

Cashflow

VISA

**Visa Europe Services LLC (formerly Visa Europe Services Inc.)
2017 FINANCIAL STATEMENTS**

Company number FC025276

UK establishment number BR007632

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Directors' Report

The Board of Directors (the Directors) present their annual report and financial statements for Visa Europe Services LLC (the Company) for the year ended 30 September 2017

Principal activities, review of business and future developments

The Company was registered as a UK branch of an overseas private corporation limited by shares under the name of Visa Europe Services Inc. on 25 June 2004. On 17 February 2017, the Company undertook a reorganisation, which resulted in the conversion of the Company from a Delaware corporation to a Delaware limited liability company (LLC), and accordingly, the Company was renamed Visa Europe Services LLC.

The Company is a payments system business. The Company's main business operation is to serve its clients across Europe. Turnover has decreased to €622.5 million in 2017 from €800.1 million in 2016. The decrease is mainly due to changes in income recognition between the Company and its immediate parent company, Visa Europe Limited.

Results and dividends

The Company made a profit after tax for the period and attributable to the ordinary shareholders of €4.2 million (2016: €255.8 million), which is set out on page 4. The statement of financial position is on page 6 and shows a net asset balance of €307.7 million (2016: €1,379 million).

On 17 February 2017, the Directors authorised the payment of a dividend of €1,003 million to Visa Europe Limited and do not recommend any further dividend (2016: €nil).

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 the Company'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. The Company is an equal opportunity employer. Equal opportunity is about good employment practices and treating our most valuable asset, our employees, fairly and equally.

The Company is also committed to ensuring that all prospective applicants for employment are treated fairly and equitably throughout the recruitment process. The Company provides reasonable workplace adjustments for new entrants into the Company and for existing employees who become disabled during their employment.

The Company 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 the Company through an annual Employee Engagement Survey. 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.

Financial risk management

Financial risk is managed on a group level and is set out in the publicly available consolidated financial statements of Visa Europe Limited.

Political donations

The Company made no political contributions during the year (2016: €nil).

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 financial resources available to meet its obligations.

Brexit

With the UK scheduled to leave the EU by 31 January 2020 and ongoing uncertainty about the terms of the separation, there is an increasing risk of economic, political and social uncertainty across Europe. A central program has been established by Visa Europe Limited to oversee management of all Brexit-related activities for the Visa Europe Group. The impact of Brexit on the Visa Europe Group is expected to be limited.

Post balance sheet events

In December 2017, the Company and other Visa group entities, underwent a reorganisation, which resulted in the transfer of its investment in Visa Europe Management Services Limited to Visa Europe Limited

Effective 31 March 2018, directly related to the Visa group reorganisation, the Company and Visa Europe Limited executed an Intra Group Business Transfer Agreement involving the sale by the Company and the purchase by Visa Europe Limited of the majority of the Company's UK business operations as a going concern together with the assets and liabilities used in connection with its operations. The consideration for the sale and purchase was €340 million, which represented the net book value of the assets less an amount equal to the liabilities of the Company's UK business as of 31 March 2018. The transaction resulted in the transfer of these assets and liabilities from the Company to Visa Europe Limited

In November 2018, the Supreme Court granted Visa leave to appeal certain elements of the Court of Appeal's judgment in relation to the Retailer Litigation, which is due to be heard in January 2020. See Note 23, Contingent liabilities, for further discussion of the Retailer Litigation.

Board membership

The following Directors held office during and after the year ended 30 September 2017

Sharon Dean	Appointed 10 October 2019
Robert Livingston	Appointed 10 October 2019
Antony Cahill	Appointed 10 October 2019
Jose Souto	Resigned 10 October 2019
Charlotte Hogg	Appointed 02 October 2017, Resigned 10 October 2019
William Morgan Sheedy	Appointed 01 April 2017, Resigned 02 October 2017
Deborah Alison Hewitt	Appointed 07 June 2017, Resigned 31 March 2018
Jean-Louis Constanza	Resigned 31 March 2018
Gary Hoffman	Resigned 31 March 2018
Mary Ellen Richey	Resigned 31 March 2018
Nicolas Huss	Resigned 01 April 2017
Eva Castillo Sanz	Resigned 30 December 2016

On behalf of the Board



Sharon Dean
Director

31 October 2019

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

The Directors are responsible for preparing 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 Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 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 IFRSs as adopted by the EU, 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 its 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 group and to prevent and detect fraud and other irregularities.

Income statement

For the year ended 30 September

	Note	2017 €'000	2016 €'000
Turnover		622,529	800,081
Administrative expenses			
Transaction bonus	4	—	(40,802)
Other administrative expenses	3	(501,717)	(400,582)
		(501,717)	(441,384)
Other expenses			
Impairment of property, plant and equipment	10	(84,624)	(17,689)
Impairment of intangible assets	9	(34,342)	—
		(118,966)	(17,689)
Operating profit		1,846	341,008
Charitable contribution expense	12	(169,329)	—
Gain on disposal of investment	12	152,257	—
Finance income	5	2,265	1,935
Finance costs	6	(4,845)	(1,929)
Dividend income	7	337	1,116
(Loss)/Profit on ordinary activities before taxation		(17,469)	342,130
Income tax credit/(expense) on (loss)/profit on ordinary activities	8	21,640	(86,301)
Profit on ordinary activities after taxation		4,171	255,829

The notes on pages 10 to 29 form part of these financial statements

Statement of comprehensive income

For the year ended 30 September

	Note	2017 €'000	2016 €'000
Profit for the year attributable to equity holders of the parent		4,171	255,829
Other comprehensive income:			
Items that will not be reclassified to income statement			
Remeasurement gains/(losses) on defined benefit pension schemes	19	52,674	(100,230)
Deferred tax arising on remeasurement gains/losses on defined benefit pension schemes	11	(45,555)	36,732
		7,119	(63,498)
Items that may be reclassified subsequently to income statement			
Available-for-sale financial assets			
Gains on revaluation		7,627	25,889
Gain on disposal of investments transferred from other comprehensive income to income statement	12	(152,257)	—
Deferred tax arising on available-for-sale financial assets		47,926	(4,765)
Cash flow hedges			
Net gains/(losses) taken to other comprehensive income		99	(75,557)
Effective hedge gains/(losses) transferred from other comprehensive income to income statement		8,311	(52,054)
Deferred tax arising on cash flow hedges		(969)	51,056
		(89,263)	(55,431)
Other comprehensive loss for the year, net of tax		(82,144)	(118,929)
Total comprehensive (loss)/income for the year		(77,973)	136,900

The notes on pages 10 to 29 form part of these financial statements

Statement of financial position

As at 30 September

		2017	2016
	Note	€'000	Represented* €'000
Non-current assets			
Goodwill and intangible assets	9	39,823	77,508
Property, plant and equipment	10	72,216	209,212
Deferred tax asset	11	59,085	99,504
Financial assets	12	—	10,669
		171,124	396,893
Current assets			
Trade and other receivables	14	1,376,644	1,085,617
Deferred tax asset	11	—	33
Financial assets	12	8,606	190,550
Cash and cash equivalents	15	1,363,979	2,227,335
		2,749,229	3,503,535
Current liabilities			
Financial liabilities	16	29,958	50,570
Trade and other payables	17	2,530,999	2,273,772
		2,560,957	2,324,342
Net current assets		188,272	1,179,193
Non-current liabilities			
Trade and other payables	17	7,461	547
Provisions	18	44,068	127,172
Financial liabilities	16	—	17,462
Retirement benefit obligation	19	176	52,289
		51,705	197,470
Net assets		307,691	1,378,616
Equity			
Other reserves		2,435	91,698
Retained earnings		305,256	1,286,918
Equity shareholders' funds		307,691	1,378,616

The notes on pages 10 to 29 form part of these financial statements

*See Note 14, Trade and other receivables, and Note 17, Trade and other payables, for discussion

The financial statements were approved by the Board of Directors and authorised for issue on 31 October 2019. They were signed on its behalf by



Sharon Dean
Director

31 October 2019

Statement of changes in equity

For the year ended 30 September

	Attributable to equity holders of the parent company				
	Merger reserve €'000	Available-for- sale reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000	Total €'000
Balance as at 1 October 2016	2,045	96,704	(7,051)	1,286,918	1,378,616
Total comprehensive income for the year					
Profit for the year attributable to equity holders of the parent	—	—	—	4,171	4,171
Other comprehensive income:					
Items that will not be reclassified to income statement					
Remeasurement gains on defined benefit pension schemes	—	—	—	52,674	52,674
Income tax relating to items that will not be reclassified	—	—	—	(45,555)	(45,555)
	—	—	—	7,119	7,119
Items that may be reclassified subsequently to income statement					
Available-for-sale investments					
Gains on revaluation in the year	—	7,627	—	—	7,627
Gain on disposal of investments transferred from other comprehensive income to income statement	—	(152,257)	—	—	(152,257)
Cash flow hedges					
Net gains taken to other comprehensive income	—	—	99	—	99
Net gains transferred from other comprehensive income to income statement	—	—	8,311	—	8,311
Income tax relating to items that may be reclassified	—	47,926	(969)	—	46,957
	—	(96,704)	7,441	—	(89,263)
Other comprehensive income for the year, net of tax	—	(96,704)	7,441	7,119	(82,144)
Total comprehensive income for the year	—	(96,704)	7,441	11,290	(77,973)
Transactions with owners, recorded directly in equity					
Contributions by and distribution to owners					
Dividend paid	—	—	—	(1,003,083)	(1,003,083)
Equity settled share-based payment transactions	—	—	—	8,441	8,441
Income tax relating to transactions with owners, recorded directly in equity	—	—	—	1,690	1,690
Total contributions by and distributions to owners	—	—	—	(992,952)	(992,952)
Balance as at 30 September 2017	2,045	—	390	305,256	307,691

The notes on pages 10 to 29 form part of these financial statements

Statement of changes in equity *continued*

	Attributable to equity holders of the parent company				
	Merger reserve €'000	Available- for-sale reserve €'000	Cash flow hedging reserve €'000	Retained earnings €'000	Total €'000
Balance as at 1 October 2015	2,045	75,579	69,504	1,090,449	1,237,577
Total comprehensive income for the year					
Profit for the year attributable to equity holders of the parent	—	—	—	255,829	255,829
Other comprehensive income:					
Items that will not be reclassified to income statement					
Remeasurement losses on defined benefit pension schemes	—	—	—	(100,230)	(100,230)
Income tax relating to items that will not be reclassified	—	—	—	36,731	36,731
	—	—	—	(63,499)	(63,499)
Items that may be reclassified subsequently to income statement					
Available-for-sale investments					
Gains on revaluation	—	25,889	—	—	25,889
Cash flow hedges					
Net losses taken to other comprehensive income	—	—	(75,557)	—	(75,557)
Net losses transferred from other comprehensive income to income statement	—	—	(52,054)	—	(52,054)
Income tax relating to items that may be reclassified	—	(4,764)	51,056	—	46,292
	—	21,125	(76,555)	—	(55,430)
Other comprehensive income for the year, net of tax	—	21,125	(76,555)	(63,499)	(118,929)
Total comprehensive income for the year	—	21,125	(76,555)	192,330	136,900
Transactions with owners, recorded directly in equity					
Contributions by and distribution to owners.					
Equity settled share-based payment transactions	—	—	—	4,139	4,139
Total contributions by and distributions to owners	—	—	—	4,139	4,139
Balance as at 30 September 2016	2,045	96,704	(7,051)	1,286,918	1,378,616

The notes on pages 10 to 29 form part of these financial statements

Statement of cash flows

For the year ended 30 September

	Note	2017 €'000	2016 €'000
(Loss)/Profit before tax		(17,469)	342,130
Adjustments for			
Depreciation of property, plant and equipment	10	66,333	58,342
Amortisation of intangible assets	9	16,033	23,755
Loss on disposal and impairment of property, plant and equipment and intangible assets	9, 10	118,966	17,689
Gain on disposal of investment	12	(152,257)	—
Charitable contribution expense	12	169,329	—
Onerous contract expense	3	1,277	1,417
Service cost on defined benefit pension scheme	19	6,759	6,303
Foreign exchange (gain)/loss		(21,939)	42,151
Finance income	5	(2,265)	—
Effective hedge (gains)/losses transferred from other comprehensive income to income statement		(8,311)	52,054
Share-based payment	4	8,441	4,139
Decrease in provisions	18	(83,104)	(4,833)
Operating cash flows before movements in working capital		101,793	543,147
(Increase)/decrease in receivables		(169,854)	327,688
Increase in payables		281,093	17,515
Cash generated by operations		213,032	888,350
Pension benefits paid	19	(4,645)	(95,845)
Income taxes paid		(52,419)	(172,755)
Net cash from operating activities		155,968	619,750
Investing activities			
Dividends received from financial assets	7	337	1,116
Purchase of property, plant and equipment	10	(26,655)	(60,759)
Net cash used in investing activities		(26,318)	(59,643)
Financing activities			
Dividend paid to parent		(1,003,083)	—
Finance income	5	2,265	2,464
Interest paid		(292)	(478)
Net cash provided by financing activities		(1,001,110)	1,986
Net (decrease)/ increase in cash and cash equivalents		(871,460)	562,093
Cash and cash equivalents at the beginning of the year		2,216,717	1,723,527
Foreign exchange gain/(loss) thereon		18,544	(68,903)
Cash and cash equivalents at the end of the year, net of overdraft	15	1,363,801	2,216,717

The notes on pages 10 to 29 form part of these financial statements

Notes to the financial statements

As at 30 September 2017

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of Visa Europe Services LLC (the Company)

IFRS

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 Company's functional and presentational currency, rounded to the nearest thousand

Turnover

Turnover consists of fees earned under a subcontractor agreement between the Company and Visa Europe Limited, the Company's immediate parent company. Certain subcontracted services are provided under this agreement, primarily authorising, clearing and settlement services and processing payment transactions within the EU Territory including operating the processing centre, and certain ancillary services such as developing new Visa products to be used in the EU Territory

Foreign currency translation

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 and any resulting exchange differences are included in administrative expenses in the income statement

Leases

Rentals payable under operating leases are charged to income 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 are also spread 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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit 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.

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 and 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

Current and deferred tax balances are not discounted

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 which 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 their 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.

Goodwill and operating rights are assessed to have indefinite useful lives as, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the entity.

Intangible assets include internally generated software, which is software designed, developed and commercialised by the Company to generate economic profit. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and 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.

Intangible assets are recorded at cost less accumulated amortisation and any impairment losses. Amortisation for internally generated software is 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:

Internally generated software	3 to 10 years
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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 instruments, classified as held to maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company positively intends and has the ability to hold to maturity. Held to maturity financial instruments are measured at amortised cost using the effective interest rate method

Financial instruments, classified as available-for-sale, are initially measured at fair value at the date of trade plus directly attributable acquisition costs. These are subsequently measured at fair value, with gains and losses arising from changes in fair value recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers. Settlement receivables are recognised when settlements remain outstanding for one or more business days resulting in amounts due from clients. Loans and receivables are carried at amortised cost using the effective interest method.

Held for trading assets and liabilities are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the financial instrument's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses recognised in the income statement for equity investments classified as available-for-sale are not subsequently reversed through the income statement, but are recognised as a revaluation gain in other comprehensive income.

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

Trade 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 there is objective evidence that the asset is impaired. 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.

Beginning in 2017, the Company may be required to settle certain settlement positions with clients on a gross basis rather than net in certain circumstances. Therefore, settlement receivable positions with clients have been presented in the statement of financial position on a gross basis for both 2017 and 2016 for purposes of comparability.

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

Trade and other payables

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

Beginning in 2017, the Company may be required to settle certain settlement positions with clients on a gross basis rather than net in certain circumstances. Therefore, settlement payable positions with clients have been presented in the statement of financial position on a gross basis for both 2017 and 2016 for purposes of comparability

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

The Company's activities expose it to the financial risks of changes in foreign currency exchange and interest rates. The Company uses foreign exchange forward contracts to hedge these exposures. Where appropriate, the Company hedges highly probable forecast financial transactions not denominated in the Company's functional or reporting currency, through the application of cash flow hedge accounting

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the income statement.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss, through other income, in the same period or periods during which the hedged forecast cash flow affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in other comprehensive income until the forecasted transaction occurs at which point any derivative fair value gain or loss is recognised in other income or other expense, accordingly. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to net profit or loss for the period.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

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 currently has a legally enforceable right 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 costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement gains and losses are recognised in full in the period in which they occur. These gains and losses are not recognised within the income statement, but are instead included in other comprehensive income.

The value of the retirement benefits recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets.

Share-based payments

The ultimate parent company of the Company, Visa Inc., 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 Company's 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. 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.

2. Critical accounting judgments 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.

Revenue recognition

Revenues are stated net of volume-based discounts and support incentives. This offset takes place when it is probable that criteria for the discount or incentive will be met and can be reliably estimated. Management exercises judgement in assessing whether criteria will be met and in estimating the percentage of completion. For support incentives, management estimates the percentage of completion against the target criteria agreed with clients. For volume-based discounts, management bases the estimates upon past experience.

Taxation

The Company has taken account of tax issues that are subject to ongoing discussions with HM Revenue and Customs and other tax authorities in measuring tax assets and liabilities. Inherent in this is management's assessment of legal and professional advice, case law and other relevant guidance. The various risks are categorised and appropriate weightings applied in determining the carrying value of current and deferred tax balances.

Property, plant & equipment and intangible assets

At each balance sheet date, or more frequently when events or changes in circumstances dictate, property, plant and equipment and intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the assets or the cash-generating unit's fair value less cost of sale and its value in use. Fair value less cost of sale is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is primarily calculated under the cost approach by determining replacement or reproduction cost based on price estimates, analytical trending of historical cost information and adjusting for additional considerations informing functional and economic usefulness or obsolescence.

During the year, management exercised judgement in assessing the useful economic lives and value in use of a number of products and services that will be affected by integration into the global portfolio. In addition to the normal and annual impairment review process, this led to the impairment charge shown in Notes 9 and 10.

Retirement benefits

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 2017 it was assumed that the rate of inflation was based on the increase in the Retail Prices Index (RPI), for which an assumption of 3.40 per cent per annum (2016: 3.30 per cent) was made, and also on the increase in the Consumer Prices Index (CPI), for which an assumption of 2.30 per cent per annum was made (2016: 2.20 per cent). If these assumptions were increased by 0.1 per cent, and the other inflation related assumptions were increased by a commensurate amount, the overall deficit would increase by approximately €6.4 million (2016: €7.4 million) and the annual cost by approximately €0.2 million (2016: €0.2 million). A reduction of 0.1 per cent would reduce the overall deficit by approximately €6.5 million (2016: €7.3 million) and the annual cost by approximately €0.2 million (2016: €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 2017 the discount rate used was 2.70 per cent (2016: 2.40 per cent), a reduction of 0.1 per cent would increase the overall deficit by approximately €8.1 million (2016: €9.3 million) and the annual cost by approximately €0.3 million (2016: €0.3 million), while an increase of 0.1 per cent would reduce the deficit by approximately €8.1 million (2016: €9.1 million) and the annual cost by approximately €0.3 million (2016: €0.3 million). See Note 19, Retirement benefit obligation.

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). If the assumed life expectancy was increased by approximately* one year the overall deficit would increase by approximately €12.6 million (2016: €16.7 million) and the annual cost by approximately €0.5 million (2016: €0.7 million). If the assumed life expectancy was reduced by approximately* one year the overall deficit would reduce by approximately €12.2 million (2016: €17.1 million) and the annual cost by approximately €0.5 million (2016: €0.7 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

The Company exercises its judgement in considering whether a liability may arise and where measurement 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 and contingent liabilities related to legal and regulatory proceedings. (Refer to Note 18, Provisions, and Note 23, Contingent liabilities.)

As noted above, taxation is inherently uncertain and subject to a number of factors. The Company has used its judgement in recognising a provision for indirect taxes on certain fees expensed through the income statement (see Note 18, Provisions). The total provision recognised may include amounts that are ultimately recovered upon resolution with tax authorities.

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.

3. Administrative expenses

Administrative expenses include

	Note	2017 €'000	2016 €'000
Employee benefit costs	4	188,412	282,470
Provision for indirect taxes	18	37,595	27,375
Depreciation of property, plant and equipment - owned	10	66,333	58,342
Amortisation of intangible assets	9	16,033	23,755
Operating lease cost		18,435	21,347
Onerous contract expense	18	1,277	1,417
Audit of the parent and related company financial statements		884	773
Other services related to taxation		698	1,100
Other assurance services pursuant to legislation and regulatory compliance		635	2,941

The remaining costs within administrative expenses include charges from Visa Inc. (resulting from a contractual arrangement with Visa Inc. as governed by the framework agreement), along with professional, consulting and marketing costs.

4. Employee benefit costs and employee numbers

Employee benefits costs were as follows

	2017 €'000	2016 €'000
Wages and salaries	143,237	171,177
Social security costs	18,712	28,673
Other retirement benefit obligation costs	14,274	15,622
Share-based payment	8,441	4,139
Severance costs	3,748	22,057
Transaction bonus	—	40,802
	188,412	282,470

During 2016, following the acquisition of the Company's immediate parent company, Visa Europe Limited, by Visa Inc., transaction bonuses were paid to full time employees on completion of the transaction. The total charge recognised in the income statement for transaction bonuses during 2016 was €40.8 million. There were no transaction bonuses paid or recognised in the income statement during 2017.

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

	2017	2016
Technology and Business operations	832	875
Sales and marketing	324	349
Management and administrative	223	387
	1,379	1,611

The classification of employees in 2016 have been restated to be consistent with the current year classification

Share-based payment arrangements**Description of Share-based payment arrangements**

In July 2016, senior employees of the Company were granted equity-settled Restricted Stock Units (RSUs) under cliff vesting conditions by the ultimate parent company, Visa Inc. The vesting period for these awards ended in 2018, upon which the restrictions were lifted and employees became beneficial owners of the shares. In November 2016, additional RSUs were awarded to certain employees of the Company under graded-vesting condition by the ultimate parent company, Visa Inc. The vesting period for these awards ends in 2019.

The expense recognised for the period totals

Equity settled transactions	2017 €'000	2016 €'000
Expense recognised during the period	8,441	4,139

5. Finance income

	2017 €'000	2016 €'000
Interest income	2,265	1,935

6. Finance costs

	Note	2017 €'000	2016 €'000
Net interest cost on pension scheme liability	19	(1,174)	(1,644)
Discounted provisions - unwinding of discount	18	(292)	(285)
Interest cost on corporation tax		(3,379)	—
		(4,845)	(1,929)

7. Dividend income

	2017	2016
	€'000	€'000
Dividend income on current asset investment	337	1,116

8. 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.

As a result of the legal entity reorganisation in February 2017, the Company became subject to UK taxation, rather than both UK and US taxation and tax charges and liabilities for the period from February 2017 are calculated using the current UK tax rate for the accounting period of 19.5 per cent

	2017	2016
	€'000	€'000
Current tax		
UK corporation tax		
Current tax on profit for the year	21,178	54,123
Adjustment in respect of prior years	398	(12,511)
	21,576	41,612
Foreign tax		
Current tax on profit for the year	(76,868)	94,833
Adjustment in respect of prior years	1,549	19,024
	(75,319)	113,857
Total current income tax (credit)/expense	(53,743)	155,469
Deferred tax		
Origination and reversal of temporary differences	32,103	(29,122)
Adjustment in respect of prior years	—	(40,046)
	32,103	(69,168)
Total income tax (credit)/expense	(21,640)	86,301

Reconciliation of income tax expense

The current income tax expense for the year is lower than the UK tax rate of 19.5% (2016: lower than the standard rate of Federal income tax in the USA of 35%)

The differences are explained below

	2017 €'000	2016 €'000
(Loss)/Profit before tax	(17,469)	342,130
Taxation at the standard UK tax rate of 19.5% (2016: US Federal income tax rate of 35%)	(3,406)	119,746
Effects of:		
Non-deductible expenses	255	—
Other permanent differences	1,181	1,249
Effect of higher country rates	(33,719)	—
Non-taxable income	(29,690)	—
Foreign tax credits	(10,334)	—
Effect of rate change for deferred tax	53,176	—
Effect of exchange rates	(1,050)	—
Prior year adjustments	1,947	(33,533)
Other	—	(1,161)
Total income tax (credit)/expense (see above)	(21,640)	86,301

The Finance Act 2016 reduces the UK Corporation Tax rate from 19% to 17% with effect from 1 April 2020

9 Goodwill and intangible assets

	Goodwill	Operating nghts	Internally generated software (IGS)	Total
	€'000	€'000	€'000	€'000
Cost				
At 30 September 2015	18,826	20,519	44,273	83,618
Transfer from assets in course of construction (Note 10)	—	—	42,491	42,491
At 30 September 2016	18,826	20,519	86,764	126,109
Transfer from computer equipment and software (Note 10)	—	—	15,945	15,945
Impairment	—	—	(59,342)	(59,342)
At 30 September 2017	18,826	20,519	43,367	82,712
Accumulated amortisation				
At 30 September 2015	—	—	(24,846)	(24,846)
Charge for the year	—	—	(23,755)	(23,755)
At 30 September 2016	—	—	(48,601)	(48,601)
Charge for the year	—	—	(16,033)	(16,033)
Transfer of charge relating to IGS additions during the year (Note 10)	—	—	(3,255)	(3,255)
Elimination on impairment	—	—	25,000	25,000
At 30 September 2017	—	—	(42,889)	(42,889)
Carrying amount				
At 30 September 2016	18,826	20,519	38,163	77,508
At 30 September 2017	18,826	20,519	478	39,823

The operating rights are assessed as having an indefinite life because the Company's immediate parent company, Visa Europe Limited, has signed an exclusive, irrevocable licensing arrangement in perpetuity with Visa Inc. to use the Visa trademarks and technology, and the countries are expected to generate net cash inflows indefinitely.

An annual assessment is made as to whether the carrying value of goodwill is impaired. For assessment, the recoverable amount of goodwill was 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). As a result, the carrying amount of the goodwill is determined to be lower than its recoverable amount, indicating no impairment.

In 2017, the write off of internally generated software assets totaled €34.3 million (2016: €nil) as management assessed a number of significant operational services, products and projects, which will either be integrated into global services, decommissioned or otherwise impaired.

10 Property, plant and equipment

	Land, building and leasehold and improvements €'000	Assets in course of construction €'000	Fixtures and equipment €'000	Computer equipment and software €'000	Total €'000
Cost					
At 1 October 2015	67,699	93,291	35,858	487,709	684,557
Additions	—	60,759	—	539	61,298
Transfer to internally generated software (Note 9)	—	—	—	(42,491)	(42,491)
Transfers between items	975	(118,905)	5,090	112,840	—
Transfer to subsidiary	(34)	—	(156)	(58)	(248)
Impairment	—	(2,172)	—	(20,433)	(22,605)
At 1 October 2016	68,640	32,973	40,792	538,106	680,511
Additions	—	26,655	—	—	26,655
Transfer to internally generated software (Note 9)	—	—	—	(15,945)	(15,945)
Transfers between items	7,066	(42,996)	1,386	34,544	—
Impairment	(5,745)	(9,456)	(3,553)	(83,637)	(102,391)
Disposals	—	—	—	(4)	(4)
At 30 September 2017	69,961	7,176	38,625	473,064	588,826
Accumulated depreciation and impairment					
At 1 October 2015	(47,034)	—	(22,390)	(348,449)	(417,873)
Charge for the year	(5,273)	—	(6,583)	(46,486)	(58,342)
Elimination on impairment	—	—	—	4,916	4,916
At 1 October 2016	(52,307)	—	(28,973)	(390,019)	(471,299)
Charge for the year	(5,025)	—	(4,499)	(56,809)	(66,333)
Transfer to internally generated software (Note 9)	—	—	—	3,255	3,255
Elimination on impairment	1,645	—	1,514	14,608	17,767
At 30 September 2017	(55,687)	—	(31,958)	(428,965)	(516,610)
Carrying amount					
At 30 September 2016	16,333	32,973	11,819	148,087	209,212
At 30 September 2017	14,274	7,176	6,667	44,099	72,216

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 9)

In 2017, the write off of project-related costs to recoverable amount was €9.5 million (2016: €2.2 million) as management assessed a number of significant operational services, products and projects, which will either be integrated into global services, decommissioned or otherwise impaired

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

	2017 €'000	2016 €'000
Contracted purchase of software and computer equipment	2,439	3,253
Contracted expenditure on buildings, fixtures and equipment	126	9
	2,565	3,262

11. Deferred tax

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

	Retirement benefit obligations	Other temporary differences	Total
	€'000	€'000	€'000
At 30 September 2016	69,724	29,813	99,537
Charged to profit for the year	(28,244)	(4,131)	(32,375)
(Credited)/charged to other comprehensive income	(45,555)	52,596	7,041
Prior year adjustment	3,449	(17,456)	(14,007)
Exchange movement	2	(1,113)	(1,111)
At 30 September 2017	(624)	59,709	59,085

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 retirement benefit obligations and other timing differences related to stock based compensation, pension contributions and derivative instruments.

The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes

	2017 €'000	2016 €'000
Deferred tax assets	59,709	99,537
Deferred tax liabilities	(624)	—
	59,085	99,537

12. Financial assets

	2017 €'000	2016 €'000
Non-current		
Currency derivatives	—	10,669
	2017 €'000	2016 €'000
Current		
Currency derivatives	8,606	28,848
Available-for-sale investments	—	161,702
	8,606	190,550

Following the acquisition by Visa Inc., cash flow hedging activity was aligned with a revised Treasury policy, which stipulates a maximum hedging tenor of 13 months. Existing hedges with a longer maturity or hedges now covering intercompany exposures have been offset with additional derivatives and the cumulative gain or loss is retained in other comprehensive income until the forecasted transactions occur.

Available-for-sale investments

	Visa Inc Series IV €'000
Balance sheet value as at 30 September 2015	135,813
Subsequent movement in fair value through other comprehensive income	25,889
Balance sheet value as at 30 September 2016	161,702
Subsequent movement in fair value through other comprehensive income	7,627
Disposal of investment	(169,329)
Balance sheet value as at 30 September 2017	—

In February 2017, the Company's shareholding in Visa Inc. was donated as part of the legal entity reorganisation completed by Visa Inc. The fair value of this investment at the time of donation was €169.3 million, resulting in a €152.3 million gain on disposal (2016: €nil) and an offsetting charge of €169.3 million (2016: €nil).

13. Subsidiary undertakings

Details of the Company's subsidiaries at 30 September 2017 are as follows

Name	Country of incorporation	Principal Activity	Class of shares held	Proportion of voting power held
Visa Europe Management Services Limited	UK	Services	Ordinary	100%
Visa Management Limited (1)	UK	Dormant	Ordinary	100%
Visa EU Limited (1)	UK	Dormant	Ordinary	100%

(1) Visa Management Limited and Visa EU Limited were dissolved effective 30 October 2018

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. In the course of the reorganisation, Visa Europe Limited, the Company's immediate parent company, sold and separately repurchased its shareholdings in the Company to/from Visa International Holdings Limited, a wholly-owned subsidiary of Visa Inc. During this time, the Company also converted from a Delaware corporation to a Delaware limited liability company (LLC).

In December 2017, the Company and other Visa group entities, underwent a reorganisation which resulted in the transfer of its investment in Visa Europe Management Services Limited to Visa Europe Limited.

14. Trade and other receivables

	2017 €'000	2016 €'000
Trade receivables	1,195,315	907,437
Prepayments and accrued income	179,935	176,249
Other receivables	1,394	1,931
	1,376,644	1,085,617

Beginning in 2017, the Company may be 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 gross basis for both 2017 and 2016 for purposes of comparability.

At 30 September 2017, trade receivables included settlement balances due from customers of €1,112 million (2016: €916 million). Correspondingly, at 30 September 2017, settlement balances payable to customers of €1,589 million (2016: €1,421 million) are included within trade payables (see Note 17, Trade and other payables).

15. Cash and cash equivalents

	2017 €'000	2016 €'000
Bank balances	1,363,979	2,227,335
Bank overdrafts	(178)	(10,618)
	1,363,801	2,216,717

16 Financial liabilities

	2017 €'000	2016 €'000
Current		
Bank overdrafts	178	10,618
Currency derivatives	29,780	39,952
	29,958	50,570
	2017 €'000	2016 €'000
Non-current		
Currency derivatives	—	17,462

17. Trade and other payables

	2017 €'000	2016 €'000
Current		
Trade payables	1,695,170	1,506,453
Amounts owed to related parties (Note 24)	737,880	567,465
Social security and other taxes	(684)	65,338
Accruals and deferred income	98,633	134,516
	2,530,999	2,273,772
	2017 €'000	2016 €'000
Non-current		
Other creditors including taxation and social security	7,461	547

Beginning in 2017, the Company may be 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 gross basis for both 2017 and 2016 for purposes of comparability.

At 30 September 2017, trade payables included settlement balances payable to customers totaling €1,589 million (2016: €1,421 million). Correspondingly settlement balances due from customers of €1,112 million (2016: €916 million) are included within trade receivables (see Note 14, Trade and other receivables).

18. Provisions

Provisions held as at 30 September 2017

	2017			
	Asset retirement obligation €'000	Indirect taxes €'000	Other €'000	Total €'000
At 30 September 2016	6,873	117,193	3,106	127,172
Additional provision in the year	—	37,595	588	38,183
Unwinding of discount	292	—	—	292
Provision payment	—	(121,173)	—	(121,173)
Provisions used during the year	—	—	(1,477)	(1,477)
Provisions reversed during the year	—	—	(1,594)	(1,594)
Exchange difference	(144)	2,809	—	2,665
At 30 September 2017	7,021	36,424	623	44,068

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.

In 2013, a provision for indirect taxes on certain fees was created. Payment of a portion of these indirect taxes has been made on deposit as the tax treatment of these items is in dispute with the relevant tax authority. The provision is relieved as payments are made. Subsequent to 2017, a settlement was reached with the relevant tax authority resulting in the Company being entitled to a refund of a portion of amounts previously paid.

In 2017 management has recognised a provision of €1.3 million relating to onerous contracts (2016: €1.4 million).

19. 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 €9.3 million (2016: €11.5 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 88% of all UK employees (2016: 85%) are members of these retirement benefit obligation schemes. A defined contribution liability of €0.4 million (2016: €0.2 million) was recognised at the end of the year. The Company currently operates defined contribution pension schemes and the schemes are open to new entrants.

Defined benefit schemes

The Company provides benefits to its 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 its 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 2016 and was updated for the purpose of IAS 19, Employee Benefits, to 30 September 2017 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 members age.

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.

Description of responsibilities for governance of the VPP scheme

The Trustees have the primary responsibility for governance of the Plan - including the setting of contribution rates subject to consultation/agreement with the company as required by the Plan's Trust Deed and Rules and overriding legislation. Benefit payments are from Trustee administered funds and Plan assets are held in 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

	2017	2016
	%	%
Discount rate applied to scheme liabilities	2.70	2.40
Expected rate of salary increases (salary sacrifice members)	2.50	3.30
Future pension increases	3.20	3.20
Inflation (RPI)	3.40	3.30
Inflation (CPI)	2.30	2.20

	2017	2016
	Years	Years
Life expectancy for a male aged 65	23.8	23.9
Life expectancy for a male aged 45 from the age of 65	25.2	25.7
Life expectancy for a female aged 65	26.7	27.1
Life expectancy for a female aged 45 from the age of 65	28.1	29.1

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

	2017			2016		
	VPP €'000	Other schemes €'000	Total €'000	VPP €'000	Other schemes €'000	Total €'000
Current service cost	5,585	—	5,585	4,659	—	4,659
Net interest cost on net defined benefit liability	1,076	98	1,174	1,390	254	1,644
	6,661	98	6,759	6,049	254	6,303

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
2017			
VPP	(362,318)	365,946	3,628
Other schemes	(3,804)	—	(3,804)
Total	(366,122)	365,946	(176)
2016			
VPP	(417,466)	369,431	(48,035)
Other schemes	(4,254)	—	(4,254)
Total	(421,720)	369,431	(52,289)

The decrease in the present value of the VPP defined benefit obligation is mainly due to favourable changes in the discount rate and decreases in expected rate of salary increases and life expectancies.

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

	2017			2016		
	VPP €'000	Other schemes €'000	Total €'000	VPP €'000	Other schemes €'000	Total €'000
At 1 October	(417,466)	(4,254)	(421,720)	(327,050)	(7,065)	(334,115)
Current service cost	(5,585)	—	(5,585)	(4,659)	—	(4,659)
Interest expense on defined benefit obligation	(9,839)	(99)	(9,938)	(11,780)	(254)	(12,034)
Remeasurement gains/(losses) financial assumptions	24,630	362	24,992	(112,030)	791	(111,239)
Remeasurement gains/(losses) demographic assumptions	13,907	—	13,907	(1,260)	—	(1,260)
Contributions by scheme participants	(168)	—	(168)	(103)	—	(103)
Experience gains/(losses)	7,660	—	7,660	(10,855)	—	(10,855)
Foreign exchange difference	12,133	86	12,219	46,638	772	47,410
Benefits paid	12,410	101	12,511	3,633	1,502	5,135
At 30 September	(362,318)	(3,804)	(366,122)	(417,466)	(4,254)	(421,720)

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

	2017			2016		
	VPP €'000	Other schemes €'000	Total €'000	VPP €'000	Other schemes €'000	Total €'000
At 1 October	369,431	—	369,431	285,934	—	285,934
Interest income on assets	8,763	—	8,763	10,390	—	10,390
Return on plan assets excluding interest income	6,115	—	6,115	23,215	—	23,215
Foreign exchange difference	(10,665)	—	(10,665)	(40,922)	—	(40,922)
Contributions by scheme participants	168	—	168	104	—	104
Contributions from the sponsoring company	4,544	101	4,645	94,343	1,502	95,845
Benefits paid	(12,410)	(101)	(12,511)	(3,633)	(1,502)	(5,135)
At 30 September	365,946	—	365,946	369,431	—	369,431

The analysis of the fair value of the VPP assets at the reporting date was as follows

	2017			2016		
	Quoted €'000	Unquoted €'000	Total €'000	Quoted €'000	Unquoted €'000	Total €'000
Equity instrument – UK	56,748	—	56,748	51,752	—	51,752
Equity instrument – Overseas	56,748	—	56,748	51,752	—	51,752
Index-linked gilts	126,868	—	126,868	46,292	—	46,292
Debt instruments	32,721	—	32,721	34,791	—	34,791
Property	26,902	—	26,902	25,590	—	25,590
Diversified completion fund	—	9,590	9,590	—	9,334	9,334
Diversified growth fund	55,738	—	55,738	56,589	—	56,589
Cash and net current assets	631	—	631	93,331	—	93,331
	356,356	9,590	365,946	360,097	9,334	369,431

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

	Experience gains/ (losses) on assets €'000	Experience gains/ (losses) on liabilities €'000
2017		
VPP	6,115	46,197
Other schemes	—	362
Total	6,115	46,559
2016		
VPP	23,215	(124,145)
Other schemes	—	791
Total	23,215	(123,354)

The Company's best estimate of contribution to be paid over the following year is €4.5 million
Duration of the liabilities is 24 years

Expected future benefit payments:

	€'000
2018	3,855
2019	3,975
2020	4,101
2021	4,229
2022	4,362
2023-27	23,953

The above contribution figure is based on the Schedule of Contributions currently in force

20. Share capital

Called up share capital

	2017		2016	
	Number	€	Number	€
Called up, allotted and fully paid				
Equity Ordinary shares of \$1 USD each	101	82	101	82

21. Financial safeguards

Settlement risk is the risk that a client is unable to meet its obligations to the Company as and when they fall due. 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 had the following financial safeguards at the end of the financial year to mitigate its settlement risk with clients

	2017 €'000	2016 €'000
Cash	324.6	266.0
Letters of credit	124.0	135.0
Guarantees	102.9	355.5
Total	551.5	756.5

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 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.

22. Operating lease commitments

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

	2017 €'000	2016 €'000
Within one year	20,570	18,170
In the second to fifth years inclusive	74,065	69,501
After five years	8,983	17,845
	103,618	105,516

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of ten years.

23. Contingent liabilities

During 2013, certain UK and Irish retailers issued proceedings against a number of Visa entities, which included the Company, 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. In October 2014 the English High Court struck out elements of the claim relating to the period before July 2007 (six years before the claims were brought) in respect of a group of retailers that had brought their claims in 2013. The retailers' request to submit an appeal was rejected by the Court. The retailers applied to the Court of Appeal with a view to overturning the judgment. However, the judgement was upheld. The retailers did not submit a further appeal to the Supreme Court. In principle this judgment will apply to all current and future related claims.

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 interchange fee did not restrict UK and EU competition law, leading it to reject Sainsbury's claim in its entirety. 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.

In addition, a substantial number of merchants have threatened to commence similar proceedings and standstill agreements have been entered into with respect to some of those merchants' claims.

A related case against MasterCard was determined at first instance before the UK Competition Appeal Tribunal in July 2016. In January 2017 the English High Court ruled in favour of MasterCard and found, in a case brought by largely the same group of retailers as have brought claims against Visa, 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.

The Court of Appeal agreed to hear an appeal of these two cases, together with the appeal against the Visa judgment. All of these appeals were heard at the same time in April 2018. It 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 restricted competition and that the question of exemption under applicable law 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 issue of exemption on the basis of the evidence put forward at trial. In November 2018, the Supreme Court granted Visa leave to appeal certain elements of the Court of Appeal's judgment, which is due to be heard in January 2020. If the Supreme Court upholds the Court of Appeal's judgment, the case will be remitted to the CAT to determine whether and to what extent the relevant interchange fees qualified for exemption (on the basis of the existing evidence) and, to the extent that they did not, what level of damages should be awarded taking into account factors such as the pass on of fees to the claimant's own customers. 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.

Visa Europe Limited will absorb all losses associated with the Retailer Litigation and consistent with prior years will recognise any required losses or related settlements in its accounts. Therefore, no such losses will be recognised in the Company's financial statements.

24. Related party transactions

The Company earns an intercompany management fee through the provision of various services to Visa Europe Limited, the Company's immediate parent company. These services include the employment of the majority of Visa Europe Limited's employees and the provision of marketing and information technology related services, amongst others. The total intercompany management fee for the year was €606.9 million (2016: €796.0 million).

At the end of the financial year, trade and other payables falling due within one year include the following amount due from Visa Inc, the Company's ultimate parent company, and amounts due to Visa Europe Limited, the Company's immediate parent company, and Visa Europe Management Services Limited, the Company's wholly owned subsidiary as of 30 September 2017:

	2017 €'000	2016 €'000
Visa Europe Limited	(1,104,757)	(880,302)
Visa Europe Management Services Limited	(9,229)	(9,762)
Visa Inc	376,106	322,892
	(737,880)	(567,172)

In February 2017, as part of Visa Inc's reorganisation of certain legal entities, the Company repaid €986 million of its intercompany payable due to Visa Europe Limited and the Company paid a dividend to Visa Europe Limited in the amount of €1,003 million. In addition, also as part of Visa Inc's legal entity reorganisation, the Company donated its shareholding in Visa Inc (refer to Note 12).

Ultimate Parent Company

Visa Inc, which is incorporated in the United States of America, is the Company's ultimate 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.

In the course of Visa Inc's legal entity reorganisation in February 2017, Visa Europe Limited, the Company's immediate parent company, sold and separately repurchased its shareholdings in the Company to/from Visa International Holdings Limited, a wholly-owned subsidiary of Visa Inc. During this time, the Company also converted from a Delaware corporation to a Delaware limited liability company.

25. Post balance sheet events

In December 2017, the Company and other Visa group entities, underwent a reorganisation which resulted in the transfer of its investment in Visa Europe Management Services Limited to Visa Europe Limited.

Effective 31 March 2018, directly related to the Visa group reorganisation, the Company and Visa Europe Limited executed an Intra Group Business Transfer Agreement involving the sale by the Company and the purchase by Visa Europe Limited of the majority of the Company's UK business operations as a going concern together with the assets and liabilities used in connection with its operations. The consideration for the sale and purchase was €340 million, which represented the net book value of the assets less an amount equal to the liabilities of the Company's UK business as of 31 March 2018. The transaction resulted in the transfer of these assets and liabilities from the Company to Visa Europe Limited.

In November 2018, the Supreme Court granted Visa leave to appeal certain elements of the Court of Appeal's judgment in relation to the Retailer Litigation, which is due to be heard in January 2020. See Note 23, Contingent liabilities, for further discussion of the Retailer Litigation.