The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Prudential Regulation Authority for the year ended 28 February 2014 under the Financial Services and Markets Act 2000. The financial statements comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Services and Markets Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Prudential Regulation Authority's affairs as at 28 February 2014 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006 and HM Treasury directions issued under the Financial Services and Markets Act 2000.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 and HM Treasury directions issued under the Financial Services and Markets Act 2000; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

11 June 2014

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of comprehensive income
for the year to 28 February 2014

	Note	2014 £000	2013 £000
Income			
Fee income	4	189,998	64,722
Income on bank deposits		339	–
Other income	5	12,205	–
Total income		**202,542**	**64,722**
Expenses			
Administrative costs	6	193,249	–
Other expenses	8	9,215	64,722
Total expenses		**202,464**	**64,722**
Surplus before taxation		**78**	**–**
Taxation	11	(78)	–
Surplus after taxation		**–**	**–**

The statement of comprehensive income has been prepared for a 12 month period, Operational costs and fee income were only incurred over an 11 month period following legal cutover on 1 April 2013.

The notes on pages 50–63 are an integral part of these financial statements.

Statement of changes in equity
for the year to 28 February 2014

There were no changes in equity during the period. The entire capital comprising 1 ordinary share of £1 was issued, fully paid to the Governor and Company of the Bank of England on 21 November 2011.

The notes on pages 50–63 are an integral part of these financial statements.

Balance sheet
as at 28 February 2014

	Note	2014 £000	2013 £000
Assets			
Current assets			
Cash and cash equivalents	12	17,864	–
Trade and other receivables	13	15,293	14,820
		33,157	14,820
Non-current assets			
Property, plant and equipment	15	8,617	–
Intangibles	16	15,948	–
Trade and other receivables	14	44,253	49,902
		68,818	49,902
Total assets		**101,975**	**64,722**
Liabilities			
Current liabilities			
Trade and other payables	17	57,718	14,820
		57,718	14,820
Non-current liabilities			
Trade and other payables	18	44,257	49,902
		44,257	49,902
Total liabilities		**101,975**	**64,722**
Equity	19	–	–
Total liabilities and equity		**101,975**	**64,722**

The financial statements were approved by the Board on 6 June 2014 and signed on its behalf by:
Mr M Carney Chairman
Sir J Cunliffe Director

Company Number: 07854923

Except as provided by section 22 (1) of Schedule 1ZB of FSMA, as amended by the Financial Services Act 2012, the PRA is exempt from the requirements of Part 16 of the Companies Act 2006.

The notes on pages 50–63 are an integral part of these financial statements.

Statement of cash flows
for the year to 28 February 2014

	Note	2014 £000	2013 £000
Surplus for the year from operations		–	–
Adjustments for:			
Interest received on bank deposits		(339)	
Amortisation of other intangible assets	16	2,741	
Impairment loss on intangible assets	16	685	
Depreciation of property, plant and equipment	15	2,329	
Decrease/(increase) in receivables	13, 14	5,176	(64,722)
Increase in payables	17, 18	37,253	64,722
Corporation tax paid	11	–	–
Other non cash items	15, 16	(538)	–
Net cash from operating activities		**47,307**	**–**
Investing activities			
Interest received on bank deposits		339	–
Expenditure on software development	16	(18,865)	–
Purchases of property, plant and equipment	15	(10,917)	–
Net cash used in investing activities		**(29,443)**	**–**
Net increase in cash and cash equivalents	**12**	**17,864**	**–**
Cash and cash equivalents at 1 March		–	–
Cash and cash equivalents at 28 February	**12**	**17,864**	**–**

The cash flow statement has been prepared for a 12 month period. Operational costs and fee income were only incurred over an 11 month period following legal cutover on 1 April 2013.

The notes on pages 50–63 are an integral part of these financial statements.

Notes to the financial statements

1 Basis of preparation

Form of presentation of the financial statements

The financial statements comprise the statement of comprehensive income, the balance sheet, the statement of cash flows, statement of changes in equity and related notes.

The Prudential Regulation Authority's (PRA) financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards and interpretations of International Financial Reporting Interpretations Committee as adopted by the EU (together, 'adopted IFRS'). The financial statements have been prepared on a going-concern basis, under the historical cost convention and in accordance with Companies Act 2006, with the exception of the requirements of paragraph 16, applicable accounting standards and in accordance with Accounts Direction given by HM Treasury under paragraph 22(1) of schedule 1ZB to the Financial Services and Markets Act 2000.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

2 Accounting policies

a Functional and presentation currency

The financial statements are presented in sterling, which is the PRA's functional and presentation currency.

b New and amended standards

The PRA has considered the potential effect of forthcoming EU endorsed standards which have not been adopted in the financial statements; none of these are expected to materially impact the PRA.

c Property, plant and equipment

i Initial recognition

Expenditure on property, plant and equipment is capitalised if the asset is expected to have a useful economic life of three years or more and an invoice value greater than a stated threshold of £5,000. The amount capitalised at initial recognition is the purchase price of the asset along with any further costs incurred in bringing the asset to its present condition and location.

Assets transferred from the FSA and the Bank of England have been transferred at the carrying value at 1 April 2013 (legal cutover). Transferring assets include fixtures and fittings and hardware relating to projects.

ii Subsequent valuation

Subsequent costs are added to an asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the PRA and the cost of the item can be reliably measured.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

iii Depreciation

Depreciation on leasehold improvements, plant and equipment is charged on a straight-line basis:

IT equipment	over periods ranging from three to seven years
Other equipment	over periods ranging from three to twenty years

iv Impairment

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that have a net book value of £nil or are greater than five years old are assessed for any indication of impairment. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

v Gains or losses on the disposal of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

d Intangible assets

Intangible assets primarily consist of computer software and the costs associated with the development of software for internal use. Costs associated with maintaining software programs are recognised as an expense when incurred. Intangible assets are tested for impairment at each reporting date.

Assets transferred from the FSA have been transferred at the carrying value at 1 April 2013 (legal cutover).

i Initial recognition

Costs directly associated with the internal production of unique and separately identifiable software products, which are controlled by the PRA and which will probably generate economic benefits exceeding those costs; and externally purchased software which is controlled by the PRA are recognised as intangible assets.

ii Subsequent valuation

Subsequent costs are added to an asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the PRA and the cost of the item can be reliably measured.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

iii Amortisation

Intangible assets are amortised over the expected useful lives of the software, ranging from three to five years, determined on a case by case basis.

iv Impairment

Intangible assets are tested for impairment at each balance sheet date. Intangible assets are also subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

e Financial assets

Financial assets are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Due to the short maturity and low value of these assets, the receivables have been reported at fair value at the reporting date.

Transition costs

In the two years prior to legal cutover the Bank of England incurred costs in relation to setting up and preparing the PRA for its responsibilities, these were charged to the PRA in the year ending 28 February 2013. During the current year the PRA has been charged further costs by the Bank of England for the same purpose. The Board agreed to recover these costs from fee-payers over five years from 2013. An amount receivable from fee-payers and a corresponding amount payable to the Bank of England have been recognised on the balance sheet.

f Financial liabilities

Financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Due to the short maturity and low value of these liabilities, the payables have been reported at fair value at the reporting date.

Notes to the financial statements
continued

g Revenue recognition

Most revenue is receivable under the Financial Services and Markets Act 2000 (FSMA), as amended by the Financial Services Act 2012, and is measured at fair value and represents fees to which the PRA deemed it was entitled to in respect of the financial year.

Fee income

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement (AFR) consultation process. This fee income is then recognised net of any surplus against expenditure in the year in the statement of comprehensive income.

Any surplus or deficit against levy income in the year will be held as a payable or receivable on the balance sheet as the intention is to refund any surplus or claim any deficit in the following financial year.

Special project fees

Special project fees are recognised as a receivable and fee income in the year. The income is recognised as expenses are incurred against the special project and categorised as 'special project fee income'.

Solvency II special project fees were collected in advance from fee payers and are recognised on the balance sheet as fees received in advance. Income is recognised with consideration to expenditure incurred in the year.

Enforcement fine income

Enforcement fines are recognised as revenue where they have been levied in the financial year. Where enforcement fines specific to a single case exceed its costs, the excess fines received can be used to cover expenditure on other cases in the current period. Any income received in excess of total enforcement expenditure in the current period is paid over to HM Treasury.

Interest income

Interest income is recognised on a straight line basis which approximates the effective interest method.

h Reserves

The PRA will not hold any accumulated reserves as the intention is to return any surplus to fee payers or collect any deficit from fee payers in the following year.

i Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

j Provisions

Provisions are recognised when the PRA has a present obligation, legal or constructive, as a result of a past event, where it is probable that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated.

k Equity capital

The entire equity capital comprising one £1 ordinary share is held by the Governor and Company of the Bank of England.

l Taxation

Under the agreement with HM Revenue and Customs (HMRC), the fees paid by regulated institutions for regulatory purposes are not within the charge to corporation tax, but net interest income on deposits and any other investment income are subject to corporation tax as non-trade credits.

m Retirement benefit costs
Employees are members of either the FSA defined contribution scheme or the Bank of England defined benefit scheme. Company contributions to the defined contribution scheme are recognised in the period incurred.

The PRA is a participating employer in the Bank of England pension fund. Within the recharge of staff costs the Bank of England charges an agreed rate for pension contributions of 33%. This rate of contribution has been estimated by the Bank of England to be the average cost of pensions in the medium term. These are disclosed with the pension contributions charge for the year. There is no policy for the Bank of England charging the PRA a portion of the net defined benefit cost of the Bank of England pension fund. Further details of the Bank of England pension fund are reported in the *Bank of England Annual Report and Accounts*.

n Property costs
The lease for the 20 Moorgate property is held by the Bank of England. Floor-space recharges and building management charges are charged to the PRA by the Bank of England.

3 Significant accounting estimates and judgements in applying accounting policies
The PRA makes estimates and assumptions that affect the reported amounts of assets within the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a Intangible assets
Management has made judgements when capitalising intangible assets. Various costs incurred in the production of an internal project are capitalised if a number of criteria are met. Management has made judgements and assumptions when assessing whether a project meets these criteria and when measuring the costs and economic life attributable to such projects.

b Staff costs
Staff working within the PRA are employed by the Bank of England and the PRA is recharged the costs monthly. In substance this arrangement is that employees are PRA staff members and as such full staff cost and number disclosures have been made.

c Deferred income
Any surplus or deficit of expenditure against levy income will be recognised on the balance sheet. It is the intention of the PRA to refund or recoup any such surplus or deficit in future years.

4 Fee income

	2014 £000	2013 £000
Fee income	180,783	–
Transition cost recoveries from fee payers	9,215	64,722
Total	**189,998**	**64,722**

Costs related to the transition to the new regulatory framework were incurred by the Bank of England and charged to the PRA. These are recoverable from fee-payers over a five year period commencing 2014. During 2014 transition costs were incurred both pre and post legal cutover (1 April 2013) as the transition continued during the year. These have been charged to the PRA by the Bank of England.

Notes to the financial statements
continued

5 Other income

	2014 £000	2013 £000
Solvency II income	9,539	–
Special project fee income	1,528	–
Other sundry income	1,138	–
Total	**12,205**	**–**

Solvency II income is recognised in so far as to match the costs incurred during the year on non-recurrent Solvency II activity.

Special project fee income is recognised to match the costs incurred on activity that has been designated as a special project, for which fees will be raised separately.

Other sundry income comprises fees for firms and individuals applying to become authorised in PRA-regulated activities, training services and any late payment fees charged in the year.

6 Administrative expenses

	Note	2014 £000	2013 £000
Staff costs	9	97,889	–
Bank of England management fee		59,374	–
Property costs		10,610	–
Professional and membership fees		11,892	–
Information technology costs		5,076	–
Amortisation of intangible assets		2,741	–
Depreciation of property, plant and equipment		2,329	–
Travel and accommodation		1,964	–
Other administration and general expenses		1,374	–
Total		**193,249**	**–**

The components of the Bank of England management fee are disclosed in the table below:

	£000
Staff costs	44,594
Depreciation	1,311
Administration expenditure	1,128
Information technology costs	4,309
Professional fees	3,719
Property costs	1,174
Overhead allocation	3,139
Total	**59,374**

7 Enforcement expenditure

During the year no enforcement fines were raised. Enforcement expenditure in the year was £529,000.

8 Other expenses

	2014 £000	2013 £000
Transition costs charged by the Bank of England	9,215	64,722
Total	**9,215**	**64,722**

Costs related to the transition to the new regulatory framework have been incurred by the Bank of England and charged to the PRA, these are recoverable from fee-payers.

Notes to the financial statements
continued

9 Staff costs

	2014 £000	2013 £000
Wages and salaries	80,466	–
Social security costs	9,890	–
Pension and other post-retirement costs	8,052	–
Seconded staff recoveries	(519)	–
Total	**97,889**	**–**

All staff are employed by the Bank of England. Staff costs are recharged to the PRA on a monthly basis by the Bank of England.

Pension costs include £6,265,000 of contributions to the FSA defined contribution scheme, at 28 February 2014 £nil was outstanding.

Contributions to the Bank of England pension fund are made at 33% of salary. The contribution made in the year to 28 February 2014 was £1,787,000. Full details about the Bank of England pension fund can be found in the *Bank of England Annual Report and Accounts 2014*.

During 2014, bonus payments relating to 2013 for ex-FSA staff who moved to the Bank of England were paid by the PRA. These costs were subsequently reimbursed by the FCA (£12,827,000). These costs have not been included within staff costs.

Average staff numbers

	2014	2013
Chief Executive and other members of the Executive Committee	13	–
Managers and analysts	895	–
Other staff	130	–
Total	**1,038**	**–**

Average staff numbers have been calculated over the 11 month period since legal cutover on 1 April 2013.

The number of staff employed by the Bank and working for the PRA at 28 February 2014 was 1,045, of which 951 were full-time staff and 94 were part-time (2013: none).

Directors' emoluments
The Directors' remuneration is disclosed in the Remuneration Report.

10 Audit fees

	2014 £000	2013 £000
Audit fees relating to the PRA's audit	65	20
Total	**65**	**20**

No non-audit work was undertaken by the auditor.

11 Taxation

	2014 £000	2013 £000
Interest on cash deposits	339	–
Tax calculated at rate of 23.08% (2013: 24.17%)	78	–
Non-deductible expenses	–	–
Prior year items	–	–
Total tax charge for period	**78**	**–**

Under the agreement with HM Revenue and Customs (HMRC), the fee paid by regulated institutions for regulatory purposes are not within the charge to corporation tax, but net interest income on deposits and any other investment income are subject to corporation tax as non-trade credits.

Notes to the financial statements
continued

12 Cash and cash equivalents

	2014 £000	2013 £000
Cash balance held at the Bank of England	17,864	–
Total	**17,864**	**–**

13 Current trade and other receivables

	2014 £000	2013 £000
Fees receivables	542	–
Transition costs recoverable from fee payers	14,751	14,820
Total	**15,293**	**14,820**

Transition costs are being recovered from fee payers over a five year period commencing 2013/14. The transition fees recognised here are recoverable within one year.

14 Non-current trade and other receivables

	2014 £000	2013 £000
Transition costs recoverable from fee payers	44,253	49,902
Total	**44,253**	**49,902**

15 Property, plant and equipment

	Computer equipment £000	Furniture and equipment £000	Total £000
For the period to 28 February 2014			
Cost or valuation			
At 1 March 2013	–	–	–
Additions	189	121	310
Transfers in from Bank of England	6,769	861	7,630
Transfers in from FSA	2,299	707	3,006
At 28 February 2014	**9,257**	**1,689**	**10,946**
Accumulated depreciation			
At 1 March 2013	–	–	–
Charge for the year	2,059	270	2,329
At 28 February 2014	**2,059**	**270**	**2,329**
Net book value at 1 March 2013	–	–	–
Net book value at 28 February 2014	**7,198**	**1,419**	**8,617**

There are no assets held under finance leases. The fair value of assets is not materially different to the carrying value.

Included within additions is £29,000 of furniture and equipment purchased but not paid for at the balance sheet date.

Notes to the financial statements
continued

16 Intangible assets

	Intangibles £000	Intangibles work in progress £000	Total £000
Cost			
At 1 March 2013	–	–	–
Additions	–	4,345	4,345
Transfers in from FSA	15,029	–	15,029
Impairments	(685)	–	(685)
At 28 February 2014	**14,344**	**4,345**	**18,689**
Accumulated amortisation			
At 1 March 2013	–	–	–
Charge for the year	2,741	–	2,741
At 28 February 2014	**2,741**	–	**2,741**
Net book value at 1 March 2013	–	–	–
Net book value at 28 February 2014	**11,603**	**4,345**	**15,948**

Intangible assets comprise software development for Analytical Risk Technology and Solvency II requirements.

Included within additions is £509,000 of intangible assets purchased but not paid for at the balance sheet date.

17 Current trade and other payables

	2014 £000	2013 £000
Fees received in advance	20,260	–
Fees received in advance – Solvency II	3,516	–
Amounts due to the Bank of England – transition costs	14,781	14,820
Amounts due to the Bank of England – management recharge	19,079	–
Other payables	82	–
Total	**57,718**	**14,820**

Fees received in advance comprise fees in relation to the annual funding requirement surplus in the year. This surplus will be refunded in financial year 2014/15.

Amounts due to the Bank of England comprise transition cost recoveries payable within one year and recharged expenditure, staff costs and the management fee.

Notes to the financial statements
continued

18 Non-current trade and other payables

	2014 £000	2013 £000
Amounts due to the Bank of England – transition costs	44,257	49,902
Total	**44,257**	**49,902**

19 Capital

The entire capital comprising of one authorised, issued and fully paid ordinary share of £1 is held by the Governor and Company of the Bank of England.

20 Financial risk

The PRA's principal financial assets are cash, together with fee and other receivables.

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to meet its financial obligations to the PRA. The credit risk that the PRA faces arises when the PRA invoices counterparties for the collection of regulatory fees from the financial services industry.

The Bank of England monitors the credit risk exposures on behalf of the PRA and the collection of fees from counterparties. The PRA has a strong record of collecting fees with bad debts accounting for less than 0.02% of fees receivable in the year.

Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The PRA manages its liquidity risk by monitoring and forecasting the projected income and expenditure related to its day to day business. The PRA also has an overdraft facility in place with the Bank of England should the need for additional liquidity arise.

Interest rate risk

Interest rate risk is the risk of loss as a result of changes in the absolute level of interest rates. The PRA is only exposed to interest rate risk on its cash deposits held with the Bank of England which are sensitive to variations in interest rates.

21 Related party transactions

The Bank of England

The Bank of England is the parent company of the PRA and provides central services and support functions to the PRA, for which it charges a management fee on a monthly basis, during the year these fees totalled £59,374,000.

All PRA staff are employed by the Bank of England, during the year staff cost recoveries of £97,889,000 were charged by the Bank to the PRA.

The lease for 20 Moorgate is held by the Bank of England who charge the PRA property management costs, these were £10,610,000 in the year.

The Bank of England meets the cost of direct expenditure for the PRA and recharges the cost, in the year this totalled £20,021,000.

At the period ended 28 February 2014 £59,038,000 of transition costs are due to the Bank of England, a further £19,079,000 is due to the Bank of England in respect of the management fee and other recharged costs.

During the year the Bank of England incurred £9,215,000 of costs in relation to the transition from the FSA to the PRA. These have been charged to the PRA in the year. Additionally a transfer of property, plant and equipment purchased as part of the transition programme was made at legal cutover of £7,630,000.

The PRA made contributions to the Bank of England pension fund of £1,787,000 on behalf of employees.

HM Treasury

As part of the HM Treasury group the PRA is a related party to Royal Bank of Scotland and Lloyds Banking Group. The PRA received levy income from both Royal Bank of Scotland and Lloyds Banking Group in the year.

Financial Conduct Authority

The Financial Conduct Authority (FCA) is a related party as one PRA director and another Board member are also appointed members of the Board of the FCA. Martin Wheatley as Chief Executive and Andrew Bailey as a Non-executive Director. The FCA charges the PRA an administration fee relating to the invoicing and collection of fee and other income from levy payers. Charges for this service totalled £83,000 in the year. The PRA is also charged for the shared use of some FCA software applications to support regulation. The total charge for this service was £6,875,000. During the year, as part of the set-up of the PRA, there was a transfer of assets (£18,320,000) and liabilities (£15,567,000) from the FSA representing a net cost of £2,753,000, this was paid in full to the FCA in the year. The PRA had an amount payable to the FCA of £3,000 at the balance sheet date.

Key management

The Directors of PRA are considered to be the only key personnel as defined by IAS 24. The Directors' remuneration is disclosed in the Remuneration Report. There were no transactions that would be required to be shown under the provision of the Companies Act 2006. None of the key management personnel had a material interest, directly or indirectly, in any other significant transaction or arrangement with the PRA at any time during the year.

All transactions with related parties are entered into on an arm's length basis.

22 Ultimate parent company

The ultimate parent company of the PRA is HM Treasury.

23 Events after the balance sheet date

The accounts were approved for distribution on 11 June 2014.

Prudential Regulation Authority
8 Lothbury
London EC2R 7HH

Company Number: 07854923