GPUK LLP

Annual report and financial statements for the year ended 31 December 2018

Registered number: OC337146

GPUK LLP

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GPUK LLP

General information

Registered number:	OC337146
Members:	Global Payments U.K. Ltd Global Payments U.K. 2 Ltd
Registered address:	De Montfort House 51 De Montfort Street Leicester LE1 7BB
Lawyers:	Eversheds LLP Eversheds House 70 Great Bridgewater St Manchester M1 5ES
Bankers:	HSBC Bank plc 8 Canada Square London E14 5HQ
Auditor:	Deloitte LLP Statutory Auditor Four Brindley Place Birmingham United Kingdom B1 2HZ

GPUK LLP

Strategic report

This strategic report has been prepared for the partnership as a whole and gives emphasis to those matters which are significant to GPUK LLP ("the Partnership").

Review of the business

The following are the key performance indicators for the Partnership; the profit before tax for the year ended 31 December 2018 was £149.7 million (31 December 2017: £135.2 million), as detailed in the Statement of Comprehensive Income on page 8. Revenue for the year ended 31 December 2018 was £221.2 million (31 December 2017: £203.6 million). The increases of £17.6 million and £14.5 million in revenue and operating profit respectively are driven by growth in transaction volumes on debit and credit cards as well as volume growth in online payments. Accordingly, the administrative expenses have increased by £3.4 million to £71.4 million, which is expected by the business.

Net assets as at 31 December 2018 were £320.8m (2017: £319.9m) and included a cash balance of £72.9m (2017: £67.2m). The increase in cash is mainly attributable to higher cash generated from operating activities.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Partnership can be found within the Risk Management disclosure (note 21) and form part of this report by cross-reference. The Partnership also faces operational risks which are detailed in the Members' report on page 3.

Future Developments

The members expect the general level of activity to increase steadily in the forthcoming year despite consumer spend in the UK continuing to be weak, with month on month reductions being seen since the summer of 2018 (as measured by Visa Consumer Spending Report). We continue to monitor this.

The Partnership aims to continue the development of the business by recruiting further new merchants, through improving the efficiency and effectiveness of the sales process. They also expect to improve the levels of attrition following the recent introduction of the Customer Success regime.

We continue to track the implications of Brexit, and with particular reference to contingency plans that would be invoked in the event of a "No Deal" scenario, are satisfied that the actions taken to date will ensure that our business, whether domestic UK or cross-border, will continue without incident.

Signed on behalf of the members

Christopher Davies, Global Payments U.K. Ltd

30th SEPTEMBER 2019

Members' report for the year ended 31 December 2018 (continued)

The members present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activity

GPUK LLP ("the Partnership" or "the LLP") is a joint venture between Global Payments U.K. Ltd and Global Payments U.K. 2 Ltd.

The Partnership's principal activity is merchant acquiring, which is the electronic transaction processing of point-of-sale payments on issued debit and credit cards.

There are no branches of the LLP outside the UK.

Distribution policy

The Partnership's distribution policy is that distributable profits are distributed on a quarterly basis. Distributions are made to members having rights to a share of profit, of which only Global Payments U.K. Ltd qualifies, and distributed following the preparation of the month-end results. Distributable profits consist of statutory profit adjusted for the amortisation cost of non-software intangibles. Details of distributions made in the period are as per note 17 to the financial statements.

Designated members and Capital policy

The members of the LLP are Global Payments U.K. Ltd and Global Payments U.K. 2 Ltd (collectively, the "members"). Global Payments U.K. 2 Ltd did not participate in the LLP's profit and holds no financial interest in the LLP. Members' capital in total is linked to the financial requirements of the LLP.

Financial position and performance

The following are the key performance indicators for the Partnership; the profit before tax for the year ended 31 December 2018 was £149.7 million (31 December 2017: £135.2 million), as detailed in the Statement of Comprehensive Income on page 8. The increase is driven by higher revenues in the year which is due to growth in transaction volumes on debit and credit cards and international online payments. The Partnership aims to continue the development of the business by recruiting further new merchants, and leveraging HSBC Bank plc corporate relationships within the existing customer base.

Profit is not taxable within the Partnership, and is taxed in Global Payments U.K. Ltd.

Net assets as at 31 December 2018 were £320.8m (2017: £319.9m), as detailed on the balance sheet on page 10.

Principal risks and uncertainties

The members financial risk management objectives and policies are given in note 21 to the financial statements. The Partnership also faces operational risks, which are detailed below along with mitigating activities.

Data security risk: the Partnership's ability to protect its systems and data from continually evolving cybersecurity risks or other technological risks. The Partnership seeks to manage through cyber and information security programs, training and insurance coverage, and continues to deploy multiple methods at different layers to defend the systems against misuse, intrusions and cyber attacks to protect the data that is collected.

Regulatory/compliance risk: the risk that the Partnership fails to be compliant with all relevant regulatory requirements. The Partnership has established frameworks supported by policies, procedures and standards in key areas, and a compliance team to monitor and proactively engage with regulators.

Transaction processing risk: internal systems or the third-party providers' systems may fail, which could interrupt service, cause loss of business, increase costs and expose the Partnership to liability. The wider group works with information security firms and employs advanced technologies to help prevent, investigate and address issues relating to processing system security and availability.

Members' report for the year ended 31 December 2018 (continued)

Principal risks and uncertainties (continued)

Competition risk: the payment technology services industry is highly competitive where some competitors are larger and have a greater financial and operational resources. In order to remain competitive the Partnership is continually involved in a number of projects, including the development of new platforms, mobile payment applications, ecommerce services and other new offerings emerging in the payment technology services industry.

Future developments for the Partnership can be found in the strategic report on page 2.

Going concern basis

After making enquiries, and considering the forecast that the Partnership is expected to remain profitable, the members have formed a judgement that there is a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. In forming this judgement, the members have considered the Partnership's ability to meet liabilities as they fall due. As such, the members continue to adopt the going concern basis in preparing the financial statements.

Auditor

Each of the members of the Partnership at the date of approval of this annual report confirms that:

- so far as the member is aware, there is no relevant audit information of which the Partnership's auditor is unaware; and
- the member has taken all the steps that it ought to have taken as a member in order to make itself aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies' Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the members

Christopher Davies, Global Payments U.K. Ltd

30th SEPTEMBER 2019

GPUK LLP

Members' responsibilities statement

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The 'Limited Liability Partnerships (Accounts & Audit) (Application of Companies' Act 2006) Regulations 2008' require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are also required by law to be prepared in accordance with the Companies' Act 2006, as applicable to limited liability partnerships.

'International Accounting Standard 1' requires that financial statements present fairly, for each financial year, the firm's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the Partnership's Board on behalf of the members.

Independent auditor's report to the Members of GPUK LLP
For the year ended 31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements GPUK LLP (the 'limited liability partnership'):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the limited liability partnership statement of changes in members' interest;
- the limited liability partnership balance sheet;
- the cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the limited liability partnership financial statements, as applied in accordance with the provisions 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report to the Members of GPUK LLP (continued)

For the year ended 31 December 2018

We have nothing to report in respect of these matters.

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

K J Cooper

Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
30 SEPTEMBER 2019

GPUK LLP

Statement of comprehensive income
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £ 000's	Year ended 31 December 2017 £ 000's
Gross merchant service income		885,881	741,865
Less: interchange fees		(546,753)	(470,329)
Less: scheme fees		(188,606)	(136,555)
Net merchant service income		150,522	134,981
Equipment leasing income		15,443	15,941
Other commission income		55,254	52,709
Revenue	5	221,219	203,631
Administrative and other operating expenses		(71,429)	(68,065)
Operating profit	6	149,790	135,566
Finance costs		(65)	(327)
Profit for the year	17	149,725	135,239
Other comprehensive income			
Fair value gain on FVOCI financial assets	18	1,825	1,601
Total comprehensive income		151,550	136,840
Attributable to the members		151,550	136,840

All profit for the year is generated from continuing operations.

Prior year figures have been restated to reflect the implementation of IFRS 15.

The accompanying notes form an integral part of the financial statements.

GPUK LLP

Statement of changes in members' interest
For the year ended 31 December 2018

	FVOCI reserve £ 000's (formerly AFS reserve)	Capital account - Global Payments U.K. Ltd £ 000's	Total £ 000's
As at 1 January 2017	6,661	317,275	323,936
Profit for the year	-	135,239	135,239
Distributions from profit for the year	-	(135,239)	(135,239)
Returns of members' capital	-	(5,591)	(5,591)
Fair value movement on FVOCI financial assets	1,601	-	1,601
As at 1 January 2018 (note 17)	8,262	311,684	319,946
IFRS 15 modified retrospective adjustment	-	3,940	3,940
Opening balance under IFRS 15	8,262	315,624	323,886
Profit for the year	-	149,725	149,725
Distributions from profit for the year	-	(149,725)	(149,725)
Returns of members' capital	-	(4,958)	(4,958)
Fair value movement on FVOCI financial assets	1,825	-	1,825
As at 31 December 2018 (note 17)	10,087	310,666	320,753

GPUK LLP

Registered number: OC337146

Balance sheet

As at 31 December 2018

	Note	As at 31 December 2018 £ 000's	As at 31 December 2017 £ 000's
Non-current assets			
Goodwill	10	291,220	291,220
Other intangible assets	11	10,219	15,810
Property, plant and equipment	12	5,703	6,885
Other receivables	18	-	2,165
Contract assets	9	7,947	-
		315,089	316,080
Current assets			
Financial assets at FVOCI	18	10,087	8,262
Inventories	13	975	2,113
Trade and other receivables	14	526,488	809,274
Prepayments		664	818
Cash and cash equivalents	14	72,878	67,212
		611,092	887,679
Total assets		926,181	1,203,759
Current liabilities			
Trade and other payables	15	(604,662)	(882,955)
Provision for liabilities	16	(766)	(858)
		(605,428)	(883,813)
Total liabilities		(605,428)	(883,813)
Net assets		320,753	319,946
Members' interest			
FVOCI reserve (formerly AFS reserve)	18	10,087	8,262
Capital account – Global Payments U.K. Ltd	17	310,666	311,684
Total members' interest		320,753	319,946

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the members and authorised for issue on the date below. They were signed on their behalf by:

Christopher Davies, Global Payments U.K. Ltd

Member

30th SEPTEMBER 2019

GPUK LLP

Cash flow statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £ 000's	Year ended 31 December 2017 £ 000's
Net cash generated from operating activities	19	161,059	40,966
Investing activities			
Purchase of property, plant and equipment		(2,128)	(2,104)
Purchase of intangible assets		(416)	(1,086)
Net cash used in investing activities		(2,544)	(3,190)
Financing activities			
Distributions and repayments of capital to members; paid and committed		(152,849)	(146,627)
Net cash used in financing activities		(152,849)	(146,627)
Net increase/(decrease) in cash and cash equivalents		5,666	(108,851)
Cash and cash equivalents at beginning of year		67,212	176,063
Cash and cash equivalents at end of year		72,878	67,212

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. General information

GPUK LLP is a limited liability partnership registered in England and Wales under the Companies' Act 2006. The address of the registered office is given on page 1. The nature of the Partnership's operations and its principal activities are set out on page 3.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Partnership operates.

2. Adoption of new and revised Standards

At the date of authorisation of these financial statements, the Partnership has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 16	Leases
Amendment to IFRS 9	Prepayment Features with Negative Compensation
Annual improvements to IFRS Standards to 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRIC 23	Uncertainty over Income Tax Treatments

The members do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Partnership in future periods, except as noted below:

The Partnership adopted the following Standards on 1 January 2018:

IFRS 9 – 'Financial Instruments'

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model, which has no impact on the Partnership due to the use of the low credit risk exemption. The Partnership does not hedge accounting therefore IFRS 9 Hedge Accounting is out of scope.

The Partnership has elected not to restate its comparative information for the effects of IFRS 9 and such information continues to be reported under IAS 39. In terms of this approach, any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognised in equity at 1 January 2018.

Notes to the financial statements (continued)
For the year ended 31 December 2018

2. Adoption of new and revised Standards (continued)

IFRS 9 – 'Financial Instruments' (continued)

IFRS 9 has been applied retrospectively by the Partnership and did not result in a change to the classification or measurement of financial instruments. The resulting difference in the expected credit loss allowance as a result of the initial application of IFRS 9 was not considered to be material and, thus, the opening balance at 1 January 2018 was not adjusted.

The Partnership does not designate any of its financial liabilities as at fair value through profit or loss upon initial recognition and accordingly the change introduced by IFRS 9 in this respect does not affect these financial statements.

The tables below illustrate the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Classification and measurement of financial assets

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 / New carrying amount under IFRS 9 £000's	Additional ECL allowance under IFRS 9 in Retained Earnings £000's	New carrying amount under IFRS 9 £000's
Trade and other receivables	Loans and receivables	Financial assets measured at amortised cost	526,488	-	526,488
Cash and cash equivalents	Loans and receivables	Financial assets measured at amortised cost	72,878	-	72,878
Financial assets at FVOCI	Available for sale financial assets	Fair Value through Other Comprehensive Income	10,087	-	10,087

Cash at bank

Cash at bank that was previously classified as loans and receivables is classified in terms of IFRS 9 as financial assets measured at amortised cost if it meets the conditions for such classification. In accordance with the transitional provisions of IFRS 9, the Partnership assessed the business model in which the financial assets are held on the basis of the facts and circumstances at 1 January 2018 and the resulting classification is being applied retrospectively irrespective of the Partnership's business model in prior reporting periods. Accordingly, there was no change in the carrying amount of these instruments at 1 January 2018 as a result of the new classification in terms of IFRS 9. In terms of IFRS 9, the Partnership applies an ECL model as opposed to an incurred credit loss model under IAS 39. For such amounts, the ECL model did not result in material loss allowances at 1 January 2018 because of the use of the low credit risk exemption.

Classification and measurement of financial liabilities

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 / New carrying amount under IFRS 9 £000's
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	604,662

Notes to the financial statements (continued)
For the year ended 31 December 2018

2. Adoption of new and revised Standards (continued)

IFRS 9 – 'Financial Instruments' (continued)

Impairment of financial assets

The Partnership now assesses on a forward looking basis the ECL associated with its financial assets classified at amortised costs. For trade receivables, the Partnership applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information. The Partnership's assessment of ECL did not result in any material adjustment to the financial statement. Therefore, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 15 - 'Revenue from Contracts with Customers'

IFRS 15 replaces the provision of IAS 18 that relate to the recognition of revenue. The adoption of IFRS 15 from 1 January 2018 resulted in changes in accounting policies and adjustment to the amounts recognised in the financial statements. Revenue is now recognised as performance obligations are satisfied, whether overtime or at a point in time. Where a customer contract contains multiple performance obligations, the transaction price is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer.

The following tables summarise the impact of adopting IFRS 15 on the Statement of Comprehensive Income and Balance Sheet. IFRS 15 did not have an impact on cash flow statement presentation.

Statement of Comprehensive Income

	As reported 31 December 2018 £000's	IFRS 15 adjustments £000's	Amounts without adoption £000's
Gross merchant service income	885,881	-	885,881
Less: interchange fees	(546,753)	-	(546,753)
Less: scheme fees	(188,606)	188,606	-
Equipment leasing income	15,443	-	15,443
Other commission income	55,254	-	55,254
Revenue	221,219	188,606	409,825
Administrative and other operating expenses	(71,428)	(188,606)	(260,034)
Operating profit	149,791	-	149,791

Under IFRS 15 the Partnership is acting as an agent to arrange for the card schemes to provide a service to the customer, therefore revenue is presented net of scheme fees.

2. Adoption of new and revised Standards (continued)

Balance Sheet

	As reported 31 December 2018 £000's	IFRS 15 adjustments £000's	Amounts without adoption £000's
Non-current assets			
Goodwill	291,220	-	291,220
Other intangible assets	10,219	-	10,219
Property, plant and equipment	5,703	-	5,703
Other receivables	-	-	-
Contract assets	7,947	(3,940)	(3,940)
	315,089	(3,940)	311,149
Current assets			
Financial assets at FVOCI	10,087	-	10,087
Inventories	975	-	975
Trade and other receivables	526,488	-	526,488
Prepayments	664	-	664
Cash and cash equivalents	72,878	-	72,878
	611,092	-	611,092
Total assets	926,181	(3,940)	922,241
Current liabilities			
Trade and other payables	(604,662)	-	(604,662)
Provision for liabilities	(766)	-	(766)
Total liabilities	(605,428)	-	(605,428)
Net assets	320,753	(3,940)	316,813
Members' interest			
FVOCI reserve	10,087	-	10,087
Capital account – Global Payments U.K. Ltd	310,666	(3,940)	306,726
Total members' interest	320,753	(3,940)	316,813

Upon adoption of IFRS 15, the Partnership capitalised historical costs it incurred to obtain contracts with customers.

IFRS 16 - Leases

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. IFRS 16 is expected to have an impact on the amounts recognised in the financial statements.

On adoption of IFRS 16 the Partnership will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in administrative expenses and an increase in finance costs. The standard will also impact a number of statutory measures such as operating profit and cash generated from operations. An assessment of the full impact of IFRS 16 is currently in progress, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRSs adopted by the EU and therefore the financial statements comply with Article 4 of the EU International Accounting Standards regulation.

The financial statements have been prepared on the historical cost basis, except for financial sale assets that have been measured at fair value. All amounts are rounded to the nearest thousand unless otherwise stated. The principal accounting policies adopted are set out below.

Going concern basis

After making enquiries, and considering the forecast that the Partnership is expected to remain profitable, the members have formed a judgement that there is a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. In forming this judgement, the members have considered the Partnership's ability to meet liabilities as they fall due. As such, the members continue to adopt the going concern basis in preparing the financial statements.

Distribution policy

The Partnership's distribution policy is that distributable profits are distributed on a quarterly basis. Distributions are made to members having rights to a share of profit, of which only Global Payments U.K. Ltd qualifies, and distributed following the preparation of the month-end results. Distributable profits consist of statutory profit adjusted for the amortisation cost of non-software intangibles. Details of distributions made in the year are as per note 17 to the financial statements.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Partnership's interest in the fair value of the identifiable assets and liabilities 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. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Further details on the method of review are given in note 10.

Revenue recognition

Revenue is measured based on the consideration to which the Partnership expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Partnership recognises revenue when it transfers control of a product or service to a customer. The revenue comprise:

- Gross merchant service income: This represents all fees levied upon merchants for processing of transaction. Revenue is recognised overtime as a result of the stand ready obligation within merchant acquiring.
- Interchange fees: This represent fees paid to the cardholder bank typically on a transaction basis. The cost is netted against gross merchant services income.
- Scheme fees: This represents fees paid to the payment networks to facilitate payment services with merchants. The cost is netted against gross merchant services income.

Revenue:
Customers contract with Global Payments for payment services, which the Partnership provides in exchange for consideration for completed transactions. The Partnership's payment solutions enables its customers to accept card, electronic, cheque and digital-based payments. Global Payments' comprehensive offerings include, but are not limited to, authorisation services, settlement and funding services, customer support and help-desk functions, chargeback resolution, payment security services, consolidated billing and statements and on-line reporting. In addition, the Partnership rents point-of-sale terminals to customers.

3. Significant accounting policies (continued)

Revenue recognition (continued)

On January 1, 2018, Global Payments adopted IFRS 15. Pursuant to IFRS 15, at contract inception, the Partnership assesses the goods and services promised in the contracts with customers and identify a performance obligation for each promise to transfer to the customer a good or service that is distinct. For the payment services specifically, the nature of the promise to the customer is that the Partnership stands ready to process transactions the customer requests on a daily basis over the contract term. Since the timing and quantity of transactions to be processed by the Partnership is not determinable, Global Payments view payment services to comprise an obligation to stand ready to process as many transactions as the customer requests. Under a stand-ready obligation, the evaluation of the nature of the performance obligation is focused on each time increment rather than the underlying activities.

Therefore, the Partnership views payment services to comprise a series of distinct days of service that are substantially the same and have the same pattern of transfer to the customer. Accordingly, the promise to stand ready is accounted for as a single-series performance obligation.

The majority of the payment services are priced as a percentage of transaction value or a specified fee per transaction, depending on the card type. The Partnership also charges other per occurrence fees based on specific services that may be unrelated to the number of transactions or transaction value. Given the nature of the promise and the underlying fees based on unknown quantities or outcomes of services to be performed over the contract term, the total consideration is determined to be variable consideration. The variable consideration for the payment service is usage-based and, therefore, it specifically relates to the Partnership's efforts to satisfy its payment services obligation. The variability is satisfied each day the service is provided to the customer.

Contract assets and costs

Upon adoption of IFRS 15, the Partnership capitalises costs it incurs to obtain contracts with customers, including employee sales commissions and fees to business partners. At contract inception, such costs are capitalised that are expected to be recovered and that would not have been incurred if the contract had not been obtained. Also capitalised are certain costs incurred to fulfil contracts with customers that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy performance obligations under the contract and (iii) are expected to be recovered through revenue generated under the contract. Capitalised costs to obtain and to fulfil contracts were included in other non-current assets as at 31 December 2018 (note 9).

Contract costs are amortised on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. A straight-line or proportional amortisation method is used depending upon which method best depicts the pattern of transfer of the goods or services to the customer. Contract costs are evaluated for impairment by comparing, on a pooled basis, the expected future net cash flows from underlying customer relationships to the carrying amount of the capitalised contract costs.

These assets are amortised over the expected period of benefit, which, based on the factors noted above, is typically seven years. In order to determine the appropriate amortisation period for capitalised contract costs, a combination of factors are considered, including customer attrition rates, estimated terms of customer relationships, the useful lives of technology used to provide goods and services to customers, whether future contract renewals are expected and if there is any incremental commission to be paid associated with a contract renewal. Costs to obtain a contract with an expected period of benefit of one year or less are recognised as an expense when incurred.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, financial assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-financial assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. In the event that there are differences between amounts paid and payable they are recognised as accruals or prepayments in the balance sheet.

Property, plant and equipment

Fixtures and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements:	20% per year
Terminal estate:	25% per year
Fixtures and equipment:	20% - 50% per year

The gain or loss arising on the 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 administrative expenses.

Intangible assets

Intangible assets are amortised over their estimated useful economic lives, and further impaired if necessary. The amortisation period for internally generated intangibles such as software and software development costs is 5 years, in line with the useful economic life. All other classes of intangible are acquired intangibles under IAS 38 and are amortised over their estimated useful live which are between 4 and 13 years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the LLP reviews the carrying amounts of its tangible and intangible assets 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 Partnership estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to a revised estimate of its recoverable amount, but so that this new estimate does not exceed the carrying amount that would have existed had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial Instruments

The Partnership has applied 'IAS 32, Financial instruments: Disclosure and presentation' and 'IFRS 9, Financial instruments' as outlined below:

Trade Receivables

Trade receivables do not carry interest and are stated at initial recognition at their fair value and subsequently at amortised cost. Amortised cost is the initial amount, less repayments of principal, less reduction for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

3. Significant accounting policies (continued)

Financial Instruments (continued)

Financial assets at FVOCI

Financial assets at fair value through other comprehensive income (FVOCI) relate to equity holdings which are not held for trading, and which the Partnership has irrevocably elected at initial recognition to recognise in this category. Fair value changes on FVOCI assets are recognised directly in equity through the statement of changes in equity. The fair value of FVOCI assets denominated in foreign currency are determined through translation at the spot rate at the balance sheet date.

In the prior financial year, the Partnership had designated equity holdings as available-for-sale where management intended to hold them for the medium to long-term.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Trade and other payables

Trade and other payables are not interest bearing and are stated at initial recognition at their fair value and subsequently at amortised cost.

Operating profit

Operating profit is stated before finance costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits 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.

Operating leases

When acting as lessor, the Partnership includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the equipment is thereby impaired.

Rentals payable under operating leases in the Partnership's capacity as lessee are charged to income on a straight-line basis over the term of the relevant lease. Any benefits received and receivable as an incentive to enter an operating lease are also spread on a straight-line basis over the lease term.

Inventories

Inventories comprise terminals used by the merchants in the processing of transactions which are yet to be leased to merchants. Upon being leased out to a merchant, these are transferred to the 'terminal estate' within 'Property, plant and equipment'. They are stated at the lower of cost and net realisable value. Cost is calculated using the first in first out method.

Provision for liabilities

Provisions are recognised when the Partnership has a present obligation as a result of a past event, and it is probable that the Partnership will be required to settle that obligation. Provisions are measured at the members' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Pensions

The Partnership provides defined contribution schemes where the costs arising are recognised in the Income Statement in the period in which the related service is provided.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in note 3, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The FVOCI financial assets comprised of Visa Inc. preference shares. In determining the value of preference shares, the ordinary share's value has been used as an approximation as both classes of shares have similar dividend rights. Furthermore, judgment has been applied to arrive at a litigation discount in order to account for the future litigation costs of Visa Europe Limited, which could affect the valuation of the shares prior to conversion. Also a marketability discount has been estimated on the value of preference shares based on the illiquidity of preference shares of Visa Inc. Discount for illiquidity is determined by reference to the share price of listed entities in similar industries as 30%. Litigation discount is 41% which is determined by benchmarking rates adopted by similar companies. The sensitivity of the carrying amounts to the methods, assumptions and estimates underlying their calculation are disclosed in note 18 of the financial statements.

5. Revenue

The Partnership adopted IFRS 15 - 'Revenue from Contracts with Customers' on 1 January 2018 that results in revenue being presented net of certain fees that are paid to third parties, including payment networks. This change in presentation affected reported revenues and administrative expenses during the year ended 31 December 2018 by the same amount and had no effect on operating profit.

	2018 £ 000's	2017 £ 000's
Continuing operations		
Gross merchant services income	885,881	741,865
Less: interchange fees	(546,753)	(470,329)
Less: scheme fees	(188,606)	(136,555)
Net merchant services income	150,522	134,981
Equipment leasing income	15,443	15,941
Other commission income	55,254	52,709
	221,219	203,631

The geographical market that the Group operates in is the UK.

6. Operating profit

Profit for the year has been arrived at after charging:

	2018 £ 000's	2017 £ 000's
Depreciation of property, plant and equipment	3,279	3,129
Loss on disposal of property, plant and equipment	30	45
Amortisation of intangible assets	6,007	6,521
Staff costs (note 8)	18,890	19,491
Operating lease payments	872	933

Notes to the financial statements (continued)
For the year ended 31 December 2018

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2018 £ 000's	2017 £ 000's
Fees payable to the LLP's auditor for the audit of the LLP's annual financial statements	318	244

Fee's payable to the LLP's auditor of £39,000 (2017: £38,000) were made in relation to other assurance services.

8. Staff costs

The Partnership has no employees. All staff are employed by Global Payments U.K. Ltd with the costs recharged to the Partnership on a monthly basis. The total recharge in relation to staff cost is £18,890,000 (2017: £19,491,000).

9. Contract assets

	Total £ 000's
At 1 January 2017 and 31 December 2017	-
Capitalised upon adoption of IFRS 15	3,940
At 1 January 2018	3,940
Additions during the year	5,107
Released during the year	(1,100)
At 31 December 2018	7,947

Contract assets consists of incremental commission expenses in connection with obtaining sales contracts with customers.

10. Goodwill

	£ 000's
Cost and net realisable value	
At 31 December 2017 and 31 December 2018	291,220

Goodwill recognised relates to the acquisition of the trade and assets of the HSBC Merchant Services division from HSBC Bank plc on 1 July 2008.

The Partnership tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. No impairment was identified in the reporting period (2017: £nil).

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates (31 December 2018: 9%, 31 December 2017: 9%), growth rates (31 December 2018: 3% - 6.6% per year, 31 December 2017: 3% - 6.6% per year) and years over which cash flows are considered (31 December 2018: 5 years, 31 December 2017: 5 years).

The LLP prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on estimated growth rates, together with sensitivity analysis.

Notes to the financial statements (continued)
For the year ended 31 December 2018

11. Other intangible assets

	Customer relationships £ 000's	Distribution channels £ 000's	Software £ 000's	Total £ 000's
Cost				
At 1 January 2018	115,056	12,746	8,429	136,231
Acquired during the year	-	-	416	416
At 31 December 2018	115,056	12,746	8,844	136,646
Amortisation				
At 1 January 2018	103,506	12,746	4,168	120,420
Charge for the year	4,958	-	1,049	6,007
At 31 December 2018	108,464	12,746	5,217	126,427
Carrying amount				
At 31 December 2017	11,549	-	4,261	15,810
At 31 December 2018	6,592	-	3,627	10,219

Amortisation is included within "administrative and other operating expenses".

At 31 December 2018, the Partnership had no contractual commitments for the acquisition of intangibles (2017: £nil).

12. Property, plant and equipment

	Leasehold improveme nts £ 000's	Terminal estate £ 000's	Other fixtures and equipment £ 000's	Total £ 000's
Cost				
At 1 January 2018	970	20,279	814	22,062
Additions	-	2,128	-	2,128
Disposals	-	(945)	(57)	(1,002)
At 31 December 2018	970	21,461	757	23,188
Accumulated depreciation				
At 1 January 2018	322	14,076	780	15,178
Charge for the year	194	3,061	24	3,279
Disposals	-	(915)	(57)	(972)
At 31 December 2018	516	16,222	747	17,485
Carrying amount				
At 31 December 2017	647	6,203	34	6,885
At 31 December 2018	454	5,239	10	5,703

At 31 December 2018, the Partnership had no contractual commitments for the acquisition of equipment (2017: £nil).

Notes to the financial statements (continued)
For the year ended 31 December 2018

13. Inventories

	2018 £ 000's	2017 £ 000's
Terminals	975	2,113

No inventories are impaired at the year end or written off during the year (2017: £nil).

14. Other financial assets

Trade and other receivables

	2018 £ 000's	2017 £ 000's
Trade receivables	26,008	24,207
Due from Global Payments Group – trade receivables	47,056	25,087
Settlement processing assets	451,118	759,929
Other receivables	2,306	51
	526,488	809,274

Total trade receivables held by the LLP at 31 December 2018 amounted to £26.0 million (2017: £24.2 million), none of which were impaired (2017: none). The members consider that the carrying amount of trade receivables approximates to their fair value.

Settlement processing assets

	2018 £ 000's	2017 £ 000's
Receivable from network	451,118	759,929
	451,118	759,929

Cash and cash equivalents

	2018 £ 000's	2017 £ 000's
Cash and cash equivalents	72,878	67,212

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. £13.0 million (2017: £13.5 million) is merchants' cash held as collateral.

15. Other financial liabilities

Trade and other payables

	2018 £ 000's	2017 £ 000's
Trade creditors and accruals	20,408	17,467
Other payables	80,103	53,914
Settlement processing payables	416,718	731,174
Due to Global Payments Group – trade payables	47,547	42,348
Due to Global Payments U.K. Ltd – distribution payable	39,886	38,052
	604,662	882,955

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Other payables comprise of amounts outstanding for the Partnership's line of credit facilities. The Partnership has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The members consider that the carrying amount of trade payables approximates to their fair value.

All financial liabilities are payable within three months of the balance sheet date, with the exception of merchant deposits of £18.3m (2017: £17.9m), classified within settlement processing payables which are repayable on demand.

Reconciliation of financial liabilities to net cash used in financing activities

	Total £ 000's
Due to Global Payments U.K. Ltd at 31 December 2017	38,052
Distributions of statutory profit payable for the year	149,725
Distributions of members' interest payable for the year	4,958
Distributions and repayments of capital to members	(152,849)
Due to Global Payments U.K. Ltd at 31 December 2018	39,886

Settlement processing payables

	2018 £ 000's	2017 £ 000's
Liability to Merchants	414,038	729,485
Interchange reimbursement	(15,424)	(15,191)
Exception items	(200)	(1,049)
Merchant reserves	18,304	17,928
	416,718	731,174

Timing differences, interchange fees, merchant reserves and exception items cause differences between the amount received from the payment networks and the amount funded to the merchants. These intermediary balances arising in our settlement process for direct merchants are reflected as settlement processing assets and obligations on the balance sheet and are disclosed above as liabilities to merchants.

Notes to the financial statements (continued)
For the year ended 31 December 2018

16. Provisions for liabilities

The following provisions have been recognised due to uncertainties around the amount and timing of these outflows.

	Chargeback provision £ 000's	Restructuring provision £ 000's	Total £ 000's
Provision as at 1 January 2017	145	775	920
Provision utilised during the year	(664)	(275)	(939)
Provision released during the year	(29)	-	(29)
Transactions provided against during the year	635	271	906
Provision as at 31 December 2017	87	771	858
Provision utilised during the year	(506)	(1,037)	(1,543)
Provision released during the year	(23)	-	(23)
Transactions provided against during the year	708	766	1,474
Provision as at 31 December 2018	266	500	766

The chargeback provision relates to the risk that the Partnership may be liable for the chargebacks of transactions on merchants who are potentially unable to meet the chargeback demand themselves.

The restructuring provision relates to a re-organisation programme, and includes costs in relation to redundancies and exiting properties.

17. Members' interests

	Total £ 000's
Balance as at 31 December 2017	319,946
Statutory profit for the year	149,725
Distributions, paid and committed, of statutory profit for the year	(149,725)
Distributions, paid and committed, of members' interest during the year	(4,958)
Fair value movement on FVOCI financial assets	1,825
IFRS 15 modified retrospective adjustment	3,940
Balance as at 31 December 2018	320,753
FVOCI reserve	10,087
Capital account – Global Payments U.K. Ltd	310,666
	320,753

Global Payments U.K. 2 Ltd is a non-equity holding member of GPUK LLP. As such, it has no capital account and receives no distributions from the Partnership.

The Partnership is subject to and compliant with the FCA's minimum capital requirements.

18. Financial assets at FVOCI

Pursuant to the sale of Visa Europe Limited to Visa Inc., GPUK LLP was entitled consideration in the form of upfront cash amounting to €25.6 million, deferred cash amounting to €2.4 million and preference shares with a fair value of £10.1 million.

As at 31 December 2018, only preference shares are classified as FVOCI financial assets with cumulative gains recognised in the FVOCI reserve. The increase in the fair value of the financial asset of £1.8m during the year ended 31 December 2018 has been recognised in other comprehensive income.

The value of the Visa Inc. preference shares is based on the expected conversion ratio, which will be adjusted by Visa Inc. based on the potential losses from Visa Europe interchange litigation under the Litigation Management Deed ('LMD'). Any excess of potential losses from Visa Europe interchange litigation under a Loss Sharing Agreement ('LSA') would be capped at the €25.6m of up-front cash consideration. The uncertainties inherent in the determination of the fair value of the Visa Inc. preference shares will not be resolved until the final resolution of all related claims. The possibility of aforementioned potential losses exceeding the consideration is remote.

These preference shares are classified as Level 3 instruments in accordance with IFRS 13, 'Fair Value Measurement', as the valuation is determined using a combination of observable and unobservable inputs. As the ordinary share price is readily available, this input is deemed to be observable. However, assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of litigation costs in the future (note 4). These inputs are therefore deemed to be unobservable, with fair value impact detailed below.

Financial assets / financial liabilities	Fair value as at 31 December 2018	31 December 2017	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale financial assets	£10,087,000	£8,262,000	Level 3	Discount for illiquidity is determined as 30% by reference to the share price of listed entities in similar industries.	An increase of 1% in the discount for illiquidity used in isolation would result in a decrease of £144,097 in the fair value.
				Litigation discount has been determined as 41% by benchmarking rates adopted by similar entities.	An increase of 1% in the discount for litigation used in isolation would result in a decrease of £128,753 in the fair value.

The Partnership elected to present in OCI changes in the fair value of the equity holdings previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of £8,2626,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of £1,825,000 (2017: £1,601,000) were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

Notes to the financial statements (continued)
For the year ended 31 December 2018

19. Notes to the cash flow statement

	2018 £ 000's	2017 £ 000's
Operating profit	149,791	135,566
Depreciation of property, plant and equipment	3,279	3,129
Loss on disposal of plant, property and equipment	30	45
Amortisation of intangible assets	6,007	6,521
Increase in contract fulfilment assets	(4,007)	-
Decrease in provisions	(93)	(62)
Operating cash flows before movements in working capital	155,007	145,199
Decrease in inventories	1,138	247
Decrease/(increase) in trade receivables	284,951	(229,649)
Decrease in prepayments	154	14
(Decrease)/increase in trade and other payables	(280,126)	125,482
Interest paid	(65)	(327)
Net cash inflow generated from operating activities	161,059	40,966

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

20. Operating lease arrangements

The Partnership as lessee

	2018 £ 000's	2017 £ 000's
Minimum lease payments under operating leases recognised as an expense in the year	872	933

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

	31 December 2018 £ 000's	31 December 2017 £ 000's
Within one year	833	1,219
In the second to fifth years inclusive	71	911
Due in more than five years	-	-
	904	2,130

Operating lease payments principally represent rentals payable for the leasing of office space and associated maintenance. Leases are negotiated for an average term of five years and there are no purchase options or escalation clauses or any restrictions imposed by lessors pursuant to these lease arrangements.

20. Operating lease arrangements (continued)

The Partnership as lessor

At the balance sheet date, the Partnership had contracted with merchants for the following future minimum lease payments:

	2018 £ 000's	2017 £ 000's
Within one year	1,287	1,328

These leasing arrangements relate to the hire of point of sale terminals used in the processing of point-of-sale payments on issued debit and credit cards.

21. Risk management

The Partnership's risk management activities involve analysis, evaluation, acceptance and management of risks.

The most significant risks arising are credit risk, liquidity risk and market risk. Market risk comprises primarily foreign exchange risk.

The Partnership has fraud management policies in place throughout the organisation.

The management of these risks in relation to the merchant acquiring business is discussed below.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.

With specific regard to merchant acquiring, it arises primarily from the risk of chargebacks. The Partnership has standards, policies and procedures dedicated to monitoring and managing risk.

The Partnership's credit risk is managed using the following methodology:

Task	Purpose
Identify	Investigate and understand the merchant's business, products and terms of trade.
Monitor	Monitor material changes in exposure for the extant book.
Assess	Calculate the card acquiring chargeback risk based upon the identified risks.
Address	Balance risk and reward, structure the facility and reach a credit decision.

The risk calculation is driven by the assessment of the proportion of the merchant's annual card turnover that relates to specific factors such as prepayments, continuing services and 'cardholder not present' transactions.

The maximum exposure to credit risk on financial assets at 31 December 2018 was £599m (2017: £876m).

Where appropriate the Partnership's credit and risk department works in conjunction with and alongside the HSBC Bank plc's credit and risk function to assess, address and manage merchant-related risk and monitor exposure as part of the Partnership's wider customer portfolio risk management.

The credit quality of financial assets of the Partnership are below:

	2018 £ 000's	2017 £ 000's
Neither past due nor impaired	526,488	809,274
Past due date but not impaired	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2018

21. Risk management (continued)

Market risk management

The Partnership's balance sheet at 31 December 2018 primarily comprises assets and liabilities denominated in Pounds Sterling and, as such, it is not exposed significantly to currency risk.

The carrying amounts of the Partnership's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets 2018 £ 000's	Assets 2017 £ 000's
Foreign Currency	1,370	2,056

The Partnership is not exposed to any significant levels of interest rate risk.

A 10% adverse movement in each of the foreign currency exchange rates would result in a decrease of £124,559 in the value of the assets at the reporting date.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the members, who have built an appropriate liquidity risk management framework for the management of short, medium and long-term funding. The Partnership manages liquidity risk by, firstly, maintaining adequate reserves, banking facilities and reserve borrowing facilities and, secondly, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Capital risk management

The Partnership manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the members through application of its distribution policy. The capital structure of the Partnership consists of cash and cash equivalents and members' interests in the Partnership.

Financial instruments

As at 31 December 2018, the Partnership's balance sheet included the following financial instruments:

Financial Assets	Cash and cash equivalents £ 000's	Loans and receivables £ 000's	Other assets £ 000's	Total £ 000's
Cash and cash equivalents	72,878	-	-	72,878
Trade receivables and other receivables	-	526,488	-	526,488
FVOCI financial assets	-	-	10,087	10,087
	78,878	526,488	10,087	609,453

Financial Liabilities	Payables £ 000's	Total £ 000's
Trade and other payables	604,662	604,662
	604,662	604,662

Notes to the financial statements (continued)
For the year ended 31 December 2018

21. Risk management (continued)

Financial instruments (continued)

As at 31 December 2017, the Partnership's balance sheet included the following financial instruments:

Financial Assets	**Cash and cash equivalents £ 000's**	**Loans and receivables £ 000's**	**Other assets £ 000's**	**Total £ 000's**
Cash and cash equivalents	67,212	-	-	67,212
Trade receivables and other receivables	-	811,439	-	811,439
FVOCI financial assets	-	-	8,262	8,262
	67,212	811,439	8,262	886,913

Financial Liabilities	**Payables £ 000's**	**Total £ 000's**
Trade and other payables	882,955	882,955
	882,955	882,955

All liabilities are held on an amortised cost basis at 31 December 2018 and 31 December 2017.

The following tables present a maturity analysis of the Partnership's total financial assets and liabilities at the reporting date.

As at 31 December 2018	**Not more than three months £ 000's**	**More than three months but not more than one year £ 000's**	**More than one year but not more than five years £ 000's**	**More than five years £ 000's**	**Total £ 000's**
Financial Assets					
Cash and cash equivalents	72,878	-	-	-	72,878
Trade receivables and other receivables	524,297	2,191	-	-	526,488
FVOCI financial assets	-	-	10,087	-	10,087
Total financial assets	597,175	2,191	10,087	-	609,453
Financial Liabilities					
Trade and other payables	604,662	-	-	-	604,662
Total financial liabilities	604,662	-	-	-	604,662
Gap	(7,487)	2,191	10,087	-	4,791
Cumulative gap	(7,487)	(5,296)	4,791	4,791	4,791

Notes to the financial statements (continued)
For the year ended 31 December 2018

21. Risk management (continued)

Financial instruments (continued)

As at 31 December 2017	Not more than three months £ 000's	More than three months but not more than one year £ 000's	More than one year but not more than five years £ 000's	More than five years £ 000's	Total £ 000's
Financial Assets					
Cash and cash equivalents	67,212	-	-	-	67,212
Trade receivables and other receivables	811,439	-	-	-	811,439
FVOCI financial assets	-	-	8,262	-	8,262
Total financial assets	878,651	-	8,262	-	886,913
Financial Liabilities					
Trade and other payables	882,955	-	-	-	882,955
Total financial liabilities	882,955	-	-	-	882,955
Gap	(4,304)	-	8,262	-	3,958
Cumulative gap	(4,304)	(4,304)	3,958	3,958	3,958

22. Related party transactions

Transactions between the Partnership and its associates are disclosed below.

The ultimate parent is Global Payments Inc., a company incorporated in the United States of America. The immediate parent undertaking is Global Payments U.K. Ltd, a company incorporated in England and Wales.

The parent undertakings of the largest and smallest groups in which the Partnership is consolidated are Global Payments Inc. and Global Payments U.K. Ltd respectively. Copies of these consolidated financial statements may be obtained from Global Payments, Inc., 10 Glenlake Parkway, North Tower, Atlanta, Georgia 30328 and Global Payments U.K. Ltd, 51 De Montfort Street, Leicester, LE1 7BB, respectively.

Notes to the financial statements (continued)
For the year ended 31 December 2018

22. Related party transactions (continued)

Trading transactions
During the year, the Partnership entered into the following trading transactions with related parties:

	Purchase of goods and services		Amounts owed to related parties		Amounts owed by related parties	
	2018 £ 000's	2017 £ 000's	2018 £ 000's	2017 £ 000's	2018 £ 000's	2017 £ 000's
Global Payments U.K. Ltd	19,874	20,929	44,922	42,462	-	-
Global Payments Inc.	14,647	14,602	1,244	1,189	-	-
Global Payments Europe	-	-	-	-	3,511	3,480
GPC Financial Corporation	-	-	-	-	2,450	1,286
Global Payments Asia-Pacific Limited	-	-	-	-	29,486	16,511
Global Payments Australia Pty Ltd	-	-	-	-	11,115	3,810
Global Payments Card Processing Malaysia Sdn. Bhd	-	-	488	95	-	-
Global Payments s.r.o.	-	-	41,267	36,653	-	-
The UK Cards Association Limited	17	17	-	-	-	-
Pay and Shop Limited	-	-	7	-	-	-

The amounts outstanding are unsecured, not interest bearing and will be settled in cash/on demand. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The UK Cards Association Limited is a related party by virtue of Christopher Davies being a director of both Global Payments U.K. Ltd and The UK Cards Association Limited. All other related parties have a common ultimate controlling party.

23. Events after balance sheet date

There were no events after the balance sheet date that require disclosure in these financial statements.