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VISA

Visa Europe Limited Annual Report 2020

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Contents

Strategic Report

The directors present their Strategic Report for Visa Europe Limited (Visa Europe, the Company, we, or our) for the year ended 30 September 2020.

In accordance with Section 401 of the Companies Act 2006, the Company has availed its exemption from the requirements to prepare consolidated financial statements as the financial results of the Company, and all of its subsidiaries, are included in the audited consolidated financial statements of Visa Inc. (Visa or the Visa Group), the Company's overall parent company, for the years ended 30 September 2020 and 2019. Visa Inc.'s financial statements are prepared in accordance with accounting standards which are considered equivalent under the requirements of Section 401 of the Companies Act 2006. Visa Inc. is incorporated in the United States of America and copies of Visa Inc.'s financial statements are available from its website and also on Companies House website.

By a recognition order dated 19 March 2015, HM Treasury categorised Visa Europe as a recognised "payment system" for the purposes of Part 5 of the Banking Act 2009. As a result, the Bank of England has assumed oversight of Visa Europe pursuant to its statutory responsibility for the oversight of designated payment systems and, more broadly, for monetary and financial stability of the UK.

Our business model

How we create value

Visa Europe is a private limited company, incorporated in England and Wales, and is a wholly owned subsidiary of Visa International Holdings Limited and part of the Visa Inc. group. Visa Europe is responsible for representing the Visa brand name and facilitating commerce across the Europe Region, which encompasses 38 countries including the UK, the 27 countries of the EU, Turkey, Israel and the Baltic states.

Visa is one of the world's leaders in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payments network - enabling individuals, businesses and economies to thrive. Visa globally facilitates digital payments across more than 200 countries and territories among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies.

Since Visa's inception in 1958, Visa has been in the business of facilitating payments between consumers and businesses. With new ways to pay, Visa has evolved into a company that is a Trusted Engine of Commerce, providing payment solutions for everyone, everywhere. To accomplish this, we are focused on extending, enhancing and investing in Visa's proprietary network, VisaNet, while seeking new ways to offer products and services and become a single connection point for initiating any payment transaction, both on the Visa network and beyond.

- **We facilitate secure, reliable and convenient transactions between financial institutions, merchants and consumers.** We traditionally have referred to this as the 'four party' model. As the payments ecosystem continues to evolve, we have broadened this model to include digital banks, wallets and a range of financial technology companies (fintechs), governments and non-governmental organisations. We provide transaction-processing services (primarily authorisation, clearing and settlement) to our financial institution and merchant clients through VisaNet.
- **We offer a wide range of Visa-branded payment products** that our 15,400 financial institution clients use to develop and offer core business solutions, including credit, debit, prepaid and cash access programs for individual, business and government account holders.
- **We take an open, partnership approach** and seek to provide value by enabling access to our global network, including offering our technology capabilities through application programming interfaces (APIs). We partner with both traditional and emerging players to innovate and expand the payments ecosystem allowing them to leverage the resources of our platform to scale and grow their businesses more quickly and effectively. It also creates a more inclusive ecosystem with products that could reach the under and unbanked populations.
- **We are accelerating the migration to digital payments** and evolving Visa to be a "network of networks" to enable the movement of money on VisaNet and beyond. Visa's network of networks approach creates opportunities by facilitating person-to-person (P2P), business-to-consumer (B2C), business-to-business (B2B), business-to-small business (B2b) and government-to-consumer (G2C) payments.
- ***We provide value-added services*** *to our clients, including issuer and consumer solutions, merchant and acquirer* solutions, fraud management and security services, data solutions, and consulting through Visa Consulting & Analytics.
- **We invest in and promote our brand** to the benefit of our clients and partners through advertising, promotional and sponsorship initiatives with FIFA, the International Olympic Committee and the International Paralympic Committee, and the National Football League, among others. Visa Europe was the first sponsor of UEFA women's football. We also use these sponsorship assets to showcase our payment innovations.

How we earn revenues
Net revenues consist of service revenues, data processing revenues, international transaction revenues, and other revenues minus costs incurred under client incentive arrangements.

Visa Europe earns revenue by facilitating payments across the Europe Region among a global set of consumers, merchants, financial institutions, businesses, strategic partners and government entities through innovative technologies. Visa is not a financial institution. We do not issue cards, extend credit, or set rates and fees for account holders of Visa products. That is the role of our financial institution clients.

We do not earn revenues from, or bear credit risk with respect to, interest or fees paid by account holders on Visa products. Interchange reimbursement fees represent a transfer of value between the financial institutions participating in our payments network. Visa Europe is an important part of the financial market infrastructure and, as such administers the collection and remittance of interchange reimbursement fees through the settlement process, but we generally do not receive any revenue related to interchange reimbursement fees. In addition, we do not receive as revenue the fees that merchants are charged directly for acceptance by their acquirers.

ACCELERATING OUR BUSINESS: FISCAL YEAR 2020 KEY FOCUS AREAS

Fiscal year 2020 and COVID-19 have brought unprecedented challenges and widespread economic and social change. At the same time, the past fiscal year demonstrated the strength and resiliency of our strategy and the meaningful role we play at the centre of the payments ecosystem. It has also accelerated progress, including accelerating the shift to ecommerce and the demand for contactless payments, providing significant opportunities for Visa that are aligned with our strategy. As we look to be a single point of connection for money movement globally, there are three primary levers to that growth — consumer payments, new flows and value added services. We are also building and acquiring new capabilities that can add value to our clients and strengthen the foundation of our business: technology, security, brand and talent.

1. Consumer Payments

For decades, Visa's growth has been driven by the strength of our core business solutions - credit, debit and prepaid products - as well as our global ATM network. As the pace of change accelerates each year, helped by the advancement of technology and our focus on the user experience in payments, we see significant opportunity for continued growth. We are accelerating efforts to move consumer spending still carried out in cash and cheque to cards and digital credentials on the Visa network.

Core Business

Credit: Credit cards and digital credentials are issued by Visa's clients and allow consumers and businesses to access credit to pay for goods and services. Credit cards are affiliated with programs operated by financial institution clients, co-brand partners, fintechs and affinity partners. Visa does not extend credit to account holders; however, we provide card benefits, including technology, authorisation services, fraud tools and brand support that issuers use to enable their credit programs. We also work with our clients on product design, consumer segmentation and consumer experience design to help them deliver products and services that match their consumers' needs.

Debit: Debit cards and digital credentials are issued by financial institutions to allow consumers and small businesses to purchase goods and services using funds held in their bank accounts. Debit cards enable account holders to transact in person, online or via mobile without needing cash or cheques and without accessing a line of credit. Visa provides a strong brand, the network infrastructure (which includes processing, acceptance, product features and support, risk tools and services) and industry expertise to help issuers optimise their debit offerings.

Prepaid: Prepaid cards and digital credentials draw from a designated balance funded by individuals, businesses or governments. Prepaid cards address many use cases and needs, including general purpose reloadable, payroll, government and corporate disbursements, healthcare, gift and travel. Visa-branded prepaid cards also play an important part in financial inclusion, bringing payment solutions to those with limited or no access to traditional banking products.

Global ATM: The Visa/PLUS Global ATM network provides account holders with cash access, and other banking capabilities, in more than 200 countries and territories worldwide through issuing and acquiring partnerships with both financial institutions and independent ATM operators.

Engagement

Ecommerce

Ecommerce has evolved since the first online purchase was made on the Visa network 25 years ago.

In fiscal year 2020, due in part to the COVID-19 pandemic, there was a significant acceleration in the shift away from cash to digital forms of payment. Ecommerce represents only about 14% of global retail spending, so there is still substantial opportunity for ecommerce growth. We are helping to transform the digital checkout experience by adding more security and removing friction with the launch of Visa Click to Pay. Enabled by the EMV® Secure Remote Commerce Specifications, Click to Pay simplifies the checkout experience, eliminating the need for a consumer to enter payment details each time they are paying online. This means greater consistency and fewer steps at checkout, regardless of one's payment choice. Consumers can click to pay with Visa with confidence when they see the Click to Pay icon, a stylized depiction of a fast forward icon, where Visa is accepted.

During fiscal year 2020, Click to Pay went live with select merchants and payment processors and platforms were enabled in new geographies, including Poland, the United Kingdom, and several other countries.

Tap to Pay

As we seek to improve the user experience in the face-to-face environment, tap to pay, which is tapping a contactless card or mobile device on a terminal to make a payment, has emerged as the preferred way to check out amongst consumers in many markets around the world. Contactless penetration grew to 43% of all face-to-face transactions around the world in fiscal year 2020. In addition, Visa has worked with payments industry partners and governments to support raising contactless payments limits in markets around the world that require cardholder verification on tap to pay transactions. More than 50 markets across Europe, the Middle East, Africa and Canada have taken this step to help more individuals utilise this way to pay in fiscal year 2020.

Acceptance

A key component of how we expand our business focuses on growing access and increasing acceptance of our products around the world. Mobile connectivity, new acceptance devices untethered to landline infrastructure and new partnerships are enabling Visa payments in categories where card acceptance has typically been low, such as rent, parking and vending machines. We accomplish this in a few ways:

We continue to expand our acceptance footprint in both mature and emerging markets, so that businesses and devices are enabled to send and receive funds via the Visa network in categories such as vending, laundry, gaming, parking, electric vehicle charging, rent and tuition. In January 2020, Visa announced Tap to Phone technology to help sellers accept digital payments without any additional hardware. This technology allows micro-businesses to use smartphones to accept digital payments instead of a software terminal.

Credentials

Fintech/Open Partnership Model

As the payment ecosystem grows, so too does Visa's partnership model. Fintechs are key enablers of new payment experiences and new flows. Our work with fintechs helps to open new points of acceptance, create new digital banking experiences, move money across borders, embed Visa into B2B flows, speed up payroll and ensure digital wallet customers can access our services.

Fintechs prefer partnering with Visa because of the reach, capabilities, and security Visa offers. Today, Visa has partnered with fintechs across categories including digital wallets, neobanks, "Buy Now, Pay Later", B2B payments, cross-border remittance, payments infrastructure, and P2P payments.

To better serve fintechs, Visa has created a suite of streamlined commercial programs and digital onboarding tools. Our Fintech Fast Track program enables qualifying fintechs to quickly launch and scale their programs. The program has grown 360% year-over-year and has welcomed hundreds of fintechs who are actively engaged in the program. With our startup engagement programs, the Visa Everywhere Initiative and the Inclusive Fintech 50, early stage companies can build payment solutions based on our capabilities. All of our fintech resources are available online on Visa Partner, which provides a comprehensive set of services and resources so that partners can access APIs, apply for programs, complete an online licensing process and find relevant partners to help construct new flows.

2. New Flows

New flows represent a $185 trillion opportunity for the Visa Group. Visa's network of networks approach creates opportunities to enable digital payments for consumers, businesses and governments around the world by facilitating P2P, B2C, B2B, B2b and G2C payments. Today, partners are increasingly using Visa's network infrastructure and capabilities to enable Visa to unlock a growing market opportunity.

Visa Direct

Visa Direct is a global, real-time push payments platform, which reverses the traditional card payment flow by allowing payment originators, through their acquirer, to push funds directly to cards. In doing this, Visa Direct supports consumer and business money flows, for a variety of payment use cases, including corporate, government and worker payouts, P2P, real-time merchant settlement, and fast cross-border payment capabilities to more than 140 countries.

Visa Direct enables Visa to capture new flows with nearly 3.5 billion global transactions in 2020. This growth was fuelled by the expansion of existing use cases, the extension of existing use cases to new countries, the development of new use cases, and the creation and deepening of partnerships worldwide. P2P continued to be a strong contributor, with more than 100 P2P providers globally, led by a 75% year-over-year growth in global P2P transactions. Additionally, we expanded P2P globally in domestic and cross-border capacities with many partners this year.

Many businesses also utilise Visa Direct to have real-time access to working capital to buy inventory, make payroll and service other cash flow needs to keep their businesses running, such as real-time merchant settlement and loan disbursements. During fiscal year 2020, in the wake of COVID-19, we are seeing more governments adopt Visa Direct to distribute funds quickly, safely and broadly, often reaching the unbanked.

B2B

We are also extending our network with B2B payments. We offer a portfolio of business payment solutions, including small business, corporate (travel) cards, purchasing cards, virtual cards and digital credentials, non-card cross-border B2B payment options and disbursement accounts, covering most major industry segments around the world. Business solutions are designed to bring efficiency, controls and automation to small businesses, commercial and government payment processes, ranging from employee travel to fully integrated, invoice-based payables.

Businesses spend is an estimated $120 trillion each year. Our three strategic areas of focus include investing and growing card-based payments, accelerating our efforts in non-card, cross-border payments and digitizing domestic accounts payable/ accounts receivable processes.

We continue to invest across our small business, travel and entertainment, purchasing, fleet and virtual card solutions to further digitize how businesses pay other businesses.

Visa B2B Connect is a multilateral network that operates separately from VisaNet and facilitates B2B cross-border transactions directly from an originating bank to the recipient bank. This network gives financial institutions the ability to quickly and securely process high-value corporate cross-border payments globally and helps simplify and speed up the way businesses pay other businesses around the world. Visa B2B Connect's current reach includes 80 markets, and we expect that we will expand to 30 new markets over the next 18-24 months, aiming to reach scale by 2022. We are continuing to build out our capabilities and relationships to fuel future growth and to help our clients fulfil the international payments needs of their customers.

3. Value Added Services

As the payments category continues to evolve and expand in scope, size and complexity, our clients are increasingly looking for insights, and Visa is well positioned to support their needs. Value added services represent an opportunity for us to help our clients grow their businesses, often resulting in additional growth for our core business. In addition, they deepen our client relationships and deliver new sources of revenue. Today, we offer a suite of value added services, including issuer and consumer solutions, merchant and acquirer solutions, fraud management and security services, data products, and consulting and analytics.

Issuer and Consumer Solutions

Visa Debit Processing Solutions (DPS) provides a wide range of debit, prepaid and credit value added services to clients including call centre services, data analytics, campaign management, fraud and risk solutions, and a white-label branded mobile app. Our client base includes national banks, community banks and credit unions, as well as a rapidly increasing number of fintechs. DPS continues to extend and expand our capabilities in modern, API-based issuer processing solutions, which will be used in international markets.

We also provide a range of other services and digital solutions to issuers, such as account controls, digital issuance, branded consumer experiences and instalments. Instalment payments allow shoppers the flexibility to pay for a purchase in equal payments over a defined period of time. Visa is investing in instalments as a payments strategy — both by building our own solution, Visa Instalments — and by partnering with innovative instalments providers who leverage our assets to support a wider variety of instalment options. Visa Instalments enables issuing banks to offer Visa cardholders the option to divide their total purchase amount into smaller payments during or after checkout, at the store and online — with a Visa card they already have in their wallet. Through Cybersource, Visa's global payment management platform, we are working with acquirers and fintech instalment providers to enable this new way to pay for Cybersource's merchant customers.

Fraud Management and Security Services

Security and Identity

Trust is at the core of Visa. Through an evolving and multilayered approach, Visa strives to expect the unexpected, constantly monitoring our network and sharing intelligence with our partners. Our multi-prong security strategy is based on empowering consumers and clients through tools, resources and controls to make more informed risk decisions. To provide these tools, we invest in intelligence and technologies that improve fraud and authorisation performance.

We believe security is an integral driver for growth and innovation. For example, over the fiscal year 2020, we continued to see the benefits of chip technology, where each transaction is accompanied by a one-time code that protects consumer information, in preventing counterfeit fraud and reducing fraud occurring in person at physical stores. Contactless-enabled payment cards use the same trusted security of chip cards. Europay, Mastercard and Visa (EMV) EMV® 3-D Secure (3DS) is a new generation of the protocol — developed by EMV company's members along with other industry participants — and is designed to protect accounts from unauthorised use across desktop, laptop, mobile or other connected devices, making online purchases easier and more secure.

Visa is also committed to helping protect the broader payments ecosystem from growing cyber threats and fraud through continued investments in intelligence and technology. Visa operates a suite of programs to protect the safety and soundness of the payments ecosystem, investing in intelligence and technology to prevent, detect and mitigate security threats, and empowering our partners with the tools and data necessary to make better risk management decisions that are a core benefit of being part of the Visa network. Our security capabilities, programs and expertise help protect the integrity of the payments ecosystem by seeking to detect and disrupt fraud threats targeting financial institutions and merchants and removing bad actors from the ecosystem to provide the best possible consumer experience. This is achieved through the combined efforts of payment and cyber intelligence, insights and learnings from client/partner breach investigations, and law enforcement engagement to help financial institutions and merchants solve critical security challenges.

Visa Token Service

Visa Token Service is a security technology that helps combat fraud for both face-to-face and ecommerce digital transactions, including mobile and "Internet of Things (IoT)" payments. The technology replaces a consumer's card-related sensitive information, such as personal account number, with a unique, one-time use identifier, or *token*, which protects transactions in *a number of ways, including when a card or shopper is not physically present. Launched in 2014, tokenization has been* brought to scale over the last six years.

Visa rebranded the business unit to Token ID - A Visa Solution. Token ID will expand Visa's tokenization capabilities beyond card-based payments on the Visa network to include domestic card, automated clearing house (ACH) and real-time payment networks to facilitate secure payments across a broader range of global commerce types.

Data Solutions

Data lies at the heart of strategic decisions that governments, financial institutions, fintechs and merchants make to help meet their customers' needs, create new products and experiences, enhance security and bolster customer loyalty. Visa harnesses the power of our rich global datasets to deliver insights, benchmarks and predictive models that benefit our ecosystem.

With Visa's Benchmarking and Operations Solutions, clients can identify opportunities to increase spend and authorisation rates and reduce fraud, disputes, chargebacks and operational costs. Visa's suite of Marketing Solutions uses Visa data to help issuers and merchants plan, target, and measure marketing campaigns and communications. Through Visa's Underwriting Solutions, Visa is helping clients harness data to improve portfolio management strategies such as credit line increase programs, cross sale of lending products and working capital management for small businesses.

Visa Consulting and Analytics

Visa Consulting and Analytics is the payments consulting advisory arm of Visa. This group is a client-facing global team of more than 550 payments consultants, data scientists and economists in more than 100 cities. The combination of our deep payments expertise, our breadth of data and our economic intelligence allows us to identify actionable insights, recommendations and solutions that drive better business decisions and outcomes for clients. Visa Consulting & Analytics offers consulting services for issuers, acquirers, merchants, fintechs and others that span the entire customer journey.

4. Foundational

The foundation of our business is comprised of our technology, security, brand and talent.

Technology

Visa's technology platform is provided to Visa Europe by Visa Technology & Operations LLC (VTO) (a Visa Inc. subsidiary) and consists of software, hardware, data centres and a vast telecommunications infrastructure, each with a distinct architecture and operational footprint wrapped with several layers of security and protection technologies. Together, these systems deliver the secure, convenient and reliable service that our clients and consumers expect of the Visa brand.

Software
As part of our global technology environment, we build and securely operate hundreds of commercial applications using a diverse set of technologies. Our software powers the core functions of our transaction processing — including authorisation, clearing and settlement, and risk scoring — as well as our value added services. These applications together work to provide essential services to the payments ecosystem.

Hardware
We rely on a diverse array of sophisticated infrastructure systems that are tailored to our services. Visa's infrastructure is designed and configured with layers of redundancies. We have multiple instances of our software running on separate pieces of hardware, which is designed to provide continuous availability. Our disaster recovery capabilities are tiered so that our real-time transaction processing services can be continuously available.

Data Centres
Visa operates four data centres that are a critical part of our global processing environment and are built with the capacity to support Visa's growing power, cooling and space needs. All of our data centres have high redundancy of network connectivity, power and cooling designed to provide continuous availability of systems. We are continuing to reduce the carbon footprint of our data centres by deploying efficiency improvement strategies, including LED lighting, variable airflow automation controls and hot-and-cold air containment technologies. Our European Data Centre is located in the UK.

Telecommunications
We connect our clients and partners to Visa's data centres through a massive telecommunications network covering more than 10 million route miles. Each network node is connected through redundant links, designed to provide high levels of security, availability and performance for our products and services.

Security

In parallel with our role in advancing the security of the broader payments ecosystem, Visa remains committed to championing cybersecurity. This multifaceted security approach includes deploying security tools that help keep our clients and consumers safe, while providing solutions that make Visa the best way to pay and be paid.

VTO provides security to Visa Europe and continues to invest significantly in a comprehensive approach to cybersecurity at Visa. We deploy security technologies to protect against data confidentiality, integrity and availability risks, emphasizing core cybersecurity capabilities to minimize risk exposure. Our in-depth security approach applies multiple layers of protection to reduce the risk of any single control failing. These measures include:

- A formal program to devalue sensitive and/or personal data through various cryptographic means
- Embedded security in the software development lifecycle
- Identity and access management controls to protect against unauthorised access
- Development of advanced cyber detection and response capabilities

For example, Visa uses AI and deep learning technology to monitor our network and understand the threats aimed at our company. Our platform collects billions of security logs each day, providing insight across the network and within our infrastructure. We combine this data with external intelligence on attacks observed outside of our data centres and network. Using machine learning tools, we focus on the events that appear to pose a risk, enabling our cybersecurity team to intervene. We operate this platform globally, with teams in multiple time zones detecting and responding 24x7x365.

Brand

In recognition of its strength among clients and consumers, the Visa brand consistently ranks highly in multiple brand studies, including #1 on Forbes World's Best Regarded Companies (2019), #5 on BrandZ Top 100 Most Valuable Global Brands (2020), Forbes World's Most Valuable Brands and Interbrand's Best Global Brands, among others.

Visa's brand strength helps deliver added value to our clients, financial institutions, merchants and partners through compelling brand expressions, a wide-range of products and services and innovative marketing efforts.

In line with our commitment to an expansive and diverse range of partnerships for the benefit of all our stakeholders, Visa sponsors FIFA, the International Olympic Committee, the International Paralympic Committee and the National Football League. Visa is the only brand in the world that is a premier sponsor of all of these properties and also is the most active sponsor of women's football around the world. At the Olympic and Paralympic Games Tokyo 2020 (postponed from 2020 to 2021), the Visa brand is expected to be on full display when Visa features our products and technology to bring Japan's vision for the future of digital payments to life.

Talent

Central to our long-term strategy is attracting, developing and retaining the best talent globally with the right skills to drive our success. In fiscal year 2020, the COVID-19 pandemic had a significant impact on our human capital management. A large majority of our workforce worked remotely throughout the second half of 2020, and we instituted safety protocols and procedures for the essential employees who continued to work on site. Visa committed that no employee layoffs would occur in calendar year 2020 related directly to COVID-19.

Our culture is underpinned by our core values, including an unwavering commitment to inclusion and diversity. Visa is committed to pay equally, regardless of gender or race/ethnicity, and conducts regular equal pay audits.

INTELLECTUAL PROPERTY

Visa Europe leverages the Visa brand, which stands for acceptance, security, convenience, speed and reliability. The portfolio of Visa-owned trademarks is important to our business. Generally, trademark registrations are valid indefinitely as long as they are in use and/or maintained. We give our clients access to these assets through agreements with our issuers and acquirers, which authorise the use of our trademarks in connection with their participation in our payments network. Additionally, we have filed patent applications in international jurisdictions covering certain aspects of our proprietary technology and new innovations, and own a number of patents, patent applications and other intellectual property relating to our business. We rely on a combination of patent, trademark, copyright and trade secret laws in the U.S. and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

COMPETITION

The global payments industry continues to undergo dynamic change. Existing and emerging competitors compete with Visa's network and payment solutions for consumers and for participation by financial institutions and merchants. Technology and innovation are shifting consumer habits and driving growth opportunities in ecommerce, mobile payments, blockchain technology and digital currencies. These advances are enabling new entrants, many of which depart from traditional network payment models. In certain countries, the evolving regulatory landscape is changing how we compete, creating local networks or enabling additional processing competition.

We compete against all forms of payment. This includes paper-based payments, primarily cash and cheques, and all forms of electronic payments. Our electronic payment competitors principally include:

Global or Multi-Regional Networks: These networks typically offer a range of branded, general purpose card payment products that can be used at millions of merchant locations around the world. Competitors may be more concentrated in specific geographic regions or have a leading position in certain countries.

Local and Regional Networks: Operated in many countries, these networks often have the support of government influence or mandate. In some cases, they are owned by financial institutions. These networks typically focus on debit payment products, and may have strong local acceptance, and recognisable brands. In Europe, the European Payments Initiative has been mooted as a future regional network.

Alternate Payment Providers: These providers often have a primary focus of enabling payments through ecommerce and mobile channels, but are expanding or may expand their offerings to the physical point of sale. These companies may process payments using in-house account transfers between parties, electronic funds transfer networks like the ACH, global or local networks like Visa, or some combination of the foregoing. In some cases, these entities are both a partner and a competitor to Visa.

Automated Clearing House (ACH) and Real Time Payment (RTP) Networks: These networks are often governed by local regulations. Primarily focused on interbank transfers, many are adding capabilities that may make them more competitive for retail payments. We also compete with closed-loop payment systems, emerging payments networks, wire transfers and electronic benefit transfers.

Payment Processors: We compete with payment processors for the processing of Visa transactions. These processors may benefit from mandates requiring them to handle processing under local regulation. For example, as a result of regulation in Europe under the Interchange Fee Regulation (IFR), we may face competition from other networks, processors and other third-parties who could process Visa transactions directly with issuers and acquirers.

We believe our fundamental value proposition of acceptance, security, convenience, speed and reliability offers us a key competitive advantage. We succeed in part because we understand the needs of the individual markets in which we operate and partner with local financial institutions, merchants, fintechs, governments, non-governmental organisations and business organisations to provide tailored solutions. We believe Visa is well-positioned competitively due to our global brand, our broad set of Visa-branded payment products, and our proven track record of processing payment transactions securely and reliably through VisaNet.

SEASONALITY AND OTHER

We generally do not experience any pronounced seasonality in our business. No individual quarter of fiscal year 2020 or fiscal year 2019 accounted for more than 30 percent of our net revenues in those years.

In fiscal year 2020 and 2019, no Visa Europe client generated greater than 10% of its total net revenues.

GOVERNMENT REGULATION

As a global payments technology company, we are subject to complex and evolving global regulations in the various jurisdictions in which our products and services are used. Visa Europe itself is regulated by multiple bodies across the region. The most significant government regulations that impact our business are discussed below.

Anti-Corruption, Anti-Money Laundering, Anti-Terrorism and Sanctions: We are subject to anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other laws that generally prohibit the making or offering of improper payments to foreign government officials and political figures for the purpose of obtaining or retaining business or to gain an unfair business advantage. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations. In addition, we are subject to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the U.S. Therefore, we do not permit financial institutions or other entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons, to issue or acquire Visa cards or engage in transactions using our services.

Interchange Rates and Fees: An increasing number of jurisdictions around the world regulate or influence debit and credit interchange reimbursement rates in their regions. The EU IFR limits interchange rates in the European Economic Area (EEA).

Internet Transactions: Many jurisdictions have adopted regulations that require payments system participants to monitor, identify, filter, restrict or take other actions with regard to certain types of payment transactions on the Internet, such as gambling and the purchase of cigarettes or alcohol.

Network Exclusivity and Routing: In Europe, the IFR prohibits restrictions that prevent multiple payment brands or functionality on the same card.

No-surcharge Rules: We have historically enforced rules that prohibit merchants from charging higher prices to consumers who pay using Visa products instead of other means. However, merchants' ability to surcharge varies by geographic market as well as Visa product type, and continues to be impacted by litigation, regulation and legislation.

Privacy and Data Protection: Aspects of our operations or business are subject to privacy, data use and data security regulations, which impact the way we use and handle data, operate our products and services and even impact our ability to offer a product or service. In addition, regulators are proposing new laws or regulations that could require Visa to adopt certain cybersecurity and data-handling practices, create new individual privacy rights and impose increased obligations on companies handling personal data.

Supervisory Oversight of the Payments Industry: Visa is subject to financial sector oversight and regulation in substantially all of the jurisdictions in which we operate. Central banks in countries/regions, including Europe and the United Kingdom (as discussed below), have recognised or designated Visa as a retail payment system under various types of financial stability regulations.

United Kingdom and European Regulations and Supervisory Oversight: Visa Europe is designated as a Recognised Payment System in the United Kingdom, bringing it within the scope of the Bank of England's supervisory powers and subject to various requirements, including on issues such as governance and risk management designed to maintain the stability of the United Kingdom's financial system. Furthermore, Visa Europe is regulated by the United Kingdom's Payment Systems Regulator (PSR), which has wide-ranging powers and authority to review our business practices, systems, rules and fees with respect to promoting competition and innovation in the United Kingdom, and ensuring payments meet account holder needs. The PSR is also the regulator responsible for monitoring Visa Europe's compliance with the IFR in the United Kingdom. Visa Europe itself is not reliant on licences or authorisations to continue to conduct business in the UK and EU after Brexit, and is not currently subject to regulations which require an EU entity presence. Over time there may be divergence in national laws and regulations in the UK and EU. In this regard, Visa Europe continues to monitor for any changes in supervision that may arise as a result. Visa Europe continues to be subject to complex and evolving regulation in the EEA. There are regulations in the European Union that impact our business, as discussed below, including regulations governing privacy and data protection, anti-bribery, anti-money laundering, anti-terrorism and sanctions. Other regulations in Europe and the UK, such as the second Payment Services Directive (PSD2), require, among other things, that our financial institution clients provide certain customer account access rights to emerging non-financial institution players. PSD2 also includes strong customer authentication requirements for certain transactions that could impose both operational complexity on Visa and negatively impact consumer payment experiences.

SECTION 172 (1) STATEMENT: The Directors of the Company act and take decisions in accordance with their statutory duty under Section 172 of the Companies Act 2006 (the "Act"). The information provided in the "Corporate Governance Report" following this Strategic Report, detail the way in which the Directors have regard to the matters set out in Section 172 (1) (a) to (f) of the Act in overseeing and promoting the success of the Company.

Risk management

Visa recognises that the purpose of effective risk management is the creation and protection of value, and that it improves performance, encourages innovation and supports the achievement of these objectives of our stakeholders.

Visa's approach to managing risk is by implementing the Three Lines of Defence model defined in its Risk Management Policy. Under that model, risk management is everybody's responsibility (the First Line of Defence). The Second Line of Defence provides oversight and challenge of First Line of Defence business and risk management activities. The Third Line of Defence, Internal Audit, provides independent review of the First and Second Line of Defence adherence to risk and control standards, reporting directly to the Chair of the Audit Committee.

The Risk function is responsible for managing and maintaining oversight of a risk management framework, the corporate risk register (and associated software tools), and risk governance reporting. The Enterprise Risk Management Framework (ERMF) describes an integrated approach to risk management activities, facilitating the embedding of a disciplined risk management ethos and awareness across the Company. The framework also describes the risk taxonomy, governance structure and approach to risk identification, assessment, treatment, and monitoring and reporting. This framework is updated regularly and is subject to periodic audits. Constructive dialogue is maintained with the relevant regulators, including the provision of risk-related material under supervisory obligations. Visa's ERMF is informed by, and generally consistent with, leading risk management practices in the industry including the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management, and the Integrated Framework and Principles for Financial Market Infrastructures (PFMI). The Framework also incorporates guidance from regulatory bodies such as the Bank of England and the Federal Financial Institutions Examinations Council.

Risk governance

Visa Europe retains the necessary autonomy, independence and control to enable it to fulfil its responsibilities in accordance with Visa Europe's status as a recognised operator of a payments system.

Visa Europe has put a formal governance structure in place to oversee the effectiveness of systems and controls over risk management. The governance structure is designed to facilitate reporting and escalation of risks or control framework matters across the Company.

The key risk governance forums are:

- **Board Risk Committee** - chaired by an independent non-executive director. Responsible for oversight and providing advice to the Visa Europe Board on a) responsibilities relating to risk management, b) internal controls and compliance, c) finance, and d) legal and regulatory matters.

- **Europe Risk Committee** - chaired by the Europe Chief Risk Officer, includes a sub-set of the Executive Leadership Team, including the CEO. Provides executive level oversight of the functioning of Visa's risk management framework in Europe, including material risks, the associated controls and risk mitigations, and the effectiveness of those controls and mitigations.

Principal Risks and Uncertainties

Visa Europe, through the application of its ERMF, has a programme in place to continuously identify, assess, measure and report risks and uncertainties that may threaten the successful achievement of business objectives, implementing mitigating actions to reduce risks and uncertainties to acceptable levels. The key risks and uncertainties currently faced by the business include:

COVID-19

The global outbreak of COVID-19, continues to evolve at the time of writing this report. At Visa, the health and safety of our employees remains a primary concern, in parallel with our operational resilience. To support our employees in the remote work environment, Visa has increased flexibility in schedules, encouraged individuals to collaborate with managers to balance professional and personal obligations and launched "Wellbeing Hours" to encourage schedule flexibility at the end of the work week. Throughout the COVID-19 pandemic, Visa's services have demonstrated their resilience and Visa has maintained our customary high levels of availability to clients on behalf of consumers during this time. We remain confident in our ability to operate without interruption for the benefit of consumers and the whole payments ecosystem. Our infrastructure can route to multiple data centres around the world, while instant fail-over capabilities contribute to best-in-class operational resilience – VisaNet operates to 99.9995% resilience. Our cyber security capabilities are located around the world and use global data assets. Visa's Pandemic Plan is based on World Health Organisation (WHO) terms and definitions. We have also taken added precautions to address the potential escalation of COVID-19, including updates to our crisis response and technological capabilities. As part of this effort, we have run controlled exercises with critical segments of our global teams to validate and strengthen our resilience plans. These tests ensured we can maintain business continuity under different scenarios, including operating with a decentralised workforce. The exercises were successful and reassuring, with learnings incorporated into our operational plans. Our balance sheet is strong and can withstand significant interruption to our revenues without jeopardizing either our capital or liquidity positions. Operational Resilience is core within our business model and representative scenarios, such as a pandemic, have been reviewed in our resilience response plans. Our response to the impact of COVID-19 is managed through comprehensive crisis management planning and ongoing crisis simulation exercises, to prioritise employee safety and continuity of our core services.

We applaud the steps that have been taken across payments ecosystems including raising the contactless limits in many countries in Europe and we remain ready to support our clients and the individuals, businesses and economies.

Risks	Our response
A. STRATEGIC AND GROWTH RISKS	
Competitive pressure and innovation	
The intensity of competition has increased in recent years from both new entrants and across the ecosystem value chain and existing payment providers.	Visa Europe has a comprehensive multi-year planning process with the global Visa strategic framework. Market-by-market strategies are in place and regularly revised to target specific business lines. Visa Europe is engaged in a number of strategic partnerships with non-traditional market participants. Visa continues to offer valuable, relevant payment solutions to its clients, and supports individual market strategies in providing a defined onboarding pathway for new and emerging business models, together with key milestones for sustainable growth. Visa is also actively engaging in new and emerging business models and investing in capabilities including cybersecurity that will continue to be relevant. The unified global processing platform aims to increase the speed-to-market, resilience and availability of innovative solutions to our European clients. The enhanced value-proposition delivered by the platform enables greater utilisation of value-added services such as Visa Direct, real-time risk management and tokenisation. The fintech program unveiled in Europe, called Fintech Fast-Track, provides an accelerated and simplified onboarding process for start-up and early growth-stage companies to become Visa issuers. (Refer to page 4, Fintech/Open Partnership Model.)

Brexit

The Brexit transition period (or implementation) came to an end on the 31st December 2020. The EU and UK are now operating under the terms of a new Trade and Cooperation Agreement (the Agreement), which will provisionally apply until a formal ratification process is complete (expected March 2021).

In the immediate term, the Agreement provides clarity on the new EU-UK trade arrangements, but there remains a risk of economic, political and social uncertainty across Europe as the new regime becomes normalised. It may also lead to legal uncertainty and potentially divergent national laws and regulations in the UK and EU over time.

We, as well as our clients who have significant operations in the UK, may incur additional costs and expenses as we adapt to potentially divergent regulatory frameworks from the rest of the EU and as a result, our Visa Group operating rules and contractual commitments in the UK and the rest of the EU may be impacted. In addition, some of our clients may need to obtain regulatory authorisation in the UK, and/or in individual EU member states, following Brexit. These factors may impact our ability to operate in the EU and UK in a completely seamless manner. This and other Brexit-related issues may require changes to our legal entity structure and/or operations in the UK and the EU. Any of these effects of Brexit, among others, could harm our business and financial results.

Brexit could impact Visa Europe's European volumes and net revenues through economic slowdown in the UK impacting payments volume, obstacles to the movement of people and goods between the UK and the rest of the EU leading to a decrease in intra-regional transaction volumes, both face-to-face and eCommerce, and depreciation of the GBP against the Dollar and the Euro driving increased inbound and depressed outbound traffic to/from the UK. However we expect to see a positive impact on expenses due to a regulatory change in UK VAT rules whereby we will be able to recover VAT on EU transactions as well as for non-EU transactions.

Uncertainty over Brexit has led to elevated volatility for Sterling currency pairs, which could continue and impacts Visa Europe's financial results. Any un-hedged net balance sheet exposures may affect the revaluation impact on the income statement.

As a global business, the Visa Group already operates across multiple geographic jurisdictions and consequently is well positioned to address the potential Brexit outcomes and continue to operate irrespective of the UK's future relationship with the EU.

Visa Europe itself is not reliant on licences or authorisations to continue to conduct business in the UK or EU after Brexit, and is not currently subject to regulations which require an EU entity presence.

Visa Europe has undertaken a Brexit risk assessment of its business and has been actively monitoring and managing any risks that might arise in the event of a disruption following the end of the transitional period. This includes addressing data governance, talent management, risk controls, infrastructure and supplies. We have established a central program to oversee management of all Brexit related activities.

We note that institutions authorised by UK competent authorities may no longer be allowed to provide payment services in the EEA; similarly, institutions authorised by competent authorities in the EEA may not be allowed to provide payment services in the UK. Visa Europe has worked with key stakeholders in the wider payment ecosystem, including our clients, to encourage Brexit readiness.

Visa Europe is committed to ensuring that its clients can continue to use its services seamlessly post-Brexit. The Company applies the same high standards of data protection across the EEA, the UK and the rest of the world. Under the General Data Protection Regulation EU 2016/679, organisations are only permitted to transfer personal data outside the EU subject to conditions and safeguards appropriate to the transfer ensuring that the level of protection is not undermined. Under the terms of the Agreement, personal data can flow freely from the EU (and EEA) to the UK, until adequacy decisions have been adopted, for no more than six months. To ensure clients are able to continue to transfer personal data from the EEA to the UK at the end of the six month period, in the case that adequacy decisions are not achieved, we have incorporated the terms of the European Commission's Standard Contractual Clauses (SCC), as part of the Visa Rules. The SCC update applies to all of Visa Europe's issuer and acquirer clients through Visa Rules.

Visa Europe recognises the elevated volatility of Sterling currency pairs due to the uncertainty created by the Brexit process. Throughout the year, unhedged exposures were maintained at low levels and, whilst the implied volatility remained elevated for Sterling currency pairs – although this has declined in early January 2021 to almost pre-pandemic levels - close scrutiny will continue and hedging activity, where appropriate, will be used to mitigate the impact of market volatility.

The financial markets have been more focused on the impacts of the pandemic for much of 2020, although, as the year end Brexit deadline came into sharper view, Brexit-related concerns re-emerged driving a short lived spike in currency volatility in the second half of December. Since the announcement of the Agreement, currency volatility receded and is now at a more normal level, as are forward prices and the implied future volatility out over the next 6 months. The markets remain liquid and accessible to Visa Europe through our banking panel and, despite occasional spikes in spread widening, have remained so throughout 2020 and into 2021. We have been able to conduct normal hedging and liquidity repositioning actions in January 2021, and the cashflow and balance sheet hedging programs will keep risk at or below the levels expected.

B. OPERATIONAL RISKS

Operational resilience

Operating as an enabler of the '4 party payments model' and providing transaction processing services to a wide range of clients across the UK and Europe (and globally) means that Visa Europe is often a key player in maintaining financial stability as consumers rely on a seamless payment experience. As a result, it is important that Visa Europe maintains a high level of service availability, supported by robust operational resilience, due to the fact that consumers and the payments infrastructure at large, is heavily reliant on our services.

Operational resilience at Visa Europe is supported by a range of activities; skilled and experienced operational functions; effective cyber security practices; demonstration of rigorous operational risk management and having a good understanding of the Company's risk profile and control framework, including internal and external threats.

Visa Europe maintains Business Continuity, Crisis Management, Disaster Recovery and Third Party Risk functions, which complemented with skilled and experienced executive and management leadership, support operational resilience.

Our systems are built to a high level of resilience (i.e. 99.999%) and we maintain multiple data centres to enhance our operational resilience. Visa regularly exercises availability, by switching authorisations from our primary to our alternative data centres during business hours.

Third party risk

To deliver our products and services and pursue our strategic objectives, we rely on a wide range of partners and suppliers. If for any reason they were unable to fulfil their commitments, this could significantly impact our performance and result in financial or reputational implications.

We have a supplier due diligence programme to deliver a thorough risk-based approach for onboarding new suppliers, monitoring for all high/medium risk suppliers, and annual on-site assessments for high risk suppliers.

Through fiscal year 2020, Visa Europe engaged its critical service providers (7) and other key suppliers to validate their preparedness and identify any risks to disruption due to the COVID-19 pandemic and Brexit.

Integrity of the payment ecosystem

The majority of the European infrastructure is managed by parties outside of our direct control whose operational practices may impact the integrity of the payments ecosystem. In order to protect the ecosystem, we need to maintain the integrity of the Visa Network irrespective of where the transaction is processed, the data is stored or transmitted.

As the payments ecosystem diversifies away from traditional products and physical touch-points, fraud prevention and detection techniques need to evolve. We have dedicated ecosystem risk and compliance functions to seek to ensure that clients, partners and third parties (such as technology vendors, payment processors and card manufacturers) adhere to our operational, business and security requirements. At the same time, we continue to evolve these rules, with a view to continuously enhancing system integrity.

In addition, we have capabilities in place to help support the integrity of the ecosystem. These allow our clients to continue to provide a service for merchants and cardholders in the event of service disruption for Visa or issuers. The level of service in these situations is dependent on the participation and risk appetite of the clients.

C. TECHNOLOGY RISKS

Information and cyber security

Protection from internal or external attacks that may affect the confidentiality, integrity or availability of Visa Europe's data or systems is paramount. Cyber attackers continue to evolve and improve their tactics, techniques and procedures. Increasingly organised and collaborative, their methods grow more sophisticated.

We have focused many of our investments, partnerships, and expertise to enhance the security of our network, and to enable consumers and businesses to pay and be paid with confidence. Clients will benefit from a unified security architecture built on multiple redundant layers of cyber defence designed to protect against data security breaches and service disruptions. We have multiple layers of advanced security tools to protect our technology footprint at the enterprise, network, operating system, and application levels. To strengthen our security and cyber defences we continue to deploy new tools and measures to help safeguard our network and the wider ecosystem from hackers and cyber-attacks.

Europe's Cyber Fusion Centre, part of a global network of security command and control centres, is designed to help prevent, detect, respond to and recover from cyber-attacks.

D. FINANCIAL RISKS

Settlement, credit and liquidity risk

Visa Europe is exposed to various financial risks including settlement risk (i.e. the risk that a client is unable to meet its obligations to the Company as and when they fall due), credit risk (i.e. risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under a contract and arises principally from the Company's receivable customers, banks and derivative counterparties) and liquidity risk (i.e. risk that the Company is unable to meet its current and future cash flow obligations as and when they fall due, or can only do so at excessive cost).

Visa Europe monitors the credit risk related to each member that participates in the Visa system. We regularly assess the member's financial health and their ability to respond to a settlement risk. Visa collects collateral to mitigate the credit risk where a member's credit rating is assessed as weak.

Visa Europe currently measures and monitors its level of loss absorbing capital relative to the credit risk exposure generated by the participant with the largest gross settlement exposure. We aim to hold sufficient net liquid assets funded by equity to absorb the potential losses arising from the disorderly failure of its single largest participant.

Investment of Visa Europe's cash assets is restricted to financial counterparties with a minimum credit rating of A- and limits are documented for both individual counterparties and by investment instrument type to reduce concentration risk.

In addition to Visa Europe's own liquid investments, back-up liquidity facilities arranged by Visa Inc. are in place with a syndicate consisting of high credit quality financial institutions and are available to Visa Europe.

Pensions

Visa Europe has a funding obligation to its defined benefit pension scheme, the Visa Europe Pension Plan (VPP). The defined benefit plan exposes the Company to risks, the most significant of which are:

-Asset volatility - The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets under-perform this yield, this will create a deficit. The VPP holds a significant proportion of growth assets (such as equities and diversified growth funds) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term.

-Inflation risk - A significant portion of the VPP's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Some of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation could also increase the deficit.

-Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the VPP's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the VPP's holdings.

-Life expectancy - Most of the VPP's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

The VPP scheme has been closed to new entrants since 2003. The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the VPP. By investing in assets such as liability driven investments, which perform in line with the liabilities of the VPP, the VPP is protected to some extent against unanticipated changes in interest rates and inflation. The investment strategy will reduce the risk of market movements resulting in higher cash contributions from the Company; however, as the accounting liabilities are mainly driven by bond yields, there is an asset/liability mismatch risk that the Company will remain exposed to.

The investment performance and liability experience are regularly reviewed by both the Company and the Trustees of the VPP, with the most recent revaluation in September 2020.

The Company's financial strength and cash generation provide a level of protection against the impact of changes in the funding position of the VPP. The funding liabilities also include a buffer against future negative experience, as legislation requires that we calculate liabilities on a prudent basis.

E. LEGAL AND REGULATORY RISKS

Data privacy

Laws and regulations regarding the handling of personal data and information may impede our services or result in increased costs, legal claims, or fines against us. Regulatory guidance on the General Data Protection Regulation (GDPR) continues to evolve and regulatory scrutiny is increasing. Our ongoing efforts to comply with GDPR in light of evolving guidance may increase the complexity of our compliance operations, entail substantial expenses, divert resources from other initiatives and projects, and could limit the services we are able to offer. Furthermore, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. Future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory fines and significant legal liability.

Visa's global privacy program employs a GDPR-based approach to global privacy compliance and is designed to ensure that data practices remain consistent with Visa's established data use principles. Visa demonstrates accountability for GDPR through its robust governance framework. The global privacy office works with two cross functional governance bodies to evaluate new data use cases and to define a strategic vision for Visa's data related businesses. The global privacy program is operationalised by a privacy controls framework and privacy impact assessment process which provide a comprehensive structure for managing privacy and data protection risks. Visa continues to enhance the program to protect and enhance data by promoting accountability, transparency and innovation.

Market and regulatory environment	
The introduction of far reaching regulatory changes coupled with the industry continuously evolving to meet the needs of customers presents new challenges.	By a recognition order dated 19 March 2015, HM Treasury categorised Visa Europe as a recognised "payment system" for the purposes of Part 5 of the Banking Act 2009. As a result, the Bank of England has assumed oversight of Visa Europe pursuant to its statutory responsibility for the oversight of designated payment systems and, more broadly, for monetary and financial stability of the UK. In addition to the Bank of England, Visa Europe's activities are also subject to oversight by the UK Payment Systems Regulator (PSR); and oversight by the European Central Bank (ECB) and Eurosystem of National Central Banks against the Oversight Framework for Card Payment Schemes - Standards (2008). Visa Europe maintains dedicated risk and regulatory functions with extensive knowledge of UK and European payments regulations. As the industry evolves, we engage with Government, Regulators and our clients to help shape regulatory change to meet the needs of our clients and consumers.

Litigation by retailers

UK and Ireland Retailer Litigation
Between 2013 and 2020 a number of retailers brought court proceedings against or entered into 'standstill' agreements with Visa UK and Visa Europe in relation to an alleged breach of competition law. (Retailer Litigation)

Throughout the claim period(s) Visa sought to set interchange in a lawful manner and concluded agreements with a number of regulators in particular the European Commission to resolve concerns that had been raised.

Judgment in Visa's favour against a claim brought by Sainsbury's was handed down on 30 November 2017. The court concluded that Visa's UK interchange did not restrict competition under UK and EU competition law. A further judgment on the separate question of what a lawful level of interchange would have been in the event that a restriction of competition had been found was handed down on 23 February 2018. Subsequently, in July 2018, the Court of Appeal overturned these rulings and decided to remit the cases to the Competition Appeal Tribunal (CAT). In November 2018, the Supreme Court granted Visa leave to appeal certain elements of the Court of Appeal's judgment.

The appeal was heard on 20-23 January 2020 and judgment was handed down on 17 June 2020. The judgment rejected Visa's appeals in relation to whether its UK interchange fee was a restriction of competition, as well as two questions relating to the burden of proof required to show that interchange was lawful. The Supreme Court directed that (i) the remittal to the CAT on exemption issues should proceed, and (ii) once the exemptible level has been determined, there should (if necessary) be a further hearing to determine the quantum of any damages owed by Visa to Sainsbury's. Visa's potential liability is capped as a result of a concession made by the claimant as to the lawful level of interchange fees, which is not subject to appeal.

Since the Supreme Court made that order, Visa and Sainsbury's have agreed on the exemptible levels for the purpose of those proceedings only, which means that the CAT will not determine the lawful level of interchange in the Sainsbury's case. The Sainsbury's proceedings are therefore moving straight to a quantum trial which, it was determined at a case management conference on 16 December 2020, is likely to begin in June 2022.

The Company may be exposed to possible obligations with other individual merchants related to interchange fees that are separate to the Sainsbury's case. Both those cases that were stayed pending the outcome of the Supreme Court, as well as new cases that are being brought, are now moving ahead. The lawful level of interchange is one of the central issues in these new cases, as well as the issue of any pass-through of damages.

Belgian interchange cases
In 2019, a group of mostly Eastern European retailers brought interchange related claims against Visa and Mastercard in Belgium, followed by a second group in 2020. The first hearing will take place as from Sept 2021.

Polish interchange cases
In addition, between 2019 and 2020, four Polish retailers in Poland have also brought interchange related claims. No hearing dates have been set yet.

UK and German ATM cases
In 2019, Visa and Mastercard were sued in the UK High Court in relation to certain rules affecting ATM operators' ability to charge access fees for domestic cash withdrawals to cardholders and related alleged damages, claiming competition law breaches in the Czech Republic, Greece and Poland. In 2020 and 2021, six German banks sued Visa in various courts in Germany over the same rule, and 275 savings banks approached Visa to conduct 'conciliation proceedings', claiming damages.

UK and Ireland Retailer Litigation
Since the Supreme Court has ruled in Visa's favour in relation to the pass-on defence, Visa expects that it could be difficult for Sainsbury's to demonstrate that they have not passed on a large proportion of their alleged damages to their customers. In addition, any specific benefits that Sainsbury's, or any other claimant, derived from interchange would need to be deducted from their claim.

In the cases other than Sainsbury's, the CAT will apply the test for the lawful level of interchange, as well as for pass-through, as set out by the Supreme Court. In these cases, Visa will have an opportunity to put forward new evidence to demonstrate the benefits of interchange to the Court, meaning there is no read-across from the Sainsbury's case to these other cases.

Belgian interchange cases
Visa believes that for the majority of claimants, there is an insufficient nexus to Belgium and that therefore, the court does not have jurisdiction; that the claims are out of time; that interchange is not a restriction of competition; that the level was always set at a lawful level; and that it can avail itself of the pass-through defence.

Polish interchange cases
Visa believes that the Polish Supreme Court ruling from 2017 (which confirms that Visa did not participate in the setting of interchange) will support in challenging the claims against Visa; Visa also finds grounds to pursue that interchange is not a restriction of competition by object; that the level was always set at a lawful level; and that it can avail itself of the pass-through defence.

UK and German ATM cases
Visa does not believe that its ATM rules breach competition laws, that they represent a fair balancing of interests in the ecosystem, and that they benefit consumers.

F. BUSINESS RISKS

Global risk

Global economic, political, market, and social events or conditions may harm our business. Our revenues are dependent on the volume and number of payment transactions made by consumers, governments, and businesses whose spending patterns may be affected by prevailing economic conditions. In addition, cross-border transaction revenues represent a significant part of our revenue and are an important part of our growth strategy. Therefore, adverse macroeconomic conditions, including recessions, inflation, high unemployment, currency fluctuations, actual or anticipated large-scale defaults or failures, or slowdown of global trade could decrease consumer and corporate confidence and reduce consumer, government, and corporate spending which have a direct impact on our revenues. In addition, outbreaks of illnesses, pandemics, or other local or global health issues, political uncertainties, international hostilities, armed conflict, or unrest, and natural disasters could impact our operations, our clients, our activities in a particular location, and cross-border travel and spend. Geopolitical trends towards nationalism, protectionism, and restrictive visa requirements, as well as continued activity and uncertainty around economic sanctions could limit the expansion of our business in those regions. In addition, any decline in cross-border travel and spend could impact the number of cross-border transactions we process and our currency exchange activities, which in turn would reduce our international transaction revenues.

Visa Europe is focused on the identification, monitoring and response to various geopolitical and macro-economic developments and events that may detrimentally impact our business.

Visa Europe is focused on further growing its diverse revenue sources. This comprises of capturing new flows of payments beyond C2B such as B2B, B2C and G2C segments. Visa Europe is also focused on broadening its revenue streams by expanding the capabilities of its existing network by offering several enhanced capabilities and services, including fraud prevention and security, processing, loyalty, merchant and digital solutions, consulting and data solutions.

Visa Europe actively engages with Government, Regulators, our clients and various industry bodies in influencing regulatory change as well as monitor and respond to relevant geopolitical developments that may impact our business. As part of a global organisation, Visa Europe seeks to bring the benefits of the global infrastructure, brand and protection to its clients.

In 2019, Visa Group joined the Carbon Disclosure Project Supply Chain Program to collect accurate and regular climate change and carbon information from our key suppliers. Visa has also completed a global climate risk assessment in alignment with the Task Force on Climate-related Financial Disclosures (TCFD), the results of which inform key functions, including risk, strategy and government engagement. Details are outlined in the Visa Group Corporate Responsibility & Sustainability Report. https://usa.visa.com/dam/VCOM/download/corporate-responsibility/visa-2019-corporate-responsibility-report.pdf

Our business and operating performance

There were nearly 568 million Visa-branded cards in circulation in Europe at the end of fiscal year 2020 (2019: 562 million). This represents a 1.00% increase (2019: 1.24% increase) on the previous year and a solid performance in a relatively mature market and taking into account the impact of COVID-19.

These cards - in a face-to-face context, stored on file at online merchants, or through a mobile device - were used over 51 billion times during the year. This amounts to over 140 million transactions for every day of the year. This usage, as well as the average number of transactions per cards, which has remained consistent with the prior year, is partly driven by the continued expansion of contactless across the region. Contactless is also behind the long-term contraction in the average transaction value, as customers elect to use their card for ever smaller and more frequent purchases.

Gross cardholder expenditure decreased 3.3% compared to fiscal year 2019. The decrease was driven by the impact of COVID-19 starting in the latter part of March 2020 and a resulting year-over-year decrease in cross-border spend, offset by the expansion of electronic commerce (ecommerce) and contactless payments.

International cross-border outbound (issued) and inbound (acquired) volume growth contracted, with growth rates dropping sharply with the onset of COVID-19 lockdowns across Europe in March 2020. The pandemic caused both Card Present (face to face) and travel related Card Not Present CNP (ecommerce) volumes to suffer a contraction in the second half of the year; however non-travel CNP volumes continued to grow during the pandemic for both inbound and outbound.

Volumes within the Visa Europe region (Intra-regional volumes), which excludes domestic volumes within a Visa Europe country, recorded a contraction of (4)% for the year with strong performance in ecommerce offsetting the weaker growth in travel.

Total cleared and settled transactions grew 5% on average, for the year. The weak performance in international transactions after the start of the pandemic and domestic transactions during periods of lockdown were somewhat mitigated as consumers and retailers opted for electronic forms of payment and facilitated by the increase of contactless limits across much of Europe.

The following measures are indicative of the past performance of the Visa Europe Group (which includes Visa Europe and its subsidiaries) for years 2016, 2017, and through 31 March 2018. As of 31 March 2018, due to the reorganisation of the Visa Europe Group, the Company's stand-alone performance is representative of the Visa Europe Group.

Year ending June	2016	2017	2018	2019	2020
Number of cards (000)	540,191	538,101	555,126	561,872	567,517
Number of transactions (000)	30,908,296	34,359,092	38,633,563	51,242,075	51,231,564
Gross cardholder expenditure volume (€000)	1,901,583,615	2,039,465,640	2,195,630,474	2,339,634,121	2,263,397,316
Average spend per card (€)	3,520	3,790	3,955	4,164	4,008
Average transaction value (€)	61.5	59.4	56.8	45.7	44.2
Average number of transactions per card	57.2	63.9	69.6	91.7	90.7

Note: Data is calculated using constant exchange rates to minimise the effect of exchange rate movements.
Transaction counts in this table includes transactions on Visa cards not processed by Visa.

Company financial performance

Operating revenues: €3,055 million (2019: €3,328 million). Our business is affected by overall economic conditions and consumer expenditure. Fiscal year 2020 and COVID-19 have brought unprecedented challenges and widespread economic and social change. Our business performance during 2020 reflects continued global consumer spending amidst uneven global economic conditions. Operating revenues consist of service revenues, data processing revenues, international transaction revenues and other revenues reduced by costs incurred under client incentive arrangements. Payments volume and number of processed transactions are the primary drivers of revenues. Operating revenue decreased 8% from the prior year primarily due to the year-over-year decrease in cross border volume and processed transactions, which were impacted by COVID-19 starting in the latter part of March 2020, offset by growth in Ecommerce and contactless expenditure and payments and the impact of pricing modifications and newly introduced fees related to internet security. Gross revenues of €4,075 million (2019: €4,104 million) were reduced by client incentives of €1020 million (2019: €777 million). Client incentives increased mainly due to incentives recognised on long-term client contracts that were initiated or renewed during fiscal 2020 partially offset by the recent decline in payments volume. The amount of client incentives we record in future periods will vary based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts.

Operating expenses: €1,451 million (2019: €1,243 million). The increase in operating expenses over the prior year was primarily driven by higher personnel and client marketing spend as we continue to invest in growing our business, as well as an increase in charges from Visa Inc. (resulting from our contractual arrangement with Visa Inc. as governed by the Framework Agreement, which includes license fees, management fees and royalties, as well as fees related to information technology and network infrastructure, which were higher in the current year due to an increase in technology development costs) and foreign exchange losses. These were offset by reduced core marketing expenses and professional fees reflecting our overall cost reduction strategy. Retailers provision and expense decreased primarily due to lower accruals for litigation in fiscal 2020. In fiscal year 2020, the Company agreed to settlements of €29 million (2019: €152 million) in total with other individual merchants related to multilateral interchange fees unrelated to the Retailer Litigation case that is subject to the Competition Appeal Tribunal (CAT) hearing. In addition, a provision of €6 million was recorded in fiscal year 2020 (2019: €nil) related to the Retailer Litigation. See Note 21—Provisions and Note 28—Legal matters for further details of the Retailer Litigation.

Profit before tax: €1,638 million (2019: €2,021 million). The performance represents a decline of 19%.

Total assets: €7,435 million (2019 *Restated: €8,698 million). The decrease in total assets of €(1,263) million has primarily been driven by the decrease in trade and other receivables of €(2,214) million, offset by the increase in cash of €823 million and the increase in right of use assets of €94 million. The increase in cash is net of a €(736) million cash dividend paid to the Company's immediate parent during the year. The decrease in trade and other receivables, which includes settlement receivables, was driven by timing as the number of unsettled days at year-end decreased from four in 2019 to two in 2020. Visa Europe retains financial resources to mitigate risks that arise through provision of core activities. The level of these mitigants is set through the Visa Europe Board approved risk appetite. Liquidity forecasts indicate sufficient coverage to meet future funding needs. (*Refer to Note 16, Trade and other receivables.)

Cash balances: €5,171 million (2019: €4,348 million). The increase in cash of €823 million has been driven by cash provided by operating activities in 2020 of €1,642 million, primarily due to profit before tax of €1,638 million, offset by €(42) million of investing activities due to the purchase of tangible assets, €(765) million of financing activities primarily due to a €(736) million dividends payment and the impact of currency movements of €(15) million. We regularly evaluate cash requirements for current operations, commitments, development activities and capital expenditures. Based on our current cash flow budgets and forecasts of our short-term and long-term liquidity needs, we believe that cash flow generated from operations, in conjunction with access to our other sources of liquidity, will be sufficient to meet our ongoing operational and projected liquidity needs for more than the next 12 months. We will continue to assess our liquidity position in view of our operating performance, current economic and capital market conditions and other relevant circumstances.

Significant financial matters

The following financially significant events occurred in 2020:

- During the year, the Company paid a €736 million cash dividend to its immediate parent, Visa International Holdings Limited.
- The Company agreed to settlements of €29 million in total with other individual merchants related to multilateral interchange fees unrelated to the Retailer Litigation case that is subject to the Competition Appeal Tribunal (CAT) hearing. In addition, a provision of €6 million was recorded related to the Retailer Litigation. Refer to Notes to the financial statements, Note 28, Legal matters, for further details.
- The Company has implemented new accounting standard IFRS 16 - *Leases* from 1 October 2019. Refer to Notes to the financial statements, Note 2, Significant accounting policies, for further details.
- The Bank of England, in its capacity as the designating authority under the terms of the Financial Markets and Insolvency Regulations 1999 (as amended), granted the Company designation under the UK Settlement Finality Regulation with effect from 23 September 2020. This designation provides the Company legal protection from netting of client settlement positions being unwound in an insolvency event and therefore settlement receivable and settlement payable positions with clients are presented in the Statement of Financial Position on a net basis from the date of the designation. Refer to Notes to the financial statements, Note 16, Trade and other receivables, and Note 18, Trade and other payables.
- The existence of COVID-19 was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. COVID-19 continues to evolve at the time of writing this report. The Company's balance sheet is strong and the Company can withstand significant interruption to its revenues without jeopardizing either its capital or liquidity positions.

On behalf of the Visa Europe Board

DocuSigned by:
Charlotte Hogg
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Charlotte Hogg
Chief Executive Officer

26 March 2021

Corporate Governance Report

Introduction

Visa Europe's mission is to connect the world through the most innovative, reliable and secure payments network - enabling individuals, businesses and economies to thrive and in doing so, we apply high standards and best practice to its corporate governance arrangements, and complying with the regulatory governance requirements of our regulators. Following the implementation of the Companies (Miscellaneous Reporting) Regulations 2018 (the **Regulations**), and as a result of meeting certain thresholds, the Visa Europe Board has chosen to comply with the Regulations through applying the Wates Principles as our framework for governance reporting. This is the first year that Visa Europe is reporting on the application of the Wates Principles.

Section 172 Statement

Section 172 sets out the duty of directors to promote the success of the company. A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term;
b. the interests of the company's employees;
c. the need to foster the company's business relationships with suppliers, customers and others;
d. the impact of the company's operations on the community and the environment;
e. the desirability of the company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly as between members of the company.

Principles

As a subsidiary of a larger global listed company, Visa Inc, our overall parent company and shareholder that is regulated by the Securities and Exchange Commission and supervised by the Federal Financial Institutions Examination Council, we have governance requirements in place to ensure local oversight of relevant Section 172 matters. The directors have chosen to apply each of the Wates Principles in setting out how we have had regard to Section 172, in our principal decision making during the financial year.

Principle 1 - Purpose and Leadership – *an effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.*

Our purpose is to connect the world around the most innovative, reliable and secure payment network enabling individuals, businesses and economies to thrive. We have a clearly articulated strategy framed around the collective vision to be the best way to pay and be paid for everyone, everywhere (as further discussed in the Strategic Report). The Board and Executive team actively develop and promote the success of the company, acting with integrity and with a clear understanding of the views of all of our stakeholders. The Board engages regularly on strategic issues and planning, assessing the opportunities and risks facing the company. The strategy is clearly communicated and further embedded through regular interaction with colleagues, including through leadership briefings, all-colleague meetings and regular training, which inform expected behaviours and practices throughout the business. In addition, Visa's Leadership Principles (which can be found *https://usa.visa.com/about-visa/diversity-inclusion/life-at-visa/leadership-principles.html*) guide the way we act and the way we lead and principles provide a framework for how Visa colleagues are evaluated and rewarded. They are also used to identify individual opportunities for growth and development, and focus not only on what people accomplish but how they go about doing it.

The Board makes decisions in the best interests of Visa Europe, having due regard to all of our stakeholders (as detailed below) as well as our regulatory obligations, in particular in relation to our role as a systemic risk manager, including operational resilience, financial strength and stability (both relating to capital and liquidity) and the management of third party critical suppliers. The Board and Executive promote a positive, inclusive and diverse culture of wellbeing and social responsibility through various programmes including training and awareness initiatives, senior executive podcast interviews, a wellbeing portal and benefits for employees, wellness hours; and diversity and inclusion and education programmes.

Principle 2 - Board Composition – *effective board composition requires an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the company.*

The Visa Europe Board is made up of 4 independent non-executive directors (**INEDs**), 2 non-executive directors (**NEDs**) (appointed by Visa Inc., as overall parent and shareholder representatives) and 2 executive directors (Europe Chief Executive Officer and Europe Chief Finance Officer. The Board consists of a broad range of diverse skills and experience drawn from regulated businesses and other sectors such as retail, business services and technology as well as Visa's own business. Board member biographies can be found on the company's website: https://www.visa.co.uk/about-visa/visa-in-europe.html

The Committees, reporting directly to the Board, consist of the Risk Committee, Audit Committee, Nominations Committee and Remuneration Committee, each composed of an independent Chair and a majority of independent NEDs. The Board Chair (Alison Deborah Hewitt) is a named person to whom whistleblowing claims can be escalated, in line with approved Compliance policies.

The Board and Committee structure and composition is agreed by the Board to be appropriate for Visa Europe (as a regulated subsidiary of a large listed global business) providing a good balance of experience, knowledge and skills. Board effectiveness reviews are carried out on a periodic basis to ensure the Board remains effective, skilled and diverse in its approach, and the Nominations Committee periodically reviews Board composition.

The Board is governed by the documented matters reserved for the Board. These, along with Committee terms of reference are reviewed annually to ensure their continued relevance and effectiveness

The Risk Committee: chaired by Philippe Tromp. Responsible for oversight and providing advice to the Visa Europe Board on a) responsibilities relating to risk management, b) internal controls and compliance, c) financial risk, and d) legal and regulatory matters.

The Audit Committee: chaired by Hamayou Akbar Hussain. Responsible for oversight and providing advice to the Visa Europe Board on a) responsibilities relating to internal Audit, b) external audit, and c) financial controllership.

The Nominations Committee: chaired by Alison Deborah Hewitt. Responsible for oversight and providing advice to the Visa Europe Board on Board appointments and succession.

The Remuneration Committee: chaired by Alison Deborah Hewitt. Responsible for oversight and providing advice to the Visa Europe Board on performance reviews and remuneration of executives.

Principle 3 - Director Responsibilities – *a Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision making and independent challenge.*

Internal governance documents and policies including the articles of association of the company, matters reserved for the board, terms of reference of the board committees, conflicts of interest policy, code of conduct and ethics, are all in place. These set out the responsibilities of those who are members of the Board and respective committees. The governance documents provide directors the framework from which they make effective decisions and provide independent challenge, delivering long term value and success. These documents and policies are reviewed annually by the Board and the various committees. In addition to undertaking a detailed programme of induction training on appointment, the Board also takes part in periodic training sessions during the year on various topics, including refresher training where appropriate.

Principle 4 - Opportunity and Risk – *a Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.*

The Board actively promotes the long-term sustainable success of the company, identifying both long and short-term opportunities, through an annual Board strategy review process in line with the risk management framework and quarterly business unit reviews. Key risks are identified (see Principal Risks and Uncertainties outlined in the Strategic Report) and regularly reviewed and discussed along with any residual risks, and the methods of mitigating those risks by the Risk Committee and/or Board over the course of the financial year during board meetings and in dialogue with senior management.

Principle 5 - Remuneration – *A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.*

Visa Europe has an established policy on remuneration within Visa Inc.'s Global Framework (for its employees and this is presented to the Visa Europe Board annually by the Visa Inc. global HR executive). The framework is aligned with performance and Visa's Leadership Principles (based on the principle of pay for performance) and the achievement of the company's strategy. This also takes account of wider employee pay and conditions, and a gender pay gap report is presented to and approved by the Board on a yearly basis. The Remuneration Committee, consisting of a majority of INEDs, has clearly defined terms of reference which include reviewing the performance and remuneration of key executives.

Principle 6 - Stakeholder Relationships and Engagement – *Directors should foster effective stakeholder relationships aligned to the company's purposes. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce and having regard to their views when taking decisions.*

We are committed to delivering value to all of our stakeholders for the future success of the company and our communities and consider the impact of our business on a range of stakeholders when making decisions. We are committed to transparency and effective engagement with our stakeholders, regularly reviews our relationships with key stakeholders, and the impact of these relationships on the company's business is monitored closely.

Clients: Our commitment to our clients remains at the forefront of our efforts, as does the critical role we play in maintaining the stability, security and resilience of the global payment ecosystem. Visa has continued to take steps to ensure the reliability of our network and provide operating and economic stability for all of our clients.

Regulators: Throughout 2020, the Board continued to oversee the business of the Company in light of Visa Europe being a financial markets infrastructure and continued our active engagement with our primary regulator, the Bank of England, as well as other regulators including the Payment Systems Regulator and European Central Bank.

Shareholder: A number of channels are used to receive feedback from the Shareholder, including two (shareholder representative) NEDs that sit on the Board and periodic 1:1 meetings between the Visa Europe Board Chair and the Visa Inc. Chief Executive Officer, and other Visa Inc. executives promoting transparent and effective engagement.

Employees: We conduct frequent polls and pulse surveys to keep abreast of our employee engagement and wellbeing and seek to offer an attractive benefits package which supports our focus on inclusion and diversity.

Visa Europe also conducts regular equal pay audits to ensure women and men doing similar roles are paid fairly, and we comply with gender pay gap reporting in the UK where the results show continued progress in the diversification of our workforce. Gender diversity remains a key metric of focus.

Visa Europe committed to and achieved gender diversity targets for the entire organisation as well as senior female leadership as part of the Women in Finance Charter in 2019 and 2020 and are now resetting additional stretch targets for the next period to 2023. In addition, we remain committed to diversity and inclusion more broadly within our employee population, for example across sexual orientation, ethnicity, caring responsibilities and mental health.

The Board has regard to interests of employees through regular updates from executive management on employee sentiment through employee survey results, reports from the business teams and human resources, and an annual report from the Visa Europe's Pensions Trustee Company.

Key Third Party Suppliers: We foster effective relationships with our service providers through a supplier relationship management framework with critical suppliers including Visa Technology & Operations LLC (VTO), a subsidiary of Visa Inc. As part of this governance framework, the Visa Board engages with VTO through annual meetings and the Visa Europe Chief Executive officer holds twice yearly meetings with VTO.

Other Stakeholders: Visa recognises the importance of corporate responsibility, sustainability and ethical leadership and we have summarised our efforts below. Further details are available in our Corporate Responsibility and Sustainability Report here:

https://usa.visa.com/dam/VCOM/download/corporate-responsibility/visa-2019-corporate-responsibility-report.pdf

- **Empowering People & Economies:** Visa believes inclusive economies are beneficial to everyone, everywhere. The company continues to empower economic growth by supporting small and micro businesses; expanding financial access; building financial capability; and strengthening our local communities.

- **Securing Commerce & Protecting Customers:** Visa are committed to implementing a multi-layered information security approach that enables reliable, trustworthy and frictionless digital payment experiences.

- **Protecting the Planet:** Visa continues to minimise the impact from our operations while expanding efforts to inspire and empower sustainable living in commerce and consumption, including reaching our goal to transition to the purchasing of 100% renewable electricity by 2020 across our offices and data centres.

- **Operating Responsibly:** Visa continues to operate as a responsible and ethical company by upholding the highest standards for integrity, compliance and corporate governance. We have built a new Supplier Code of Conduct through activities such as developing ethical and agile onboarding procedures and revising our Code of Business Conduct and Ethics to improve transparency and clarity. Links to these codes can be found here:

  > https://usa.visa.com/dam/VCOM/global/common-assets/documents/visa-supplier-code-of-conduct.pdf

  > Code-of-Conduct-Update-Apri-19.pdf (q4cdn.com)

The Visa Europe Board recognises the severity of modern slavery and has taken steps to ensure we have controls against modern slavery and human trafficking across our suppliers and approves Visa Europe Modern Slavery Act Statement annually. You will find the most recent statement available here:

> 20190320-uk-modern-slavery-act-statement-signed.pdf (visa.co.uk)

In accordance with the Regulations, this Corporate Governance report will be published and available to view on the Visa Europe Limited website at visaeurope.com.

Directors' Report

The directors present their annual report and audited financial statements for Visa Europe Limited (Visa Europe or the Company) for the year ended 30 September 2020.

In accordance with Section 401 of the Companies Act 2006, the Company has availed its exemption from the requirements to prepare consolidated financial statements as the financial result of the Company, and all of its subsidiaries, are included in the audited consolidated financial statements of Visa Inc., the Company's overall parent company, for the years ended 30 September 2020 and 2019. Visa Inc.'s financial statements are prepared in accordance with accounting standards which are considered equivalent under the requirements of Section 401 of the Companies Act 2006. Visa Inc. is incorporated in the United States of America and copies of Visa Inc.'s financial statements are available from its website and also on Companies House website.

Principal activities

Visa Europe is a payments technology company that enables fast, secure and reliable electronic payments across the Europe Region.

We manage a range of payment products under the Visa brand name, which we license to our clients. Using the tools that Visa provides, these clients compete vigorously with one another to provide payment services to consumers and retailers.

Business objectives and activities

Developments in Visa Europe's business during the year, and an indication of likely future developments, are outlined in the Strategic Report on pages 2 to 20, which form part of this Directors' Report.

Results and dividend

The income statement for the year is set out on page 30 and shows a profit after tax for the year and attributable to the ordinary shareholders of €1,324 million (2019: €1,647 million). The decrease in operating profit is a result of COVID-19, which has resulted in a decrease in cross border activities, offset by growth in Ecommerce and contactless expenditure and payments and cost reduction initiatives across the business. The balance sheet is on page 32 and shows a net asset balance of €4,102 million (2019: €3,477 million).

During the year, the Company paid a €736 million interim cash dividend to its immediate parent, Visa International Holdings Limited (2019: €998 million), in line with the Visa Europe Capital Management and Dividend Policy.

Directors

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

It is Visa Europe's policy to ensure that no job applicant or employee is disadvantaged or receives unfavourable treatment, that all employees have the opportunity for advancement and development, regardless of race, colour, nationality or ethnic origins, gender, marital status, age, disability, religion or sexual orientation. Visa Europe is an equal opportunity employer. Equal opportunity is about good employment practices and treating our most valuable asset, our employees, fairly and equally. Visa Europe considers and, where appropriate, provides reasonable workplace adjustments to both current and prospective disabled employees.

Visa Europe is also committed to ensuring that all prospective applicants for employment are treated fairly and equitably throughout the recruitment process.

Visa Europe has established clear standards of communication for all of our employees, to provide information and to consult with our staff about important developments in the business and future changes to the organisation, and to generate an understanding of our purpose, strategy, values and business performance on an ongoing basis. Employees are provided with an anonymous channel to communicate views and opinions about working for Visa Europe through periodic Employee Surveys. Visa's Code of Business Conduct and Ethics sets out Visa's commitment to the highest ethical standards and provides employees with channels to raise any concerns and questions including a Confidential Compliance Hotline where they can remain anonymous if they chose to do so.

Overseas branches

Visa Europe has an overseas branch in France, which is consolidated into the reported figures.

Financial risk management

The details of the Company's financial instruments, policies and strategies are set out in notes 2 and 24 to the financial statements and the preceding Strategic Report.

Political donations

Visa Europe's policy is that it does not make contributions in cash or in kind to any political party.

In 2020, due to the COVID-19 pandemic, Visa Europe did not sponsor the Great British High Street Awards, run by the Ministry of Housing, Communities & Local Government as we did in 2019, and Visa Europe did not make any commitments to attend a number of events at the Labour and Conservative party conferences as in 2019.

In 2019, Visa Europe sponsored the Great British High Street Awards and made commitments to a number of events at the Labour and Conservative party conferences, but because of political uncertainty there was only limited engagement at these events. In 2019, Visa Europe paid £7,500 (excluding VAT) for Financial Inclusion Commission receptions at each of the conferences. Visa Europe also paid £8,000 (excluding VAT) to sponsor a fringe event at the Labour conference, and £10,000 (excluding VAT) to sponsor a fringe event at the Conservative conference. Cancelled private dinners at the Labour conference incurred a cost of £288, and £653 at the Conservative conference.

Going concern

The directors have adopted the going concern basis in preparing these financial statements having given due consideration to the liabilities of the Company and the consistent earnings growth over the years. The period covered by the directors assessment of going concern is twelve months from the date of approval of the financial statements. The directors considered the impact of COVID-19 in their assessment including the severe but reasonably possible downside scenarios, such as ongoing or further periods of travel bans and restrictions, quarantines, shelter-in-place or total lock-down orders and business limitations and shutdowns in the next twelve months, or client insolvencies. The directors also considered the impact of Retailer Litigation in their assessment. (Refer to Note 28, Legal matters, for further details of Retailer Litigation.) The directors have established that the Company's balance sheet is strong, and the Company can withstand significant interruption to its revenues without jeopardising either its capital or liquidity positions.

Although losses will be borne in the first instance by Visa Europe, Visa Inc., the Company's overall parent company, has agreed to recapitalise Visa Europe if financial resources fall below levels that are within its risk appetite as a result of any litigation settlement. Visa Europe maintains a Financial Recovery Plan that details the steps that would be taken in the event of any significant shortfall in financial resources.

Post balance sheet events

On 16 December 2020, it was determined at a case management conference that the proceedings in relation to the Retailer Litigation, which is moving straight to a quantum trial, is likely to begin in June 2022. See Note 28, Legal matters, for further details of the Retailer Litigation.

See Note 25, Contingent liabilities, for details on activity of other pending litigation against the Company taking place subsequent to the balance sheet date and before the date of approval of the Directors' Report.

On 26 October 2020, Visa Europe (Latvia) S.I.A. was formed, which is 100% held by the Company.

The Brexit Transition Agreement concluded on 31 December 2020, and Visa Europe worked to ensure a seamless transition for clients, merchants and consumers for Visa transactions between the UK and the EEA. In March 2021, Visa Europe confirmed that it will be treating transactions between the UK and the EEA as "Intra-Europe non-EEA Transactions" and that interchange rates and Visa fee schedules will be adjusted accordingly beginning in October 2021.

On 24 March 2021, the Company paid a cash dividend in the amount of €1.5 billion to its immediate parent, Visa International Holdings Limited, in line with the Visa Europe Capital Management and Dividend Policy.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

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

Visa Europe Board members

The following directors held office during and after the year ended 30 September 2020:

Members	Appointed/ Resigned	Board	Risk Committee	Audit Committee	Nominations Committee	Remuneration Committee
Alison Deborah Hewitt (Independent Non-Executive Director)	Re-appointed 12 May 2020	x (chair from 2 Jul 2018)	x	x	x (chair from 21 Jun 2019)	x (chair from 21 Jun 2019)
Charlotte Mary Hogg (Chief Executive Officer)	Appointed 2 Oct 2017	x				
Robert Philip Livingston (Chief Financial Officer)	Appointed 5 Aug 2019	x				
Ellen Richey (Non-Executive Director)	Resigned 3 Dec 2019	x	x		x	
William Morgan Sheedy (Non-Executive Director)	Re-appointed 2 Jul 2018	x		x	x	x
Philippe Tromp (Independent Non-Executive Director)	Appointed 14 Mar 2019	x	x (chair from 21 Jun 2019)	x	x	x
Hamayou Akbar Hussain (Independent Non-Executive Director)	Appointed 21 Jun 2019	x	x	x (chair from 21 Jun 2019)	x	
Peter James Plumb (Independent Non-Executive Director)	Appointed 3 Dec 2019	x	x	x	x	x
Christopher James Clark (Non-Executive Director)	Appointed 3 Dec 2019	x	x		x	x
Kelly Mahon Tullier (Alternate Non-Executive Director)	Appointed 19 Aug 2020					

On behalf of the Visa Europe Board

DocuSigned by:
Charlotte Hogg
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Charlotte Hogg
Chief Executive Officer

26 March 2021

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Independent auditor's report to the members of Visa Europe Limited

Opinion

We have audited the financial statements of Visa Europe Limited ("the company") for the year ended 30 September 2020 which comprise the income statement, statement of other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related notes, including the accounting policies in note 2 .

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have *obtained is a sufficient and appropriate basis for our opinion.*

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 27, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Karyn Nicoll (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

26 March 2021

Income Statement

For the year ended 30 September 2020

	Note	**2020 €'000**	2019 €'000
Revenue	4	**3,054,754**	3,327,871
Administrative expenses			
Employee benefits	8	**(322,535)**	(299,068)
Retailers provision and expense	5, 21	**(34,743)**	(152,395)
Depreciation and amortisation	5	**(43,931)**	(33,970)
Other administrative expense	5	**(1,049,698)**	(757,118)
		(1,450,907)	(1,242,551)
Other expenses			
Re-measurement income/(expense)	7	**52,786**	(72,169)
Other provision expense		**—**	4,476
		52,786	(67,693)
Other operating income		**1,112**	2,808
Operating profit		**1,657,745**	2,020,435
Net finance (expense)/income		**(19,959)**	1,016
Profit before tax		**1,637,786**	2,021,451
Income tax expense	10	**(313,556)**	(374,382)
Profit for the year attributable to equity holders of the parent		**1,324,230**	1,647,069

The notes on pages 36 to 82 form part of these financial statements.

Statement of Other Comprehensive Income

For the year ended 30 September 2020

	Note	**2020** **€'000**	2019 €'000
Profit for the year attributable to equity holders of the parent		**1,324,230**	1,647,069
Other comprehensive income:			
Items that will not be reclassified to income statement			
Remeasurement losses on defined benefit pension schemes	10	**(11,274)**	(17,099)
Income tax relating to items that will not be reclassified	10	**6,131**	3,681
		(5,143)	(13,418)
Items that may be reclassified subsequently to income statement			
Cash flow hedges:			
Net gains/(losses) arising on hedging derivatives	10	**34,693**	(6,649)
Effective hedge (gains)/losses transferred from other comprehensive income to income statement	10	**(13,757)**	1,853
Income tax relating to items that may be reclassified	10	**(4,111)**	1,109
		16,825	(3,687)
Other comprehensive income for the year, net of tax		**11,682**	(17,105)
Total comprehensive income for the year		**1,335,912**	1,629,964

The notes on pages 36 to 82 form part of these financial statements.

Statement of Financial Position

As at 30 September 2020

	Note	2020 €'000	*Restated 2019 €'000
Non-current assets			
Property, plant and equipment	11	**122,330**	120,799
Goodwill and intangibles	12	**55,004**	55,679
Right of use assets	26	**94,386**	—
Deferred tax assets	15	**9,878**	3,435
Investment in subsidiaries	13	**49**	45
		281,647	179,958
Current assets			
Trade and other receivables	16	**1,955,743**	4,169,319
Cash and cash equivalents	17	**5,170,822**	4,348,038
Financial assets	14	**26,300**	763
		7,152,865	8,518,120
Current liabilities			
Trade and other payables	18	**3,048,567**	4,868,479
Current tax liabilities		**22,619**	205,322
Financial liabilities	19	**14,572**	21,991
		3,085,758	5,095,792
Net current assets		**4,067,107**	3,422,328
Non-current liabilities			
Retirement benefit obligation	20	**35,067**	37,688
Provisions	21	**78,557**	68,553
Other liabilities		**133,063**	18,885
		246,687	125,126
Net assets		**4,102,067**	3,477,160
Equity			
Share capital	22	**32**	32
Share premium	22	**60,903**	60,903
Contribution reserve	22	**176,483**	147,859
Cash flow hedging reserve	22	**15,776**	(1,049)
Retained earnings	22	**3,848,873**	3,269,415
Equity attributable to equity holders of the parent		**4,102,067**	3,477,160

*See Note 16, Trade and other receivables, and Note 18, Trade and other payables, for details.

The notes on pages 36 to 82 form part of these financial statements.

The financial statements were approved by the Visa Europe Board and authorised for signing on 26 March 2021. They were signed on its behalf by:

DocuSigned by:
Robert Livingston
0FFE892C867F4CA

Robert Livingston
Chief Financial Officer, Visa Europe
Company number: 5139966

26 March 2021

Statement of Changes in Equity

For the year ended 30 September 2020

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Contribution reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000	Total equity €'000
Balance as at 30 September 2019	**32**	**60,903**	**147,859**	**(1,049)**	**3,269,415**	**3,477,160**
Total comprehensive income for the year						
Profit after tax	—	—	—	—	**1,324,230**	**1,324,230**
Other comprehensive income:						
Items that will not be reclassified to income statement						
Remeasurement losses on defined benefit pension schemes	—	—	—	—	(11,274)	**(11,274)**
Income taxes relating to items that will not be reclassified	—	—	—	—	6,131	**6,131**
	—	—	—	—	**(5,143)**	**(5,143)**
Items that may be reclassified subsequently to income statement						
Cash flow hedges:						
Net gains arising on hedging derivatives	—	—	—	34,693	—	**34,693**
Net gains transferred from other comprehensive income to income statement	—	—	—	(13,757)	—	**(13,757)**
Income tax relating to items that may be reclassified	—	—	—	(4,111)	—	**(4,111)**
	—	—	—	**16,825**	—	**16,825**
Other comprehensive income for the year, net of tax	—	—	—	**16,825**	**(5,143)**	**11,682**
Total comprehensive income for the year	—	—	—	**16,825**	**1,319,087**	**1,335,912**
Transactions with owners, recorded directly in equity						
Contributions by and distribution to owners:						
Dividend paid to parent	—	—	—	—	(735,957)	**(735,957)**
Equity settled share-based payment transactions	—	—	27,900	—	—	**27,900**
Income tax relating to transactions with owners, recorded directly in equity	—	—	724	—	—	**724**
Transfer of reserves as a result of transactions with subsidiary	—	—	—	—	(3,672)	**(3,672)**
Total contributions by and distributions to owners	—	—	**28,624**	—	**(739,629)**	**(711,005)**
Balance as at 30 September 2020	**32**	**60,903**	**176,483**	**15,776**	**3,848,873**	**4,102,067**

The notes on pages 36 to 82 form part of these financial statements.

Statement of Changes in Equity *continued*

For the year ended 30 September 2019

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Contribution reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000	Total equity €'000
Balance as at 30 September 2018	32	60,903	124,545	2,638	2,360,844	2,548,962
Adjustment on initial application of IFRS 15, net of tax	—	—	—	—	273,037	273,037
Restated balance as at 1 October 2018	32	60,903	124,545	2,638	2,633,881	2,821,999
Total comprehensive income for the year						
Profit after tax	—	—	—	—	1,647,069	1,647,069
Other comprehensive income:						
Items that will not be reclassified to income statement						
Remeasurement losses on defined benefit pension schemes	—	—	—	—	(17,099)	(17,099)
Income taxes relating to items that will not be reclassified	—	—	—	—	3,681	3,681
	—	—	—	—	(13,418)	(13,418)
Items that may be reclassified subsequently to income statement						
Cash flow hedges:						
Net losses arising on hedging derivatives	—	—	—	(6,649)	—	(6,649)
Net losses transferred from other comprehensive income to income statement	—	—	—	1,853	—	1,853
Income tax relating to items that may be reclassified	—	—	—	1,109	—	1,109
	—	—	—	(3,687)	—	(3,687)
Other comprehensive income for the year, net of tax	—	—	—	(3,687)	(13,418)	(17,105)
Total comprehensive income for the year	—	—	—	(3,687)	1,633,651	1,629,964
Transactions with owners, recorded directly in equity						
Contributions by and distribution to owners:						
Dividend paid to parent	—	—	—	—	(998,117)	(998,117)
Equity settled share-based payment transactions	—	—	22,507	—	—	22,507
Income tax relating to transactions with owners, recorded directly in equity	—	—	807	—	—	807
Total contributions by and distributions to owners	—	—	23,314	—	(998,117)	(974,803)
Balance as at 30 September 2019	32	60,903	147,859	(1,049)	3,269,415	3,477,160

The notes on pages 36 to 82 form part of these financial statements.

Statement of Cash Flows

For the year ended 30 September 2020

	Note	2020 €'000	*Restated 2019 €'000
Profit before tax		**1,637,786**	2,021,451
Adjustments for:			
Depreciation of property, plant and equipment	11	**31,369**	33,543
Amortisation of intangibles	12	**675**	427
Depreciation of right-of-use assets	5	**11,887**	—
Share-based payment expense	8	**27,900**	22,507
Finance income		**—**	(1,168)
Finance costs		**19,959**	152
Foreign exchange net loss/(gain)	5	**106,560**	(35,013)
Current and past service cost on retirement benefit scheme	20	**4,852**	4,847
Loss on disposal of property, plant and equipment	11	**4,595**	3,515
Changes in other assets and liabilities		**9,115**	(2,604)
Operating cash flows before movements in working capital		**1,854,698**	2,047,657
Decrease/(Increase) in receivables		**2,163,516**	(2,253,273)
(Decrease)/Increase in payables		**(1,888,812)**	2,191,680
Cash generated by operations		**2,129,402**	1,986,064
Contributions to retirement benefit scheme	20	**(19,832)**	(9,042)
Income taxes paid		**(467,917)**	(307,258)
Net cash from operating activities		**1,641,653**	1,669,764
Investing activities			
Interest received		**—**	1,168
Purchase of property, plant and equipment		**(41,766)**	(28,847)
Net cash used in investing activities		**(41,766)**	(27,679)
Financing activities			
Dividend paid to parent	22	**(735,957)**	(998,117)
Interest paid		**(19,959)**	(152)
Payment of lease liabilities - principal	26	**(6,550)**	—
Payment of lease liabilities - interest	26	**(2,751)**	—
Net cash used in financing activities		**(765,217)**	(998,269)
Net increase in cash and cash equivalents		**834,670**	643,816
Cash and cash equivalents at the beginning of the year		**4,348,038**	3,613,368
Foreign exchange (loss)/gain thereon		**(15,343)**	90,854
Cash and cash equivalents at the end of the year, net of overdraft	17	**5,167,365**	4,348,038

*See Note 16, Trade and other receivables, and Note 18, Trade and other payables, for details.

The notes on pages 36 to 82 form part of these financial statements.

Notes to the financial statements

As at 30 September 2020

1. General information

Visa Europe Limited (Visa Europe or the Company) is an entity incorporated in the United Kingdom under the Companies Act 2006. *The address of the registered office is given on page 82.*

Visa Europe is a payments technology company that enables fast, secure and reliable electronic payments across the Europe Region, which encompasses 38 countries including the UK, the 27 countries of the EU, Turkey, Israel and the Baltic states. The Company continues to manage a range of payment products under the Visa brand name, which we license to our clients. Using the tools that Visa provides, these clients compete vigorously with one another to provide payment services to consumers and retailers.

2. Significant accounting policies

IFRS

Statement of compliance

The Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. These financial statements are presented in Euros, which is both the functional and presentational currency, rounded to the nearest thousand, unless otherwise indicated.

This is the first set of the Company's annual financial statements in which IFRS 16 - *Leases* (IFRS 16) has been applied. (Refer to below - Adoption of revised standards.)

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that support carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

In accordance with Section 401 of the Companies Act 2006, the Company has availed its exemption from the requirements to prepare consolidated financial statements as the Company, and all of its subsidiaries, are included in the audited consolidated financial statements of Visa Inc., the Company's overall parent company, for the years ended 30 September 2020 and 2019. Visa Inc.'s financial statements are prepared in accordance with accounting standards which are considered equivalent under the requirements of Section 401 of the Companies Act 2006. Visa Inc. is incorporated in the United States of America and copies of Visa Inc.'s financial statements are available from its website.

Going concern

The directors have adopted the going concern basis in preparing these financial statements having given due consideration to the liabilities of the Company and the consistent earnings growth over the years. The period covered by the directors assessment of going concern is twelve months from the date of approval of the financial statements. The directors considered the impact of COVID-19 in their assessment including the severe but reasonably possible downside scenarios, such as ongoing or further periods of travel bans and restrictions, quarantines, shelter-in-place or total lock-down orders and business limitations and shutdowns in the next twelve months, or client insolvencies. The directors also considered the impact of Retailer Litigation in their assessment. (Refer to Note 28, Legal matters, for further details of Retailer Litigation.) The directors have established that the Company's balance sheet is strong and the Company can withstand significant interruption to its revenues without jeopardizing either its capital or liquidity positions.

Although losses will be borne in the first instance by Visa Europe, Visa Inc., the Company's overall parent company, has agreed to recapitalise Visa Europe if financial resources fall below levels that are within its risk appetite as a result of any litigation settlement. Visa Europe maintains a Financial Recovery Plan that details the steps that would be taken in the event of any significant shortfall in financial resources.

Adoption of new or revised standards

The Company has initially applied IFRS 16 from 1 October 2019. A number of other new standards are also effective from 1 October 2019 but they do not have a material effect on the Company's financial statements.

Due to the transition method chosen by the Company in applying IFRS 16, comparative information throughout these financial statements has not been restated.

IFRS 16

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e., lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including International Accounting Standard 17 - *Leases* (IAS 17), IFRIC 4 - *Determining whether an Arrangement contains a Lease*, SIC-15 - *Operating Leases-Incentives,* and SIC 27 - *Evaluating the Substance of Transactions involving the Legal Form of a Lease.*

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for fiscal year 2019 is not restated — i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - *Determining whether an Arrangement contains a Lease.* The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained below under Significant accounting policies - Leasing.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 October 2019.

B. As a lessee

As a lessee, the Company leases property. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases — i.e. these leases are on-balance sheet.

The Company recognised new assets and liabilities for its operating leases of office facilities. The nature of expenses related to those leases has changed because the Company recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration In the contract to each lease component on the basis of its relative stand-alone price. Lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company does not combine lease payments with non-lease components for any of its leases..

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS17. On transition for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as at 1 October 2019, depending on lease term.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17
The Company did not have finance leases in the current or prior year.

C. As a lessor
The Company sub-leases a portion of one of its leased properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. The Company assessed the classification of the sub-lease contracts with reference to the right-of-use asset, and concluded that they are operating leases under IFRS 16. IFRS 16 had no impact on leases in which the Company is a lessor.

D. Impact on financial statements
On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities as follows:

	1 October 2019
	€'000
Right-of-use assets	87,812
Lease liabilities	91,239

For the impact of IFRS 16 on profit or loss for the period, see Note 26, Leases.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using a rate based upon the Visa Group's incremental borrowing rate at 1 October 2019. As a majority of the Company's leases do not provide an implicit rate, the Company used the incremental borrowing rate based on the information available at 1 October 2019 in determining the present value of lease payments. The weighted average discount rate applied was 2.68%.

	1 October 2019
	€'000
Operating lease commitments at 30 September 2019 as disclosed under IAS 17 in the Company's 2019 financial statements	121,263
Discounted using the incremental borrowing rate at 1 October 2019	(12,420)
Extension options reasonably certain to be exercised	2,036
Lease commitment for an impaired lease included in Trade and other payables	(10,960)
Adjustment for change to lease terms and foreign exchange differences	(8,680)
Lease liabilities recognised at 1 October 2019	91,239

For the details of accounting policies under IFRS 16 and IAS 17, refer to below under Significant accounting policies - Leasing.

Amendments were made to the following accounting standards in the current financial year and the adoption of these standards has had no material impact on these financial statements:

IFRIC 23 - Uncertainty over Tax Treatments
Amendments to IFRS 9 - Prepayment Features with Negative Compensation
Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRSs 2015-2017 (IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements; IAS 12 - Income Taxes; and IAS 23 - Borrowing Costs)

2. Significant accounting policies *continued*

The following revisions to accounting standards and pronouncements which are applicable to the Company were issued as at 30 September 2020, but are effective for accounting periods beginning on or after 1 October 2020. The use of these standards that have yet to be endorsed by the European Union is not permitted. Where the standards listed below have been endorsed by the European Union and early adoption is permitted, the Company has elected not to apply them in the preparation of these financial statements.

Pronouncement	Nature of change	Latest effective date for the Company
Amendments to References to Conceptual Framework in IFRSs	The main revisions include revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure.	1 October 2020
Amendments to IAS 39, IFRS 9 and IFRS 7: Interest Rate Benchmark Reform	The amendment addresses uncertainties related to the market wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS 39 or IFRS 9.	1 October 2020
Amendments to IAS 1 and IAS 8: Definition of Material	To help preparers of financial statements, the International Accounting Standards Board (IASB) has refined its definition of 'material', issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of accounting policies.	1 October 2020
Amendments to IFRS 3: Definition of a Business	The IASB has issued amendments to IFRS 3, Business Combinations, that seeks to clarify the definition of a business when determining whether a transaction results in an asset or a business acquisition.	1 October 2020
Amendment to IFRS 16: COVID-19 Related Rent Concessions	In response to the COVID-19 coronavirus pandemic, the IASB has issued amendments to IFRS 16, Leases, to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.	1 October 2020
Amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform-Phase 2	To ensure that financial statements best reflect the economic effects of IBOR reform, the IASB has issued amendments that focus on the accounting once a new benchmark rate is in place.	1 October 2021
Amendments to IAS 37: Onerous Contracts-Cost of Fulfilling a Contract	The amendments clarify the types of costs a company includes as the 'costs of fulfilling a contract' when assessing whether a contract is onerous.	1 October 2022
Annual Improvements to IFRS Standards 2018-2020	IFRS 1 - First-time Adoption of International Financial Reporting Standards IFRS 9 - Financial Instruments IFRS 16 - Leases IAS 41 - Agriculture	1 October 2022

2. Significant accounting policies *continued*

Pronouncement	Nature of change	Latest effective date for the Company
Amendments to IAS 16: Property, Plant and Equipment Proceeds before Intended Use	To address diversity in practice, the IASB has amended IAS 16, Property, Plant and Equipment, to provide guidance on the accounting for sale proceeds before PPE is available for its intended use and the related production costs.	1 October 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	The amendments (1) update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; (2) adds to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and (3) adds to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	1 October 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	To promote consistency in application and clarify the requirements on determining if a liability is current or non-current, the IASB has amended IAS 1.	1 October 2023
IFRS 17: Insurance Contracts and Amendments to IFRS 17	The IASB aims for greater comparability and transparency for investors and analysts. With these amendments, the IASB is responding to the concerns and implementation challenges raised by insurers and other stakeholders, having monitored and supported IFRS 17 implementation since its publication in 2017.	1 October 2023
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments respond to a conflict in existing guidance, and the resulting diversity in practice. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 -Business Combinations.	Effective date deferred indefinitely

The above amendments to accounting standards and pronouncements applicable to the Company effective for accounting periods beginning after 30 September 2020 are not expected to have a material impact or the Company has not completed its impact assessment.

Foreign currency translation

The Company's financial statements are presented in Euros, which is Visa Europe's functional currency. In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Any resulting exchange differences are included in administrative expenses in the income statement. Non-monetary items measured at fair value on recognition and subsequently revalued are translated at the rates prevailing at the date when the initial fair value was determined. Non-monetary items measured in terms of historical cost that are denominated in foreign currencies are translated using the exchange rate at the date of the transaction.

In order to hedge its exposure to certain foreign exchange risks, the Company enters into forward contracts. The nature of the Company's currency risks is explained in Note 23 (see below for details of the Company's accounting policies in respect of such derivative financial instruments).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents service fees, data processing fees and international fees, net of volume-based discounts and support incentives, VAT and other sales-related taxes.

Scheme fees predominantly represent payments by clients with respect to the Visa card programme. Current quarter scheme fees are assessed using a calculation of current pricing applied to the prior quarter's payments volume. Data processing fees represent user fees for authorisation, clearing, settlement and other activities that facilitate transaction and information flow among the Company's clients. Data processing revenues are recognised in the same period the related transactions occur or services are performed. International fees are determined by the extent to which Visa cards issued by Visa Europe clients are used non-domestically and Visa cards issued elsewhere are used within the Visa Europe territories. International fees are primarily generated by cross-border payments and cash volume and are recognised in the same period related volumes are transacted.

Client incentive agreements (Incentives or CIAs)
The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programmes designed to build payments volume, increase Visa product acceptance, win merchant routing transactions over Visa's network and drive innovation.

Incentives are primarily accounted for as reductions to revenues or as operating expenses. Operating expense classification applies if the Company has enforceable rights under the contract to receive distinct goods/services from the customer, a separate identifiable benefit at fair value can be established, the goods/services are controlled by the Company and the Company is not required to pay or has the right to claw-back prepaid funds if not used as directed.

Client incentives are provided as discounts against fees or payouts to drive increased payments volume and transactions routed through Visa, which are then cleared and settled over Visa's network. Incentives costs, incurred in pursuit of revenue growth or retention, are considered direct costs of revenues and are treated as a contra to revenue in the income statement.

The Company generally capitalises advance incentive payments under these agreements. Advance payments relate to up front payments made in advance of any performance year or at the beginning of the contract, before which we are able to assess the clients' performance against contracted targets. These payments generally have a clawback element associated for non-performance of a pre-agreed condition or performance target. Advance payments are typically to support clients with migration, installing acceptance terminals or setting up on Visa's systems, amongst other uses. Capitalised amounts are amortised over the life of the agreement. Incentives not yet paid are accrued based on management's estimate of each client's performance against the contractual terms. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts. If there is a history of renewal with a client, accruals are recorded during any gap period, based on an estimated accrual under the expired contract. Any amount in excess of what was accrued under the new contract, would be deferred and amortized over the new contract term.

Leasing

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 October 2019

At 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 October 2019.

The Company as lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. The Company does not combine lease payments with non-lease components for any of its leases.

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, a rate based upon the Visa Group's incremental borrowing rate.

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

- fixed and determinable 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.

2. Significant accounting policies *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, 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, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as a separate line item in the statement of financial position. The current portion of lease liabilities are included in Trade and other payables and the non-current portion is included in Other liabilities in the statement of financial position.

Depreciation of right-of-use assets is charged to the income statement and included in Other administrative expense. Interest expense on lease liabilities is charged to the income statement and included in Net finance (expense)/income.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases 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.

The Company as lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight- line basis over the lease term as part of Other operating income in the income statement.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 October 2019

The Company as lessee
In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Assets held under finance leases were recognised as assets of the Company at their fair value or, if lower, at the present value of the future minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor was included in the balance sheet as a finance lease obligation. Lease payments were apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised directly against income.

Rentals payable under operating leases were charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease were also spread on a straight-line basis over the lease term.

The Company as lessor
Rental income from operating leases was recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease were added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax in the income statement except as relates to other comprehensive income. Tax related to other comprehensive income is included in the statement of other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit for the year attributable equity holders of the parent as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the year. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off assets against liabilities and when they relate to income taxes levied by the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of self-constructed assets includes the costs of materials and direct labour. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Computer equipment and software includes integrated computer hardware, purchased software and IT system infrastructures that consist of integrated hardware and software.

Land is not depreciated. Depreciation on all other assets is charged to the income statement using the straight-line method so as to write off the cost of the asset to the estimated residual value over the estimated useful life on the following bases:

Buildings	40 years
Leasehold improvements	40 years (or lease term if shorter)
Fixtures and equipment	3 to 10 years
Computer equipment and software	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Goodwill and intangible assets

Goodwill arising from a business combination represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses to the income statement.

Operating rights, an intangible asset, assessed to have an indefinite useful life as, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company.

Intangible assets also include customer relationships, brand and internally generated software (IGS), which is software designed, developed and commercialised by the Company to generate economic profit. Development expenditure for IGS is capitalised as an intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognised in the income statement as incurred.

Expenditure related to research-associated activities is recognised as an expense in the period in which it is incurred. IGS is initially capitalised and held in property, plant and equipment and is transferred to intangible assets when the software is brought into use.

Intangible assets are recorded at cost less accumulated amortisation and any impairment losses. Amortisation for customer relationship, brand and internally generated software are charged to the income statement using the straight-line method so as to write off the cost of the assets over their estimated useful lives on the following bases:

Customer relationships	15 years
Brand	15 years
Internally generated software	3 to 10 years

Impairment of tangible and intangible assets
At each reporting date, or more frequently when an indication of impairment has been identified, the Company reviews the carrying amounts of its tangible assets, intangible assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately. If the recoverable amount of goodwill is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the cash-generating unit on a pro-rata basis.

Where an impairment loss, other than goodwill, subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. Impairment losses on goodwill are not subsequently reversed.

Financial instruments

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through OCI (FVOCI) — debt investment; FVOCI — equity investment; or Fair Value through Profit and Loss (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.

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 tor trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in 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.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment:
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensation - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not quality for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest:
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount and/or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate terms;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets 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 instruments 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 reclassed to profit or loss.
Equity instruments 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

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. In addition, in determining whether a market is active the Company takes into consideration transaction volumes for the instrument in the given market and whether transaction frequency and volumes drive the provision of pricing information on an ongoing basis. If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

In the instance that fair values of assets and liabilities cannot be reliably measured, they are carried at cost.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

Financial instruments derecognition

The Company derecognises a financial asset when the contractual rights to the cashflows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial asset that is created or retained by the Company is recognised as a separate asset or liability.

The difference between the carrying amount of the asset (or that allocated to the portion of the asset derecognised) and the sum of i) the consideration received and ii) any cumulative gain or loss recognised in other comprehensive income, is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Trade receivables and other receivables

Trade receivables are measured at fair value at the date of trade plus directly attributable transaction costs on initial recognition, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement. When estimating loss allowances for trade receivables, 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. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, short-term bank deposits with an original maturity of three months or less, money market funds and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and overdrafts are held separately on the balance sheet as assets and liabilities, but are combined for the purpose of the statement of cash flows. Cash and overdrafts are carried at amortised cost in the statement of financial position.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Derivative financial instruments and cash flow hedge accounting

Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges
When a derivative is designated as a cash hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Netting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legally enforceable right at all times to offset the amounts and intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Retirement benefit schemes
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as employee benefits in the income statement. The Company currently operates defined contribution pension schemes and the schemes are open to new entrants.

For defined benefit plans, which are open to future accrual but closed to new entrants, the Company's net obligation is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) 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 then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee benefits in the income statement.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payments

The overall parent company of Visa Europe issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The fair value of awards of non-vested shares is equal to the closing price of the Visa Inc. shares on the date of grant, adjusted for the present value of future dividend entitlements where appropriate.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value using a commercial rate where the effect is material. The discount rate adopted for present value purposes in calculating provisions is pre-tax, reflective of the risks specific to the liability, and not reflective of risks for which future cash flow estimates have been adjusted. Discounts are unwound through the income statement from the date the provision is made up to the date that the expenditure covered by the provision is incurred.

Contingent liabilities are disclosed when the Company has a present obligation as a result of a past event, but the probability that it will be required to settle that obligation is more than remote, but not probable.

3. 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.

Retirement benefits (Estimate)

The schemes' liabilities are calculated using the projected unit credit method, which takes into account projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the scheme liabilities. The resulting estimated cash flows are discounted at a rate equivalent to the market yield at the balance sheet date on high quality bonds with a similar duration and currency to the schemes' liabilities. In order to estimate the future cash flows, a number of financial and non-financial assumptions are made by management, changes to which could have a material impact upon the overall deficit or the net cost recognised in the income statement.

The three most important assumptions are the rate of inflation, the discount rate and the rates of mortality.

The assumed rates of inflation affect the rate at which salaries and deferred pensions are projected to grow before retirement and also the rates at which pensions in payment increase. Over the longer term, rates of inflation can vary significantly; at 30 September 2020 it was assumed that the rate of inflation was based on the increase in the Retail Prices Index (RPI), for which an assumption of 3.00% per annum (2019: 3.20%) was made, and also on the increase in the Consumer Prices Index (CPI), for which an assumption of 2.20% per annum was made (2019: 2.20%). If these assumptions were increased by 0.1%, and the other inflation related assumptions were increased by a commensurate amount, the overall deficit would increase by approximately €9 million (2019: €8.8 million) and the annual cost by approximately €0.2 million (2019: €0.2 million). A reduction of 0.1% would reduce the overall deficit by approximately €8.9 million (2019: €9 million) and the annual cost by approximately €0.2 million (2019: €0.2 million). The size of the overall deficit is also sensitive to changes in the discount rate, which is affected by market conditions and therefore potentially subject to significant variations.
At 30 September 2020 the discount rate used was 1.60% (2019: 1.80%); a reduction of 0.1% would increase the overall deficit by approximately €10.6 million (2019: €10.8 million) and the annual cost by approximately €0.2 million (2019: €0.3 million), while an increase of 0.1% would reduce the deficit by approximately €10.4 million (2019: €10.6 million) and the annual cost by approximately €0.2 million (2019: €0.3 million). See Note 20.

The size of the overall deficit is also sensitive to changes in the assumption for rates of mortality, which is another variable that cannot be predicted with any degree of certainty; it is therefore also an assumption which is subject to variations over time (both in terms of the ultimate rates observed and what is considered a reasonable assumption for projecting future improvements to these rates).

In particular, during FY20, there was further uncertainty introduced by the COVID-19 global pandemic. No excessive deaths from COVID-19 had been experienced in the scheme so no change to the assumption for current rates of mortality was made, nor for the long term rates of improvement. If the assumed life expectancy was increased by approximately* one year the overall deficit would increase by approximately €16 million (2019: €16.3 million) and the annual cost by approximately €0.9 million (2019: €0.4 million). If the assumed life expectancy was reduced by approximately* one year the overall deficit would reduce by approximately €15.7 million (2019: €16 million) and the annual cost by approximately €0.3 million (2019: €0.4 million).

The scheme exposes the Company to the following risks:

- Asset volatility: The Plan's assets may underperform the discount rate assumed over any accounting period.
- Inflation risk: A significant proportion of the Plan's benefits increase in line with the UK inflation measures, RPI and CPI. Unexpected increases in UK inflation would lead to higher Plan benefits.
- Longevity: Unexpected increases in life expectancy would increase the Plan's liabilities.

*We have approximated the change in life expectancy by assuming that everyone experiences the mortality rates (prior to the allowance for improvements) of someone aged one year younger or older than they actually were.

Provisions and contingent liabilities (Judgement and Estimate)
The Company exercises its judgement in considering whether a liability may arise and where estimation is possible, makes a prudent estimate of that liability. Judgement is necessary in assessing the likelihood that a claim or allegation will succeed or that a negotiated settlement may be reached. Judgement is further required in recognising and estimating the quantum of provisions (see Note 21) and contingent liabilities (see Note 25) related to legal and regulatory proceedings.

The Company evaluates the likelihood of an unfavourable outcome in legal or regulatory proceedings to which it is a party and recognises a provision when it is probable that an outflow of resources will be required to settle the obligation and the amount of the loss can be estimated reliably. "Probable" is defined as more likely than not. The amount recorded as a provision is the Company's best estimate of the expenditure required to settle the obligation. If the best estimate of the expenditure is a range, and if one amount in that range represents a better estimate than any other amount within the range, that amount is recorded. If no amount in the range is a better estimate than any other amount, the Company recognises the midpoint of the range for recording the liability. These judgements are subjective, based on the status of such legal or regulatory proceedings, the merits of the Company's defences and consultation with corporate and external legal counsel. Actual outcomes of these legal and regulatory proceedings may differ materially from the Group's estimates. See Note 21 - Provisions and Note 28 - Legal matters.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote. See Note 25 - Contingent liabilities and Note 28 - Legal matters.

Due to the inherent uncertainty in these evaluation processes, assessments or estimates may prove to be incorrect and actual outflows of resources may be different from the original assessment.

4. Revenue

An analysis of the Company's revenue is as follows:

	2020	2019
	€'000	€'000
Gross revenue	**4,074,852**	4,104,456
Incentives	**(1,020,098)**	(776,585)
Net revenue	**3,054,754**	3,327,871

Separation of gross revenue by the Company's three business units, Scheme, Processing and International fees, is as follows:

	2020 €'000			
	Scheme	Processing	International fees	Total
Gross revenue	**635,818**	**946,336**	**2,492,698**	**4,074,852**

	2019 €'000			
	Scheme	Processing	International fees	Total
Gross revenue	618,616	890,372	2,595,468	4,104,456

The following table provides information about contract assets and contract liabilities from client incentive contracts with customers:

	2020 €'000	2019 €'000
Contract assets	**558,287**	449,879
Contract liabilities	**(847,361)**	(688,704)

The contract assets primarily relate to advance payments made on the Company's client incentive agreements with financial institution clients, merchants and various strategic partners. Contract assets also include the deferral of accruals relating to the difference that arises when the start date of a new or modification agreement is earlier than the execution date, and the incentives provided are applicable from the start date rather than the execution date. The contract assets were impacted by new agreements signed with clients and the amortization of existing assets over the period of the respective contract terms. There were no significant impairments to contract assets during the period.

The contract liabilities primarily relate to unpaid incentives on agreements with clients and partners, as at the reporting date. The contract liabilities were impacted by payments made against accruals from the previous period and the accounting for obligations arising from new contracts signed with customers. Changes in contract liabilities in the period were driven by the impact of new contracts and modifications to existing contracts of €230 million, offset by changes in the estimates related to client's performance against contracted targets of (€71) million.

Contract assets and contract liabilities are presented in the statement of financial position within trade and other receivables and trade and other payables, respectively. (Refer to Note 16, Trade and other receivables, and Note 18, Trade and other payables.)

5. Administrative expenses

Other administrative expense includes:

	2020 €'000	2019 €'000
Foreign exchange net loss/(gain)	**106,560**	(35,013)
Research and development costs	**1,749**	5,082
Operating lease cost (see Note 26)	**—**	27,374
Auditor's remuneration (see Note 6)	**1,912**	1,581
Loss on disposal of property, plant and equipment (see Note 11)	**4,595**	3,515
Other remaining costs	**934,882**	754,579
Total Other administrative expense	**1,049,698**	757,118

Other remaining costs within other administrative expense includes charges from Visa Inc. (resulting from our contractual arrangement with Visa Inc. as governed by the Framework Agreement - refer to Note 27), along with professional, consulting and marketing costs.

Decrease in Operating lease cost is a result of the implementation of IFRS 16 effective 1 October 2019. Refer to Note 2 - Significant accounting policies - Adoption of revised standards and Note 26 - Leases.

Depreciation and amortisation includes:

	2020 €'000	2019 €'000
Depreciation of property, plant and equipment (see Note 11)	**31,369**	33,543
Amortisation of intangibles (see Note 12)	**675**	427
Depreciation of right-of-use assets (see Note 26)	**11,887**	—
Total Depreciation and amortisation	**43,931**	33,970

Increase in Depreciation of right-of-use assets is a result of the implementation of IFRS 16 effective 1 October 2019. Refer to Note 2 - Significant accounting policies - Adoption of revised standards and Note 26 - Leases.

In fiscal year 2020, the Company agreed to settlements of €29 million (2019: €152 million) in total with other individual merchants related to multilateral interchange fees unrelated to the Retailer Litigation case. See Note 21—Provisions and Note 28—Legal matters for further details of the Retailer Litigation.

Refer to Note 8 for details of Employee benefits.

6. Auditor's remuneration

The remuneration of the auditor, KPMG LLP, is set out below:

	2020 €'000	2019 €'000
Fees payable to the Company's auditor for the audit of the annual accounts	**1,186**	940
Fees payable to the Company's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	**79**	52
Tax advisory services	**—**	185
Other assurance services	**647**	404
	1,912	1,581

Other assurance services related primarily to regulatory assurance associated with Interchange Fee Regulation (IFR) reporting and other regulatory reporting.

In addition to the amount disclosed for auditor's remuneration for 2019, a further €0.2 million was paid to the auditor in relation to the 2019 audit after the issuance of the financial statements. This has been included in the current year disclosure.

7. Re-measurement income/(expense)

	2020 €'000	2019 €'000
Net realised gain/(loss) on derivatives in a designated hedge accounting relationship	**39,414**	(60,738)
Net unrealised gain/(loss) on derivatives in a designated hedge accounting relationship	**13,372**	(11,431)
	52,786	(72,169)

There was €0.3 million ineffectiveness arising from cash flow hedges included in re-measurement income/(expense) (2019: €0.1 million).

The classification of net realised and net unrealised gain/(loss) in 2019 have been represented to be consistent with the current year classification.

8. Employee benefit costs and employee numbers

Employee benefit costs were as follows:

	2020 €'000	2019 €'000
Wages, salaries, and performance related pay	**220,264**	204,153
Social security costs	**42,935**	34,963
Other retirement benefit obligation costs	**26,762**	21,630
Share-based payment	**27,900**	22,507
Severance costs	**112**	8,338
Other	**4,562**	7,477
	322,535	299,068

The average monthly number of employees (including executive directors) was:

	2020	2019
Technology and Business operations	**1,206**	1,047
Sales and marketing	**243**	206
Management and administrative	**362**	293
	1,811	1,546

The classification of employees in 2019 have been represented to be consistent with the current year classification.

8. Employee benefit costs and employee numbers *continued*

Share-based payment arrangements

Description of Share-based payment arrangements
Equity based remuneration has been issued to select employees since November 2017. The majority of awards are made as part of the annual compensation cycle in the form of Restricted Stock Units (RSUs) with some executives eligible to receive stock options. Awards are made by the overall parent company, Visa Inc.

Shares generally vest rateably over three years from the date of grant, subject to earlier vesting in full under certain conditions. Recipients must be employed through each respective grant date, except in the case of termination of employment due to death or disability, in which case restrictions would cease immediately.

	Restricted Stock Units	Weighted-Average Grant Date Fair Value[1]	Weighted Average Remaining Contractual Term (in years)	Fair Value at Grant[1]
Outstanding at 30 September 2019	378,818	$122.67		
Granted	184,594	$183.94		$ 183.94
Exercised	(175,626)	$116.20		
Transfers in	6,963	$132.62		
Forfeited[2]	(12,016)	$146.20		
Outstanding at 30 September 2020[3]	**382,733**	**$154.02**	**1.36**	

1 Visa Inc. shares are quoted in USD.

2 No shares expired during the period.

3 None of the shares outstanding as at 30 September 2020 are exercisable.

Measurement of Share-based payment arrangements

RSUs have been treated as equity-settled share-based payment transactions and have been valued at Visa Inc.'s closing stock price on the date of grant, or in cases where the date of grant is not a trading day, the last trading day prior.

Each RSU entitles the participant to dividend equivalents with respect to regular cash dividends during the period from the grant date to the date such shares are delivered to employees. Dividend equivalents have been settled in cash.

Details of increase in equity arising from Share-based payments

RSUs have been granted by the overall parent company, Visa Inc., which are not charged back to the Company. The Company incurs the cost on behalf of Visa Inc. and as the Company is not compensated, this is considered a capital contribution recognised in equity.

The expense recognised for the period totals:

Equity settled transactions	**2020 (€'000)**	2019 (€'000)
Total Share-based payment expense recognised during the period	**27,900**	22,507

9. Remuneration of directors

The remuneration of the directors for the year was as follows:

	2020 €'000	2019 €'000
Directors fees and expenses	**628**	372
Base remuneration	**1,014**	997
Performance related bonuses	**784**	1,009
Share-based payment	**2,821**	1,758
Retirement benefits	**91**	76
Other benefits	**38**	38
	5,376	4,250

The emoluments and amounts receivable under long-term incentive schemes of the highest paid director were as follows:

	2020 €'000	2019 €'000
Base remuneration	**625**	591
Performance related bonuses	**552**	724
Share-based payment	**2,393**	1,596
Retirement benefits	**56**	53
Other benefits	**20**	22
	3,646	2,986

Share-based awards granted in the year are delivered in a mix of equity instruments with both performance and time-bound restrictions over the next three years (see Note 8).

The final amount delivered to the employee for the performance-based shares are dependent on the achievement of both performance and market conditions of the three-year period and can range from zero to 200% of the grant value.

The remuneration of three directors was incurred and paid by other Visa Inc. group companies in both 2020 and 2019 and was not charged back to the Company.

10. Income tax expense

The Income tax expense represents the sum of both current and deferred taxes.

Current tax payable is based on taxable profit for the year. Taxable profit can differ from the profit reported on the income statement due to permanent or timing differences for tax purposes.

Deferred tax is the tax expected to be payable or recoverable in the future, arising from temporary differences between the carrying value in the accounts and the tax bases used in the computation of taxable profits.

	2020 €'000	2019 €'000
Current tax:		
UK corporation tax:		
Current tax on profit for the year	**315,317**	388,025
Adjustment in respect of prior years	**(3,969)**	(11,937)
	311,348	376,088
Foreign tax:		
Current tax on profit for the year	**5,917**	5,999
Total current income tax expense	**317,265**	382,087
Deferred tax (Note 15):		
Origination and reversal of temporary differences	**(6,313)**	(7,031)
Adjustment in respect of prior years	**2,252**	(1,620)
Rate change	**352**	946
	(3,709)	(7,705)
Total income tax expense	**313,556**	374,382

10. Income tax expense *continued*

Reconciliation of income tax expense

The current income tax expense for the year is higher than the UK tax rate of 19.0% (2019: lower than the UK tax rate of 19.0%). The table below reconciles the tax charge at the UK statutory tax rate to the actual tax charge for the year.

	2020 €'000	2019 €'000
Profit before tax	**1,637,786**	2,021,451
Taxation at the standard UK tax rate of 19.0%	**311,179**	384,076
Effects of:		
Non-deductible expenses	**1,432**	1,982
Effect of higher country rates	**2,310**	2,789
Effect of rate change for deferred tax	**352**	946
Effect of exchange rates	**—**	(1,854)
Prior year adjustments	**(1,717)**	(13,557)
Total income tax expense (see above)	**313,556**	374,382

In the 11 March 2020 Budget it was announced that the UK tax rate will remain at 19% and not reduce to 17% from 1 April 2020. This was substantively enacted on 17 March 2020 and subsequently enacted on 22 July 2020.

In the 3 March 2021 Budget it was announced that the main rate of corporation tax will increase to 25% from 1 April 2023.

Deferred tax assets and liabilities are required to be valued using the tax rate which will be in force at the time when the temporary difference is expected to unwind. In line with the requirements of IAS 12, the impact of the future change in rate to 25% has not been reflected in the deferred tax balances at 30 September 2020 and will be recognised once it has been substantively enacted by the UK Parliament. The estimated impact of the future change in tax rate would be an increase in the deferred tax asset of approximately €3.1 million. (Refer to Note 15, Deferred tax.)

Future tax charges and therefore the Company's effective tax rate, may be affected by factors such acquisitions, disposals, restructuring, tax regime reforms and resolutions of open matters as we continue to manage our tax affairs.

Income tax recognised in other comprehensive income and directly in reserves

		2020 €'000			2019 €'000	
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Charged to other comprehensive income:						
Net gains/(losses) arising on hedging derivatives	**34,693**	**(4,111)**	**30,582**	(6,649)	1,461	(5,188)
Net (gains)/losses transferred from other comprehensive income to income statement	**(13,757)**	**—**	**(13,757)**	1,853	(352)	1,501
Remeasurement losses on defined benefit pension schemes	**(11,274)**	**6,131**	**(5,143)**	(17,099)	3,681	(13,418)
Charged directly in reserves:						
Equity settled share-based payment transactions	**27,900**	**724**	**28,624**	22,507	807	23,314

11. Property, plant and equipment

	Land, buildings and leasehold improvements €'000	Assets in course of construction €'000	Fixtures and equipment €'000	Computer equipment and software €'000	Total €'000
Cost					
At 30 September 2018	31,153	29,876	6,329	75,262	142,620
Additions	—	38,534	5,214	—	43,748
Transfers between items	15,317	(38,858)	6,150	17,391	—
Transfer adjustment from subsidiary companies	—	—	—	(2,002)	(2,002)
True up of internally generated software (Note 12)	—	—	—	6,598	6,598
Disposals	—	—	(53)	(10,110)	(10,163)
At 30 September 2019	46,470	29,552	17,640	87,139	180,801
Additions	—	**41,310**	—	**456**	**41,766**
Transfers between items	**36,783**	**(60,967)**	**3,787**	**20,397**	—
Transfer adjustment from subsidiary companies	**(5,556)**	—	**(289)**	**(2,611)**	**(8,456)**
Disposals	**(3,000)**	—	**(351)**	**(11,537)**	**(14,888)**
At 30 September 2020	**74,697**	**9,895**	**20,787**	**93,844**	**199,223**
Accumulated depreciation					
At 30 September 2018	(7,741)	—	(4,694)	(20,024)	(32,459)
Charge for the year	(6,703)	—	(2,567)	(24,273)	(33,543)
Disposals	—	—	53	6,595	6,648
True up of internally generated software (Note 12)	—	—	—	(648)	(648)
At 30 September 2019	(14,444)	—	(7,208)	(38,350)	(60,002)
Charge for the year	**(6,761)**	—	**(2,850)**	**(21,758)**	**(31,369)**
Transfer adjustment from subsidiary companies	**2,068**	—	**103**	**2,014**	**4,185**
Disposals	**2,533**	—	**18**	**7,742**	**10,293**
At 30 September 2020	**(16,604)**	—	**(9,937)**	**(50,352)**	**(76,893)**
Carrying amount					
At 30 September 2019	32,026	29,552	10,432	48,789	120,799
At 30 September 2020	**58,093**	**9,895**	**10,850**	**43,492**	**122,330**

The cost of internally generated software that has been brought into use, initially held in computer, equipment and software is transferred to intangible assets (see Note 12).

There are no restrictions on title and property, plant and equipment have not been pledged as security for liabilities.

An annual assessment has been made as to whether the carrying amount of tangible assets is impaired. No such indication of impairment was identified.

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2020 €'000	2019 €'000
Contracted purchase of software and computer equipment	**1,551**	2,747
Contracted expenditure on buildings, fixtures and equipment	**4,554**	5,135
	6,105	7,882

12. Goodwill and intangibles

	Goodwill €'000	Operating rights €'000	Customer relationships €'000	Brand €'000	Internally generated software €'000	Total €'000
Cost						
At 30 September 2018	33,015	20,519	3,711	757	8,444	66,446
True up of internally generated software (Note 11)	—	—	—	—	(6,598)	(6,598)
At 30 September 2019	33,015	20,519	3,711	757	1,846	59,848
Additions	—	—	—	—	—	—
At 30 September 2020	**33,015**	**20,519**	**3,711**	**757**	**1,846**	**59,848**
Accumulated amortisation						
At 30 September 2018	—	—	(2,147)	(434)	(1,809)	(4,390)
Charge for the year	—	—	(247)	(50)	(130)	(427)
True up of internally generated software (Note 11)	—	—	—	—	648	648
At 30 September 2019	—	—	(2,394)	(484)	(1,291)	(4,169)
Charge for the year	—	—	**(248)**	**(51)**	**(376)**	**(675)**
At 30 September 2020	—	—	**(2,642)**	**(535)**	**(1,667)**	**(4,844)**
Carrying amount						
At 30 September 2019	33,015	20,519	1,317	273	555	55,679
At 30 September 2020	**33,015**	**20,519**	**1,069**	**222**	**179**	**55,004**

The operating rights have been assessed as having an indefinite life because Visa Europe has signed an exclusive, irrevocable licensing arrangement in perpetuity with Visa Inc. to use the Visa trademarks and technology, and the Company is expected to generate net cash inflows indefinitely.

An annual assessment has been made as to whether the carrying value of goodwill is impaired. The recoverable amount of goodwill has been based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of cash generating units (CGUs). The carrying amount of the goodwill has been determined to be lower than its recoverable amount, indicating no impairment.

An annual assessment has been made as to whether the carrying amount of intangible assets that have a definitive useful life is impaired. No such indication of impairment was identified.

13. Investment in subsidiaries

	2020 €'000	2019 €'000
Cost and carrying value		
At 30 September	**49**	45

Details of the Company's subsidiaries, which are all direct investments, at 30 September 2020 are as follows:

Name	Place of incorporation ownership (or registration)	Place of operation	Proportion of ownership interest	Proportion of voting power held	Method used to account for investment
Visa Europe Services LLC ("VES" - formerly Visa Europe Services Inc.) (1)	USA	UK	100%	100%	Cost
Visa Europe Management Services Limited ("VEMS") (1)	UK	UK	100%	100%	Cost
Visa Europe (Malta) Limited (2)	Malta	Malta	100%	100%	Cost
Visa Europe (Cyprus) Limited (3)	Cyprus	Cyprus	100%	100%	Cost
Visa Europe Management Services (Ireland) Private Limited (4)	Ireland	Ireland	100%	100%	Cost
Visa Europe Pension Trustee Limited (1)	UK	UK	100%	100%	Cost
Visa Europe (Netherlands) B.V. (5)	Netherlands	Netherlands	100%	100%	Cost
Visa Europe (Slovakia) s.r.o. (6)	Slovakia	Slovakia	85%	85%	Cost

(1) The registered address of these subsidiaries is 1 Sheldon Square, London, United Kingdom, W2 6TT.
(2) The registered address of Visa Europe (Malta) Ltd is Regus, 2nd Floor, Tower Business Centre, Tower Street, Swatar, Malta, BKR 4013.
(3) The registered address of Visa Europe (Cyprus) Ltd is Karaiskaki, 13, 3032, Limassol, Cyprus.
(4) The registered address of Visa Europe Management Services (Ireland) Private Limited is 112-114 St Stephen's Green, Dublin 2, D02 Td28.
(5) The registered address of Visa International (Holland) B.V. is Herikerbergweg 292-342 Diana Building Office 0.02 1101 CT
(6) The registered address of Visa Europe (Slovakia) s.r.o is Michalská 9, Bratislava - Staré Mesto, 811 01

On 30 June 2020, Visa International (Holland) B.V. was transferred to the Company from Visa International Service Association and renamed to Visa Europe (Netherlands) B.V.

On 13 June 2020, Visa Europe (Slovakia) s.r.o. was formed, which is 85% held by the Company and 15% held by VEMS, a wholly owned subsidiary of the Company.

14. Financial assets

	2020 €'000	2019 €'000
Currency derivatives (see Note 24)	**26,300**	763
Total financial assets	**26,300**	763

The total gross notional amount in respect of all derivative contracts as at 30 September 2020 was €1,744 million (2019: €906 million).

Currency derivatives notional amounts increased in 2020 primarily due to the Company holding increased cash balances in US Dollar due to liquidity concerns around COVID-19, which resulted in larger hedges to offset the foreign exchange impact.

15. Deferred tax

The table below summarises the deferred tax assets and liabilities recognised by the Company and movements thereon during the current reporting period.

	Accelerated tax depreciation €'000	Retirement benefit obligations €'000	Other temporary differences €'000	Total €'000
Deferred tax assets/(liabilities) at 1 October 2019	**34,999**	**5,968**	**(37,532)**	**3,435**
(Charge)/credit to income statement	**(5,506)**	**(2,925)**	**14,858**	**6,427**
Credit/(charge) to other comprehensive income	**—**	**2,472**	**(3,757)**	**(1,285)**
Prior year adjustment to income statement	**848**	**—**	**(630)**	**218**
Exchange differences	**—**	**(143)**	**32**	**(111)**
Rate change	**4,217**	**702**	**(3,725)**	**1,194**
Deferred tax assets/(liabilities) at 30 September 2020	**34,558**	**6,074**	**(30,754)**	**9,878**

The deferred tax assets and liabilities have been offset where there is a legal right of set off. The deferred tax assets and liabilities recognised in the balance sheet relate to accelerated tax depreciation, retirement benefit obligation and other temporary differences. Other temporary differences relate to stock based compensation, derivative instruments and the net impact of the implementation of IFRS 15.

Certain deferred tax assets and liabilities have been offset and the netting criteria has been met. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	2020 €'000	2019 €'000
Deferred tax assets	**51,544**	51,181
Deferred tax liabilities	**(41,666)**	(47,746)
	9,878	3,435

Deferred tax assets comprise accelerated tax depreciation, retirement benefit obligation and stock based compensation. Deferred tax liabilities relate to the net impact of the implementation of IFRS 15 and derivative instruments.

16. Trade and other receivables

	2020 €'000	*Restated 2019 €'000
Trade receivables	**985,467**	2,485,349
Net amounts owed by related parties (see Note 27)	**391,020**	1,192,000
Other receivables	**566,102**	473,485
Prepayments	**13,154**	18,485
	1,955,743	4,169,319

Beginning in 2020, the Company is no longer required to settle certain settlement positions with clients on a gross basis rather than net in certain circumstances. The Bank of England, in its capacity as the designating authority under the terms of the Financial Markets and Insolvency Regulations 1999 (as amended), granted the Company designation under the UK Settlement Finality Regulation with effect from 23 September 2020. This designation provides the Company legal protection from netting of client settlement positions being unwound in an insolvency event. Therefore, settlement receivable and payable positions with clients have been presented in the statement of financial position on a net basis for 2020. During fiscal year 2019, the Company could be required to settle certain settlement positions with clients on a gross basis rather than net in certain circumstances. Therefore, in 2019, settlement receivable positions with clients have been presented in the statement of financial position on a gross basis.

At 30 September 2020, trade receivables included net settlement receivables of €758 million. The gross amount of the settlement receivable position, not including the €363 million set off against settlement payables, is €1,121 million. (See also Note 18, Trade and other payables.)

16. Trade and other receivables *continued*

At 30 September 2019, trade receivables included settlement balances due from customers totalling €2,253 million. Correspondingly, settlement balances payable to customers of €3,454 million are included within trade payables at 30 September 2019 (see Note 18). If in 2019 settlement receivable positions with clients were presented in the statement of financial position on a net basis, the settlement receivables balance at 30 September 2019 would have been €1,712 million.

Amounts owed to the Company by related parties is mainly due to the €375 million (2019: €1,192 million) international settlement receivable position between the Company and Visa Inc., which is normally settled daily on the next business day.

Other receivables are primarily related to client incentive assets (refer to Note 4).

The average debtor days on sales of services is 28 days (2019: 19 days). The Company does not charge interest on unpaid receivables for the first 30 days from the date of invoice.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Company's exposure to credit and currency risks as well as impairment losses related to trade and other receivables are disclosed in Note 24.

*During the period management have reviewed intercompany balances and found that for these balances no right of set off exists. As a consequence the prior year was restated to increase the receivables and payables balances by €533 million, respectively. No effect on total net assets and profit. (Refer to Note 18, Trade and other payables.)

17. Cash and cash equivalents

	2020 €'000	2019 €'000
Bank balances	**5,170,822**	4,348,038
Bank overdrafts (see Note 19)	**(3,457)**	—
Total cash and cash equivalents	**5,167,365**	4,348,038

€2 million of the total cash and cash equivalents balance (2019: €60 million) is held in bank accounts in the name of Visa Europe Services LLC, a wholly owned subsidiary of Visa Europe; albeit Visa Europe retained beneficial ownership as Visa Europe is exposed to the risk and rewards of these cash balances.

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24. The Company's exposure to currency risk related to cash is also disclosed in Note 24.

18. Trade and other payables

	2020 €'000	*Restated 2019 €'000
Trade payables	**1,206,389**	3,456,351
Net amounts owed to related parties (see Note 27)	**799,405**	533,456
Social security and other taxes	**16,700**	3,892
Accruals	**965,603**	853,847
Deferred income	**49,746**	20,933
Current lease liabilities (See Note 26)	**10,724**	—
	3,048,567	4,868,479

Beginning in 2020, the Company is no longer required to settle certain settlement positions with clients on a gross basis rather than net in certain circumstances. Therefore, settlement receivable and payable positions with clients have been presented in the statement of financial position on a net basis for 2020. During fiscal year 2019, the Company could be required to settle certain settlement positions with clients on a gross basis rather than net in certain circumstances. Therefore, in 2019, settlement payable positions with clients have been presented in the statement of financial position on a gross basis.

18. Trade and other payables *continued*

At 30 September 2020, trade payables included net settlement payables of €1,135 million. The gross amount of the settlement payable position, not including the €363 million set off against settlement receivables, is €1,498 million. (See also Note 16, Trade and other receivables.)

At 30 September 2019, trade payables included settlement balances payable to customers totalling €3,454 million. Correspondingly, settlement balances due from customers of €2,253 million are included within trade receivables at 30 September 2019 (see Note 16). If in 2019 settlement payable positions with clients were presented in the statement of financial position on a net basis, the settlement payables balance at 30 September 2019 would have been €2,913 million.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs, in addition to settlement payables. The average creditor days for trade purchases is 59 days (2019: 76 days).

Accruals is primarily related to accrued client incentives (refer to Note 4).

*During the period management have reviewed intercompany balances and found that for these balances no right of set off exists. As a consequence the prior year was restated to increase the receivables and payables balances by €533 million, respectively. No effect on total net assets and profit. (Refer to Note 16, Trade and other receivables.)

19. Financial liabilities

	2020	2019
	€'000	€'000
Bank overdrafts	**3,457**	—
Currency derivatives	**11,115**	21,991
Total financial liabilities	**14,572**	21,991

The total gross notional amount in respect of all derivative contracts as at 30 September 2020 was €1,744 million (2019: €906 million).

Visa Europe is a designated borrower, along with Visa Inc. and other related entities, of a shared, stand-by credit facility that Visa Europe can access to meet liquidity needs, if required. The total facility of $5.0 billion was committed to the Visa Inc Group, including Visa Europe. As of 30 September 2020, Visa Europe had a nil draw on the credit facility (2019: nil).

20. Retirement benefit obligation

Defined contribution pension schemes

The retirement benefit obligation charge for the year represents contributions payable by the Company to the schemes and amounted to €22.2 million (2019: €16.8 million). The assets of the defined contribution schemes are held in independently administered funds. The charge in respect of these schemes is calculated on the basis of contributions payable by the Company in the financial year. Approximately 96% of all UK employees (2019: 93.0%) are members of these retirement benefit obligation schemes. The Company currently operates defined contribution pension schemes and the schemes are open to new entrants.

Defined benefit schemes

The Company provides benefits to certain employees through a defined benefit plan which is known as 'the Visa Europe Pension Plan' (VPP). Here the benefits are provided on a funded basis and are based on the final pensionable pay of VPPs members to the maximum level allowed by HMRC. The balance of the benefit, for those few individuals entitled to benefits above the maximum allowed by HMRC, is provided through an unfunded unapproved arrangement (UA). The UA scheme is classified in 'other schemes' in the following tables. The duration of the VPP scheme liabilities is 24 years. The VPP is open to future accrual but closed to new entrants.

The latest actuarial valuation for the VPP and UA schemes was carried out at 30 September 2017 and was updated for the purpose of IAS 19, Employee Benefits, to 30 September 2020 by a qualified independent actuary. As the schemes are closed to new members, it is expected that the cost of the schemes as a percentage of individual pensionable salaries will increase as the member's age.

The investment strategy of the VPP is the Trustees' responsibility after consulting with the Company. The triennial actuarial valuation of the VPP and UA schemes is used to judge the money the Company needs to put into the pension scheme assuming a level of prudence and low level of risk. It may be different to the IAS 19 accounting deficit, which is an accounting requirement concerning employee benefits and shown on the Company's statement of financial position. Accounting standards require all companies to assume their pension fund grows at a standard rate reflecting a relatively low level of risk. Generally, the actuarial deficit may be higher than the accounting deficit.

The defined benefit plan exposes the Company to risks, the most significant of which are:

- Asset volatility - The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets under-perform this yield, this will create a deficit. The VPP holds a significant proportion of growth assets (such as equities and diversified growth funds) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the VPP's long-term objectives.
- Inflation risk - A significant portion of the VPP's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Some of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation could also increase the deficit.
- Changes in bond yields - A decrease in corporate bond yields will increase the value placed on the VPP's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the VPP's holdings.
- Life expectancy - Most of the VPP's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy, which aims to reduce the volatility of the funding level of the VPP. By investing in assets such as liability driven investments, which perform in line with the liabilities of the VPP, the VPP is protected to some extent against unanticipated changes in interest rates and inflation.

During 2010, Visa Europe acquired SAS Carte Bleue. The liabilities of SAS Carte Bleue included a defined benefit scheme, which is unfunded. This scheme, the France Pension Scheme, has been included within 'other schemes' and is in relation to retirement indemnities paid on retirement in line with French regulations. The latest actuarial review for the France Pension Scheme was carried out at 30 September 2020.

Nature of benefits provided by the VPP scheme:
The Company operates a defined benefit scheme in the UK which is a final salary plan and provides benefits linked to salary at retirement, at earlier date of leaving service or that effective at 1 February 2015.

Description of regulatory framework in which the VPP scheme operates
The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionregulator.gov.uk.

On 26 October 2018, the High Court issued a judgement relating to Guaranteed Minimum Pensions (GMP) inequality in respect of the Lloyds Banking Group's defined benefit pension schemes. The ruling concluded that GMP benefits should be equalised between male and females for the schemes. Although the ruling relates to the Lloyds Banking Group sponsored schemes, it is expected that this will set a precedent for other UK registered defined benefit schemes. The judgement means there is likely to be an increase in the benefit obligations of other defined benefit schemes. The impact on the VPP liability was immaterial.

On 20 November 2020, the High Court issued a further judgement ruling that Lloyds Banking Group pension scheme trustees are legally responsible for equalising the GMPs for the employees who transferred out of one of its defined benefit pension schemes. This was not addressed in the 2018 ruling. The impact of this new ruling on the VPP liability is immaterial.

Description of responsibilities for governance of the VPP scheme
The Trustees have the primary responsibility for governance of the VPP - including the setting of contribution rates subject to consultation/agreement with the Company as required by the VPP's Trust Deed and Rules and overriding legislation. Benefit payments are from Trustee administered funds and VPP assets are held in a trust which is governed by UK regulation. The Trustees are comprised of representatives of the Company and members in accordance with the Trust Deed and Rules.

Key actuarial assumptions used:

	2020	2019
	%	%
Discount rate applied to scheme liabilities	**1.60**	1.80
Expected rate of salary increases (salary sacrifice members)	**2.50**	2.50
Future pension increases	**2.90**	3.10
Inflation (RPI)	**3.00**	3.20
Inflation (CPI)	**2.20**	2.20

	2020	2019
	Years	Years
Life expectancy for a male aged 65	**23.7**	23.5
Life expectancy for a male aged 45 from the age of 65	**25.1**	24.9
Life expectancy for a female aged 65	**26.6**	26.5
Life expectancy for a female aged 45 from the age of 65	**28.1**	28.0

Amounts recognised through the income statement in respect of these defined benefit schemes are as follows:

	2020			2019		
	VPP €'000	**Other schemes €'000**	**Total €'000**	VPP €'000	Other schemes €'000	Total €'000
Current service cost	**3,888**	**318**	**4,206**	3,584	108	3,692
Net interest cost on net defined benefit liability	**518**	**101**	**619**	397	125	522
Past service costs	**—**	**27**	**27**	606	27	633
	4,406	**446**	**4,852**	4,587	260	4,847

Amounts recognised through the income statement have been included in administrative expenses. Remeasurement gains and losses have been reported in other comprehensive income.

The amounts included in the balance sheet arising from the Company's obligations in respect of its defined retirement benefit schemes are as follows:

	Present value of defined benefit obligation €'000	Fair value of scheme assets €'000	(Liability)/ asset recognised in the balance sheet €'000
2020			
VPP	**(476,963)**	**447,082**	**(29,881)**
Other schemes	**(5,186)**	**—**	**(5,186)**
Total	**(482,149)**	**447,082**	**(35,067)**
2019			
VPP	(477,506)	446,711	(30,795)
Other schemes	(6,893)	—	(6,893)
Total	(484,399)	446,711	(37,688)

On the Company's balance sheet, retirement benefit obligations of €3.4 million (2019: €2.6 million) relate to the France Pension Scheme, which is the pension scheme for the French branch of Visa Europe.

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

	2020			2019		
	VPP €'000	**Other schemes €'000**	**Total €'000**	VPP €'000	Other schemes €'000	Total €'000
At 1 October	**(477,506)**	**(6,893)**	**(484,399)**	(390,850)	(6,210)	(397,060)
Current service cost	**(3,888)**	**(318)**	**(4,206)**	(3,584)	(108)	(3,692)
Interest expense on defined benefit obligation	**(8,612)**	**(101)**	**(8,713)**	(11,356)	(125)	(11,481)
Re-measurement (losses)/gains financial assumptions	**(7,417)**	**(2)**	**(7,419)**	(92,711)	(571)	(93,282)
Re-measurement (losses)/gains demographic assumptions	**(1,380)**	**(10)**	**(1,390)**	4,007	39	4,046
Contributions by scheme participants	**(105)**	**1,717**	**1,612**	(125)	—	(125)
Experience (losses)/gains	**(1,305)**	**387**	**(918)**	(302)	20	(282)
Foreign exchange differences	**9,568**	**61**	**9,629**	(1,140)	(13)	(1,153)
Benefits paid	**13,682**	**—**	**13,682**	19,161	102	19,263
Past service cost	**—**	**(27)**	**(27)**	(606)	(27)	(633)
At 30 September	**(476,963)**	**(5,186)**	**(482,149)**	(477,506)	(6,893)	(484,399)

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

	2020			2019		
	VPP €'000	**Other schemes €'000**	**Total €'000**	VPP €'000	Other schemes €'000	Total €'000
At 1 October	**446,711**	**—**	**446,711**	374,316	—	374,316
Interest income on assets	**8,094**	**—**	**8,094**	10,959	—	10,959
Return on plan assets excluding interest income	**(3,431)**	**—**	**(3,431)**	70,213	—	70,213
Foreign exchange difference	**(8,876)**	**—**	**(8,876)**	1,319	—	1,319
Contributions by scheme participants	**105**	**—**	**105**	125	—	125
Contributions from the sponsoring company	**18,161**	**1,671**	**19,832**	8,940	102	9,042
Benefits paid	**(13,682)**	**(1,671)**	**(15,353)**	(19,161)	(102)	(19,263)
At 30 September	**447,082**	**—**	**447,082**	446,711	—	446,711

During the year the sponsoring company made an unscheduled contribution of €9.0 million to reduce the deficit (2019: €nil).

The analysis of the fair value of the VPP assets at the reporting date is shown below. The assets are classified by level within the fair value hierarchy.

VPP assets with a fair value based on quoted market prices (level 1) include valuations that are determined by unadjusted quoted prices for identical instruments in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

VPP assets measured using 'market comparison techniques', whereby the fair values are based on broker quotes of similar instruments traded in an active market, are classified as level 2. The fair value of level 2 assets are based on observable inputs and are not based upon significant unobservable inputs.

VPP assets with a fair value based on significant unobservable inputs (level 3) include valuations that incorporate significant inputs that are not based on observable market data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations, or analytical techniques.

As a result of uncertainty on real estate valuations arising from COVID-19, the valuers of the property fund (level 3) had introduced a Market Uncertainty Clause into their valuations during March 2020, and the investment manager suspended dealing in the fund as a result. During early September 2020, the Market Uncertainty Clause was lifted in its entirety on all the underlying property fund assets and the fund reopened for trading from 1 October 2020. Pricing of the fund's units was available throughout the period.

20. Retirement benefit obligation *continued*

	2020			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Equity instrument – UK	—	—	—	—
Equity instrument – Overseas	—	**55,964**	—	**55,964**
Liability driven investments	—	**221,785**	—	**221,785**
Debt instruments	—	**71,351**	**29,383**	**100,734**
Property	—	—	**27,665**	**27,665**
Diversified growth fund	—	**36,000**	—	**36,000**
Cash and net current assets	**4,934**	—	—	**4,934**
	4,934	**385,100**	**57,048**	**447,082**

	2019			
	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Equity instrument – UK	30,063	—	—	30,063
Equity instrument – Overseas	30,062	—	—	30,062
Liability driven investments	—	215,619	—	215,619
Debt instruments	—	97,902	—	97,902
Property	—	—	28,993	28,993
Diversified growth fund	—	29,622	—	29,622
Cash and net current assets	—	14,450	—	14,450
	60,125	357,593	28,993	446,711

Remeasurement (losses)/gains recognised in other comprehensive income were as follows:

	Re-measurement (losses)/gains financial assumptions	Re-measurement (losses)/gains demographic assumptions	Experience (losses)/ gains on assets €'000	Experience (losses)/ gains on liabilities €'000	Total
	€'000	€'000	€'000	€'000	€'000
2020					
VPP	**(7,417)**	**(1,380)**	**(3,431)**	**(1,305)**	**(13,533)**
Other schemes	**(2)**	**(10)**	**—**	**387**	**375**
Total	**(7,419)**	**(1,390)**	**(3,431)**	**(918)**	**(13,158)**
2019					
VPP	(92,711)	4,007	70,213	(302)	(18,793)
Other schemes	(571)	39	—	20	(512)
Total	(93,282)	4,046	70,213	(282)	(19,305)

Description of any funding arrangements and funding policy that would affect future contributions:
UK legislation requires that pension schemes are funded prudently. The last funding valuation of the VPP which has been signed off was carried out by a qualified actuary as at 30 September 2017 and showed a deficit of €36.1 million. The Company is paying deficit contributions of €4.5 million per annum which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 30 September 2027. The next funding valuation as of 30 September 2020 is in process with an expected sign off by 31 December 2021, at which point progress towards full-funding will be reviewed. The Company also pays contributions of €0.4 million per month to meet the cost of benefits accrued by active members.

In January 2020, an additional pension contribution of €9.0 million was paid by the Company to the pension scheme in light of the context of the Company's recent dividend payment as well as intention to enter into a Capital Management Plan, which would provide for more regular future dividend payments.

The Company's best estimate of contributions to be paid over the following year is €18.0 million, which is based on the Schedule of Contributions currently in force as well as the Company's payments in fiscal year 2020.

The VPP duration is an indicator of the weighted-average time until benefit payments are made. For the VPP as a whole, the duration was around 24 years at 30 September 2017. This remains broadly similar as at 30 September 2020.

Expected future benefit payments:

	€'000
2021	5,964
2022	6,128
2023	6,297
2024	6,470
2025	6,648
2026-30	36,090

Expected amounts to be recognised through the income statement in fiscal year 2021 in respect of these defined benefit schemes are as follows:

	2021		
	VPP €'000	Other schemes €'000	Total €'000
Current service cost	3,471	487	3,958
Net interest cost on net defined benefit liability	462	72	534
Past service costs	—	31	31
	3,933	590	4,523

21. Provisions

Provisions held as at 30 September 2020:

	2020			
	Asset retirement obligation €'000	Indirect taxes €'000	Retailer and other €'000	Total €'000
At 30 September 2019	7,290	5,006	56,257	68,553
Additional provision in the year	354	5,607	5,943	11,904
Unwinding of discount	(339)	—	—	(339)
Provisions reversed during the year	—		—	—
Exchange difference	(285)	39	(1,315)	(1,561)
At 30 September 2020	7,020	10,652	60,885	78,557

The asset retirement obligation represents a liability to restore the Company's leased buildings to their original condition. The provision is made on a discounted basis over the remainder of the lease. A corresponding asset has been capitalised within land and buildings in property, plant and equipment and is being amortised to the income statement over the term of the lease. The leases expire between October 2021 and December 2028.

Provision for indirect taxes represents the Company's estimate of VAT due on certain amounts, or potentially due, to tax authorities in the Visa Europe region. The Company estimates €7 million to be utilised over the course of the next year, whilst the utilisation date of the remaining €3 million relates to a tax dispute which is uncertain.

The retailer provision in the amount of €61 million, of which €6 million was recognised in the income statement in the current year and the remainder was recognised in the income statement in 2018, represents the Company's best estimate of its liability at 30 September 2020 in relation to the Retailer Litigation. (Refer to Note 28, Legal matters, for further details of the Retailer Litigation, and Note 25, Contingent liabilities.)

22. Share capital, share premium, capital contributions and reserves

	2020		2019	
	Number	**€**	Number	€
Issued and fully paid:				
Ordinary shares of €1 each at 30 September	**32,210**	**32,210**	32,210	32,210

Reserves

	Attributable to equity holders of the Company					
	Share capital €'000	Share premium €'000	Cash flow hedging reserve €'000	Retained earnings €'000	Contribution reserve €'000	Total €'000
At 30 September 2018	32	60,903	2,638	2,360,844	124,545	2,548,962
Adjustment on initial application of IFRS 15, net of tax	—	—	—	273,037	—	273,037
Net losses arising on hedging derivatives, net of losses transferred from other comprehensive income and net of tax	—	—	(3,687)	—	—	(3,687)
Dividend paid to parent	—	—	—	(998,117)	—	(998,117)
Equity *settled* share based payment transactions	—	—	—	—	23,314	23,314
Profit after tax	—	—	—	1,647,069	—	1,647,069
Remeasurement losses on defined benefit pension schemes, net of tax	—	—	—	(13,418)	—	(13,418)
Total recognised income and expense	—	—	(3,687)	908,571	23,314	928,198
At 30 September 2019	32	60,903	(1,049)	3,269,415	147,859	3,477,160
Net gains arising on hedging derivatives, net of gains transferred from other comprehensive income and net of tax	—	—	**16,825**	—	—	**16,825**
Dividend paid to parent	—	—	—	**(735,957)**	—	**(735,957)**
Equity settled share-based payment transactions	—	—	—	—	**28,624**	**28,624**
Profit after tax	—	—	—	**1,324,230**	—	**1,324,230**
Remeasurement losses on defined benefit pension schemes, net of tax	—	—	—	**(5,143)**	—	**(5,143)**
Transfer of reserves as a result of transactions with subsidiary	—	—	—	**(3,672)**	—	**(3,672)**
Total recognised income and expense	—	—	**16,825**	**579,458**	**28,624**	**624,907**
At 30 September 2020	**32**	**60,903**	**15,776**	**3,848,873**	**176,483**	**4,102,067**

Share premium

In December 2016, Visa Inc. subscribed to an additional 100 shares of Visa Europe for an aggregate subscription price of €60,903,000.

Contribution reserve

In February 2017, Visa Inc. completed a reorganisation of certain legal entities to align its corporate structure to the geographic jurisdictions in which it conducts business. As a result, Visa Inc. contributed its shareholding in Visa Europe to Visa International Holdings Inc., which is incorporated in the United States of America. Subsequently, also in connection with the reorganisation, Visa International Holdings Inc. sold its shareholdings in Visa Europe to Visa International Holdings Limited, a UK limited company. Both Visa International Holdings Limited and Visa Europe are indirect wholly-owned subsidiaries of Visa Inc. The reorganisation resulted in a capital contribution of €106,000,000 from Visa International Holdings Limited.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedging pending subsequent recognition in the income statement as the hedged cash flows affect profit or loss. Refer to Note 24, Financial instruments, for further details of the Company's risk management and hedging strategy.

Retained earnings

In September 2020, the Company paid a cash dividend to its immediate parent Visa International Holdings Limited in the amount of €736 million (2019: €998 million).

The Company's profit on ordinary activities after taxation was €1,324 million (2019: €1,647 million).

23. Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments:

- Settlement risk
- Credit risk
- Liquidity risk
- Market risk
- Other price risk

This note presents information about the Company's exposure to each of the above risks. Further quantitative disclosures are included in Note 24.

Risk management framework

The Europe Risk Committee determines the Company's attitude to risk and risk appetite. These are then endorsed by the Board Risk Committee of the Visa Europe Board. The Board Risk Committee also endorses the tolerance and capacity for the various risk categories and makes policy decisions about future controls.

An enterprise-wide risk management framework is used as a way to identify, assess and report against risks. This is a Company-wide activity involving all divisions, by engagement with our Risk management teams. Risk and control reviews and assessments identify the relevant risks and controls and develop plans to mitigate those risks.

The Company is exposed to a range of financial risks which predominantly arise from changes in foreign exchange rates, interest rates and money market liquidity. A financial risk management framework is in place, where appropriate, to mitigate any negative impact this may have on the Company's reported results.

The financial risk management framework is referenced in the treasury policy (the Policy). The Policy provides guidance over all treasury matters and is underpinned by delegated authority guidelines and detailed procedures. The main objectives of the Policy are to ensure that sufficient liquidity exists to meet the operational needs of the business, to maintain the integrity and liquidity of the investment portfolio, and to manage the impact of foreign exchange volatility on the Company's net income.

The execution of the Policy is performed by the Treasury team and is monitored by the Chief Financial Officer. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's activities.

The Company manages its foreign exchange and liquidity risks in accordance with these policies using a variety of derivative and non-derivative instruments. These derivative instruments are comprised of forward foreign exchange contracts. The Company does not trade in financial instruments, nor does it take on speculative or open positions through its use of derivatives.

Settlement risk

Settlement risk is the risk that a client is unable to meet its obligations to the Company as and when they fall due. The Company employs a specialist credit settlement risk management team that is responsible for monitoring the credit risk related to each member that participates in the Visa system. This is done by regularly assessing each principal member's financial health and evaluating their ability to respond if such a risk crystallises. The exposure to each member is also assessed based on issuing and acquiring volumes.

Other risk management measures include assessing the economic, supervisory and regulatory environment of the countries in which those members operate. To reduce any potential member losses that may arise from members' failure to settle, any members that are assessed as presenting an unacceptable risk to the Visa system are required to provide financial safeguards to ensure performance of settlement obligations arising from card and other product clearing.

23. Financial risk management *continued*

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under a contract and arises principally from the Company's receivable customers, banks and derivative counterparties. The Company measures and monitors its level of loss absorbing capital relative to the credit risk exposure generated by the participant with the largest settlement exposure. Following designation under UK Settlement Finality Regulation in September 2020, settlement exposure is measured on a net basis. Visa Europe aims to hold sufficient net liquid assets funded by equity to absorb the potential losses arising from the disorderly failure of its single largest participant. In addition to this, loss absorbing capital is held to cover potential general business losses. As at September 30, 2020, this amount stood at €481 million, and is based on requirements set out within the Company's Capital Management & Dividend Policy. The Company reports its financial resources position to the Bank of England regularly.

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its current and future cash flow obligations as and when they fall due, or can only do so at excessive cost. This includes the risk that the Company is unable to meet settlement obligations to acquiring banks due to failure of an issuing bank to pay.
To mitigate this risk, it is the Company's policy that sufficient liquidity must be available same-day in the amount equivalent to or greater than that represented by the participant with the largest net settlement exposure on any given day.

Investment of the Company's cash assets is restricted to financial counterparties with a minimum credit rating of A- and limits are documented for both individual counterparties and by investment instrument type to reduce concentration risk. No investments are classed as either past due or subject to an expected credit loss.

In addition to the Company's own liquid investments, back-up liquidity facilities arranged by Visa Inc. are in place with a syndicate consisting of high credit quality financial institutions and available to Visa Europe.

Market risk
Market risk is the risk that movements in market factors such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the Company's income or value of its financial instruments. The Company is exposed to market risk factors such as changes in foreign exchange rates and, interest rates.

i) Foreign exchange risk
A substantial proportion of the Company's expenditure is denominated in foreign currencies, mainly Sterling and US Dollar. To manage the income statement volatility attributable to this foreign exchange risk, the foreign exchange exposure of future committed and uncommitted cash flows is mitigated through the use of natural and derivative hedging within the parameters defined by the treasury policy. Committed cash flows relate to certain contractual rights or obligations. Uncommitted cash flows are highly probable future cash flows for which the Company does not yet have a contractual right or obligation.

ii) Interest rate risk
Visa Europe is exposed to fluctuations in interest rates on its investments and borrowings. Currently, Visa Europe has no long-term debt, but monitors interest rate exposures on its investment portfolio so as to minimise the effect of interest rate fluctuations on the income statement.

Managing interest rate benchmark reform and associate risks
A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as ' IBOR reform'). Visa Europe has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition. The Company has not yet completed its assessment of the impact that the IBOR reform will have on its risk management and hedge accounting.

Other price risk
The defined benefit pension scheme is additionally exposed to equity price risk and this indirectly affects the Company.

Capital management
Visa Europe maintains a Capital Management and Dividend Policy, which sets out the Company's objectives and approach in managing capital.

As set out within the Policy, Visa Europe's objectives are
a. To ensure that the Company maintains sufficient capital to cover the risks the business undertakes;
b. Support its strategic objectives; and
c. To comply at all times with regulatory requirements.

The Visa Europe Capital Management and Dividend Policy is approved by the Visa Europe Board Risk Committee.

The amount required to support this is defined by Visa Europe's risk appetite and includes a provision to cover both client credit risk and general business risk as set out above. Visa Europe's risk appetite is approved by the Visa Europe Board.

Visa Europe monitors capital in line with the measurement set out within the Principles for Financial Market Infrastructures – that is based on 'liquid net assets funded by equity'. This is calculated monthly based on an analysis of short term assets less short term liabilities up to the amount recorded as equity.

23. Financial risk management *continued*

The Company may make dividends provided it retains sufficient in liquid net assets to meet future obligations plus a buffer, and if for some reason Visa Europe's capital falls below this level, dividends will be halted.

As at 30 September 2020, the calculated net liquid assets stood at €3.9 billion (2019: €3.4 billion), with dividends of €0.7 billion (2019: €1.0 billion) paid to Visa Europe's shareholder during the financial year. Visa Europe does not have any debt.

24. Financial instruments

Settlement risk

Settlement risk is the risk that a client is unable to meet its obligations to the Company as and when they fall due. Daily settlements volumes averaged approximately €4.4 billion (2019: €4.5 billion). To guard against any potential losses that may arise, the Company obtains financial safeguards from clients where it is deemed appropriate. This is based on board-approved guidelines and generally includes cash equivalents, letters of credit and guarantees.

The Company held the following financial safeguards to mitigate its settlement risk with clients:

	2020	2019
	€ million	€ million
Cash	**444.0**	355.0
Letters of credit	**182.0**	188.9
Guarantees	**162.0**	69.4
Total	**788.0**	613.3

As these forms of collateral do not meet the definition of an asset for the Company, no amounts are included on the balance sheet. The cash is not an asset of the Company as the Company is not exposed to the risks and rewards of the cash, individual clients retain beneficial ownership and the cash is only accessible to the Company in the event of default on its settlement obligations by the client.

The Bank of England, in its capacity as the designating authority under the terms of the Financial Markets and Insolvency Regulations 1999 (as amended), granted the Company designation under the UK Settlement Finality Regulation with effect from 23 September 2020. This designation provides the Company legal protection from netting of client settlement positions being unwound in an insolvency event and therefore settlement receivable and settlement payable positions with clients are presented in the Statement of Financial Position on a net basis from the date of the designation. Refer to Note 16, Trade and other receivables, and Note 18, Trade and other payables.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet an obligation under a contract and arises principally from the Company's receivables from customers, banks and derivative counterparties. The carrying amount of financial assets represents the Company's maximum exposure, which at the reporting date, was as follows:

	2020	2019
	€ million	€ million
Financial assets held at fair value	**26.3**	0.8
Trade and other receivables	**1,552.0**	4,130.0
Cash, net of overdraft	**5,167.0**	4,348.0
	6,745.3	8,478.8

Trade and other receivables in the above table includes gross amounts owed by related parties and excludes prepayments.

In applying IFRS 9, *Financial Instruments*, no material Expected Credit Loss (ECL) was determined for trade and other receivables and cash.

90% of the Company's cash balance is held in "AAA" rated short-term Money Market Funds, 8.7% held at the Bank of England, with the remaining amount spread between a number of commercial banks. These diversified pooled investment funds invest in high-quality, short-term debt instruments and allow same-day access to cash if required.

At the reporting date there were no significant financial guarantees for third-party obligations that increased this risk. The Company signs netting agreements under an ISDA (International Swaps and Derivatives Association) master agreement with the respective counterparties, which minimises the exposure on derivative positions.

24. Financial instruments *continued*

The Company only trades foreign exchange with investment grade banks as presented in the table below:

S&P Ratings less than one year	2020 € million	2019 € million
A1+	—	5.1
A1	**5.4**	11
A2	**9.8**	5.1
	15.2	21.2

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient financial resources to meet its obligations as they fall due.

Maturity analysis
The following tables show the Company's contractual maturities of financial assets and liabilities, including estimated interest payments. Where appropriate, values have been presented on a contractual cash flow basis.

30 September 2020	Less than 7 days € million	7 to 30 days € million	31 to 90 days € million	91 plus days € million	Contractual cash flow € million	Total € million
Non-derivative financial liabilities:						
Trade payables	**(1,206.0)**	—	—	—	**1,206.0**	**(1,206.0)**
Derivative financial liabilities:						
Foreign exchange forward contracts	—	**(5)**	**(2)**	**(4.2)**	**11.2**	**(11.2)**
Total financial liabilities	**(1,206.0)**	**(5)**	**(2)**	**(4.2)**	**1,217.2**	**(1,217.2)**
Non-derivative financial assets:						
Cash and cash equivalents, net of overdraft	**5,167.0**	—	—	—	**(5,167.0)**	**5,167.0**
Trade receivables	**985.0**	—	—	—	**(985.0)**	**985.0**
Derivative financial assets:						
Foreign exchange forward contracts	—	**9.2**	**4.7**	**12.5**	**(26.4)**	**26.4**
Total financial assets	**6,152.0**	**9.2**	**4.7**	**12.5**	**(6,178.4)**	**6,178.4**
Total liquidity risk	**4,946.0**	**4.2**	**2.7**	**8.3**	**(4,961.2)**	**4,961.2**

30 September 2019	Less than 7 days € million	7 to 30 days € million	31 to 90 days € million	91 plus days € million	Contractual cash flow € million	Total € million
Non-derivative financial liabilities:						
Trade payables	(3,456.0)	—	—	—	3,456.0	(3,456.0)
Derivative financial liabilities:						
Foreign exchange forward contracts	—	(7.6)	(6.6)	(7.8)	22	(22)
Total financial liabilities	(3,456)	(7.6)	(6.6)	(7.8)	3,478	(3,478.0)
Non-derivative financial assets:						
Cash and cash equivalents	4,348.0	—	—	—	(4,348.0)	4,348.0
Trade receivables	2,485.0	—	—	—	(2,485.0)	2,485.0
Derivative financial assets:						
Foreign exchange forward contracts	—	—	—	0.8	(0.8)	0.8
Total financial assets	6,833.0	—	—	0.8	(6,833.8)	6,833.8
Total liquidity risk	3,377.0	(7.6)	(6.6)	(7)	(3,355.8)	3,355.8

24. Financial instruments *continued*

The following table indicates the periods in which the maturities associated with derivatives are expected to occur on a notional contract basis.

30 September 2020	6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million	Total € million
Foreign exchange forward contracts					
Sterling	**(211.7)**	**(22.2)**	—	—	**(233.9)**
US Dollar	**(632.1)**	—	—	—	**(632.1)**
Other	**(19.3)**	**(5.6)**	—	—	**(24.9)**
Total	**(863.1)**	**(27.8)**	—	—	**(890.9)**

30 September 2019	6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million	Total € million
Foreign exchange forward contracts					
Sterling	(525.1)	(67.4)	—	—	(592.5)
US Dollar	(256.2)	—	—	—	(256.2)
Other	(30)	(27.4)	—	—	(57.4)
Total	(811.3)	(94.8)	—	—	(906.1)

The following table indicates the periods in which the maturities associated with cash flow hedges outstanding at 30 September 2020 and 2019 are expected to impact the income statement.

30 September 2020	6 months or less € million	6-12 months € million	1-3 years € million	than 3 years € million	Total € million
Foreign exchange forward contracts					
Sterling	**(6)**	**(22.2)**	—	—	**(28.2)**
US Dollar	—	—	—	—	—
Other	**(19.3)**	**(5.6)**	—	—	**(24.9)**
Total	**(25.3)**	**(27.8)**	—	—	**(53.1)**

30 September 2019	6 months or less € million	6-12 months € million	1-3 years € million	than 3 years € million	Total € million
Foreign exchange forward contracts					
Sterling	(32.3)	(67.4)	—	—	(99.7)
US Dollar	—	—	—	—	—
Other	(30.0)	(27.4)	—	—	(57.4)
Total	(62.3)	(94.8)	—	—	(157.1)

24. Financial instruments *continued*

The following table shows the fair values of the Company's derivative financial instruments held at 30 September 2020 and 2019:

30 September 2020	6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million	Total € million
Foreign exchange forward contracts					
Sterling	**5.8**	**0.3**	**—**	**—**	**6.1**
US Dollar	**1.9**	**—**	**—**	**—**	**1.9**
Other	**6.8**	**0.4**	**—**	**—**	**7.2**
Total	**14.5**	**0.7**	**—**	**—**	**15.2**

30 September 2019	6 months or less € million	6-12 months € million	1-3 years € million	Greater than 3 years € million	Total € million
Foreign exchange forward contracts					
Sterling	(8.4)	(0.6)	—	—	(9.0)
US Dollar	(3.0)	—	—	—	(3.0)
Other	(5.4)	(3.8)	—	—	(9.2)
Total	(16.8)	(4.4)	—	—	(21.2)

Forecast data for liabilities which may be incurred in the future is not included in the table above. Amounts in foreign currency were translated at the closing rate at the reporting date. The variable payments arising from the financial instruments were calculated based on the forward interest rate yield curve at 30 September 2020 and 2019. Interest on interest rate swaps includes the paid and received amounts as interest is settled on a net basis. Financial liabilities that can be repaid at any time have been assigned to the earliest possible time period.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Visa Europe is a designated borrower, along with Visa Inc. and other related entities, of a shared, stand-by credit facility that Visa Europe can access to meet liquidity needs, if required. The total facility of $5.0 billion was committed to the Visa Inc Group, including Visa Europe. As of 30 September 2020, Visa Europe had a nil draw on the credit facility (2019: nil).

Market risk

Market risk is the risk that movements in market factors such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce the Company's income or value of its financial instruments.

Interest rate risks
The Company is exposed to fluctuations in interest rates on its cash investments. The majority of cash and cash equivalents are held as deposits with less than three months maturity, are readily accessible and receive floating rate interest.

The following table shows deposits held:

	2020 Carrying amount € million	2019 Carrying amount € million
Financial assets		
Amounts owing from counterparties under various deposit arrangements at various interest rates	**5,130.0**	4,288.0
Total	**5,130.0**	4,288.0

Currency risk

Hedge accounting
As described above, the Company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. To hedge these exposures, the Company uses foreign exchange forward contracts and interest rate swaps which are designated as cash flow hedges. As at the end of September 2020 the Company had no cash flow hedge designated interest rate swaps. The Company does not use derivative financial instruments for speculative purposes. The Company's derivative financial instruments and hedge accounting policy is disclosed in Note 2.

The Company's cash flow hedging policy stipulates a maximum hedge tenor of 13 months.

The Company may enter into certain foreign currency and interest rate transactions that are not designated as hedges for accounting purposes. The fair value movements of such transactions are recorded in the income statement.

The carrying amount of derivative financial instruments and whether these derivatives are designated in a formal hedging relationship at the reporting date is analysed as follows:

	2020		2019	
	Assets € million	Liabilities € million	Assets € million	Liabilities € million
Designated in a qualifying hedging relationship				
Foreign exchange forward contracts				
Sterling	**7.6**	**(1.3)**	0.8	(1.1)
US Dollar	**—**	**—**	—	—
Other	**12.4**	**(5.2)**	—	(9.2)
Total	**20.0**	**(6.5)**	0.8	(10.3)
Not designated in a qualifying hedging relationship				
Foreign exchange forward contracts				
Sterling	**1.0**	**(1.3)**	—	(8.7)
US Dollar	**5.3**	**(3.4)**	—	(3)
Other	**—**	**—**	—	—
Total	**6.3**	**(4.7)**	—	(11.7)

Sensitivity analysis on foreign exchange risk
Residual risk after hedging is assessed using sensitivity analysis.

The Company has an element of non-Euro settlement exposure by retaining liquid investments and accounts receivable values denominated in foreign currency. The balance sheet assets have been hedged using a combination of natural hedging and currency forwards. The risk is evaluated by the impact of a hypothetical 10% currency shift. The impact of a 10% currency shift on net exposure at year-end was €3.2 million (2019: €17.3 million). A significant strengthening of the US Dollar or Sterling against the Euro will thus negatively affect the Company's results. The Company assesses the risk by evaluating the impact of a hypothetical 10% currency shift in the net underlying exposure on a monthly basis. At year-end 2020, a 10% strengthening of both the US Dollar and Sterling against the Euro would adversely affect the cash flow by €16.3 million (2019: €9.9 million).

The following tables demonstrate foreign currency exposures affecting cash, trade receivables, trade payables, revenue and administrative expenses. The primary net foreign currency exposures against the Euro are the US Dollar and Sterling.

The split of cash, trade receivables and trade payables by currency for the years ended 2020 and 2019 were as follows:

	Cash				Trade receivables				Trade payables			
	2020		2019		**2020**		2019		**2020**		2019	
Currency	€ m	%	€ m	%	**€ m**	%	€ m	%	**€ m**	%	€ m	%
US Dollar	**878**	**17**	131	3	**763**	**39**	152	6	**1,159**	**38**	612	18
Euro	**3,824**	**74**	3,739	86	**1,076**	**55**	805	32	**1,738**	**57**	1,217	35
Sterling	**465**	**9**	478	11	**117**	**6**	786	32	**152**	**5**	729	21
Other	**—**	**—**	—	—	**—**	**—**	742	30	**—**	**—**	898	26
	5,167	**100**	4,348	100	**1,956**	**100**	2,485	100	**3,049**	**100**	3,456	100

The split of revenue and administrative expenses by currency for the years 2020 and 2019 were as follows:

	Revenue				Administrative expenses[1]			
	2020		2019		**2020**		2019	
Currency	**€ m**	**%**	€ m	%	**€ m**	**%**	€ m	%
US Dollar	**641**	**21**	725	22	**484**	**36**	298	23
Euro	**1,161**	**38**	1,375	41	**269**	**20**	325	25
Sterling	**703**	**23**	770	23	**470**	**35**	634	50
Other	**550**	**18**	458	14	**121**	**9**	20	2
	3,055	**100**	3,328	100	**1,344**	**100**	1,277	100

(1) Administrative expenses excludes foreign exchange net loss of €107 million (2019: €35 million gain).

The uncertainty created by the Brexit process has led to elevated volatility for Sterling currency pairs although for Euro based pairs, volatility has declined. This affects the revaluation impact on the Income Statement arising from un-hedged net balance sheet exposures. Throughout the year currency volatility did not materially impact the Income Statement as unhedged exposures were maintained at low levels. Implied volatility remains elevated for Sterling based currency pairs and close scrutiny will continue. Currency rate fluctuations also affect the impact that future anticipated Sterling cash flows have on the Income Statement however this has been hedged by placing currency forwards with up to 12 months maturity.

Fair values

The Company uses quoted prices (unadjusted) in active markets to determine the fair values of identical assets or liabilities. The fair value of the financial assets and liabilities is equal to the carrying amount.

The table below analyses financial instruments carried at fair value, by valuation method.

Financial instruments with a fair value based on quoted market prices (level 1) include valuations which are determined by unadjusted quoted prices for identical instruments in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

The Company uses foreign currency and interest rate derivatives to hedge its market risk exposures. These level 2 financial instruments are measured using 'market comparison techniques', whereby the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. When determining the value for these financial instruments there are no significant unobservable inputs.

Financial instruments with a fair value based on significant unobservable inputs (level 3) include valuations which incorporate significant inputs for the instrument that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

30 September 2020	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Derivative financial assets:				
Currency derivatives	—	**26.3**	—	**26.3**
	—	**26.3**	—	**26.3**
Derivative financial liabilities:				
Currency derivatives	—	**(11.1)**	—	**(11.1)**
	—	**(11.1)**	—	**(11.1)**

30 September 2019	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Derivative financial assets:				
Currency derivatives	—	0.8	—	0.8
	—	0.8	—	0.8
Derivative financial liabilities:				
Currency derivatives	—	(22.0)	—	(22.0)
	—	(22.0)	—	(22.0)

Cash and cash equivalents, trade receivables and trade payables are recognised and measured by the Company at amortised cost. Management considers fair value and book value to be the same. These items are assessed to be level 2 financial instruments.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date and were as follows:

	2020	2019
Derivative contracts	**0.22% to 2.09%**	**2.09% to 2.82%**

Accounting Classification

The following tables show all the Company's financial assets and liabilities by accounting classification.

30 September 2020	Fair Value through P&L (FVTPL) € million	Financial assets/(liabilities) at amortised cost € million	Total € million
Financial assets:			
Cash and cash equivalents	**—**	**5,167.0**	**5,167.0**
Trade and other receivables	**—**	**1,552.0**	**1,552.0**
Currency derivatives	**26.3**	**—**	**26.3**
Total	**26.3**	**6,719.0**	**6,745.3**
Financial liabilities:			
Trade and other payables	**—**	**(2,786.0)**	**(2,786.0)**
Currency derivatives	**(11.1)**	**—**	**(11.1)**
Total	**(11.1)**	**(2,786.0)**	**(2,797.1)**

30 September 2019	Fair Value through P&L (FVTPL) € million	Financial assets/(liabilities) at amortised cost € million	Total € million
Financial assets:			
Cash and cash equivalents	—	4,348	4,348
Trade and other receivables	—	4,130	4,130
Currency derivatives	0.8	—	0.8
Total	0.8	8,478	8,478.8
Financial liabilities:			
Trade and other payables	—	(4,335)	(4,335)
Currency derivatives	(22.0)	—	(22)
Total	(22.0)	(4,335)	(4,357)

25. Contingent liabilities

The Company is subject to extensive regulation and oversight in the conduct of its business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the Company's business activities or other sanctions. The Company seeks to minimise these risks through the adoption of compliance and other policies and procedures, continuing to refine controls over business practices and behaviour, employee training, the use of appropriate documentation, and the involvement of outside legal counsel, where appropriate.

UK and Ireland Retailer claims

The Company may be exposed to possible obligations with other individual merchants related to multilateral interchange fees (MIFs) that although would be separate to the Retailer Litigation case that is subject to the CAT hearing (refer to Note 28 - Legal matters), may still be relevant to the underlying case. The full scope of potential damages is not yet known because the claims are at a very early stage (and in many cases have not even yet been particularised) and the Company has substantial defences. However, the claims that have been issued, served and/or preserved seek several billion euros in damages.

Europe claims

On 13 December 2019, Euronet 360 Finance Limited, Euronet Polska Spółka z.o.o., Euronet Services spol. S.r.o. and Euronet Card Services S.A. ("Euronet") served a claim in the UK alleging that certain rules affecting ATM access fees in Poland, the Czech Republic and Greece by Visa Inc. and Mastercard Incorporated, and certain of their subsidiaries, which included Visa Europe, breach various competition laws. Visa served its defence to the claim on 24 April 2020, and a Case Management Conference, to determine next steps in the case, took place on 18 October 2020. A trial date is likely to be set for May 2023. Euronet seeks damages, costs, and injunctive relief to prevent the defendants from enforcing the aforementioned rule. The Company is of the view that it is possible that there will be an outflow of economic benefit.

On 6 December 2019, LitFin, a Czech litigation funder, brought interchange fee claims on behalf of Czech and Slovak merchants against a number of Visa entities including Visa Europe, as well as MasterCard, before a Belgian court. LitFin claims that the interchange fees applied by Visa and Mastercard in the Czech Republic and Slovakia from 2000 to 2015 were in breach of various competition laws within the EU internal market. LitFin is seeking damages for the fees paid by the merchants above the levels referred to in the EU Interchange Fee Regulation during this period. Visa responded to the claim on 26 October 2020 and the parties will exchange further trial briefs until a case management hearing scheduled for 16 September 2021.

On 4 December 2020, Visa was informed by LitFin's counsel that LitFin will summon the same Visa (and Mastercard) entities before the same Belgian court on behalf of other merchants from Belgium, Luxembourg, Slovenia, Hungary, Croatia, Romania, the Czech Republic and Slovakia. The new writ of summons, and its supportive argumentation, are almost identical as the one filed in the first proceedings initiated on 6 December 2019. The first case management hearing of the case is scheduled for 6 May 2021. These second proceedings may be consolidated with the first proceedings. The Company is of the view that it is possible that there will be an outflow of economic benefit associated with the LitFin proceedings.

On 6 November 2019, a Polish petrol retailer, Orlen, brought an interchange fee claim before a Polish court and subsequently on 31 January 2020, a claim was brought by Super-Pharm. Visa's defences in these cases were served on 23 July 2020 and 22 October 2020, respectively. A further claim was brought by AmRest on 26 June 2020 and Visa's defence to this claim was submitted to the court on 8 January 2021. Finally, a claim has been brought by EURO-net (a different company to Euronet referred to above), which was served on 4 February 2021. Visa's Defence in relation to the EURO-net claim is due on 8 March 2021. (Collectively these claims are referred to as "Poland litigation".) The Company is of the view that it is possible that there will be an outflow of economic benefit associated with the Poland litigation.

In December 2020 and January 2021, Visa was served with lawsuits in relation to direct access fees (DAFs) by three German savings banks (OstseeSparkasse Rostock, Sparkasse Hegau-Bodensee, Sparkasse Scheeßel) and three German cooperative banks (Volksbank Braunschweig Wolfsburg, Volksbank Karlsruhe, Volksbank Köln Bonn) filed before the German courts. The claimants are all represented by the same German law firm and have filed virtually identical statements of claim, which are aimed at seeking relief to: (i) allow the claimants to introduce DAFs for credit cards; and (ii) declare that the DAF ban in the Visa Rules for credit cards violates German competition law. The claimants do not seek monetary compensation but could amend their claims in this regard at a later stage. Visa is currently preparing its statements of defence and has received, or applied for, generous extensions of the respective deadlines until July/August 2021.

On 23 December 2020, 275 banks filed a request for 'conciliation' proceedings, again represented by the same German law firm, to suspend the limitation period for alleged antitrust damage claims for the year 2015 in relation to Visa's ban on DAFs. The next step for the Company is to answer if it wants to enter into these conciliation proceedings, after which the banks have six months to file a lawsuit to preserve their 2015 claims, whilst lawsuits for a later time period remain a possibility. (Collectively these proceedings together with the lawsuits described above are referred to as the "German DAF Proceedings".) The Company is of the view that it is possible that there will be an outflow of economic benefit associated with the German DAF Proceedings.

The full scope of potential damages and outflow of economic benefit related to the Europe claims is not yet known because the claims are at a very early stage and the Company has substantial defences. However, the claims that have been issued, served and/or preserved seek less than a billion euros in damages. The timing of any potential outflows is uncertain at this stage.

Please see Note 28—Legal matters for discussion of other pending claims against Visa Europe.

26. Leases

The Company as lessee (IFRS 16)

The Company leases its office properties. The leases typically run for an average term of nine years, with an option to renew the lease after that date and lease payments are renegotiated to reflect market rentals. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments under the Company's lease arrangements are generally fixed. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

A portion of one of the leased properties is sub-let by the Company. The sub-leases expire in December 2022.

During 2020, the Company also leased residential property for certain expatriate employees. The leases typically run for a term of one to three years. Prior to 2020, these leases were borne by another entity within the Visa Group.

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

Right-of-use assets
Right-of-use assets are leased properties that do not meet the definition of investment property.

	2020		
	Office property	Residential property	Total
	€'000		
Balance at 1 October 2019	87,812	—	87,812
Depreciation charge for the year	(10,740)	(1,147)	(11,887)
Additions to right-of-use assets	16,401	2,060	18,461
Balance at 30 September 2020	93,473	913	94,386

Amounts recognised in profit or loss

	2020 €'000
2020 - Leases under IFRS 16:	
Depreciation of right-of-use assets presented in 'Other administrative expense'	(11,887)
Interest on lease liabilities presented in 'Net finance (expense)/income'	(2,763)
Income from sub-leasing right-of-use assets presented in 'Other operating income'	1,112

	2019 €'000
2019 - Operating leases under IAS 17:	
Lease expense presented in 'Other administrative expense'	(27,374)
Sub-lease income presented in 'Other operating income'	1,948

Amounts recognised in statement of cash flows

	2020 **€'000**
Total cash outflow for leases:	
Payment of lease liabilities-principal	6,550
Payment of lease liabilities-interest	2,751
	9,301

26. Leases *continued*

Lease liabilities

At 30 September 2020, the present value of future minimum lease payments was as follows:

	2020 €'000
2021	10,263
2022	15,012
2023	14,757
2024	14,197
2025	13,695
Thereafter	45,043
Total undiscounted lease payments	112,967
Less: interest	(11,556)
Present value of lease liabilities	101,411

Current portion of lease liabilities presented in 'Trade and other payables'	10,724
Non-current portion of lease liabilities presented in 'Other liabilities'	90,687
Present value of lease liabilities	101,411

At 30 September 2020 the Company did not have any leases that had not yet commenced but to which the Company is committed.

Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The above lease liabilities balance includes extension options exercisable by the Company.

The Company as lessor

The Company sub-leases out a portion of one of its office property leases. The Company has classified these sub-leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Property rental income earned during the year was €1.1 million (2019: €1.9 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

2020 - Operating sub-leases under IFRS 16	2020 €'000
Within one year	315
One to two years	315
Two to three years	79
Three to four years	—
Four to five years	—
More than five years	—
	709

2019 - Operating sub-leases under IAS 17	2019 €'000
Within one year	1,041
In the second to fifth years inclusive	2,321
More than five years	—
	3,362

27. Related party transactions

The Company earns an intercompany fee through the provision of various services to Visa Inc., the Company's overall parent company.

These services include intra-regional transaction fees and other information technology related services. The total intercompany revenue earned by the Company from Visa Inc., for the year was €0.5 million (2019: €2.5 million)

In addition, the Company incurred intercompany expenses of €396.5 million (2019: €263.7 million) under the Framework Agreement with Visa Inc. for the full year. The expenses are comprised of license fees, management fees and royalties, as well as fees related to information technology and network infrastructure, which were higher in the current year due to an increase in technology development costs.

The Company incurs an intercompany management fee through the provision of various services from Visa Europe Services LLC, the Company's subsidiary. These services include the provision of administrative and marketing support services from Visa Europe Services LLC.

The total intercompany management fee incurred by the Company with Visa Europe Services LLC for the year was €32.6 million (2019: €36.3 million).

The Company also incurs an intercompany management fee through the provision of administrative and marketing support services from Visa Europe Management Services Limited, the Company's subsidiary. The total intercompany management fee incurred by the Company with Visa Europe Management Services Limited for the year was €93.9 million (2019: €80.1 million).

In September 2020, the Company paid a cash dividend to its immediate parent Visa International Holdings Limited in the amount of €736 million (2019: €998 million).

At 30 September 2020, the Company's trade and other receivables falling due within one year include the following net amounts due from Visa Inc. and other Visa Group entities and the Company's trade and other payables falling due within one year include the following net amounts due to Visa Inc. and other Visa Group entities and net amounts due to the Company's subsidiaries:

	2020 **€'000**
Visa Inc.	**375,166**
Other Visa Group entities	**15,854**
Net amounts owed by related parties (see Note 16)	**391,020**
Visa Inc. and other Visa Group entities	**(303,416)**
Company's subsidiaries	**(495,989)**
Net amounts owed to related parties (see Note 18)	**(799,405)**

Visa Europe's Broader Leadership Team are considered to be key management personnel. Disclosure of their remuneration is shown below.

	2020 **€'000**	2019 €'000
Short-term employee benefits	**9,097**	12,641
Share-based payment	**7,101**	6,828
Retirement benefits	**509**	550
Other long-term benefits	**253**	15
	16,960	20,034

Directors' remuneration is disclosed in Note 9. The above table includes the remuneration for members of Visa Europe's Broader Leadership Team who are also directors.

Share-based awards granted in the year are delivered in a mix of equity instruments with both performance and time bound restrictions over the next three years (see Note 8).

Overall Parent Company

Visa Inc., which is incorporated in the United States of America, is Visa Europe's overall controlling related party. Copies of the financial statements for Visa Inc., are available from its website. The largest group of undertakings for which accounts have been drawn up is that headed by Visa Inc.

Visa International Holdings Limited, a UK limited company, is Visa Europe's immediate parent company. Both Visa International Holdings Limited and Visa Europe are indirect wholly-owned subsidiaries of Visa Inc.

28. Legal matters

Retailer Litigation

During 2013, certain UK and Irish retailers issued proceedings against Visa Europe claiming for losses suffered in respect of alleged breaches of EU, EEA and UK (and in some cases Irish) competition law. Further retailers have brought similar proceedings since. The courts decided first on questions of time limitation: In October 2014 the English High Court struck out those elements of the claim that were out of time (i.e. in relation to the period preceding the six years before the claims were brought). The retailers' appeals were ultimately unsuccessful. In principle, this judgment on limitation issues will apply to all current and future related claims which concern domestic and intra-EEA MIFs on UK transactions. In other words, claimants can only claim damages for the six years prior to issuing their claim.

A trial in relation to certain of these claims commenced in November 2016 and ended in March 2017. Three retailers settled before the trial started, and a further twelve settled during the course of the trial. Judgment was handed down in relation to the one remaining merchant claim involving Sainsbury's on 30 November 2017, with the Court finding that Visa's domestic UK interchange fees did not restrict UK and EU competition law, leading it to reject Sainsbury's claim in its entirety. A further judgment by the same court, which was considered on the hypothetical question of what a lawful level of interchange would have been in the event that a restriction of competition had been found, was handed down on 23 February 2018.

A separate case against MasterCard (which did not involve Visa) was determined at first instance before the UK Competition Appeal Tribunal in July 2016. In a further case, in January 2017 the English High Court ruled in favour of MasterCard and found that other than in respect of a brief period covered by a negative European Commission decision against MasterCard, its interchange was set lawfully at all times.

Therefore, at that stage in the litigation history, there were four judgments from three courts/tribunals in relation to Visa and Mastercard with inconsistent outcomes.

The Court of Appeal therefore agreed to hear an appeal of all of these cases at the same time in April 2018. The Court of Appeal handed down its judgment on 4 July 2018, and overturned the lower court's rulings in relation to Visa of November 2017 and February 2018, concluding that Visa's UK domestic interchange fees restricted competition and that the question of exemption under applicable law (i.e. the determination of the lawful level of interchange) had not been adequately dealt with. It also overturned the two previous MasterCard judgments, and decided to remit the cases to the Competition Appeal Tribunal (CAT) in order to reconsider the lawful level of interchange on the basis of the evidence put forward at the original trials. In light of the Court of Appeal ruling, the Company assessed it to be probable that an outflow of economic resource will occur and therefore a provision has been recognised. It has been calculated that the potential provision ranges between €0 million and €122 million. The low point of the range has been determined on the basis that if liability against Visa is found, the claimant might not be able to establish that it has suffered any loss. The high point of the range has been calculated by reference to the concession made by the claimant (Sainsbury's had conceded a lawful level of interchange of 19 bps for domestic consumer credit and 20 bps for domestic consumer debit, which eliminated a large proportion of the original claim). The Company have assessed that this is a continuous range of possible outcomes with each point in the range being equally likely. As a result, in the current year the Company recognised a provision of €6 million and combined with the provision recognised in 2018, the total provision as of 30 September 2020 is at the midpoint of the range which equates to €61 million.

In November 2018, the Supreme Court granted Visa leave to appeal certain elements of the Court of Appeal's judgment. The appeal was heard on 20-23 January 2020 and judgment was handed down on 17 June 2020. The judgment rejected Visa's appeals in relation to whether its UK interchange fee was a restriction of competition, as well as two questions relating to the standard of proof required to show that interchange was lawful. The Supreme Court directed that (i) the remittal to the CAT on the lawful level of interchange should proceed, and (ii) once the lawful level has been determined, there should (if necessary) be a further hearing to determine the quantum of any damages owed by Visa to Sainsbury's. Visa's potential liability is capped as a result of the concession made by the claimant when Sainsbury's accepted 19 and 20 bps (as set out above) as the lawful levels of interchange fees, which is not subject to appeal. The Supreme Court also ruled that Sainsbury's is subject to a heavy evidentiary burden to demonstrate it has not passed on interchange to its customers.

Since the Supreme Court made that order, Visa and Sainsbury's have agreed on these levels as lawful for the purpose of those proceedings only. The Sainsbury's proceedings are therefore moving straight to a quantum trial which, it was determined at a case management conference on 16 December 2020, is likely to begin in June 2022. Since the Supreme Court has ruled in Visa's favour in relation to the pass-on defence, Visa expects that it could be difficult for Sainsbury's to demonstrate that they have not passed on a large proportion of their alleged damages to their customers. In addition, any specific benefits that Sainsbury's (or any other claimant) derived from interchange would need to be deducted from their claim.

In addition, a substantial number of merchants have threatened to commence, or have issued, similar proceedings and standstill agreements (or similar arrangements) have been entered into with respect to some of those merchants' claims. A large number of these claims have been, or are being, moved to the CAT.

In these cases other than Sainsbury's, the CAT will apply the test for the exemptible level, as well as for pass-through, as set out by the Supreme Court. In these cases, Visa will have an opportunity to put forward new evidence to demonstrate the benefits of interchange to the Court, meaning there is no read-across from the Sainsbury's case to these other cases. The Supreme Court test for pass-through will be equally burdensome for new claimants as it is for Sainsbury's. As a result, a provision has not been recognised in relation to the other retailer claims. (Refer to Note 25-Contingent liabilities.)

Although other Visa Group entities, in addition to Visa Europe, are included as named defendants in the Retailer Litigation, Visa Europe will absorb all losses associated with the claim.

Please see Note 25 — Contingent liabilities for discussion of other pending claims against Visa Europe.

29. Subsequent events

On 16 December 2020, it was determined at a case management conference that the proceedings in relation to the Retailer Litigation, which is moving straight to a quantum trial, is likely to begin in June 2022. See Note 28, Legal matters, for further details of the Retailer Litigation.

See Note 25, Contingent liabilities, for details on activity of other pending litigation against the Company taking place subsequent to the balance sheet date and before the date of approval of the Directors' Report.

On 26 October 2020, Visa Europe (Latvia) S.I.A. was formed, which is 100% held by the Company.

The Brexit Transition Agreement concluded on 31 December 2020, and Visa Europe worked to ensure a seamless transition for clients, merchants and consumers for Visa transactions between the UK and the EEA. In March 2021, Visa Europe confirmed that it will be treating transactions between the UK and the EEA as "Intra-Europe non-EEA Transactions" and that interchange rates and Visa fee schedules will be adjusted accordingly beginning in October 2021.

On 24 March 2021, the Company paid a cash dividend in the amount of €1.5 billion to its immediate parent, Visa International Holdings Limited, in line with the Visa Europe Capital Management and Dividend Policy.

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