 'Meet and Greet' sessions, 'Open Door' opportunities and at Vocalink Town Halls. Town Halls also provide a forum for members of the Board and the Executive team to share key business updates and initiatives which impact employees.

A biannual employee engagement survey and other pulse surveys give employees an opportunity to provide feedback formally on how they experience working at Vocalink, measuring key areas such as employee engagement, satisfaction, retention and inclusion sentiment amongst employees. The Board supports the Executive team to act on the results of employee surveys and to address any issues and trends that arise. People Leader Forums provide further opportunities for employees to engage and provide feedback.

The Board recognises that Vocalink's success is dependent upon having motivated people with the expertise and skills required to deliver our strategy. One of Vocalink's strategic priorities is continuing to invest in people to attract and retain talented employees from diverse backgrounds and industries, to strengthen our knowledge, skills and expertise and to build a culture based on truth and transparency and aligned to the Mastercard Way.

The need to foster the Company's business relationships with customers, suppliers and others:

Our customers and the wider payments ecosystem are considered carefully in strategic Board decisions, and engagement with customers and the sector is intrinsic to Vocalink's strategy. Customer-facing teams provide regular feedback from Vocalink's customers, while views from suppliers and partners are captured by dialogue with the relevant business team.

Vocalink partners with businesses which share the values of Vocalink and Mastercard, ensuring that our operations are aligned to our purpose, values and ESG objectives. The Board delegates engagement and oversight of Vocalink's suppliers to the Executive team and compliance with Vocalink's Supplier Management Framework and its Outsourcing and Third-Party Risk Management Policy ensures that suppliers are managed appropriately.

The impact of the Company's operations on the community and the environment:

The Board remains committed to creating a more sustainable and inclusive digital economy, reflecting Mastercard and Vocalink's ESG Strategy and environmental commitment to reach net-zero emissions by 2050. Board meetings provide a forum for updates on Vocalink's ESG achievements and performance from the Executive team, with support from Mastercard's Chief Sustainability Officer. Vocalink monitors its energy usage and associated CO_2 emissions annually to measure and reduce the impact of its operations on the environment. *See pages 10 to 12 of our 2023 Annual Report for details of our ESG strategy and achievements.*

The desirability of the Company maintaining a reputation for high standards of business conduct:

Our values are central to our business and guide how we treat each other, our customers and our partners. The Board and the Executive team review and approve key policies and practices, ensuring that they reflect our culture and align to Vocalink's values and purpose.

Vocalink is committed to conducting business in a legal, ethical and socially responsible manner, delivering the best possible value for the organisation. The Mastercard Code of Conduct sets out the principles of behaviours and business ethics grounded in honesty, decency, trust and personal accountability. All Directors and employees of Vocalink are expected to adhere to the Mastercard Code of Conduct and uphold the values of truth and transparency in their interactions with all stakeholders. The Board also strives to maintain a reputation for high standards of business conduct by strengthening operational resilience and embedding risk and control environments.

The need to act fairly between members of the Company:

All Directors regularly engage with Mastercard and its representatives, fostering an inclusive and open dialogue. To ensure alignment with Mastercard, two of the Board's Non-Executive Directors are appointed by Mastercard and are from senior roles within Mastercard. The Independent Non-Executive Chair also is shareholder-appointed. To ensure a more efficient and effective approach to engagement, certain stakeholder engagement is led at a Mastercard level, in particular where matters are of Group-wide significance.

As a result of the above activities and the information the Board receives, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duties under section 172 of the Companies Act 2006.

Signed on behalf of the Board on 25 July 2024 by:

E R Fullerton-Rome

Elizabeth Fullerton-Rome
Independent Chair of the Board and Non-Executive Director

Directors' Report - Our Board

Led by our Independent Chair, Elizabeth Fullerton-Rome, the Board is collectively responsible for Vocalink and provides strong and ethical leadership and support to the Executive team as they deliver Vocalink's strategy.

Independent Non-Executive Director	Executive Director	Independent Non-Executive Director
 **Elizabeth Fullerton-Rome** Independent Board Chair and Chair of the Nominations and Remuneration Committee	 **Keith Douglas** Chief Executive Officer	 **Victoria Mitchell** Senior Independent Director ("SID") and Chair of the Risk Committee
Committee Membership • Nominations and Remuneration Committee (Chair)	**Committee Membership** • Executive Committee (Chair)	**Committee Membership** • Risk Committee (Chair) • Audit Committee • Nominations and Remuneration Committee (from 12 July 2024) • Technology and Cyber Security sub-Committee
Appointed: Board: June 2022 Chair: June 2022	**Appointed:** Board: May 2023 CEO: August 2022	**Appointed:** August 2023 SID: July 2024
Relevant skills, business experience and contribution Elizabeth is an experienced Non-Executive Director for highly regulated and complex global organisations across a range of industries. She has over 30 years of experience in international financial services, including operating in a leadership capacity for organisations, ranging from start-ups to complex multi-nationals, across the UK, the US, Europe, Australia, South Africa and China. Elizabeth is a Fellow of the Institute of Chartered Accountants ("ICAEW") and brings a wealth of cross-sector expertise in strategy, business transformation, operational resilience, risk management, finance, audit, regulatory compliance and corporate governance.	**Relevant skills, business experience and contribution** In his previous role, Keith was an Executuve Vice President ("EVP") in Mastercard's Open Banking group leading its activities outside of the US market. Prior to this, Keith was EVP for Mastercard's Payment Gateway business from June 2018 with responsibility for the end-to-end merchant e-commerce gateway processing payments business in over 100 countries. Keith spent the previous four years in the Mastercard North America business as the Segment Leader and EVP, US Regional Banks. From 2010 to 2013, Keith was General Manager for the UK & Ireland Division of Mastercard. He is Executive sponsor of the Mastercard PRIDE network in the UK, which support employees in the LGBTQ+ community. Before joining Mastercard, Keith spent twelve years in Retail Banking at Lloyds Banking Group and Natwest.	**Relevant skills, business experience and contribution** Victoria has worked in the financial services industry, both as an Executive and Independent Non-Executive Director, for more than 30 years. Having originally trained as a lawyer, Vicky was one of the original Executives of Capital One (Europe) Plc in the UK. She has held the roles of Chief Operating Officer of Capital One as well as Chief Risk Officer and Chief Legal Counsel. Victoria has previously served as an Independent Non-Executive Director on the Boards of N Brown plc and the West Bromwich Building Society and has recently joined the Board of Secure Trust Bank Plc as a Non-Executive Director and Remuneration Committee member in 2023.

Independent Non-Executive Director	Independent Non-Executive Director	Group Non-Executive Director
 **Sheryl Lawrence** Chair of the Audit Committee	 **Jeffrey Brooker** Chair of the Technology and Cyber Security sub-Committee	 **Ed McLaughlin** Group Non-Executive Director
Committee Membership • Audit Committee (Chair) • Risk Committee	**Committee Membership** • Technology and Cyber Security sub-Committee (Chair) • Risk Committee	**Committee Membership** • Nominations & Remuneration Committee • Risk Committee • Technology & Cyber Security sub-Committee
Appointed: January 2024	**Appointed:** January 2023	**Appointed:** April 2017
Relevant skills, business experience and contribution Sheryl held senior executive roles at Barclays, Lloyds and Santander banks as well as Nationwide and Coventry building societies, and has expertise in internal audit, risk management, regulatory compliance and corporate governance. Sheryl started her career in external audit with Coopers & Lybrand (now PwC) and is a Fellow of the Institute of Chartered Accountants in England & Wales.	**Relevant skills, business experience and contribution** Jeff is a specialist in information technology, cyber, fraud and security risk management, with over 30 years of international experience in leading, shaping and delivering business and behaviour change across different industries. Jeff has been responsible for technology and cyber risk at British Airways, PwC, HMRC, Lloyds Bank, Aviva and ITV. He has served as a CISO and has significant expertise in forming and developing teams of security professionals, defining and agreeing Board Cyber Risk Appetite and improving operational performance and resilience whilst enhancing customer experience.	**Relevant skills, business experience and contribution** In Ed's role as Chief Technology Officer, he oversees all of Mastercard's technology functions, including the global network, processing platforms, global technology hubs, information security and technology operations. Prior to this role, Ed served as Mastercard's Chief Information Officer, directing the development efforts for products and services, implementing the IT digital roadmap and managing the development of Mastercard's global tech hubs. Prior to joining Mastercard, Ed was Group Vice President, Product and Strategy at Metavante, a financial services technology company.

Non-Executive Director

Kelly Devine
Non-Executive Director

Committee Membership
- Audit Committee

Appointed: November 2020

Relevant skills, business experience and contribution

Kelly Devine is the Customer Director at Dunelm, the UK's largest homewares retailer. In this role, Kelly is responsible for Dunelm's customer proposition (strategy, data insight, marketing and personalisation) as well as new business development. Prior to this role, Kelly spent nine years at Mastercard working across a number of different functions, culminating in leading its UK and Ireland business for four years, where she was responsible for significant revenue growth and diversification, as well as building an exceptional culture. During her time at Mastercard, Kelly was an advocate for small businesses through their Strive UK programme and was the executive sponsor for the LEAD and PRIDE networks in the UK, which support employees of African descent and the LGBTQ+ community. Before joining Mastercard, Kelly spent ten years at American Express.

Former Directors:

The below outlines Directors who served during the year but were no longer in post at the time of signing the Annual Report:

Diana Brightmore-Armour Independent Non-Executive Director and Senior Independent Director	**Benedicte Schilbred-Fasmer** Independent Non-Executive Director
Committee Membership • Audit Committee (Chair) • Risk Committee • Nominations & Remuneration Committee	**Committee Membership** • Risk Committee (Chair) • Audit Committee
Appointed: June 2020 **Resigned: December 2023**	Appointed: August 2020 **Resigned: August 2023**

Jackie Panayi
Company Secretary

Jackie is Secretary to the Board and its Committees. She monitors compliance with Vocalink's governance framework and provides advice on governance matters. At the direction of the Chair, she is responsible for making sure that the Board receives accurate, timely and relevant information. She also coordinates the induction of new Board members and the provision of ongoing training and development of the Board. Jackie's other responsibilities include corporate governance, compliance with legislation and the administration of other Vocalink subsidiaries.

Our Governance Framework

Vocalink's governance framework supports the development of good governance practices. Based on the UK Corporate Governance Code, Vocalink's governance framework is proportionate to its scale, complexity and criticality to UK payments. Vocalink continues to apply and comply with its regulatory requirements under the Principles and Codes of Practice of the Bank of England.

The role of the Board is to promote the long-term success of the Vocalink by setting a clear purpose and strategy for delivering long-term value to Mastercard and other stakeholders. The Board delegates all operational matters to the Executive Committee, except for matters specifically reserved for the Board.

The Board has established committees informing the overall work of the Board. The responsibilities of each committee are set out in detail within their individual Terms of Reference, which are reviewed annually. A summary of these responsibilities for each committee is provided below.

Key Board Committees

Nominations and Remuneration Committee ("NRC")
In respect of nominations matters, the NRC is primarily responsible for reviewing succession plans for the Board and its Committees and considering its structure, size, composition and diversity, for leading the appointments process and for the ongoing review of Vocalink's governance arrangements. In respect of remuneration matters, the NRC considers the objectives, design and implementation of the remuneration policy, including reviewing the structure of the remuneration arrangements for the Independent Non-Executive Directors and key members of the Executive. The NRC ensures remuneration policies and practices support clarity, simplicity, transparency and alignment with Vocalink's culture.

Board Audit Committee ("BAC")
The primary role of the BAC is to oversee Vocalink's financial reporting, to maintain and manage the relationship with the External Auditor, including monitoring its performance and reappointment, to oversee the performance of the Internal Audit function, to oversee the quality of internal controls and to monitor Vocalink's compliance with its payments related legal and regulatory requirements.

Board Risk Committee ("BRC")
The BRC is responsible for providing oversight of the effective management of risk. Its responsibilities include monitoring Vocalink's risk profile against risk appetite, overseeing and assessing the effectiveness of the ERMF and the 3LoD model, considering Vocalink's principal and emerging risks, approving any material risk management policies and overseeing the performance of the risk management function.

Technology and Cyber Security sub-Committee ("TCC")
The BRC has appointed the TCC to assist the Board in its oversight of Vocalink's technology and cyber security planning and strategy and oversight of its management of technology and cyber security risk and cyber resilience. The TCC reports and makes recommendations on these matters to the BRC.

Executive Committee ("ExCo")
The ExCo, which is chaired by the Chief Executive Officer, supports the Board by providing executive management of Vocalink within the strategy approved by the Board. The ExCo is accountable to the Board for implementation of the agreed strategy and ensuring that decisions contribute towards the long-term success and strategy of Vocalink. The ExCo drives and monitors operations and financial performance, assesses and controls risk, manages and coordinates key stakeholders, prioritises and allocates resources, monitors competitive forces in areas of operation, and develops and engages Vocalink's people including elements such as culture, talent management and succession planning.

Board and Committee Membership

Details of Board and Committee membership, as at 31 December 2023*, are set out below:

	Board	Nominations and Remuneration Committee	Audit Committee	Risk Committee	Technology and Cyber Security sub-Committee
Elizabeth Fullerton-Rome Independent Non-Executive Chair	O	O			
Victoria Mitchell Independent Non-Executive Director	O		O	O	O
Sheryl Lawrence Independent Non-Executive Director	O		O	O	
Jeffrey Brooker Independent Non-Executive Director	O			O	O
Ed McLaughlin Group Non-Executive Director	O	O		O	O
Kelly Devine Non-Executive Director	O		O		
Keith Douglas Chief Executive Officer and Executive Director	O				

* Sheryl Lawrence was appointed to the Vocalink Board on 1 January 2024.

How the Board discharges its responsibilities

The Board discharges its responsibilities through an annual programme of Board and Committee meetings. These are scheduled throughout the year to consider an annual cycle of items, including strategic updates, key management information and regulatory and compliance requirements. In the year ended 31 December 2023, the Board met at a frequency deemed appropriate by Vocalink's Directors, including a strategy offsite in June 2023.

Appointments and Succession Planning

Appointments to the Board are subject to a formal, rigorous and transparent procedure. Vocalink's NRC leads the appointments process and is responsible for considering the Board's structure, size, composition and diversity, on an ongoing basis. The NRC also ensures that effective succession plans for the Board, its Committees and the Executive team are maintained. Both appointments and succession plans are based on merit and objective criteria, promoting equal opportunity.

Three new Independent Non-Executive Directors ("INEDs") were appointed to the Board from January 2023, following the resignations of two Directors. These appointments included:

- Jeffrey Brooker, INED and Technology and Cyber Security sub-Committee Chair, was appointed to the Board on 9 January 2023.
- Victoria Mitchell, INED and Risk Committee Chair, was appointed to the Board on 14 August 2023 and subsequently was appointed as Senior Independent Director on 12 July 2024.
- Sheryl Lawrence, INED and Audit Committee Chair, was appointed to the Board on 1 January 2024.

Keith Douglas was appointed as interim Chief Executive Officer in August 2022 and was confirmed as the permanent Chief Executive Officer and appointed to the Board as an Executive Director in May 2023.

Independence of Non-Executive Directors

The NRC reviews the other external positions held by the Independent Non-Executive Directors to ensure continued independence. To support this, at the start of every Board meeting, Directors are required to confirm any potential conflicts of interest. Through the work of the Committee, the Board is satisfied that each Director continues to be independent.

There are two Non-Executive Directors, Kelly Devine and Ed McLaughlin, who, through their industry roles, bring their own perspective of the payments ecosystem and represent Vocalink's sole shareholder, Mastercard. Before the signing of this report, Kelly Devine was appointed as Commercial Director to Dunelm Group PLC, resigning from her role as UK President of Mastercard. She remains a Non-Executive Director of Vocalink, and the Board is grateful for her ongoing and outstanding contribution to the organisation. Both of these Directors were not considered independent on appointment and continue to meet that criterion.

Training and development

With the ever-changing environment in which Vocalink operates, it is important that the Board maintains a good working knowledge of the financial services industry and how Vocalink operates within a regulated sector, as well as remaining aware of recent and upcoming developments in the wider legal and regulatory environment. Areas of training and development are identified via annual assessments and through the Board's annual effectiveness review, and these inform individual and collective training for the forthcoming year. Directors are invited to identify areas in which they would like additional information or training, following which the Company Secretary arranges for the necessary resources to be put in place.

Board Evaluation

An annual review of the effectiveness of the Board and its Committees constitutes a vital process for considering Board performance and succession planning, supporting an engrained culture of continuous improvement at Vocalink. In 2023, we conducted an internal Board Effectiveness Review in line with the provisions of the Corporate Governance Code. This followed an Independent Board Effectiveness Review undertaken in 2021. The outcome of this year's Board evaluation concluded that the Chair and the Board remained effective and that Vocalink's Board continues to operate as a collaborative and high-performing team with a common purpose. The Board provides constructive challenge, strategic guidance, specialist advice and support to hold the Executive team to account, including on embedding and maintaining Vocalink's culture, based on truth and transparency and aligned with the Mastercard Way.

How the Board oversees culture

Vocalink's Independent Chair of the Board is the designated Independent Non-Executive Director responsible for the oversight of employee engagement, and she provides regular updates to the Board on culture. Vocalink's NRC plays a key role in our culture, reviewing Vocalink's employee pay structures and their alignment with our purpose, values and strategy, assessing professional capabilities and cultural attributes for Board and Executive appointments and ensuring that Vocalink's leadership demonstrate appropriate behaviours to embed our organisational culture.

Report of the Directors

The Directors present their report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2023.

Vocalink Limited is incorporated in the UK and registered as a private limited company in England and Wales with company number 06119048 and with its Registered Office at 1 Angel Lane, London EC4R 3AB.

Vocalink provides managed services to support critical payments in the UK and designs, builds and operates industry-leading bank account-based payment systems. The activities that make up this work remain unchanged from the prior year. *Vocalink's activities, strategy and performance are further explained in the Strategic Report on pages 3 to 20.*

Further detail on Vocalink's financial performance and position is provided in Strategic Report *on pages 15 to 16* and within Vocalink's financial statements *on pages 35 to 73.*

A description of the principal risks and uncertainties facing the Company may be found in the Strategic Report *on pages 17 to 18.*

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are listed *on pages 21 to 23* of the Directors' Report.

Directors' indemnities

Under the Company's Articles of Association, Vocalink may, to the extent permitted by law, indemnify any Director, Secretary or other Officer of the Company against any liability and may also purchase and maintain insurance against such liability. The Board considers that the provision of such indemnification is in keeping with current market practice. During the year under review and at the date of approval of the Directors' Report, Mastercard purchased and maintained Directors' and Officers' liability insurance in respect of all its subsidiaries and their Directors, including Vocalink. Qualifying third-party indemnity provisions (as defined by Section 234 of the Companies Act 2006) were in force during the period, and these provisions remain in force in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company or of any associated company.

Dividends

The Directors do not recommend payment of a dividend (2022: £nil).

Political and charity donations

Vocalink did not make any political donations or incur any political expenditure during the year (2022: £nil), and no charitable donations were made during the year (2022: £nil).

Employees

Details on the number of people employed by Vocalink and their gross remuneration are contained in Note 5 to the financial statements. Further detail on how the Directors have engaged with employees is provided in the Strategic Report, within the Section 172 (1) Statement *on pages 19 to 20.*

Suppliers, customers and others

The Directors have summarised how they have engaged with suppliers, customers and others in the Strategic Report, within the Section 172 (1) Statement *on pages 19 to 20.*

Equal Opportunities

Vocalink is committed to developing and retaining a diverse and inclusive workforce. Mastercard has various employment policies, including in relation to recruitment, DEI and health and safety, which Vocalink has adopted. Vocalink is fully aware of and complies with its obligations in accordance with the relevant provisions of the Equality Act 2010.

We monitor our employment practices to ensure that they are fair and objective. This includes giving full and fair consideration to applications from prospective employees who are disabled, having regard to their aptitudes and abilities, and not discriminating against employees under any circumstances (including in relation to applications, training, career development and promotion) on the grounds of any disability. In the event that an employee becomes disabled in the course of their employment or engagement, Vocalink aims to ensure that reasonable steps are taken to accommodate their disability by making reasonable adjustments to their existing employment or engagement.

Reappointment of Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the Independent Auditor will be deemed to be reappointed, and PricewaterhouseCoopers LLP therefore will continue in office.

Going Concern

Vocalink's financial statements have been prepared on a going concern basis. In preparing these financial statements, the Directors have carried out a detailed and comprehensive review of the business and its future prospects, taking into account all information that reasonably could be expected to be available for the following 12 months and beyond. They have considered the following:

- The Company's operating loss in the year and net assets
- The continued significant investment in Vocalink's strategy
- The Company's focus on returning to operating profitability
- HM Treasury's broader National Payments Vision and Strategy review
- The extension of all other high value customer contracts for a minimum period of five years
- That Vocalink holds cash or cash equivalents significantly in excess of the Bank of England's minimum capital requirement.
- The 2023 Bank of England financial risk management requirements, including Vocalink's financial recovery plan to ensure that the Company remains financially resilient
- The ongoing support from Mastercard.

In considering these factors, the forecast future performance and anticipated cash flows to 31 December 2025 have been stress tested with plausible but severe assumptions such as the removal of variable revenue. As a result of the review and the written support from Mastercard International Incorporated, the Directors are confident that the Company has sufficient resources to continue as a going concern for at least 12 months from the date of signing these financial statements. On this basis, the Directors believe that it is appropriate to continue to prepare the financial statements on the going concern basis.

Vocalink's overriding objective when managing capital resources is to safeguard the business as a going concern. In practice, this involves regular reviews by the Board, the Executive and Mastercard. These reviews take into account the Company's strategic priorities, economic and business conditions and investment opportunities, whilst maintaining the target risk appetite profile set by the Board. This going concern objective has been achieved and is expected to be achieved in the foreseeable future.

Further information on future developments is provided within the Strategic Report *on pages 3 to 20*.

Subsequent events

Please see Note 22 for details of the Company's subsequent events.

Streamlined Energy and Carbon Reporting (SECR)

Details on Vocalink's environmental objectives and its 2023 ESG performance are provided in the Strategic Report *on pages 10 to 12.*

Reporting period

The energy and Greenhouse Gas ("GHG") emissions data presented below relates to the operations of Vocalink's property portfolio from 1 January to 31 December 2023, which is aligned with the fiscal reporting year.

Organisational boundary and responsibility

The reporting boundary adopted to consolidate the energy and GHG emissions for this disclosure is aligned with the operational control approach and concerns the relevant energy and inventory emission sources associated with the properties over which Vocalink has control. The operational control boundary of the Company includes Vocalink International Limited, which pays a monthly charge to the Company.

Methodology

The methodology to quantify the energy use and GHG emissions is based on the internal Environmental Reporting Guidelines, which is informed by the guidance outlined in the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting & Reporting Standard (Revised edition), as well as the mandatory GHG reporting guidance (March 2021) issued by the Department for Business, Energy & Industrial Strategy ("BEIS").

In exceptional circumstances, the Company extrapolates energy and GHG emissions by using available information from part of a reporting period and extending it to apply to the full reporting year. For example, this may occur where sufficient quality activity data evidence and/or supplier invoices were not available to substantiate performance data. In cases where actual supplier and/or third-party information was not available to calculate all the energy and GHG emissions, the Company adopted a tiered estimation approach, extrapolating average portfolio floor area intensity across the buildings without data, before using the same data for the corresponding month of the previous reporting period.

Calculation of the annual GHG emissions is based on the BEIS 2022 emission conversion factors for the UK (as part of Mastercard's reporting obligations in the United States, UK emissions are bundled into the global dataset using International Energy Agency and Emissions and Generation Resource Integrated Database ("eGRID") emission factors). Scope 3 data has been calculated at a global level and extrapolated to Vocalink using FTE employee figures and revenue.

2023 performance

The purpose of this section is to report on the UK energy use and related GHG emissions associated with Vocalink for the 2023 fiscal period. Operations management continues to make a concerted effort to manage the carbon footprint associated with the operation of Vocalink's offices, aligned to Mastercard's environmental ambition to drive our business toward net-zero emissions and accelerate the transition to a low-carbon, regenerative economy.

The emissions associated with refrigerants are added to this year's disclosure for the first time.

Vocalink's 2023 energy and emissions performance was driven primarily by the operation of Vocalink's offices and the ongoing business activities of our employees. In 2023, Vocalink adopted a Flexible Team Agreement, following Mastercard's guidance on returning to the office three days a week which impacted travel and therefore Vocalink's carbon emissions.

The Company continually reviews and refines its approach and reporting relating to the environmental impacts of the business, considering emerging risks and opportunities that support the achievement of the core corporate philosophy.

Greenhouse gas emissions by scope (MTCO2e) [1]		2023	2022
Scope 1	Emissions from combustion of gas & other fuels	264	297
	Refrigerants	66	-
Scope 2	Location-based emissions from electricity purchased for own use	2,262	2,155
Scope 3	Purchased goods and services	2,347	5,192
	Fuel and energy-related activities	784	759
	Waste generated in operations	15	8
	Business travel	849	310
	Employee Commuting	398	226
Greenhouse gas intensity (MTCO2e/£revenue) [2]		0.000032	0.000044
Energy Management (MWh)			
Energy use from the combustion of gas and other fuels		1,434	1,593
Energy use from consumption of electricity purchased for own use		10,921	11,144
Total energy consumed		12,355	12,737

1 UK Government Greenhouse Gas 2023 emission conversion factors have been utilised to calculate the greenhouse gas emissions.
2 The intensity measure disclosed reflects the most appropriate measure to consistently compare the emissions performance against other reporting entities.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and 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 Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting, unless it is inappropriate to presume that the Company will continue in business.

The Directors also 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.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Statement as to the disclosure of information to the Auditor

In the case of each Director in office at the date on which the Directors' report is approved:

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

Directors' confirmation

The Directors consider that the 2023 Vocalink Limited Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position, performance, business model and strategy.

Approved by the Board of Directors and signed on its behalf on 25 July 2024 by:

Jackie Panayi

Jackie Panayi
Company Secretary

Independent Auditors' Report to the Members of Vocalink Limited

Report on the audit of the financial statements

Opinion

In our opinion, Vocalink Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Banking Act 2009, payment systems regulations and General Data Protection Regulation (GDPR), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as applicable tax legislation, the Companies Act 2006 and relevant pensions legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial statement line items through manual journal postings and the use of inappropriate assumptions or management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including unusual or unexpected journal postings to the income statement;
- Challenging assumptions and judgements made by management in their significant accounting estimates and validating key assumptions where appropriate;
- Inquiring with management with respect to known or suspected instances of fraud; and
- Inquiring with management, reviewing correspondence, including with regulators, in consideration of instances of non-compliance with laws and regulations and evaluating management's assessment on the possible effect of non-compliance to the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Adri Loubser

Adri Loubser (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 July 2024

Statement of Comprehensive Income
for year ended 31 December 2023

	Note(s)	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Revenue	2	**218.2**	208.1
Staff costs	3,5	**(70.6)**	(57.9)
Depreciation and amortisation	3	**(29.7)**	(37.7)
Licence fees	3	**(44.4)**	(39.9)
Other operating expenses	3	**(78.5)**	(74.5)
Total expenses		**(223.2)**	(210.0)
Operating loss		**(5.0)**	(1.9)
Finance income	4	**7.2**	2.0
Finance costs	4	**(0.3)**	(0.6)
Profit/(loss) before tax		**1.9**	(0.5)
Taxation	7	**(0.7)**	(0.7)
Profit/(loss) for the financial year		**1.2**	(1.2)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit pension	15	**(6.7)**	(58.2)
Deferred tax credit related to actuarial movements on defined benefit pension	7	**1.8**	14.4
Total other comprehensive expense		**(4.9)**	(43.8)
Total comprehensive expense for the year		**(3.7)**	(45.0)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

Notes on pages 39 to 73 are an integral part of these financial statements.

VOCALINK mastercard

Statement of Financial Position as at 31 December 2023

	Note	**31 December 2023 £m**	31 December 2022 (Restated) £m
Non-current assets			
Property, plant and equipment	8	**57.0**	64.4
Right of use assets	9	**12.2**	15.0
Intangible assets	10	**10.6**	14.7
Deferred tax assets	11	**0.4**	-
Trade and other receivables	12	**11.1**	8.4
Contract fulfilment assets	12	**7.0**	7.5
Pension surplus	15	**28.3**	33.5
Total non-current assets		**126.6**	143.5
Current assets			
Trade and other receivables	12	**65.0**	54.6
Contract fulfilment assets	12	**1.4**	1.7
Cash and cash equivalents		**127.0**	129.0
Total current assets		**193.4**	185.3
Total assets		**320.0**	328.8
Current liabilities			
Trade and other payables	13	**72.1**	72.5
Lease liabilities	14	**2.3**	2.2
Provisions	16	**0.9**	1.7
Total current liabilities		**75.3**	76.4
Non-current liabilities			
Deferred tax liabilities	11	**-**	1.8
Lease liabilities	14	**9.8**	12.2
Provisions	16	**5.9**	5.6
Total non-current liabilities		**15.7**	19.6
Total liabilities		**91.0**	96.0
Net assets		**229.0**	232.8
Equity			
Called up share capital	17	**52.9**	52.9
Share premium account		**18.5**	18.5
Retained earnings		**157.6**	161.4
Total equity		**229.0**	232.8

The 2022 financial year has been restated, please refer to note 1.19.

The notes on pages 39 to 73 are an integral part of these financial statements.

The financial statements on pages 35 to 73 were approved by the Board of Directors on 25 July 2024 and were signed on its behalf by:

E R Fullerton-Rome

Elizabeth Fullerton-Rome
Director

Company registered number: 06119048

Statement of Changes in Equity
for year ended 31 December 2023

	Share capital (note 17) £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2023	52.9	18.5	161.4	232.8
Total comprehensive income/(expense) for the year				
Profit for the financial year	-	-	1.2	1.2
Other comprehensive income/(expense)				
Remeasurement losses on defined benefit pension (note 15(b))	-	-	(6.7)	(6.7)
Deferred tax credit related to actuarial movements on defined benefit pension (note 11)	-	-	1.8	1.8
Total comprehensive expense for the year	-	-	(3.7)	(3.7)
Transactions recorded directly in equity				
Deferred tax expense related to share schemes (note 7)	-	-	(0.1)	(0.1)
Total contributions by and distributions to owners	-	-	(0.1)	(0.1)
Balance at 31 December 2023	**52.9**	**18.5**	**157.6**	**229.0**

Statement of Changes in Equity
for year ended 31 December 2022

	Share capital (note 17) £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2022	52.9	18.5	207.1	278.5
Total comprehensive income/(expense) for the year				
Loss for the financial year	-	-	(1.2)	(1.2)
Other comprehensive income/(expense)				
Remeasurement losses on defined benefit pension (note 15(b))	-	-	(58.2)	(58.2)
Deferred tax credit related to actuarial movements on defined benefit pension (note 11)	-	-	14.4	14.4
Total comprehensive expense for the year	-	-	(45.0)	(45.0)
Transactions recorded directly in equity				
Deferred tax expense related to share schemes (note 7)	-	-	(0.7)	(0.7)
Total contributions by and distributions to owners	-	-	(0.7)	(0.7)
Balance at 31 December 2022	**52.9**	**18.5**	**161.4**	**232.8**

The notes on pages 39 to 73 form an integral part of these financial statements.

1 Accounting policies

1.1 General information

Vocalink Limited ("the Company") is a private limited liability company, limited by shares. It is incorporated, domiciled, and registered in England and Wales, within the United Kingdom. The registered number is 06119048 and the registered office is 1 Angel Lane, London, EC4R 3AB, United Kingdom.

1.2 Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRS") but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where it has taken advantage of the disclosure exemptions under FRS 101. On 31 December 2020, EU-adopted IFRS was enacted into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company's financial statements transitioned to UK-adopted international accounting standards (as described above) on 1 January 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change.

The consolidated financial statements of Mastercard Incorporated, which includes the financial statements of the Company, are available from its registered office at 2000 Purchase Street, Purchase, New York. The Company has taken advantage of the exemption under Section 401 of the Companies Act 2006 not to prepare consolidated financial statements.

These financial statements were prepared under the historical cost convention and in accordance with the accounting policies set out below, unless otherwise stated, which have been applied consistently to all periods presented in these financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
b. the requirements of IFRS 7 Financial Instruments: Disclosures;
c. paragraph 38 of IAS 1, Presentation of financial statements - comparative information requirements in respect of:
   i. paragraph 79(a)(iv) of IAS 1;
   ii. paragraph 73(e) of IAS 16, Property, plant and equipment; and
   iii. paragraph 118(e) of IAS 38, Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
d. the requirements of IAS 7 Statement of Cash Flow and requirements of paragraphs 10(d), 38A and 111 of IAS 1;
e. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
f. the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a wholly owned group;
g. the requirements of paragraphs 46 to 52 of IFRS 2 Share Based Payments;
h. the requirements of the second sentence of paragraph 110 and from paragraphs 115, 118, 119 (a) to (c), 120 to 127(b) of IFRS 15 Revenue from Contracts with Customers;
i. the requirements of paragraph 134 (e) - (f) and paragraph 135 (c) - (e) of IAS 36 Impairment of Assets;
j. the requirements of paragraph 18 (a) of IAS 24 Related Party Disclosures to disclose the compensation of Key Management Personnel;
k. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
l. the requirements of paragraph 52 of IFRS 16 Leases.

The Company does not currently have any assets or liabilities which are required to be held at fair value with corresponding movements in value taken through the income statement.

Critical accounting judgements and estimates made by the Directors in the application of these accounting policies that have a significant effect on the financial statements are discussed in note 1.20.

1 Accounting policies (continued)

1.3 Change in accounting policies

The Company has adopted the following IFRSs in these financial statements:

- Amendments to IAS 12 (Deferred tax related to assets and liabilities arising from a single transaction) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the Company applies the amendments to transactions that occur on or after the beginning of the earliest period presented. There is no material effect of adopting this amendment.
- Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

  The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies.

  Management reviewed the accounting policies and determined that no updates were required as a result of the amendments.
- Amendments to IAS 8 (Definition of accounting estimates) from 1 January 2023. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty, and clarifying the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. There is no material effect of adopting this amendment.

1.4 Going concern

These financial statements have been prepared on a going concern basis. In preparing these financial statements, the Directors have carried out a detailed and comprehensive review of the business and its future prospects taking into account all information that could reasonably be expected to be available for the following 12 months and beyond. They have considered the following:

- The Company's operating loss in the year and net assets,
- The continued significant investment in Vocalink's strategy,
- The Company's focus on returning to operating profitability,
- HM Treasury’s broader National Payments Vision and Strategy review,
- The extension of all other high value customer contracts for a minimum period of five years,
- That Vocalink holds cash or cash equivalents significantly in excess of the the Bank of England's minimum capital requirement,
- The 2023 Bank of England financial risk management requirements, including Vocalink’s financial recovery plan to ensure that the Company remains financially resilient; and
- The ongoing support from Mastercard.

In considering these factors, the forecast future performance and anticipated cash flows to 31 December 2025 have been stress tested with plausible but severe assumptions such as the removal of variable revenue.

As a result of the review and the written support from Mastercard International Incorporated, the Directors are confident that the Company has sufficient resources to continue as a going concern for at least 12 months from the date of signing these financial statements, and, on this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

The Company's overriding objective when managing capital resources is to safeguard the business as a going concern. In practice, this involves regular reviews by the Board, the Executive and Mastercard. These reviews take into account the Company’s strategic priorities, economic and business conditions and investment opportunities, whilst maintaining the target risk appetite profile set by the Board. This going concern objective has been achieved and is expected to be achieved in the foreseeable future.

1 Accounting policies (continued)

1.5 Revenue from contracts with customers

Revenue from contracts with customers is recognised when services performed reflect the consideration to which the Company expects to be entitled to in exchange for those services. The Company primarily provides a hosted or managed service. The customer derives benefits from when the managed service is operational for payment processing. The Company classifies its revenue into the following three categories:

i) Development, implementation and consultancy revenue

Development, implementation and consultancy revenues are charged either on a percentage of completion basis or contract delivery milestones, when these services are deemed to be distinct within the contract. Where it is not distinct, the revenue is recognised evenly over the life of the contract from the date that the payment service is operational.

ii) Transaction processing revenue

Charges for payment processing and connectivity services are recognised in the year in which the related transactions occur, excluding VAT.

iii) Licence and maintenance revenue

The Company grants its customers licences to use its software, typically on a fixed term basis. Depending on the terms of the customer contracts, there are two types of licences:

- Right of access licences revenue is recognised over time. Where significant customisation of software is required and the customer is unable to benefit from it either on its own or in combination with readily available resources, licence sales are accounted for over time. Such fees are recognised evenly over the life of the operational phase of the contract, commencing on the date on which the payment service is operational.
- Right of use licences revenue is recognised at a point in time. Where the rights and control over the software pass to the customer and the customer can benefit from the software on its own or in combination with readily available resources, the licence sale is accounted for at a point in time.

Maintenance revenue to provide customers with rights to software upgrades, enhancements and help desk access during a defined support period is recognised evenly over time over the operational period of the contract.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceeds the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Costs to fulfil a contract

Costs incurred in developing and implementing payment systems which relate to unfulfilled performance obligations at the reporting date are deferred as contract fulfilment assets in the Statement of Financial Position. The assets are amortised to the Statement of Comprehensive Income consistent with the pattern of recognition of revenue, on a straight-line basis over the term of the relevant customer contract, commencing on the date on which the payment service is operational.

At the reporting date, management undertakes an impairment review, comparing the carrying value of the assets with the total consideration that the Company expects to receive from the customer, less any costs to be incurred in delivering the services as specified in the contract.

Practical expedients under IFRS 15

Existence of a financing component:

The Company has adopted the practical expedient to not adjust the consideration receivable under a contract for the effect of a significant financing component if the Company expects, at contract inception, that the period between when the entity transfers a promised service to a customer and when the customer pays for that service will be less than one year.

Internal revenue

Revenue is recognised by the Company for services performed on behalf of other group companies. The revenue is calculated as stipulated in intercompany agreements. Revenue is recognised when services are performed and are accounted for net of VAT and other sales-related taxes.

1 Accounting policies (continued)

1.6 Foreign currency translation

The Company's financial statements are presented in pounds sterling, which is the Company's functional currency. All significant contracts are currently denominated and settled in pounds sterling, thereby mitigating foreign exchange risk. Other than certain costs from overseas suppliers, there are no transactions in currencies other than the entity's functional currency.

1.7 Investments in subsidiaries

Investments in subsidiaries held as non-current assets are stated at cost less any provision for impairment. The need for any impairment is assessed by comparing the carrying value of the asset with the higher of realisable value or value in use, see note 20.

1.8 Common control transactions

Common control transactions that arise between Group entities under the control of the same parent are accounted for at book value.

1.9 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost, Fair value through other comprehensive income ("FVOCI") - debt investment, FVOCI - equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1 Accounting policies (continued)

1.9 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of the issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

1 Accounting policies (continued)

1.9 Financial instruments (continued)

(iii) Impairment

The Company recognises loss allowances for Expected Credit Losses ("ECL"s) on financial assets measured at amortised cost, and debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets that do not contain a significant financing component are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

1 Accounting policies (continued)

1.9 Financial instruments (continued)

(iv) Derecognition (continued)

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, commencing on the date on which the asset becomes functional and the related asset is available for use. Land is not depreciated. The estimated useful lives are as follows:

• freehold buildings	50 years
• leasehold improvements	over the remaining period of the lease
• plant and equipment	4 to 20 years
• computers and ancillary equipment	3 to 10 years
• fixtures and fittings	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted prospectively, if appropriate indicators of impairment exist.

1.11 Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense as incurred.

Expenditure on development activities is capitalised if:
- the product or process is technically and commercially feasible;
- the Company intends to complete the development;
- the Company has the technical ability and sufficient resources to complete the development;
- future economic benefits from the development are probable; and
- the Company can reliably measure the expenditure attributable to the development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct employee salary and benefits, direct technical contractor expenses. Other development expenditure is recognised in the income statement as an expense as incurred.

Software and development assets

Capitalised development expenditure is recorded under the cost model and is stated at cost less accumulated amortisation and less accumulated impairment losses.

1 Accounting policies (continued)

1.11 Intangible assets (continued)

Software and development assets (continued)

(a) Capitalisation of staff costs

Directly attributable costs in relation to software and development projects include employee costs that are capitalised as tangible and intangible assets respectively, only when it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured and are directly attributable to the creation of the asset. Capitalisation of such costs ceases when the asset is capable of operating in the manner intended by management.

(b) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. The amortisation period for these assets is three to seven years, except for certain software licenses where license term is applied.

Asset lives for assets supporting specific customer contracts are primarily determined by the duration of the respective customer contract, with due consideration given to the period over which it is estimated that the developed software will continue to be in use and economically viable, without significant redevelopment.

Assets utilised in serving multiple customers are grouped together according to the relevant payment product. Asset lives for payment products are typically relatively long, being five to ten years. Nevertheless, reflecting the ongoing investment required to maintain such products, the Company policy is that asset lives for amortisation purposes do not exceed seven years. Subject to the constraints of this policy, asset lives are determined by reference to the useful economic life of the payment product within the markets in which it operates.

(c) Impairment testing

The carrying values of assets are tested for impairment when still under construction at the impairment assessment date and whenever there are events or circumstances that indicate that their carrying amount may not be recoverable. Impairment testing is carried out for groups of assets, which, in combination, form cash generating units ("CGU"s). CGUs are the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows arising from other assets. Vocalink's CGUs comprise groups of intangible and tangible assets that are closely related, and which, in combination, form the systems supporting specific payment products.

The following CGUs were identified as part of the Vocalink Group (as defined on page 3 of the Annual Report):

i) UK real time payments providing critical payment services such as Bacs, Faster Payment Services ("FPS") and ATM managed services,

ii) Immediate Payment Services ("IPS") which is a real-time clearing and settlement infrastructure for account-to-account payments,

iii) Applications which include products such as BillPay, Pay by Account ("PBA") and Pay by Bank Account ("PbBA") which enable consumers to pay for goods and services with their mobile devices; and

iv) Cyber and Intelligence solutions ("C&I").

These CGUs span different Vocalink entities. At the end of 2023, management conducted an impairment review on the net book value these CGUs.

Management has determined the recoverable amount of the CGU by assessing the fair value less costs of disposal. The fair value less cost of disposal is the price that would be received to dispose an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, less incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. The valuation has been determined using the income approach and is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Key assumptions used to determine the fair value less costs of disposal as disclosed in note 1.20.

Cash flows are based on the most recent budgets or forecasts approved by management, and reflect reasonable and supportable assumptions by reference to the range of economic conditions that will exist over the period of the budget or forecast. Where cash flows are extended beyond the period covered by the most recent budget or forecast, they are extrapolated using a steady or declining growth rate, unless an increasing rate can be justified.

If the carrying amount of the CGU exceeds its recoverable amount, an impairment is immediately recorded.

1 Accounting policies (continued)

1.12 Employee benefits

Pension obligations

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

(b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company operates one defined benefit plan in the UK which provides both pensions and retirement and death benefits to members. The plan closed to future accrual to new benefits on 31 July 2013, although members who remain in the Company's employment retain a link to their final salary.

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and taking account of the expected rate of cash commutation by members. The future benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the income statement.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

(c) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(d) Share-based employee remuneration

Mastercard share-based payment plans

The Company participates in the following share-based compensation plans operated by Mastercard, a restricted stock unit scheme ("RSUs") and a performance stock unit scheme ("PSUs") under which units are awarded, in addition to a non-qualified stock option scheme ("Options"). The awards are granted by Mastercard and the Company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted.

1 Accounting policies (continued)

1.12 Employee benefits (continued)

Restricted stock units

A restricted stock unit ("RSU") award is denominated in common Mastercard shares that will be settled either by delivery of common shares or the payment of cash based upon the value of a specified number of common shares. Mastercard grants RSUs periodically to employees in accordance with the RSU agreement.

Mastercard's RSUs are time-based awards. For RSUs granted on or after 1 March 2022, the awards vest evenly over a three year period. For RSUs granted before 1 March 2022, the awards vest evenly over a four year period. These awards are conditional upon the employee's continued employment with the Mastercard Group as of the vesting date.

The fair value of RSUs is determined and fixed on the grant date based on the Mastercard stock price, adjusted for the exclusion of dividend equivalents. The related share-based compensation expenses are recorded in staff costs.

The total expense is recognised on a straight line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of RSUs that are expected to vest, based on the non-market vesting conditions.

Non-qualified stock options

A non-qualified stock option ("Option") entitles the participant to receive common shares upon exercise of such options. The remuneration committee may provide for grant or vesting options conditional upon the performance of services, the achievement of performance goals or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or any combination of the above. The exercise price per share for an award shall not be less than the fair market value per share as of the grant date. The option period fixed by the committee for any award shall be no longer than ten years from the option's grant date. The options shall be exercisable evenly on each of the first three anniversaries of the grant.

Mastercard estimates the fair value of its non-qualified stock options awards using a Black-Scholes valuation model.

(a) Recognition of share-based employee remuneration in the Statement of Comprehensive Income

At the end of each reporting period, the Company revises its estimates of the number of units and options that are expected to vest, based on any market and non-market vesting conditions.

The total expense of the above schemes is recognised on a straight line basis over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The related share-based compensation expenses are recorded in staff costs.

Performance stock units

A performance stock unit ("PSU") consists of the right to receive common shares or cash, as provided in the particular award agreement, upon achievement of a performance goal or goals. The performance unit award shall be earned in accordance with the agreement over a performance period. These awards typically vest at the end of a three year performance period (cliff vesting). These awards are conditioned upon the employee's continued employment with the Company and the achievement of the performance goals established by the committee and set forth in the employee's grant statement.

1 Accounting policies (continued)

1.13 Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event or a present obligation that is uncertain as regards the amount. Where there is a possibility of an outflow of economic benefits, the Company discloses an estimate of the financial effect and any uncertainties relating to it unless the probability the liability arising is considered to be remote.

1.14 Leases

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company's leases generally relate to property or office equipment. Lease terms are negotiated on an individual basis and do not impose any covenants. The lease term is determined by the non-cancellable period of the lease, together with; optional renewable periods if the Company is reasonably certain to extend; and periods after an optional termination date if the Company is reasonably certain not to terminate early.

As a Lessee

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

1 Accounting policies *(continued)*

1.14 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Right of use assets' and lease liabilities in 'Lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.15 Finance income and costs

Finance income

Finance income includes interest receivable on funds invested, interest receivable from group undertakings, pension interest, and net foreign exchanges gains.

Finance costs

Finance costs include finance lease interest recognised under IFRS 16, pension interest, interest payable to group undertakings and net foreign exchange losses.

Interest receivable and interest payable is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis. Dividend income is recognised in the Statement of Comprehensive Income on the date the entity's right to receive payments is established.

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner and timing of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which it can be utilised. Deferred tax balances are not discounted.

1.17 Capital and reserves

Called up share capital

Represents the nominal value of shares issued.

Share premium account

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

Retained earnings

Represents the reserves for net gains and losses recognised in the Statement of Comprehensive Income.

1 Accounting policies (continued)

1.18 UK-adopted IFRS not yet applied

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants (effective 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective 1 January 2024).

1.19 Prior year adjustments

During the year ended 31 December 2023, the consolidated Vocalink VAT group submitted an Error Correction Notice ("ECN") to HMRC in respect to additional VAT recoveries of £7.9m pertaining to VAT returns for the years ended 31 December 2021 (£2.6m) and 31 December 2022 (£5.3m):

- As at 31 December 2021, this results in a £2.6m increase in the amount due to group undertakings and other receivables.
- As at 31 December 2022, the cumulative impact of the additional VAT recovery of £7.9m is restated (refer to table below), and recorded in Vocalink Limited as the representative member of Vocalink's VAT group, and is subsequently allocated to VIL based on the nature of the underlying transactions.
- This adjustment decreases Trade and other receivables and Trade and other payables by £0.6m.

The following table summarises the impact of restatement on the financial statements:

	31 December 2022 (Original) £m	Impact of Restatement £m	31 December 2022 (Restated) £m
Statement of financial position (extract)			
Trade and other receivables (current)			
Amount due from group undertakings	6.4	(5.6)	**0.8**
Other receivables	3.1	5.0	**8.1**
Trade and other payables (current)			
Amounts due to group undertakings	13.6	2.3	**15.9**
Taxes and social security	4.3	(2.9)	**1.4**

The extracts above illustrate part of the disclosure impacts. The affected notes have been restated and include "Restated" in the 2022 column headings.

1.20 Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in the application of the accounting policies include:

Revenue recognition

Revenue recognition under IFRS 15

Revenue from contracts with customers is recognised when services are performed. In management's assessment of the contracts significant judgement is used in determining whether the services components are single or multiple performance obligations. Customer contracts are typically long-term payment services contracts, with a duration of 3 to 5 years. Contracts with customers comprise multiple deliverables, and depending on the nature of the contract, include a combination of services for implementation and onboarding, software development, software licences, transaction processing and customer support services. This decision impacts the timing of the revenue recognition for the software licence and the development services.

1 Accounting policies (continued)

1.20 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in the application of the accounting policies include (continued)**:**

Contingent liabilities

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event or a present obligation that is uncertain as regards the amount. Where there is a possibility of an outflow of economic benefits, the Company discloses an estimate of the financial effect and any uncertainties relating to it unless the probability the liability arising is considered to be remote.

Management's assessment of contingent liabilities are set out in note 16.

Impairment testing of tangible and intangible assets

Management considers if there are any impairment triggers including any events or circumstances which could indicate there may be an impairment. Only as required, in evaluating the cash flows used in testing for impairment, management exercises judgement in determining the assumptions supporting the cash flows, ensuring that they are reasonable and relevant. Where cash flows are extended beyond the period covered by the most recent budget, they are extrapolated using a steady or declining growth rate, unless an increasing rate can be justified.

The impairment assessment of each CGU has been performed as a single CGU across different Vocalink entities, considering:

i) management monitors performance, makes decisions, and develops forecasts for the business based on the CGUs, which are spread across the Vocalink entities.

ii) interdependencies and intercompany transactions among the entities in order to generate cash flows for the CGUs. The NBVs of shared corporate offices have been allocated between CGUs using 2023 external revenue as the basis.

The recoverable amount of the CGUs was determined to be greater than the carrying amount.

As at the reporting date, intangible assets with a net book value of £10.6m (2022: £14.7m), property, plant and equipment assets with a net book value of £57.0m (2022: £64.4m) and right of use assets with a net book value of £12.2m (2022: £15.0m) were held on the Statement of Financial Position. During the year there were no impairments (2022: £nil) recognised in relation to property, plant and equipment, right of use assets and intangible assets. As set out above, in reviewing these assets for impairment, management has exercised judgement regarding the future economic benefits to be generated as they are utilised or brought into use.

Shared assets such as data centres that cannot be allocated to any CGU on a reasonable and consistent basis have been tested for impairment at a higher level by comparing the carrying value of all CGUs and shared assets against the recoverable value of the business and no additional impairment has been identified.

Management exercises key judgements in assessing the useful life of the assets. These are established at the time each development commences and are regularly reviewed for appropriateness.

Payment systems require a long-term and significant investment of time and resources. They are developed with the quality and resilience necessary to support the national payment system infrastructure. Both the Company and the participating banks undertake significant system design, development and implementation, followed by rigorous testing undertaken prior to service go-live. Both parties have an economic interest in retaining the software in use over the medium to long-term. This has been shown to apply historically and is expected to continue. Economic useful lives of assets are therefore longer than is typical for technology products.

Key estimates in the application of the accounting policies include:

Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the likelihood of an outflow of resources is less than probable, but more than remote, or a reliable estimate is not determinable, the matter is disclosed as a contingency provided that the obligation or the legal claim is material.

Provisions are measured at management’s best estimate, at the end of the reporting period, of the expenditure required to settle the obligation, and are discounted to present value where the effect is material. From time to time, parts of provisions may also be reversed due to a better than expected outcome in the related activities in terms of cash outflow.

Management exercises key judgements in relation to the appropriate provisions required for dilapidation and lease exit costs.

Management's assessment of provisions are set out in note 16.

1 **Accounting policies** (continued)

1.20 **Critical accounting judgements and key sources of estimation uncertainty** (continued)

Key estimates in the application of the accounting policies include (continued)**:**

Indirect taxation

The recovery of VAT is subject to a partial exemption calculation. VAT returns are submitted quarterly and the final position regarding VAT recovered is agreed on an annual basis. As at the reporting date, management exercised judgement in estimating the provision for VAT that may not be recovered in respect of the financial year set out in note 13(a).

Vocalink Limited is the representative member of the Vocalink VAT group. VAT is allocated within Vocalink member entities based on the nature of the underlying transactions and all entities are jointly and severally liable to HMRC on the group VAT position.

Retirement benefit obligations

The Company operates a defined benefit pension scheme for which actuarial valuations are carried out as determined by the trustees at yearly intervals.

The pension cost under IAS 19 is assessed in accordance with Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on information supplied to the actuary, supplemented by discussions between the actuary and management. It is required to form judgements in relation to market conditions, including the discount rate and future inflation. Discussions also include a review of the profile of scheme members, including their life expectancy, entitlement and choices regarding future benefits and options, including cash commutation. The principal assumptions used to measure schemes' liabilities, sensitivities to changes in assumptions and future funding obligations are set out in note 15 of the financial statements.

2 **Revenue**

2 (a) Disaggregation of revenue

Nature of service provided

In the following table revenue is disaggregated by the nature of the service provided.

	2023	2022
	£m	£m
Revenue from contracts with customers		
Transaction processing	**150.9**	139.5
Licence and maintenance	**10.0**	14.9
Development, implementation and consultancy	**4.9**	9.4
External revenue	**165.8**	163.8
Internal revenue: recharges to other group undertakings	**52.4**	44.3
Total revenue	**218.2**	208.1

2 (b) Contract balances

Contract assets comprise accrued income, which solely relates to revenue from contracts with customers.

Contract liabilities comprise deferred income; the Company's deferred income balances solely relates to revenue from contracts with its customers, further details of which are set out in 2 (c) below.

2 Revenue (continued)

2 (c) Revenue recognised in relation to deferred income

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2023 £m	2022 £m
Revenue recognised that was included in the contract liability balance at the beginning of the year	**6.1**	9.6
Total	**6.1**	9.6

2 (d) Contract fulfilment assets

	2023 £m	2022 £m
Contract fulfilment assets brought forward 1 January	**9.2**	14.6
Additions during the year	**1.9**	6.6
Amortisation during the year	**(2.9)**	(8.0)
Intercompany transfer	**0.2**	(4.0)
Contract fulfilment assets carried forward as at 31 December	**8.4**	9.2

Amortisation of contract fulfilment assets was £2.0m (2022: £6.6m), as per note 3, which is stated after intercompany recharges of £0.9m (2022: £1.4m) to VIL in relation to fulfilment assets capitalised in advance of the BTA (business transfer agreement).

The Company capitalises the costs incurred in developing and implementing payment systems on specific customer contracts as these costs do not transfer a distinct good or service to the customer and are only required to provide the related payment service.

At 31 December 2023, the Company recognised assets of £8.4m (2022: £9.2m) in relation to these costs, of which £1.4m (2022: £1.7m) was short term and £7.0m (2022: £7.5m) was long-term.

3 Operating loss

Operating loss is stated after charging:

	2023 £m	2022 £m
Staff costs (note 5)	**70.6**	57.9
Cybersecurity transformation and people related expenses including contractors	**32.0**	26.0
Maintenance, support and other costs	**40.1**	42.3
Research and product development	**-**	0.6
Licence fees	**44.4**	39.9
Rent and associated costs	**2.1**	1.3
Legal, professional and consultancy	**4.3**	4.3
Depreciation of property, plant and equipment (note 8)	**19.3**	17.9
Depreciation of right of use assets (note 9)	**3.2**	3.2
Amortisation of intangible assets (note 10)	**5.2**	10.0
Amortisation of contract fulfilment assets (note 2)	**2.0**	6.6
Total	**223.2**	210.0

3 Operating profit/(loss) (continued)

The increased cost on 'people related expenses' and 'maintenance, support and other costs' is due to increased expenditure on security, data processing maintenance and the strengthening of resilience capabilities.

Staff and people related costs charged to the Statement of Comprehensive Income, as shown above, are net of the capitalised costs. In the year third-party contractor expenses of £0.9m (2022: £3.0m) were capitalised; £0.7m (2022: £0.6m) within internally developed intangible assets, £nil (2022: £1.2m) in preparing computers and ancillary equipment for use within tangible assets and £0.2m (2022: £1.2m) to fulfilment. Staff costs of £5.5m (2022: £7.9m) were capitalised and the net cost is shown above; the full costs of permanent staff are detailed in note 5.

Licence fees are payable to a group undertaking, IPCO 2012 Limited, as provided for in agreements for the licensing of intellectual property utilised by the Company in the delivery of payment services.

Lease expenses recognised in the Statement of Comprehensive Income:

	2023 £m	2022 £m
Depreciation charged on right of use assets - leasehold premises	**3.2**	3.2
Interest expense (included in finance costs)	**0.3**	0.3

The total cash outflow for leases in the financial year was £2.5m (2022: £3.3m).

Auditors' remuneration:

The fees paid to PricewaterhouseCoopers LLP as auditors for the year ended 31 December 2023 and 2022 were:

	2023 £m	2022 £m
Audit of the financial statements	**0.6**	0.3
Audit-related assurance services	**0.8**	0.7
Total	**1.4**	1.0

4 Net finance income/(cost)

	2023 £m	2022 £m
Finance income		
Interest receivable	**5.5**	0.3
Foreign exchange gain	**0.1**	-
Pension scheme interest	**1.6**	1.7
Total	**7.2**	2.0
Finance costs		
Interest on lease liabilities	**(0.3)**	(0.3)
Foreign exchange loss	**-**	(0.2)
Other finance costs	**-**	(0.1)
Total	**(0.3)**	(0.6)
Net finance income	**6.9**	1.4

5 Staff costs

The monthly average number of persons (including Directors) employed by the Company during the year was as follows:

	Number of employees	
	2023	2022
Operations	**567**	482
Sales and product development	**110**	106
Administration	**53**	46
Total	**730**	634

The aggregate payroll costs of these persons were as follows:

	2023 **£m**	2022 £m
Wages and salaries	**59.0**	53.1
Social security costs	**7.4**	7.0
Other pension costs (note 15)	**6.4**	5.3
Share based payment expense (note 15)	**3.3**	0.4
Total	**76.1**	65.8

In the year staff costs of £5.5m (2022: £7.9m) which are included above were capitalised; £0.6m (2022: £2.4m) within internally developed intangible assets, £0.2m (2022: £1.3m) to contract fulfilment assets and £4.7m (2022: £4.2m) in preparing computers and ancillary equipment for use within tangible assets.

Shared based payment expenses relate to the Mastercard equity plan. Further details are contained in note 15.

6 Directors' remuneration

Included within wages and salaries expense are amounts related to compensation for the Directors of the Company which were as follows:

	2023 **£m**	2022 £m
Directors' remuneration	**1.2**	2.4
Amounts receivable under other performance related scheme	**0.6**	0.3
Total	**1.8**	2.7

The amounts paid to the highest paid Director are included below:	**2023** **£m**	2022 £m
Directors' remuneration	**0.3**	0.8
Amounts receivable under other performance related scheme	**0.6**	-
Total	**0.9**	0.8

The emoluments of some of the Directors are paid by another entity in the Mastercard Group, which makes no recharge to the Company. These Directors are undertaking executive duties on a number of fellow Mastercard subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

During the year, the Directors exercised 1,625 (2022: 7,223) Mastercard stock options and nil (2022: 4,291) Restricted Stock Units ("RSUs"). 1,625 stock options (2022: 1,866) and nil (2022: 1,027) RSUs were exercised by the highest paid Director.

7 Taxation

Recognised in the Statement of Comprehensive Income

	2023 £m	2022 £m
Current tax expense/(credit)		
Amounts payable/(receivable) for group relief	**0.5**	(3.4)
Adjustments for prior periods	**0.7**	0.5
Current tax expense/(credit)	**1.2**	(2.9)
Deferred tax expense/(credit)		
Origination and reversal of timing differences	**(0.6)**	0.8
Adjustment for prior years	**(0.2)**	0.2
Impact of changes in tax rate	**-**	(0.2)
Pension scheme related	**0.3**	2.8
Deferred tax expense/(credit)	**(0.5)**	3.6
Total tax expense	**0.7**	0.7

Income tax recognised in other comprehensive income/(expense)

	2023 £m	2022 £m
Deferred tax credit related to actuarial movements on defined benefit pension	**(1.8)**	(14.4)
	(1.8)	(14.4)

Tax recorded directly in equity

	2023 £m	2022 £m
Deferred tax expense related to share schemes	**0.1**	0.7
	0.1	0.7

Reconciliation of tax expense/(credit)

	2023 £m	2022 £m
Profit/(loss) for the financial year	**1.2**	(1.2)
Total tax expense	**0.7**	0.7
Profit/(loss) before taxation	**1.9**	(0.5)
Tax using UK Corporation tax rate of 23.5% (2022: 19%)	**0.4**	(0.1)
Effects of:		
Expenses not deductible for tax purposes	**0.1**	0.1
Differences between current and deferred tax rates applicable	**-**	0.7
Adjustments to tax charge in respect of previous periods	**0.5**	0.7
Share options	**(0.3)**	(0.7)
Total tax expense	**0.7**	0.7

The UK corporation tax rate increased from 19% to 25% on 1 April 2023. A blended rate of 23.5% (2022: 19%) has been used to evaluate current tax charges/(credits) relating to the year ended 31 December 2023.

8 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Computers & ancillary equipment £m	Fixtures & fittings £m	Total £m
Cost						
Balance at 1 January 2023	3.7	16.1	20.2	107.8	5.7	153.5
Additions	-	0.4	1.4	10.2	-	12.0
Disposals	(0.2)	(0.3)	(0.4)	(13.3)	(0.2)	(14.4)
Balance at 31 December 2023	3.5	16.2	21.2	104.7	5.5	151.1
Accumulated depreciation						
Balance at 1 January 2023	2.5	14.9	19.3	46.9	5.5	89.1
Depreciation charge for the year	0.3	0.2	0.8	17.9	0.1	19.3
Disposals	(0.2)	(0.3)	(0.4)	(13.2)	(0.2)	(14.3)
Balance at 31 December 2023	2.6	14.8	19.7	51.6	5.4	94.1
Net book value						
At 31 December 2022	1.2	1.2	0.9	60.9	0.2	64.4
At 31 December 2023	**0.9**	**1.4**	**1.5**	**53.1**	**0.1**	**57.0**

Additions in the year principally relate to Computers and Ancillary Equipment which totalled £10.2m (2022: £17.8m), of which £5.8m (2022: £11.0m) was invested in shared infrastructure projects. Internal time in preparing infrastructure and other assets for use is capitalised with the physical assets and depreciated over the economic useful life of the combined assets.

Depreciation is charged over the shorter of the useful economic life of the asset and related customer contracts. The depreciation of tangible assets commences when the asset is complete and available for use. Included in assets held as at 31 December 2023 are assets with a carrying value of £14.2m (2022: £16.7m) which were being prepared for use and therefore were not depreciated during the year.

Following an impairment review, no impairments were identified in 2023 (2022: £nil).

9 Right of use assets

Information about leases for which the Company is a lessee is presented below:

	Leasehold premises £m
Cost	
Balance at 1 January 2023	28.6
Additions	-
Disposals	(4.0)
Revaluations of asset retirement obligations	0.4
Balance at 31 December 2023	25.0
Accumulated depreciation	
Balance at 1 January 2023	13.6
Depreciation charge for the year (note 3)	3.2
Disposals	(4.0)
Balance at 31 December 2023	12.8
Net book value	
Balance at 31 December 2022	15.0
Balance at 31 December 2023	**12.2**

	Leasehold premises £m	Office equipment £m	Total £m
Cost			
Balance at 1 January 2022	28.6	0.2	28.8
Intercompany transfer	-	(0.2)	(0.2)
Balance at 31 December 2022	28.6	-	28.6
Accumulated depreciation			
Balance at 1 January 2022	10.4	0.1	10.5
Depreciation charge for the year	3.2	-	3.2
Intercompany transfer	-	(0.1)	(0.1)
Balance at 31 December 2022	13.6	-	13.6
Net book value			
Balance at 31 December 2021	18.2	0.1	18.3
Balance at 31 December 2022	15.0	-	15.0

10 Intangible assets

	Total £m
Cost	
Balance at 1 January 2023	66.2
Additions	1.4
Intercompany transfer	(0.1)
Disposals	(3.4)
Balance at 31 December 2023	64.1
Accumulated amortisation	
Balance at 1 January 2023	51.5
Amortisation for the year	5.2
Disposals	(3.2)
Balance at 31 December 2023	53.5
Net book value	
At 31 December 2022	14.7
At 31 December 2023	**10.6**

Intangible assets comprise software and other assets utilised in delivering payment services to customers. UK payment scheme assets are utilised in support of specific long-term customer contracts for the core payment platforms. Other products assets are developed and used in serving multiple customers. At the reporting date, the net book value of shared infrastructure assets was £4.5m (2022: £6.0m).

Amortisation is charged over the shorter of the useful economic life of the product and related customer contracts; generally, between three to seven years, except for certain software license where license term is applied. The amortisation of intangible assets commences when the asset is complete and available for use. Of the total assets of £10.6m (2022: £14.7m) as at 31 December 2023, assets with a carrying value of £1.7m (2022: £4.9m) were under development and therefore were not amortised during the year.

£3.2m (2022: £0.8m) of disposals during the year relate to assets with a nil net book value which are no longer in use.

Following an impairment review, no impairment was recognised in the current financial year (2022: £nil).

11 Deferred tax

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	2023 **£m**	2022 £m
Property, plant and equipment	**6.2**	5.5
Share scheme	**1.2**	1.1
Pension schemes	**(7.0)**	(8.4)
Total	**0.4**	(1.8)

Movement in deferred tax assets/(liabilities) during the year

	1 January 2023 **£m**	**Recognised in income** **£m**	**Recognised in equity** **£m**	**Recognised in OCI** **£m**	**31 December 2023** **£m**
Property, plant and equipment	**5.5**	**0.7**	**-**	**-**	**6.2**
Share scheme	**1.1**	**0.2**	**(0.1)**	**-**	**1.2**
Pension schemes	**(8.4)**	**(0.4)**	**-**	**1.8**	**(7.0)**
Total	**(1.8)**	**0.5**	**(0.1)**	**1.8**	**0.4**

Movement in deferred tax assets/(liabilities) during the prior year

	1 January 2022 £m	Recognised in income £m	Recognised in equity £m	Recognised in OCI £m	31 December 2022 £m
Property, plant and equipment	6.0	(0.5)	-	-	5.5
Share scheme	2.0	(0.2)	(0.7)	-	1.1
Pension schemes	(19.9)	(2.9)	-	14.4	(8.4)
Total	**(11.9)**	**(3.6)**	**(0.7)**	**14.4**	**(1.8)**

Deferred tax is evaluated at rates enacted or substantively enacted at the balance sheet date.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax liability as at 31 December 2022 was calculated utilising these rates and reflecting the expected timing of reversal of the related temporary differences. Deferred tax balances as at 31 December 2023 have been evaluated using the enacted rate of 25%.

12 Trade and other receivables

	2023 £m	2022 (Restated) £m
Current		
Trade receivables	**12.7**	15.5
Other receivables	**15.2**	8.1
Prepayments	**15.3**	16.5
Accrued income	**13.0**	13.7
Amounts due from group undertakings	**8.8**	0.8
Trade and other receivables	**65.0**	54.6
Contract fulfilment assets	**1.4**	1.7
Total	**66.4**	56.3

Amounts due to the Company from group undertakings classified as current and are unsecured, non-interest bearing and are repayable on demand.

	2023 £m	2022 £m
Non-current		
Prepayments	**11.1**	8.4
Trade and other receivables	**11.1**	8.4
Contract fulfilment assets	**7.0**	7.5
Total	**18.1**	15.9

13 (a) Trade and other payables

	2023 £m	2022 (Restated) £m
Current		
Trade payables	**15.4**	14.7
Taxation and social security	**2.5**	1.4
Amounts due to group undertakings	**24.6**	15.9
Other payables	**1.5**	5.1
Accruals	**15.2**	24.3
Deferred income	**12.9**	11.1
Total	**72.1**	72.5

Amounts due by the Company to group undertakings classified as current are unsecured, non-interest bearing and are repayable on demand.

13 (b) Deferred income

The movements in the current and non-current deferred income were:

	2023	2022
	£m	£m
As at 1 January	**11.1**	13.2
Deferred in year	**11.4**	16.3
Intercompany transfer	**(0.9)**	-
Recognised as revenue in the year	**(8.7)**	(18.4)
As at 31 December	**12.9**	11.1

The Company's deferred income balances solely relate to revenue from contracts with customers. Movements in the deferred income balances were driven by transactions entered into by the Company within the normal course of business in the year. Deferred income of £0.9m (2022: £nil) was transferred to VIL during the year in relation to customer contracts that novated as part of the BTA.

14 Lease liabilities

	2023	2022
	£m	£m
Lease obligation for right of use assets:		
Current	**2.3**	2.2
Non-current	**9.8**	12.2
Total	**12.1**	14.4

As a lessee

	2023	2022
	£m	£m
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**2.6**	3.4
Two to five years	**9.0**	9.8
More than five years	**1.4**	5.5
Total undiscounted lease payments	**13.0**	18.7
Current	**2.6**	3.4
Non-current	**10.4**	15.3
Total	**13.0**	18.7

15 Employee benefits

a) Post-retirement benefits

The Company operates two independent pension schemes. The Company's defined contribution scheme is open to new members and during the year ended 31 December 2023 the Company contributed £6.4m (2022: £5.3m) to the scheme.

The Company also operates a defined benefit scheme which is closed to new entrants and provides pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

b) Defined benefit pension scheme

The defined benefit scheme closed to new entrants and future accruals on 31 July 2013, although previously enrolled employed members retain a link to their final salary. As part of the 2021 triennial revaluation, the group agreed with the pension scheme trustees that the deficit reduction contributions of £14.7m per annum agreed in the 2019 revaluation would be discontinued from September 2022; no further deficit contributions are required from that date. The next triennial valuation is due in 2024.

The major assumptions used by the actuary were (in nominal terms):

	2023	2022
Discount rate	**4.55%**	4.80%
RPI inflation	**3.05%**	3.25%
CPI inflation	**2.45%**	2.55%
Salary inflation	**n/a for 2023 2.75% for 2024 and thereafter**	3.50% for 2023 4.00% for 2024 2.50% thereafter
Pension increases in payment (CPI, max 3%)	**2.00%**	2.00%
Pension increases in payment (RPI, max 4%)	**2.65%**	2.75%
Pension increases in payment (RPI, max 5%)	**2.90%**	3.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2023		2022	
Age	**Males**	**Females**	**Males**	**Females**
67	20.8 years	22.3 years	20.9 years	22.4 years
61 in 10 years	26.7 years	28.6 years	26.9 years	28.7 years

The major assumption sensitivities are considered to be discount rate, inflation and life expectancy. The approximate effects of movements in the main assumptions at 31 December are shown in the table below, detailing the impact on scheme liabilities:

	2023	2022
Discount rate +/- 0.1% pa	**+/- 1.2%**	+/- 1.2%
Inflation assumptions +/- 0.1% pa	**+0.6%/-0.9%**	+/- 1.0%
Life expectancy +/- 1 year	**+2.8%/-2.9%**	+/- 2.8%

The inflation sensitivity shown above includes the impact of corresponding changes to future increases to pensions in payment and in deferment assumptions.

The sensitivities shown reflect the duration of the scheme liabilities of approximately 13 years based on the Company's understanding of the Scheme's membership and liability profile.

Results under IAS 19 can change dramatically depending on market conditions. Changing markets in conjunction with discount rate fluctuations will lead to volatility in the funded status of the pension plan. To a lesser extent, changes in market conditions will lead to some movement in the IAS 19 pension expense in the Statement of Comprehensive Income.

15 Employee benefits (continued)

b) Defined benefit pension scheme (continued)

The assumptions used in determining the valuation of the scheme have been set with reference to yields available on government bonds and appropriate risk margins.

The assets in the scheme were:

	2023 £m	**2023 %**	2022 £m	2022 %
Liability-driven investments/Government bonds	**124.2**	**47.5**	135.9	52.0
Equities	**17.6**	**6.7**	41.2	15.8
Credit funds	**83.5**	**31.9**	47.1	18.0
Cash	**7.7**	**2.9**	5.2	2.0
Property	**26.6**	**10.2**	29.8	11.4
Insured pensioners	**2.1**	**0.8**	2.1	0.8
	261.7	**100.0**	261.3	100.0

The scheme invested assets comprising both quoted and unquoted assets. The value of quoted assets in 2023 was £130.3m (2022: £123.7m), included within corporate bonds, equities, cash and liability driven investments/government bonds in the above table, with the remaining assets being unquoted.

Reconciliation of funded status to Statement of Financial Position:

	2023 £m	2022 £m
Fair value of scheme assets	**261.7**	261.3
Present value of scheme liabilities	**(233.4)**	(227.8)
Funds in the scheme	**28.3**	33.5
Related deferred tax liability (note 11)	**(7.0)**	(8.4)
Net pension funds	**21.3**	25.1

Analysis of the amount charged to Statement of Comprehensive Income:

	2023 £m	2022 £m
Interest cost on the defined benefit obligations	**10.7**	6.6
Interest income on plan assets	**(12.3)**	(8.3)
Total interest credit (note 4)	**(1.6)**	(1.7)

15 Employee benefits (continued)

b) Defined benefit pension scheme (continued)

Remeasurement of the net defined asset in Other Comprehensive Income:

	2023 £m	2022 £m
Actuarial (loss)/gain on defined benefit obligations arising from changes in financial assumptions	**(4.4)**	109.7
Actuarial gain on defined benefit obligation arising from changes in demographic assumptions	**1.0**	2.0
Actuarial loss on obligations arising from experience	**(1.2)**	(6.9)
Total actuarial (loss)/gain on liability	**(4.6)**	104.8
Return on plan assets excluding amounts included in net interest cost	**(2.1)**	(163.0)
Remeasurement of the defined asset in OCI	**(6.7)**	(58.2)
Net impact of the defined asset on OCI	**(6.7)**	(58.2)

Reconciliation of net defined asset:

	2023 £m	2022 £m
Net defined asset at beginning of year	**33.5**	80.4
Net interest income	**1.6**	1.7
Remeasurement of the net defined asset in OCI	**(6.7)**	(58.2)
Employer contributions	**0.9**	10.6
Administration expenses incurred	**(1.0)**	(1.0)
Net defined asset at end of year	**28.3**	33.5

Movements in the present value of defined benefit obligations were as follows:

	2023 £m	2022 £m
Defined benefit obligations at beginning of year	**227.8**	336.7
Interest cost	**10.7**	6.6
Actuarial loss/(gain) on defined benefit obligations arising from changes in financial assumptions	**4.4**	(109.7)
Actuarial gain on obligations arising from changes in demographic assumptions	**(1.0)**	(2.0)
Actuarial loss on obligations arising from experience	**1.2**	6.9
Benefits paid	**(9.7)**	(10.7)
Defined benefit obligations at end of year	**233.4**	227.8

15 Employee benefits (continued)

b) Defined benefit pension scheme (continued)

Movements in the fair value of scheme assets were as follows:

	2023 £m	2022 £m
Fair value of scheme assets at beginning of year	**261.3**	417.1
Interest income on plan assets	**12.3**	8.3
Return on plan assets excluding amounts included in interest income on plan assets	**(2.1)**	(163.0)
Employer contributions	**0.9**	10.6
Benefits paid	**(9.7)**	(10.7)
Administration expenses incurred	**(1.0)**	(1.0)
Fair value of scheme assets at end of year	**261.7**	261.3

Regulatory framework for pension schemes in the UK

The Pensions Regulator is established by UK Pensions Law and has significant powers in respect of ensuring the protection of UK pension plan members. The Regulator's key objectives are:

- To monitor pension scheme plan operation and funding
- Promote good governance
- To protect pension scheme members' benefits.

The Pension Protection Fund was set up to rescue defined benefit plans where the sponsoring employer fails. It is funded mainly from an annual levy on defined benefit plans.

Every three years, a defined benefit pension plan must undertake a full valuation of its assets and liabilities with agreement of the valuation to be reached within fifteen months of the effective date of the full valuation. The outcome will determine how much contributions a sponsoring employer will need to pay in the future. Where there is a funding deficit the sponsoring employer is required to make these contributions. The 2021 valuation was completed with the scheme estimated to be in surplus. It has been agreed that no further deficit contributions are required from 1 September 2022.

c) Share-based payments

(i) Restricted Stock Unit ("RSU") scheme

RSUs are denominated in Common Shares and are settled either by the delivery of Common Shares or the payment of cash based upon the value of a specified number of Common Shares. Mastercard grants RSUs periodically to employees in accordance with the Restricted Stock Unit Agreement.

Mastercard's RSUs are time-based awards. For RSUs granted on or after 1 March 2022, the awards vest evenly over a three year period. For RSUs granted on or after 1 March 2020 but before 1 March 2022, the awards vest evenly over a four year period. These awards are conditional upon the Employee's continued employment with the Company as of the Vesting Date. There are no market conditions applicable to the awards.

15 Employee benefits (continued)

c) Share-based payments (continued)

(i) Restricted Stock Unit ("RSU") scheme (continued)

RSU movements during the year:

	2023 Number	2022 Number
Shares Outstanding at beginning of year	**17,621**	29,655
Shares Granted	**15,307**	10,687
Shares Forfeited	**(1,719)**	(4,921)
Shares Release/Vested	**(6,782)**	(15,391)
Shares Transferred In	**6,243**	221
Shares Transferred Out	**(4,733)**	(2,630)
RSU at end of year	**25,937**	17,621

Outstanding awards vest between March 2024 and October 2026, typically vesting between three and four years after grant date.

Due to the nature of these awards, they are exercised at the point of vesting. Details of the RSUs outstanding as at 31 December and their vest dates, are as follows:

	31 December 2023			**31 December 2022**		
Vest date	**RSUs outstanding (no.)**	**Grant date market value per RSU US $**	**Remaining contract life Years**	**RSUs outstanding (no.)**	**Grant date market value per RSU US $**	**Remaining contract life Years**
01 March 2023	**-**	**-**	**-**	6,083	329.46	0.16
01 October 2023	**-**	**-**	**-**	159	355.85	0.75
01 March 2024	**10,819**	**336.09**	**0.17**	6,464	327.62	1.17
01 October 2024	**124**	**355.85**	**0.75**	159	355.85	1.75
02 October 2024	**370**	**391.78**	**0.76**	-	-	-
03 October 2024	**309**	**286.91**	**0.76**	-	-	-
01 March 2025	**8,875**	**348.31**	**1.17**	4,580	347.32	2.17
01 October 2025	**140**	**355.85**	**1.75**	176	355.85	2.75
02 October 2025	**371**	**391.78**	**1.76**	-	-	-
03 October 2025	**309**	**286.91**	**1.76**	-	-	-
01 March 2026	**4,249**	**349.40**	**2.17**	-	-	-
02 October 2026	**371**	**391.78**	**2.75**	-	-	-
Total RSUs outstanding	**25,937**			**17,621**		

For the restricted stock vested/exercised during the year, the weighted-average share price at the exercise date was $355.05 (2022: $354.56).

15 Employee benefits (continued)

c) Share-based payments (continued)

(ii) Performance Stock Unit ("PSU") scheme

PSUs are funded primarily with the issuance of new shares of Class A common stock. PSUs vest after three years, however, are subject to a mandatory one-year post-vest hold. A participant's unvested awards are forfeited upon termination of employment. In the event of termination due to job elimination (as defined by the Company), however, a participant will retain a pro-rata portion of the unvested awards for services performed through the date of termination. In the event a participant terminates employment due to disability or retirement more than seven months after receiving the award, the participant retains all of their awards without providing additional service to the Company.

PSUs containing performance and market conditions have been issued. Performance measures used to determine the actual number of shares that vest after three years include net revenue growth, EPS growth and relative total shareholder return ("TSR"). Relative TSR is considered a market condition, while net revenue and EPS growth are considered performance conditions. The Monte Carlo simulation valuation model is used to determine the grant-date fair value.

PSU movements during the year:

	2023 Number	2022 Number
Shares Outstanding at beginning of year	**475**	3,561
Shares Granted	**382**	589
Shares Forfeited	**(675)**	(3,475)
Shares Transferred In	**1,005**	-
Shares Transferred Out	**(382)**	-
Shares Changes due to Performance	**253**	(200)
PSU at end of year	**1,058**	475

No shares vested during the period. Outstanding awards vest between March 2024 and March 2026, typically vesting three years after grant date.

Due to the nature of the awards, they are exercised at the point of vesting and for nil consideration. Details of the PSUs outstanding as at 31 December and their vest dates are as follows:

	31 December 2023			**31 December 2022**		
Vest date	**PSUs outstanding (no.)**	**Grant date market value per PSU US $**	**Remaining contract life Years**	**PSUs outstanding (no.)**	**Grant date market value per PSU US $**	**Remaining contract life Years**
01 March 2023	**-**	**-**	**-**	49	291.18	0.16
01 March 2024	**463**	**385.39**	**0.17**	199	385.39	1.17
01 March 2025	**297**	**335.44**	**1.17**	227	335.44	2.17
01 March 2026	**298**	**364.97**	**2.17**	-	-	-
Total PSUs outstanding	**1,058**			**475**		

15 Employee benefits (continued)

c) Share-based payments (continued)

(iii) Non-qualifying Stock Options ("Options") scheme

Mastercard periodically grants options to employees as determined by the remuneration committee. Options entitle the equity scheme participant to receive Mastercard common shares upon the exercise of the option. The grant or vesting of the awards may be conditional upon various criteria being met, as determined by the committee. The conditions include the employee's continued employment with the Company as of the Vesting Date. The option period for an award is fixed by Mastercard's Remuneration Committee and shall be no longer than ten years from the Option's grant date. The options shall be exercisable evenly on each of the first three anniversaries of the grant.

The exercise price per share for an award shall not be less than the fair market value per share as of the grant date.

Stock option movements during the year:

	2023 Number	2022 Number
Shares Outstanding at beginning of year	**3,394**	15,900
Shares Granted	**731**	1,554
Shares Forfeited	**(1,945)**	(6,456)
Shares Expired	**-**	(381)
Shares Exercised	**(3,074)**	(7,223)
Shares Transferred In	**10,752**	-
Shares Transferred Out	**(731)**	-
Stock options at end of year	**9,127**	3,394

At the reporting date, the option had a weighted average exercise price of $183.79 (2022: $291.85), a weighted average remaining vesting life of 0.14 years (2022: 0.45 years) and the weighted average contractual term of outstanding options is 4.5 years (2022: 7.4 years).

Share based payments charged to the Statement of Comprehensive income in the year comprise the following:

	2023 £m	2022 £m
Mastercard Equity Scheme (RSUs issued)	**3.3**	0.4
Total	**3.3**	0.4

When share based instruments vest, where applicable, amounts settled are included within Directors' Emoluments, which is disclosed in note 6.

Vest Date	**Ending Shares Outstanding**	**Weighted Average Grant Date Fair Value**	**Weighted Average Remaining Contractual Term**	**Weighted Average Remaining Vesting Life**
01/03/2020	3,635	23.32	2.91	-
01/03/2021	2,326	27.95	3.51	-
01/03/2022	975	50.28	4.72	-
01/03/2023	441	88.87	7.76	-
01/03/2024	929	85.06	7.53	0.17
01/03/2025	631	99.21	8.18	1.17
01/03/2026	190	123.22	9.17	2.17
Total	**9,127**			

16 Provisions

	Reorganisation provision £m	Other provisions £m	Total £m
Balance at 1 January 2023	0.3	7.0	7.3
Provisions made during the year	1.3	0.4	1.7
Provisions reversed during the year	(0.7)	(1.5)	(2.2)
Balance at 31 December 2023	**0.9**	**5.9**	**6.8**
Non-current	-	5.9	5.9
Current	0.9	-	0.9
Provisions	**0.9**	**5.9**	**6.8**

	Contract restructure provision £m	Reorganisation provision £m	Other provisions £m	Total £m
Balance at 1 January 2022	0.1	-	6.9	7.0
Provisions made during the year	-	0.3	0.1	0.4
Provisions reversed during the year	(0.1)	-	-	(0.1)
Balance at 31 December 2022	**-**	**0.3**	**7.0**	**7.3**
Non-current	-	-	5.6	5.6
Current	-	0.3	1.4	1.7
Provisions	**-**	**0.3**	**7.0**	**7.3**

The Company recognises a provision for the present obligation resulting from a past event when it is probable that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Most provisions are expected to be utilised within one year, except for dilapidations (within 10 years).

Other provisions include provisions for dilapidations and other lease exit costs of £5.4m (2022: £6.2m), transitioning costs relating to the potential termination of a customer contract of £0.4m (2022: £0.7m) and for input VAT of £0.1m (2022: £0.1m).

Contingent liability

The Company's supervisor commenced an investigation in November 2022. Management has determined there are no current financial implications to the 31 December 2023 financial statements, however the situation is subject to uncertainty and the Company has a possible obligation, from past events, if the investigation has an adverse outcome. Accordingly, this is considered to be a contingent liability and will continue to be closely monitored.

17 Called up share capital

	2023 £m	2022 £m
Share capital		
Authorised		
52,900,000 (2022: 52,900,000) ordinary shares of £1 each	**52.9**	52.9
Allotted called up and fully paid		
52,900,000 (2022: 52,900,000) ordinary shares of £1 each at 31 December	**52.9**	52.9

Shareholders:	**Holding**	Holding
Vocalink Holdings Limited	**100%**	100%

Mastercard owns 97.70% (2022: 97.70%) of the ordinary share capital of Vocalink Holdings Limited, the balance of the shares are owned by minority shareholders from the banking sector, which together own 2.30% (2022: 2.30%) of the ordinary share capital of the parent company.

Shareholders of Vocalink Holdings Limited (ordinary shares)	**2023 % Holding**	2022 % Holding
Mastercard UK Holdco Limited	**92.41**	92.41
Mastercard Holdings LP UK	**5.29**	5.29
Other shareholders		
Barclays Unquoted Investments Limited	**1.52**	1.52
Santander Equity Investments Limited	**0.78**	0.78
Total	**100.00**	100.00

18 Commitments and Guarantees

The Company has a legally binding financial obligation from the Bank of England to maintain minimum capital requirements, which is covered by the Company's cash and cash equivalents and the guarantee provided by the Company's parent, Mastercard International Incorporated. As at year end, the guarantee amounted to £92.1m (2022: £60.0m).

Capital commitments

During the year ended 31 December 2023, the Company entered into contracts to purchase property, plant and equipment for £0.5m (2022: £0.7m). These commitments are expected to be settled in the following financial year.

19 Immediate and ultimate holding company

The Company is a subsidiary undertaking of Vocalink Holdings Limited, incorporated and domiciled in England and Wales within the United Kingdom. The Company's ultimate parent undertaking and controlling party is Mastercard Incorporated, a company incorporated and domiciled in the United States of America.

Mastercard Incorporated is the parent of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2023. The consolidated financial statements of Mastercard Incorporated are available from its registered office at 2000 Purchase Street, Purchase, New York, United States of America.

20 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Registered office address	Class of shares held	Ownership 2023	Ownership 2022
Voca Pension Trustees Limited*	1 Angel Lane, London, England, EC4R 3AB	Ordinary	**100%**	100%

The Statement of Financial Position carrying value of investment is £1 (2022: £1). The Directors believe that the carrying value of the investment is supported by their underlying net assets.

*Dormant entity exempt from the requirement of the Companies Act 2006 relating to the preparation of their individual financial statements in respect of their year ended 31 December 2023.

21 Related parties

Identity of related parties with which the Company has transacted

The Company's related parties are its shareholders who have significant influence over the decision-making process of the Company arising from representation on the Board of Directors (see note 17) and the defined benefit scheme (Company contributions are disclosed in note 15 (b)).

The following transactions with related parties were in the normal course of business and on substantially the same terms as unrelated parties. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Transactions with shareholders of the parent company, Vocalink Holdings Limited

Services supplied by the Company to parent company shareholders comprised the provision of central payment processing infrastructure, principally through the Bacs, Faster Payments and Link Schemes.

	2023 £m	2022 £m
Sales: service supplied to shareholders of Vocalink Holdings Limited		
- Nationwide Building Society*	**-**	4.3
- Barclays Bank plc	**24.5**	25.8
- Santander Group	**5.9**	7.4
Amounts receivable/(payable) from/(to) shareholders of Vocalink Holdings Limited		
- Barclays Bank plc	**0.8**	1.7
- Santander Group	**(0.1)**	0.3

*On 17 October 2022, Nationwide Building Society, a minority shareholder exercised its option to sell its 0.43% shareholding in the Company to Mastercard Holdings LP. Sales are for the period to 17 October 2022, the date when Nationwide Building Society sold its shareholding.

22 Subsequent events

On 7 May 2024, Vocalink Limited submitted an ECN to HMRC in respect of VAT returns for the years ended 31 December 2020 to 31 December 2023, totalling £14.1m of VAT recovery. This matter is disclosed in the Company's financial statements as the Company is the representative member of the VAT group. If the ECN is approved by HMRC, it will be allocated to VIL based on the nature of the underlying transactions. This ECN adjustment has not been recorded in these financial statements as it is considered a contingent asset on the basis that HMRC's approval is not virtually certain.

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Vocalink Limited is incorporated in the UK and registered as a private limited company in England and Wales with company number 06119048 and with its Registered Office at 1 Angel Lane, London EC4R 3AB.