GPUK LLP

Annual report and financial statements for the year ended 31 December 2019

Registered number: OC337146

GPUK LLP

Contents

GPUK LLP

General information

Registered number:	OC337146
Members:	Global Payments U.K. Ltd Global Payments U.K. 2 Ltd
Registered address:	Granite House Granite Way Syston Leicester LE7 1PL
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 operating profit for the year ended 31 December 2019 was £146.1 million (31 December 2018: £149.7 million), as detailed in the Statement of Comprehensive Income on page 9. Revenue for the year ended 31 December 2019 was £213.8 million (31 December 2018: £221.2 million). The decrease of £7.4 million and of £3.6 million in revenue and operating profit respectively are mainly attributable to the partial sale of the online ("International Acquiring") business to a related party during the year. Accordingly, the administrative expenses have decreased by £3.6 million to £67.8 million, which is expected by the business.

Net assets as at 31 December 2019 were £431.5m (2018: £320.8m) and included a cash balance of £169.4m (2018: £72.9m). 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 23) 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

2019 was another year of change for the Partnership as the improvements in sales processes and the recently established Customer Success regime continued to pay dividends. The management team was strengthened with the addition of experienced individuals in key roles, and although the UK economy in 2019 continued to stagnate, sales performance and ongoing improvements in attrition levels set up the Partnership for future success.

Of course, in 2020 the impact of the COVID-19 pandemic and the response of the UK Government which resulted in a curtailment of economic activity from March, and which is still ongoing, had an impact on transaction volumes and value, with a consequent knock-on to revenues. At its worst, in early April 2020, transaction volumes were down over 60% compared to 2019, with transport, hospitality and face to face retail being particularly hit.

Volumes have significantly recovered since then, but are still running at around 15% down compared to 2019. Transaction volumes in a face to face environment continue to be depressed, however the Partnership was able to develop new products and services based on its successful ECommerce arm which have mitigated this somewhat. It is expected however that the impacts will continue well into 2021.

The Partnership made some adjustments to its expense utilisation (e.g. all employees agreed to a 10% pay cut from April to September) and took advantage of the Government's Furlough Scheme. This, in addition to the low cost, high margin model employed by the Partnership meant that they continued to be cash flow positive and continued to invest in product development, training and upskilling to position the business well for the upturn in economic activity when it occurs.

The Partnership is expected to remain profitable and the members have formed a judgement that there is a reasonable expectation that the Partnership has adequate resources to continue operating for the foreseeable future.

Signed on behalf of the members

Christopher Davies, Global Payments U.K. Ltd

7 December 2020

Members' report for the year ended 31 December 2019 (continued)

The members present their annual report and the audited financial statements for the year ended 31 December 2019.

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 20 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 operating profit for the year ended 31 December 2019 was £146.1 million (31 December 2018: £149.7 million), as detailed in the Statement of Comprehensive Income on page 9. The decrease is mainly attributable to the partial sale of the online business to a related party during the year, due to European online transactions now being processed by a separate group entity. 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 2019 were £431.5m (2018: £320.8m), as detailed on the balance sheet on page 11.

Statement by the members in performance of their statutory duties in accordance with s172 Companies Act 2006

The members of GPUK LLP consider, both individually and together, that they have acted in the way they consider in good faith, would be most likely to promote the success of the Partnership for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019.

The following paragraphs summarise how the members fulfil their duties:

Risk Management: GPUK LLP provides business-critical services to their clients, often in highly regulated environments. As the business grows, the risk environment also becomes more complex. It is therefore vital that the Partnership effectively identify, evaluate, manage and mitigate the risks it faces, and that it continues to evolve its approach to risk management.

The risk of a no deal Brexit was highly evaluated and the Partnership executed a strategy to mitigate the risks it faced. The outcome of this was the sale of part of the online business, to allow the continuation of online European transactions. A specific disclosure, note 10, has been added to describe this transaction in more detail. However, the UK business continues to build domestic revenue and non-EU online transactions which fits in with the long term strategy of the business. The UK business maintains strong liquidity and cash levels in line with the treasury policy. For details of the principal risks and uncertainties, please see page 4 of this report.

Statement by the members in performance of their statutory duties in accordance with s172 Companies Act 2006 (continued)

Our People: the Partnership is committed to being a responsible business. The business' behaviour is aligned with the expectations of employees, customers, communities and society as a whole. For the business to succeed it needs to manage employees' performance and develop and bring through talent while ensuring it operates as efficiently as possible. The Partnership ensures it shares common values that guides behaviour so as to achieve the strategic goals in the right way.

Business Relationships: the Partnership's strategy priorities organic growth and growth through acquisitions, driven by selling to existing clients and bringing new clients to the group. To do this the business needs to develop and maintain strong client relationships. The business values all of their suppliers and has multi-year contracts with key suppliers.

The impact of the Partnership's operations on the community and the environment: this aspect is inherent in the Partnership's strategic ambitions, as such, the members receive information on these topics to both provide relevant information for specific decisions and to provide ongoing overviews at the Global Payments group.

The desirability of the Partnership maintaining a reputation for high standards of business conduct: GPUK aims to meet the world's growing need for more payment solutions in ways which are economically, environmentally and socially responsible. The members periodically review and approve clear policies to ensure that its high standards are maintained within both Global Payments businesses and the business relationships it maintains. This, complemented by the ways the members are informed and monitor compliance with relevant governance standards, helps assure optimal decisions are taken that allow GPUK to act in ways that promote high standards of business conduct.

The need to act fairly between members of the Partnership: After weighing up all relevant factors, the members consider which course of action best enables delivery of the business strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, the members act fairly between the Partnership but are not required to balance the Partnership's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

Principal risks and uncertainties

The members financial risk management objectives and policies are given in note 23 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.

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.

COVID-19: On 30 January 2020, he World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since March 11 2020, the WHO has characterised the spread of the coronavirus as a pandemic, Management considers the spread of the coronavirus, the resulting actions by the government to contain the spread and the resulting direct impact on the Partnership to constitute a non-adjusting subsequent event. There is a group wide assessment of the impact of the pandemic but these are not yet quantifiable.

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

Members' report for the year ended 31 December 2019 (continued)

Going concern basis

It has been discussed that if GPUK LLP suffers significant losses, it will be reliant on the parent company for liquidity. The parent company has committed to continue its support of GPUK has provided a letter of support, committing to 12 months of financial support from the date of signing.

GPUK continues to be a core part of the Group's activities and future plans. As at the date of signing of these financial statements, the entity's activities have continued to operate as the entity's business is essentially dependent on the consumer spending in the economy. Subsequent to year end the entity has experienced a decline in the card business as a result of COVID-19. However, based on its revenue as well as the developments to date, the Partnership does not expect a material impact on its financial position as a consequence of the COVID-19 pandemic. This conclusion was reached after stress testing was performed at group level to explore the multiple potential implications of the pandemic.

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

7 December 2020

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 2019

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 2019 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 balance sheet;
- the limited liability partnership statement of changes in members' interest;
- the cash flow statement; and
- the related notes 1 to 25.

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.

We have nothing to report in respect of these matters.

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

For the year ended 31 December 2019

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.

Kieren Cooper, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

7 December 2020

GPUK LLP

Statement of comprehensive income
For the year ended 31 December 2019

	Note	31 December 2019 £ 000's	31 December 2018 £ 000's
Revenue	5	213,896	221,219
Administrative and other operating expenses		(67,773)	(71,429)
Operating profit	6	146,124	149,790
Profit from partial sale of International Acquiring business	10	92,588	-
Interest income	9	4,234	-
Finance costs		-	(65)
Profit for the year		242,945	149,725
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on FVOCI financial assets	21	3,730	1,825
Total comprehensive income		246,675	151,550
Attributable to the members		246,675	151,550

All profit for the year is generated from continuing operations.

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 2019

	FVOCI reserve £ 000's	Capital account - Global Payments U.K. Ltd £ 000's	Total £ 000's
As at 1 January 2018	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 1 January 2019 (note 21)	10,087	310,666	320,753
Profit for the year	-	242,945	242,945
Distributions from profit for the year	-	(132,014)	(132,014)
Returns of members' capital	-	(3,957)	(3,957)
Fair value movement on FVOCI financial assets	3,730	-	3,730
As at 31 December 2019 (note 21)	13,817	417,640	431,457

GPUK LLP

Registered number: OC337146

Balance sheet

As at 31 December 2019

	Note	As at 31 December 2019 £ 000's	As at 31 December 2018 £ 000's
Non-current assets			
Goodwill	12	289,954	291,220
Other intangible assets	13	7,685	10,219
Property, plant and equipment	14	5,414	5,703
Right-of-use assets	19	3,042	-
Contract assets	11	7,878	7,947
Other receivables	10	97,196	-
		411,169	315,089
Current assets			
Financial assets at FVOCI	21	13,817	10,087
Inventories	15	1,595	975
Trade and other receivables	16	236,229	526,488
Prepayments		827	664
Cash and cash equivalents	16	169,376	72,878
		421,844	611,092
Total assets		833,012	926,181
Current liabilities			
Trade and other payables	17	(397,501)	(604,662)
Provision for liabilities	18	(809)	(766)
Current lease liabilities	19	(218)	-
		(398,529)	(605,428)
Non-current liabilities			
Non-current lease liabilities	19	(3,027)	-
Total liabilities		(401,556)	(605,428)
Net assets		431,457	320,753
Members' interest			
FVOCI reserve	21	13,817	10,087
Capital account – Global Payments U.K. Ltd		417,640	310,666
Total members' interest		431,457	320,753

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

7 December 2020

GPUK LLP

Cash flow statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £ 000's	Year ended 31 December 2018 £ 000's
Net cash generated from operating activities	22	240,436	161,059
Investing activities			
Purchase of property, plant and equipment		(2,924)	(2,128)
Purchase of intangible assets		(2,557)	(416)
Net cash used in investing activities		(5,481)	(2,544)
Financing activities			
Distributions and repayments of capital to members; paid and committed	20	(138,457)	(152,849)
Net cash used in financing activities		(138,457)	(152,849)
Net increase in cash and cash equivalents		96,498	5,666
Cash and cash equivalents at beginning of year		72,878	67,212
Cash and cash equivalents at end of year		169,376	72,878

Notes to the financial statements (continued)
For the year ended 31 December 2019

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:

IAS 1 & IAS 8 Amendment	Definition of material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
	IAS 12 Income Taxes and IAS 23 Borrowing Costs

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 2019:

IFRS 16 – Leases

The Partnership adopted IFRS 16 Leases from 1 January 2019 using the modified retrospective approach. Therefore, comparative figures were not restated for the 2018 reporting period, in accordance with standards transitional provisions. There were no reclassifications and adjustments arising from new rules on the January 2019 opening balance sheet.

Due to IFRS 16 adoption, the Partnership has recognised right-of-use assets and lease liabilities with regard to lease agreements for office and equipment, which were previously recognised as operating leases in accordance with IAS 17. The lease liability measurement was calculated by bringing to present value all future lease payments, using an incremental borrowing rate as of 1 January 2019.

As a result of the new standard, the opening balances on 1 January 2019 were affected as per below:

Impact of IFRS 16	**1 Jan 2019**	**31 Dec 2019**
	£000's	**£000's**
Right-of-use assets	456	3,042
Current lease liabilities	286	218
Non-current lease liabilities	209	3,027

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 20 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 12

Revenue recognition

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.

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.

3. Significant accounting policies (continued)

Revenue recognition (continued)

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

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 within contract assets as at 31 December 2019 (note 11).

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.

Notes to the financial statements (continued)
For the year ended 31 December 2019

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.

Notes to the financial statements (continued)
For the year ended 31 December 2019

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.

On disposal of these equity holdings, any related balance within the FVOCI reserve is reclassified to retained earnings.

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.

Leases

The Partnership assesses whether a contract is or contains a lease, at inception of the contract. The Partnership recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Partnership recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Partnership uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Partnership re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Partnership applies IAS 36 to determine whether a right-of-use asset is impaired.

3. Significant accounting policies (continued)

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 21 of the financial statements.

Leases: the Group cannot readily determine the interest rate implicit in the lease, it uses incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Partnership would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Partnership estimates the IBR by using market interest rates and adjusting with entity specific estimates such as currency and country risk.

Notes to the financial statements (continued)
For the year ended 31 December 2019

5. Revenue

	2019 £ 000's	2018 £ 000's
Continuing operations		
Gross merchant service income	780,796	885,881
Less: interchange fees	(451,725)	(546,753)
Less: scheme fees	(162,794)	(188,606)
Net merchant service income	166,276	150,522
Equipment leasing income	13,371	15,443
Other commission income	34,249	55,254
	213,896	221,219

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

6. Operating profit

Profit for the year has been arrived at after charging:

	2019 £ 000's	2018 £ 000's
Depreciation of property, plant and equipment	3,208	3,279
Loss on disposal of property, plant and equipment	6	30
Amortisation of intangible assets	5,831	6,007
Staff costs (note 8)	20,479	18,890
Operating lease payments	-	872
Depreciation of right-of-use assets	550	-

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019 £ 000's	2018 £ 000's
Fees payable to the LLP's auditor for the audit of the LLP's annual financial statements	286	318

Fee's payable to the LLP's auditor of £40,000 (2018: £39,000) 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 £20,479,000 (2018: £18,890,000).

Notes to the financial statements (continued)
For the year ended 31 December 2019

9. Interest income

	31 December 2019 £ 000's	31 December 2018 £ 000's
Interest on non-current other receivables (note 10)	3,343	-
Interest received	891	-
	4,234	64

10. Partial sale of European International Acquiring business

Following the government's announcement of the UK leaving the European Union ("Brexit") and to support the continuation of processing of transactions for all customers domiciled in the EU and UK, on 16 April 2019, the Partnership disposed of its EU and UK-based customer contracts within its international acquiring business (the "Business") to a related entity, Global Payments Europe s.r.o. ("GPE"). The Business transferred comprised the customer contracts and any receivables/liabilities under those contracts required by GPE in order to operate the Business on its own with GPUK remaining a party to the third-party processor agreement to continue servicing IA merchants not transferred to GPE.

Non-cash consideration for this disposal amounted to a £93.9m loan from GPUK LLP to GPE that has been included in the Partnership's balance sheet under non-current assets. The intercompany loan has a 5 year maturity and is interest bearing at a rate of 5% assessed annually at the year end. Interest income relating to the loan amounted to £3.3m for the current financial year (2018: nil) and remains unpaid as at the balance sheet date. The proportion of goodwill relating to the Business is determined to be £1.3m, and has been deducted from the consideration to arrive at the profit on disposal.

	Total £ 000's
Consideration	93,854
Goodwill (note 12)	(1,266)
Profit from sale of International Acquiring business	92,588

Non-current assets - other receivables

Receivable from GPE	Total £ 000's
Consideration	93,854
Interest income accrued (note 9)	3,343
At 31 December 2019	97,196

Under IFRS 9, the intercompany loan has been assessed for impairment by GPUK. The impairment analysis has concluded that the fair value of the receivable is in excess of the carrying amount of the GPE reporting unit, therefore the loan is deemed to be fairly stated at 31 December 2019.

Notes to the financial statements (continued)

For the year ended 31 December 2019

11. Contract assets

	Total
	£ 000's
At 1 January 2018	3,940
Additions during the year	5,107
Released during the year	(1,100)
At 31 December 2018	7,947
Additions during the year	1,621
Released during the year	(1,692)
At 31 December 2019	7,876

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

12. Goodwill

	2019	2018
	£ 000's	£ 000's
Cost	291,220	291,220
Disposal	(1,266)	-
Net realisable value	289,954	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 (2018: £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 2019: 9%, 31 December 2018: 9%), growth rates (31 December 2019: 3% per year, 31 December 2018: 3% per year) and years over which cash flows are considered (31 December 2019: 5 years, 31 December 2018: 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.

Movement in goodwill in the year relates to the partial sale of the International Acquiring business as detailed in note 10.

Notes to the financial statements (continued)
For the year ended 31 December 2019

13. Other intangible assets

	Customer relationships £ 000's	Distribution channels £ 000's	Software £ 000's	Total £ 000's
Cost				
At 1 January 2019	115,056	12,746	8,844	136,646
Acquired during the year	-	-	2,557	2,557
At 31 December 2019	115,056	12,746	11,401	139,203
Amortisation				
At 1 January 2019	108,464	12,746	5,217	126,427
Charge for the year	3,957	-	1,133	5,090
At 31 December 2019	112,422	12,746	6,350	131,517
Carrying amount				
At 31 December 2018	6,592	-	3,627	10,219
At 31 December 2019	2,634	-	5,052	7,686

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

At 31 December 2019, the Partnership had no contractual commitments for the acquisition of intangibles (2018: £nil).

Notes to the financial statements (continued)
For the year ended 31 December 2019

14. Property, plant and equipment

	Leasehold improvements £ 000's	Terminal estate £ 000's	Other fixtures and equipment £ 000's	Total £ 000's
Cost				
At 1 January 2019	970	21,461	757	23,188
Additions	1,771	969	184	2,924
Disposals	(970)	(646)	-	(1,616)
At 31 December 2019	1,771	21,785	941	24,496
Accumulated depreciation				
At 1 January 2019	516	16,222	747	17,485
Charge for the year	512	2,679	16	3,208
Disposals	(970)	(640)	-	(1,610)
At 31 December 2019	59	18,261	762	19,082
Carrying amount				
At 31 December 2018	454	5,239	10	5,703
At 31 December 2019	1,712	3,523	179	5,414

At 31 December 2019, the Partnership had no contractual commitments for the acquisition of equipment (2018: £nil).

15. Inventories

	2019 £ 000's	2018 £ 000's
Terminals	1,595	975

No inventories are impaired at the year end or written off during the year (2018: £nil).

16. Other financial assets

Trade and other receivables

	2019 £ 000's	2018 £ 000's
Trade receivables	25,743	26,008
Due from Global Payments Group – trade receivables	24,263	47,056
Settlement processing assets	186,053	451,118
Other receivables	170	2,306
	236,229	526,488

Total trade receivables held by the LLP at 31 December 2019 amounted to £25.7 million (2018: £26.0 million), none of which were impaired (2018: none). The members consider that the carrying amount of trade receivables approximates to their fair value.

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Other financial assets (continued)

Settlement processing assets

	2019 £ 000's	2018 £ 000's
Receivable from network	186,053	451,118
	186,053	451,118

Cash and cash equivalents

	2019 £ 000's	2018 £ 000's
Cash and cash equivalents	169,376	72,878

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. £11.6 million (2018: £13.0 million) is merchants' cash held as collateral.

17. Other financial liabilities

Trade and other payables

	2019 £ 000's	2018 £ 000's
Trade creditors and accruals	18,237	20,408
Other payables	4,476	80,103
Settlement processing payables	323,640	416,718
Due to Global Payments Group – trade payables	13,748	47,547
Due to Global Payments U.K. Ltd – distribution payable	37,400	39,886
	397,501	604,662

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 £23.0m (2018: £18.3m), 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 2018	39,886
Distributions of statutory profit payable for the year	132,014
Distributions of members' interest payable for the year	3,957
Distributions and repayments of capital to members	(138,457)
Due to Global Payments U.K. Ltd at 31 December 2019	37,400

Notes to the financial statements (continued)

For the year ended 31 December 2019

17. Other financial liabilities (continued)

Settlement processing payables

	2019 £ 000's	2018 £ 000's
Liability to Merchants	317,936	414,038
Interchange reimbursement	(14,950)	(15,424)
Exception items	(2,357)	(200)
Merchant reserves	23,011	18,304
	323,640	416,718

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.

18. 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 2018	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
Provision utilised during the year	(701)	(2,136)	(2,837)
Provision released during the year	(98)	-	(98)
Transactions provided against during the year	645	2,333	2,978
Provision as at 31 December 2019	112	697	809

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.

Notes to the financial statements (continued)
For the year ended 31 December 2019

19. Leases

Right-of-use assets

The Partnership leases several assets including property and equipment. The average lease term is 10 years for property and 5 years for equipment (2018: n/a)

The Partnership does not have an option to purchase the leased property and equipment at the expiry of the lease periods.

	Land & Buildings £000's	Equipment £000's	Total Right-of-Use Assets £000's
Cost			
Aa at 1 January 2019	343	112	455
Additions	2,959	239	3,198
Disposals	-	-	-
As at 31 December 2019	3,302	351	3;653
Accumulated depreciation and impairment			
As at 1 January 2019	-	-	-
Charge for the year	491	120	611
As at 31 December 2019	491	120	611
Carrying amount			
As at 31 December 2019	2,811	231	3,042

Notes to the financial statements (continued)
For the year ended 31 December 2019

19. Leases (continued)

Lease liabilities

	31 December 2019 €000's	31 December 2018 €000's
Total undiscounted minimum lease payments payable in settlement of lease liabilities	3,883	-
Less: future finance charges	(638)	-
Present value of lease obligations	3,245	-
Less amounts included in current liabilities	(218)	-
Amounts included in non-current liabilities	3,027	-

	31 December 2019 £000's	31 December 2018 £000's
Current lease liabilities	218	-
Non-current lease liabilities	3,027	-

Initial application of IFRS 16

Weighted average IBR – 3.96% (Land &Buildings) and 2.77% (Equipment)

	£000's
Operating lease commitments disclosed in the prior year financial statements	904
Adjustment to brought forward balance	(398)
Operating lease commitments included in lease liabilities as per IFRS 16, undiscounted	506
Operating lease commitments discounted to their present value on the date of initial application of IFRS 16, using the Partnership's weighted average incremental borrowing rate	495
Lease liabilities at 1 January 2019	495

19. Leases (continued)

Liquidity risk

	Net Cash Outflows £000's
Ageing of lease liability	
31 December 2019	304
31 December 2020	342
31 December 2021	439
31 December 2022	439
31 December 2023	439
31 December 2024	449
31 December 2025	418
31 December 2026	418
31 December 2027	418
31 December 2028	418
31 December 2029	104

	31 December 2019 £000's	31 December 2018 £000's
Net Cash Outflows		
Within 1 year	342	-
Between 1 and 5 years	1,765	-
Over 5 years	1,776	-
	3,883	-

20. Members' interests

	Total £ 000's
Balance as at 31 December 2018	320,753
Statutory profit for the year	242,945
Distributions, paid and committed, of statutory profit for the year	(132,014)
Distributions, paid and committed, of members' interest during the year	(3,957)
Movement on FVOCI reserve	3,730
Balance as at 31 December 2019	431,457
FVOCI reserve	13,817
Capital account – Global Payments U.K. Ltd	417,640
	431,457

Notes to the financial statements (continued)
For the year ended 31 December 2019

20. Members' interests (continued)

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.

21. 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 at 31 December 2019 of £13.8 million.

As at 31 December 2019, 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 £3.7m during the year ended 31 December 2019 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		Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2019	31 December 2018			
Available for sale financial assets	£13,817,000	£10,087,000	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 £197,384 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 £235,240 in the fair value.

The Partnership elected to present in OCI changes in the fair value of the equity holdings, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

Notes to the financial statements (continued)
For the year ended 31 December 2019

22. Notes to the cash flow statement

	2019 £ 000's	2018 £ 000's
Operating profit	146,124	149,791
Depreciation of property, plant and equipment	3,208	3,279
Loss on disposal of plant, property and equipment	6	30
Amortisation of intangible assets	5,090	6,007
Increase/(decrease) in contract fulfilment assets	71	(4,007)
Decrease/(increase) in provisions	43	(93)
Depreciation of right-of-use assets	550	-
Operating cash flows before movements in working capital	155,091	155,007
(Increase)/decrease in inventories	(620)	1,138
Decrease in trade receivables	290,259	284,951
(Increase)/decrease in prepayments	(163)	154
Decrease in trade and other payables	(204,675)	(280,126)
Principal lease payments	(60)	-
Interest lease payments	(13)	-
Decrease in lease liabilities	(287)	-
Interest paid/(received)	904	(65)
Net cash inflow generated from operating activities	240,436	161,059

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

Notes to the financial statements (continued)
For the year ended 31 December 2019

23. 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 2019 was £406m (2018: £599m).

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:

	2019	**2018**
	£ 000's	**£ 000's**
Neither past due nor impaired	333,426	526,488
Past due date but not impaired	-	-

Market risk management

The Partnership's balance sheet at 31 December 2019 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:

Notes to the financial statements (continued)
For the year ended 31 December 2019

23. Risk management (continued)

	Assets 2019 £ 000's	Assets 2018 £ 000's
Foreign Currency	3,782	1,370

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 £343,807 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 2019

23. Risk management (continued)

Financial instruments (continued)

As at 31 December 2019, 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	169,376			169,376
Trade receivables and other receivables		333,426		333,426
FVOCI financial assets			13,817	13,817
	169,376	333,426	13,817	516,618

Financial Liabilities	**Payables £ 000's**	**Total £ 000's**
Trade and other payables	(397,501)	(397,501)
	(397,501)	(397,501)

All liabilities are held on an amortised cost basis at 31 December 2019 and 31 December 2018.

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 2019

23. Risk management (continued)

Financial instruments (continued)

As at 31 December 2019	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	169,376	-	-	-	169,376
Trade receivables and other receivables	236,229	-	-	97,196	333,426
FVOCI financial assets	-	-	13,817	-	13,817
Total financial assets	405,605	-	13,817	97,196	516,618
Financial Liabilities					
Trade and other payables	397,501	-	-	-	397,501
Total financial liabilities	397,501	-	-	-	397,501
Gap	8,104	-	13,817	97,196	119,117
Cumulative gap	8,104	8,104	21,921	119,117	119,117

Notes to the financial statements (continued)

For the year ended 31 December 2019

24. 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, Granite House, Granite Way, Syston, Leicester, LE7 1PL, respectively.

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	
	2019	2018	2019	2018	2019	2018
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Global Payments U.K. Ltd	21,810	19,874	39,750	44,922	-	-
Global Payments Inc.	14,407	14,647	1,573	1,244	-	-
Global Payments Europe s.r.o.	-	-	-	-	97,532	3,511
GPC Financial Corporation	-	-	9,574	-	-	2,450
Global Payments Asia-Pacific Limited	-	-	-	-	19,370	29,486
Global Payments Australia Pty Ltd	-	-	-	-	4,558	11,115
Global Payments Card Processing Malaysia Sdn. Bhd	-	-	432	-	-	-
Global Payments s.r.o.	-	-	-	41,267	-	-
The UK Cards Association Limited	100	17	-	-	-	-
Pay and Shop Limited	-	-	-	7	-	-

With exception to the long-term balance receivable from Global Payments Europe s.r.o. (note 10), 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.

25. Events after balance sheet date

On 30 January 2020, he World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since March 11 2020, the WHO has characterised the spread of the coronavirus as a pandemic, Management considers the spread of the coronavirus, the resulting actions by the government to contain the spread and the resulting direct impact on the Partnership to constitute a non-adjusting subsequent event. There is a Group wide assessment of the impact of the pandemic but these are not yet quantifiable.

Nonetheless, as at the date of signing of these financial statements, the entity's activities have continued to operate as the entity's business is essentially dependent on the consumer spending in the economy. Subsequent to year end the entity has experienced a decline in the card business, however based on its revenue as well as the developments to date, the Partnership does not expect a material impact on its financial position as a consequence of the COVID-19 pandemic.

On 27 October 2020, the outstanding loan balance between GPUK LLP and GPE of £97.1m plus accrued interest was extinguished through a common parent Partnership.

Pursuant to a Visa Inc. announcement for the conversion of preference shares, in October 2020 there was a sale of Visa Inc. shares for £18.2m, which is a non-adjusting subsequent event.