

BSB Governance Report and Financial Statements 2015

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Chairman's introduction

I am pleased to present this governance and financial information about the Banking Standards Board (BSB) in 2015. Since the first Board meeting in May 2015, we have made steady progress, as reflected in our first [Annual Review](#).

I would like to express the Board's thanks to Moore Stephens LLP for their independent assurance of our first year's unaudited financial statements, and to Frostrow Capital LLP for their continuing role as our independent Company Secretary.

I am grateful to my fellow Board members, and the chairs of our respective Committees, for their participation and diligence in the establishment of the BSB in 2015.

A handwritten signature in blue ink that reads "Colette Bowe". The signature is written in a cursive style with a horizontal line underneath the name.

Dame Colette Bowe, Chairman

Governance Report

Board membership

Dame Colette Bowe, Chairman	(Appointed 3 Nov 2014)
Ms Alison Cottrell, Chief Executive	(Appointed 27 Apr 15)
Sir Brendan Barber	(Appointed 1 May 2015)
Mr James Bardrick	(Appointed 1 May 2015)
Mr Craig Donaldson	(Appointed 1 May 2015)
Ms Gillian Guy	(Appointed 1 May 2015)
Mr Paul Johnson	(Appointed 1 May 2015)
Mr Antonio Dos Santos Simoes	(Appointed 1 May 2015)
Right Reverend David Urquhart	(Appointed 1 May 2015)
Ms Clare Woodman	(Appointed 1 May 2015)
Ms Alison Robb	(Appointed 1 May 2015)
Baroness Onora O'Neill	(Appointed 1 May 2015)
Lady Susan Rice	(Appointed 1 May 2015)
Mr Saker Nusseibeh	(Appointed 15 Jul 2015)
Lord John McFall	(Appointed 1 Apr 2015, resigned 31 Jan 16)

For more information, please visit: <http://www.bankingstandardsboard.org.uk/meet-the-board/>

Committee membership

Membership from June 2015 – December 2015 unless otherwise stated.

Finance and Audit Committee

- Chairman: Lady Susan Rice
- Membership: James Bardrick, Alison Robb, Antonio Simoes, Clare Woodman, Craig Donaldson
- The Committee is appointed by and reports to the BSB Board. The purpose of the committee is to be responsible for the review of the annual financial statements, annual budget and setting fee levels and structures for member firms and making associated recommendations to the Board.

Remuneration Committee

- Chairman: Sir Brendan Barber
- Membership: Lady Susan Rice, Antonio Simoes
- The Committee is appointed by and reports to the BSB Board and is responsible for advising the Board on, and implementing the remuneration policy of the BSB.

Nominations Committee

- Chairman: Lord McFall
- Membership: Dame Colette Bowe
- The Committee is appointed by and reports to the BSB Board. The objective of the Committee is to make recommendations to the Board for appointments of Board members and of the Chief Executive Officer.

Board and Committee attendance (May – December 2015)

	Board meetings	Finance and Audit Committee **	Remuneration Committee	Nominations Committee
Dame Colette Bowe	7/7			(Member)
Lord (John) McFall	6/7			(Chairman)
Sir Brendan Barber	6/7		(Chairman)	
Alison Cottrell	7/7			
James Bardrick	6/7	2/3		
Gillian Guy	5/7			
Baroness Onora O'Neill	6/7			
Lady Susan Rice	6/7	3/3 (Chairman)	(Member)	
Alison Robb	6/7	2/3		
Antonio Simoes	5/7	0/3	(Member)	
Clare Woodman	5/7	2/3		
Paul Johnson	5/7			
Right Reverend David Urquhart	4/7			
Craig Donaldson	4/7	1/3		
Saker Nusseibeh*	4/4			

* Became a Board Member July 2015

** In addition to the scheduled meetings, the Committee also met on a quorate basis on one occasion to consider and recommend to the Board the 2016 policy and analysis work programme budget. Other attendees at meetings may include Chief Executive, Director of Policy and Analysis, Head of Membership and Funding, and Accountant. In addition, the Committee members provided views and decisions electronically on a case by case basis when attendance in person was not possible.

In addition to Board meetings and Committees, Board members contributed time through project Steering Committees. Non-practitioners were integral to the 2015 pilot assessment.

Board remuneration

Position	Salary	Fee
Chairman	£250,000 p.a.	
Deputy Chairman		£65,000 p.a.
CEO	£275,000 p.a.	
Board member (non-practitioner)		£20,000 p.a.
Chair of Committee (non-practitioner)		£25,000 p.a.
Board member (practitioner)		Unpaid

Company Registration No. 09278255 (England and Wales)

BANKING STANDARDS BOARD
(A company limited by guarantee)

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
31 DECEMBER 2015

COMPANY INFORMATION

Directors	Dame Colette Bowe Ms Alison Cottrell Sir Brendan Barber Mr James Bardrick Mr Craig Donaldson Ms Gillian Guy Mr Paul Johnson Mr Antonio Dos Santos Simoes Right Reverend David Urquhart Ms Clare Woodman Ms Alison Robb Baroness Onora O'Neill Lady Susan Rice Mr Saker Nusseibeh	(Appointed 3 November 2014) (Appointed 27 April 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 1 May 2015) (Appointed 15 July 2015)
Company number	09278255	
Registered office	3rd Floor 75 King William Street London EC4N 3AE United Kingdom	
Company secretary	Frostrow Capital LLP 25 Southampton Buildings London WC2A 1AL	

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2015

The Directors present their annual report and the financial statements for the period ended 31 December 2015.

Principal activities

The principal activity of the Banking Standards Board (the "Company") was that of helping to raise standards of behaviour and competence across the industry by providing independent challenge and support to member banks and building societies.

Incorporation

The Company was incorporated on 23 October 2014 and commenced its activities from that date.

Directors

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

Sir Richard Lambert	(Appointed 23 October 2014 and resigned 1 November 2015)
Mrs Susan Fadil	(Appointed 23 October 2014 and resigned 27 February 2015)
Dame Colette Bowe	(Appointed 3 November 2014)
Lord John McFall	(Appointed 1 April 2015 and resigned 31 January 2016)
Ms Alison Cottrell	(Appointed 27 April 2015)
Sir Brendan Barber	(Appointed 1 May 2015)
Mr James Bardrick	(Appointed 1 May 2015)
Mr Craig Donaldson	(Appointed 1 May 2015)
Ms Gillian Guy	(Appointed 1 May 2015)
Mr Paul Johnson	(Appointed 1 May 2015)
Mr Antonio Dos Santos Simoes	(Appointed 1 May 2015)
Right Reverend David Urquhart	(Appointed 1 May 2015)
Ms Clare Woodman	(Appointed 1 May 2015)
Ms Alison Robb	(Appointed 1 May 2015)
Baroness Onora O'Neill	(Appointed 1 May 2015)
Lady Susan Rice	(Appointed 1 May 2015)
Mr Saker Nusseibeh	(Appointed 15 July 2015)

Results

The results for the period are set out on page 10.

Directors' and officers' liability insurance

Directors' and officers' liability insurance was in place throughout the period.

Change of company name

On 31 March 2015 the name of the Company was changed from Banking Standards Review Council to Banking Standards Board, pursuant to a special resolution passed by the members.

Small companies' exemption

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the Board,

A handwritten signature in black ink that reads "Colette Bowe". The signature is written in a cursive style. Below the signature is a short horizontal line.

Dame Colette Bowe, Director
9 May 2016

INCOME STATEMENT
 FOR THE PERIOD ENDED 31 DECEMBER 2015

		23 October 2014 to 31 December 2015
	Notes	2015 £
Income	3	6,875,539
Administrative expenses		(3,680,236)
Operating surplus	4	<u>3,195,303</u>
Taxation	7	-
Surplus for the financial period		<u>3,195,303</u>
Total comprehensive income for the period		<u><u>3,195,303</u></u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 14-20 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	Notes	2015 £
Current assets		
Debtors	9	81,479
Cash at bank and in hand		5,285,504
		<hr/>
		5,366,983
Creditors: amounts falling due within one year	10	(2,171,680)
		<hr/>
Net current assets		3,195,303
		<hr/>
Reserves		
Income statement		3,196,303
		<hr/> <hr/>

For the financial period ended 31 December 2015 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 (the "Act").

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the period in question in accordance with section 476 of the Act;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 9 May 2016 and are signed on its behalf by:



Dame Colette Bowe, Director
Company Registration No. 09278255

STATEMENTS OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 DECEMBER 2015

	Notes	Accumulated fund income and expenditure £
Balance at 23 October 2014		-
Surplus for the period and other comprehensive income		3,195,303
Balance at 31 December 2015		<u>3,195,303</u>

Accumulated fund - income and expenditure reserve

This reserve comprises accumulated surpluses retained in the current period.

The notes on pages 14-20 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 FOR THE PERIOD ENDED 31 DECEMBER 2015

	Notes	2015	
		£	£
Cash flows from operating activities			
Cash generated from / (absorbed by) operations	15	5,285,504	
Net cash used in investing activities			-
Net cash used in financing activities			-
		<hr/>	
Net increase in cash and cash equivalents		5,285,504	
Cash and cash equivalents at beginning of period			-
		<hr/>	
Cash and cash equivalents at end of period		5,285,504	
		<hr/> <hr/>	

The notes on pages 14-20 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2015

1. Accounting policies

General information

The Banking Standards Board ('the Company') is a company limited by guarantee domiciled and incorporated in England and Wales. The registered office is 3rd Floor, 75 King William Street, London EC4N 3AE, United Kingdom.

The principal activities of the Company are to assess and report on compliance with behavioural and ethical standards within the UK banking industry.

The Company is considered to be a public benefit entity; an industry-driven initiative, responding to the collective challenge of rebuilding the sector's trust and reputation. The Company has been established to help raise the standards of behaviour and competence across the industry by providing impartial and objective assessments of member banks and building societies.

1.1. Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. The Company has taken the option to adopt FRS 102 early.

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

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

1.2. Going concern

The Banking Standards Board was set up with the support of the six largest banks and the largest building society in the UK, which have agreed to underwrite the Banking Standards Board for the initial three years. The Finance Committee meets regularly throughout the year and reviews, in detail, the Company's management information and forecasted cash positions.

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore has adopted the going concern basis in preparing its financial statements.

1.3. Income and expenditure

Income is in respect of subscriptions receivable and is recognised in the period to which they relate. Membership subscriptions received in advance are carried forward to the following year as deferred income.

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

1.4. Cash and cash equivalents

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

1.5. Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

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

Impairment of financial assets

Financial assets, other than those held at fair value through surplus and deficit, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in surplus or deficit.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.6. Financial liabilities

Basic financial liabilities, including trade creditors, are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through surplus or deficit are measured at fair value.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1.7. Taxation

The Company is a not for profit organisation and it is considered that the Company does not carry on a taxable business for corporation tax purposes. No tax charge arose in the period.

1.8. Pensions

The Company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the income statement as they fall due.

1.9. Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Critical accounting estimates and judgements

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

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

The Directors have considered whether there are any critical judgements required in the preparation of these accounts and have concluded that there are none requiring disclosure.

3 Income

The total turnover of the Company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

4 Operating surplus

	2015 £
Operating surplus for the period is stated after charging/(crediting):	
Operating lease charges	332,908
	332,908

5 Employees

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

	2015 Number
Directors	6
Administrative staff	5
	<hr/>
	11
	<hr/> <hr/>

Their aggregate remuneration comprised:

	2015 £
Wages and salaries	1,235,059
Social security costs	144,075
Pension costs	28,646
	<hr/>
	1,407,780
	<hr/> <hr/>

6 Directors' remuneration

	2015 £
Remuneration for qualifying services	625,497
Company pension contributions to defined contribution schemes	28,646
	<hr/>
	654,143
	<hr/> <hr/>

The Directors consider that they comprise the key management personnel of the Company as they hold the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The number of Directors for whom retirement benefits are accruing under defined contribution schemes is 1.

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

Remuneration for qualifying services	291,667
	<hr/> <hr/>

7 Taxation

The Company is a not-for-profit organisation and it is considered that the Company does not carry on a taxable business for corporation tax purposes. No tax charge arose in the period.

8 Financial instruments

	2015
	£
Carrying amount of financial liabilities	
Debt instruments measured at amortised cost	5,294,037
	<hr/>
	5,294,037
	<hr/>

Carrying amount of financial liabilities	
Measured at amortised cost	497,781
	<hr/>
	497,781
	<hr/>

9 Debtors

	2015
	£
Amounts falling due within one year:	
Other debtors	8,533
Prepayments and accrued income	72,946
	<hr/>
	81,479
	<hr/> <hr/>

10 Creditors: amounts falling due within one year

	2015
	£
Other taxation and social security	523
Trade creditors	497,781
Accruals and deferred income	1,673,376
	<hr/>
	2,171,680
	<hr/> <hr/>

11 Retirement benefit schemes

Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Contributions made into this plan are paid by the Company at rates specified in the notes of the scheme. The charge to income and expenditure in respect of defined contribution schemes was £28,646. As at the reporting date, amounts payable of £nil had not been paid over to the plan.

12 Members' liability

The Company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the Company on winding up such amounts as may be required not exceeding £1. The member of the Company is Dame Colette Bowe, as defined in the Company's Articles of Association.

13 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the Company for use of office premises and a photocopier. Leases are negotiated for a term of one to three years and rentals are fixed between the period.

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

	2015 £
Within one year	513,662
Between two and five years	6,305
In over five years	-
	<hr/> 519,967 <hr/>

14 Related party transactions

During the period the Company did not enter into any transactions with related parties.

15 Cash generated from operations

	2015 £
Surplus for the period	3,195,303
Movements in working capital:	
(Increase) in debtors	(81,479)
Increase in creditors	2,171,680
	<hr/>
Cash generated from/(absorbed by) operations	5,285,504 <hr/>

