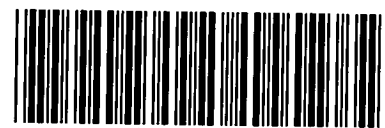


Global Payments U.K. Ltd
Annual report and consolidated
financial statements
for the period ended 31 December 2016

Registered number: 06588689

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Global Payments U.K. Ltd

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Global Payments U.K. Ltd General Information

Registered number: 06588689

Directors: Christopher Davies
David Green

Registered address: De Montfort House
51 De Montfort Street
Leicester
LE1 7BB

Bankers: HSBC Bank plc
8 Canada Square
London
E14 5HQ

Auditor: Deloitte LLP
Statutory Auditor
Four Brindley Place
Birmingham
United Kingdom
B1 2HZ

Lawyers: Eversheds LLP
Eversheds House
70 Great Bridgewater St
Manchester
M1 5ES

Global Payments U.K. Ltd

Strategic report

This strategic report has been prepared for the company as a whole and gives emphasis to those matters which are significant to Global Payments U.K. Ltd (“the company”). The financial year end was changed from 31 May to 31 December so as to be coterminous with the year end of its ultimate holding company. Accordingly, the current financial statements are prepared for 7 months from 1 June 2016 to 31 December 2016 and as a result, the comparative figures stated in the consolidated statement of comprehensive income, consolidated statement of changes in members’ equity, consolidated cash flow statement and the related notes are not comparable.

Review of the business

The profit before tax for the seven month period ending 31 December 2016 was £107.7m (31 May 2016: £119.0 million), as detailed in the Consolidated Statement of Comprehensive Income on page 8. The decrease is due to the shorter accounting period and is offset by profit on sale of the Visa Europe Limited holding. Revenue has decreased by £78.0m which is due to the shorter accounting period, accordingly the administrative expenses have reduced by £35.1m which is expected by the business. On a pro rata basis revenue and operating profit have seen increases of £50.0m and £11.1m respectively and is driven by transaction volumes on debit cards as well as volume growth in online payments. The pro rata increase in administrative expenses of £38.8m is the result of higher card association fees.

Consolidated net assets as at 31 December 2016 were £323.5m (31 May 2016: £315.7 million) and included a consolidated cash balance of £199.0m (31 May 2016: £55.7 million). The net asset increase of £7.8m is attributable to an increase in property, plant and equipment of £2.0m from the purchase of terminals, together with decreases in tax liabilities of £5.4m. Increases in cash and settlement receivable balances at the period end are offset by higher settlement payables thereby causing minimum variance. A dividend of £64.6m (31 May 2016: £90 million) was paid during the period; further details can be found in the directors’ report.

On 21 June 2016 the group disposed of its interest in Visa Europe Limited to Visa Inc. resulting in a profit of £21.3m, full details of which can be found in note 35.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the group can be found within the Risk Management disclosure (note 32) and form part of this report by cross-reference. The group also faces operational risks in the form of data security, regulatory/compliance, transaction processing disruption and technology & competitive environment, for which the group has mitigating activities.

Future Developments

The directors expect the general level of activity to increase steadily in the forthcoming year.

The Group 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.

Signed on behalf of the directors



Christopher Davies, Director

2 August 2017

Global Payments U.K. Ltd

Directors' report

For the period ended 31 December 2016

The directors present their annual report, together with the audited consolidated financial statements and auditor's report for the period ended 31 December 2016. The financial year end was changed from 31 May to 31 December so as to be coterminous with the year end of its ultimate holding company. Accordingly, the current financial statements are prepared for 7 months from 1 June 2016 to 31 December 2016 and as a result, the comparative figures stated in the consolidated statement of comprehensive income, consolidated statement of changes in members' equity, consolidated cash flow statement and the related notes are not comparable.

Principal activity

The principal activities of Global Payments U.K. Ltd are acting as a holding company and the provision of staff to GPUK LLP (together "the Group").

The Group'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 Group outside the UK

Financial position and performance

The profit for the period from 1 June 2016 to 31 December 2016 was £107.7m (31 May 2016: £119.0 million), as detailed in the Consolidated Statement of Comprehensive Income on page 8. The decrease is due to the shorter accounting period and is offset by profit on sale of the Visa Europe Limited holding. Excluding the profit on sale, revenue and profitability showed an increase against the prior year, driven by higher transaction volumes on debit cards and international online payments. The Group 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.

Consolidated net assets as at 31 December 2016 were £323.5m (31 May 2016: £315.7 million) as detailed on the balance sheet on page 10.

Dividends

A £64.6m dividend (31 May 2016: £90.0 million) has been paid to the then parent company, Global Payments Acquisition Corporation 2 S.A.R.L., during the period. The directors do not expect the payment of a final dividend (31 May 2016: £nil).

Events after the reporting date

In February 2017 the company issued bonds totalling £189m and listed the bonds on the Channel Islands Securities Exchange, as detailed in note 36.

Directors

Christopher Davies and David Green have held office for the whole of the period from 1 June 2016 to the date of this report.

Principal risks and uncertainties

The Group consider that the principal area of risk is counterparty credit risk. The Group has counterparty credit risk management processes in place which are designed to prevent specific individual merchant loss.

The Group's financial risk management objectives and policies are given in note 32 to the financial statements. The group also faces operational risks in the form of data security, regulatory/compliance, transaction processing disruption and technology & competitive environment, for which the group has mitigating activities.

Going concern basis

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

Global Payments U.K. Ltd

Directors' report

For the period ended 31 December 2016

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware;
and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group'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 reappointment them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Christopher Davies, Director

2 August 2017

Global Payments U.K. Ltd

Directors' responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU"). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, 'International Accounting Standard 1' requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies' Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Global Payments U.K. Ltd

For the period ended 31 December 2016

We have audited the financial statements of Global Payments U.K. Ltd for the period ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies' Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

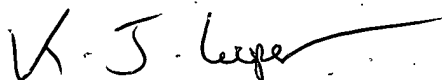
Global Payments U.K. Ltd

Independent auditor's report to the members of Global Payments U.K. Ltd For the period ended 31 December 2016

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Kieren Cooper (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
2 August 2017.

Global Payments U.K. Ltd

Independent auditor's report to the members of Global Payments U.K. Ltd For the period ended 31 December 2016

We have audited the financial statements of Global Payments U.K. Ltd for the period ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies' Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Global Payments U.K. Ltd

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2016

	Note	Period ended 31 December 2016 £000's	Year ended 31 May 2016 £ 000's
Commission and related income		432,812	641,243
Commission expense		(253,760)	(384,233)
Revenue	6	179,052	257,010
Administrative expenses		(103,493)	(138,610)
Operating profit	7	75,559	118,400
Profit from sale of Visa Europe holding	35	21,299	-
Interest and other income	12	15,759	8,912
Finance costs	13	(4,960)	(8,279)
Profit before tax		107,657	119,033
Tax	14	(19,089)	(20,855)
Profit for the period/year	28	88,568	98,178
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value (loss)/gain on available for sale assets	35	(20,307)	26,968
Income tax relating to items that may be reclassified subsequently to profit or loss	14	4,111	(5,243)
Net fair value (loss)/gain on available for sale assets		(16,196)	21,725
Total comprehensive income		72,372	119,903
Attributable to:			
Equity holders of the Group		72,372	119,903
		72,372	119,903

All profit for the period/year is generated from continuing operations.

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

Global Payments U.K. Ltd

Consolidated Statement of Changes in Equity

As at 31 December 2016

	Period Ended 31 December 2016 £ 000's	Year Ended 31 May 2016 £ 000's
Profit for the period/year	88,568	98,178
Dividends paid	(64,556)	(90,000)
Net fair value gain on available for sale financial assets	880	21,725
Net fair value gain on AFS assets recycled to income statement	(17,076)	-
	<hr/>	<hr/>
	7,816	29,901
	<hr/>	<hr/>
Net movement in equity	7,816	29,901
Equity at 1 June 2016	315,663	285,762
	<hr/>	<hr/>
Equity at 31 December 2016	<u>323,479</u>	<u>315,663</u>

Company Statement of Changes in Equity

As at 31 December 2016

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Profit for the period/year	88,455	98,178
Dividends paid	(64,556)	(90,000)
Movement on other reserves	(21,872)	21,725
	<hr/>	<hr/>
Net movement in equity	2,027	29,900
Equity at 1 June 2016	302,421	272,521
	<hr/>	<hr/>
Equity at 31 December 2016	<u>304,448</u>	<u>302,421</u>

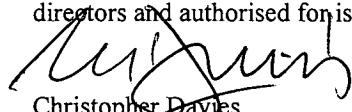
Global Payments U.K. Ltd

Consolidated Balance Sheet

As at 31 December 2016

	Note	As at 31 December 2016 £ 000's	As at 31 May 2016 £ 000's
Non-current assets			
Goodwill	16	291,220	291,220
Other intangible assets	17	21,246	24,222
Investments	19	144,275	144,275
Property, plant and equipment	18	7,954	5,940
Other receivables	35	2,077	-
Total non-current assets		466,772	465,657
Current assets			
Available for sale financial assets	35	6,661	26,968
Inventories	20	2,360	2,490
Trade and other receivables	21	579,718	561,627
Prepayments		832	622
Cash and cash equivalents	21	199,026	55,723
Total current assets		788,597	647,430
Total assets		1,255,369	1,113,087
Current liabilities			
Trade and other payables	22	(719,490)	(579,081)
Finance lease payable	22	-	(554)
Provision for liabilities	24	(920)	(873)
Current tax liabilities		(6,265)	(7,978)
Short term borrowings	23	(189,016)	(189,016)
Total current liabilities		(915,691)	(777,502)
Non-current liabilities			
Deferred tax	25	(16,199)	(19,921)
Finance lease payable	22	-	(1)
Total non-current liabilities		(16,199)	(19,922)
Total liabilities		(931,890)	(797,424)
Net assets		323,479	315,663
Shareholders' equity			
Share capital	26	-	-
Share premium	27	171,436	171,436
Available for sale reserve	35	5,529	21,725
Retained earnings	28	146,514	122,502
Total shareholders' equity		323,479	315,663

The financial statements of Global Payments U.K. Ltd, registered number 06588689, were approved by the board of directors and authorised for issue on 2 August 2017. They were signed on its behalf by:


Christopher Davies
Director

Global Payments U.K. Ltd

Company Balance Sheet

As at 31 December 2016

	Note	As at 31 December 2016 £ 000's	As at 31 May 2016 £ 000's
Non-current assets			
Investment in other Group company	19	144,275	144,275
Investment in subsidiary	19	311,566	335,364
		<u>455,841</u>	<u>479,639</u>
Current assets			
Trade and other receivables	21	47,252	32,576
Cash and cash equivalents	21	22,963	9,343
		<u>70,215</u>	<u>41,919</u>
Total current assets			
		<u>526,056</u>	<u>521,558</u>
Current liabilities			
Trade and other payables	22	(3,467)	(2,222)
Current tax liabilities		(6,265)	(7,978)
Short term borrowings	23	(189,016)	(189,016)
		<u>(198,748)</u>	<u>(199,216)</u>
Total current liabilities			
		<u>(198,748)</u>	<u>(199,216)</u>
Non-current liabilities			
Deferred tax	25	(16,199)	(19,921)
		<u>(16,199)</u>	<u>(19,921)</u>
Total non-current liabilities			
		<u>(214,947)</u>	<u>(219,137)</u>
Total liabilities			
		<u>(214,947)</u>	<u>(219,137)</u>
Net assets		<u>311,109</u>	<u>302,421</u>
Shareholders' equity			
Share capital	26	-	-
Share premium	27	171,436	171,436
Other reserves	35	5,529	21,725
Retained earnings	28	134,144	109,260
		<u>311,109</u>	<u>302,421</u>
Total shareholders' equity		<u>311,109</u>	<u>302,421</u>

The financial statements of Global Payments U.K. Ltd, registered number 06588689, were approved by the board of directors and authorised for issue on 2 August 2017. They were signed on its behalf by:



Christopher Davies
Director

Global Payments U.K. Ltd

Consolidated Cash Flow Statement

As at 31 December 2016

	Note	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Net cash generated from operating activities	29	190,542	43,505
Investing activities			
Interest (paid)/received		(106)	108
Purchases of property, plant and equipment		(3,771)	(3,919)
Purchase of intangible assets		(1,071)	(1,554)
Dividends received		5,538	8,803
Net cash generated from investing activities		590	3,438
Financing activities			
Dividends paid		(64,556)	(90,000)
Interest paid on loans from immediate parent company, interest paid on loan to third party and amortisation of financing costs		(4,829)	(8,279)
Visa Europe consideration received		21,556	-
Net cash used in financing activities		(47,829)	(98,279)
Increase/(decrease) in cash and cash equivalents		143,303	(51,336)
Cash and cash equivalents at beginning of period/year		55,723	107,059
Cash and cash equivalents at period/year end		199,026	55,723

Global Payments U.K. Ltd

Company Cash Flow Statement As at 31 December 2016

		Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Net cash used in operating activities	Note 29	(33,845)	(33,538)
Investing activities			
Distribution received from subsidiary undertaking		111,288	125,212
Interest received on bank deposits		24	44
Dividends received		5,538	8,803
Net cash generated from investing activities		116,850	134,059
Financing activities			
Dividends paid		(64,556)	(90,000)
Interest paid on loans		(4,829)	(8,279)
Net cash used in financing activities		(69,385)	(98,279)
Net increase in cash and cash equivalents		13,620	2,242
Cash and cash equivalents at beginning of period/year		9,343	7,101
Cash and cash equivalents at period/year end		22,963	9,343

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

1. General information

Global Payments U.K. Ltd is a company incorporated in England and Wales under the Companies' Act 2006. The address of the registered office is given on page 1. The principal activities of the Group and Company are given in the Directors Report.

The financial year end was changed from 31 May to 31 December so as to be coterminous with the year end of its ultimate holding company. Accordingly, the current financial statements are prepared for 7 months from 1 June 2016 to 31 December 2016 and as a result, the comparative figures stated in the consolidated statement of comprehensive income, consolidated statement of changes in members' equity, consolidated cash flow statement and the related notes are not comparable.

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

2. Adoption of new and revised Standards

The Group has elected to adopt IFRS as applied in the EU as at the balance sheet date of 31 December 2016.

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

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 and all amounts are rounded to the nearest thousand. The principal accounting policies adopted are set out below.

Going concern basis

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

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

3. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investments

Investments are held at historic cost less any repayments of capital over and above profit distributed and less any provision required for impairments.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under 'IFRS 3, Business Combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with 'IFRS 5, Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group'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 16.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, commissions, Value Added Tax and other sales-related taxes.

Sales of services are recognised on an accruals basis, whilst sales of goods are recognised when the risks and rewards of ownership have passed to the buyer.

Gross merchant service income represents all fees levied upon merchants for the processing of transactions.

Commission payable is netted against gross merchant services income to arrive at net merchant services income. Net merchant services income is recorded as soon as transactions have completed.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

3. Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements, transactions in currencies other than the Group'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.

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.

Employee share purchase plan

The Group is a member of the Global Payments Inc. Save As You Earn ("SAYE") share scheme. This scheme does not have any market or non-market based vesting condition attached. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Fair value is calculated using the Black-Scholes valuation method using the key assumptions detailed in note 10 of these financial statements.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the number of employees remaining in the scheme. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Options are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

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:

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 software and software development costs is 5 years, in line with the useful economic life. All other classes of intangible 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 Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

3. Significant accounting policies (continued)

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 Group has applied 'IAS 32, Financial instruments: Disclosure and presentation' and 'IAS 39 Financial instruments: Recognition and measurement' 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. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

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.

Loans

The Group has a loan amounting to £189 million (31 May 2016: £189 million), the lender being Global Payments Acquisition Corporation HK Holding Ltd. Borrowings are carried in the balance sheet on the amortised cost basis. The initial value recognised includes the principal amount received less any discount on issue or costs of issuance.

Interest and all other costs of the funding are expensed to the income statement as interest payable over the term of the borrowing on an effective interest rate basis.

Operating profit

Operating profit is stated before interest and other income and 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 Group 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 Group'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.

Finance leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

3. Significant accounting policies (continued)

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Available for sale financial assets (AFS)

Available for sale financial assets relate to equity holdings which are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. Fair value changes on AFS assets are recognised directly in equity through the statement of changes in equity, except for impairment losses and foreign exchange gains or losses which are recognised through the income statement. The fair value of AFS assets denominated in foreign currency are determined through translation at the spot rate at the balance sheet date.

Dividends on AFS equity instruments are recognised in profit and loss when the group's right to receive the dividends is established.

The cumulative gain or loss that is recognised in equity is recycled to the income statement on disposal of the equity holding.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

4. Profit of the Company

The profit for the period of Global Payments U.K. Ltd was £89 million (31 May 2016: £98 million). A separate income statement has not been prepared for the Company under the provisions of Section 408 of the Companies' Act 2006.

5. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 3, the directors 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The cost of intangible assets reflected the value to the business at acquisition. This is spread over the expected useful life of the underlying assets with further impairment made if necessary. At each balance sheet date, the Group reviews and makes judgment on 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 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs to determine the extent of any impairment (if any).

The available for sale assets have been valued based on cash consideration, deferred cash consideration and preference shares expected to receive following the completion of transaction. 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, a litigation discount has been estimated to account for the future litigation costs of Visa Europe Limited which could affect the valuation of the shares prior to conversion and 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. Details around sensitivities to these discounts are included in note 35 of the financial statements.

6. Revenue

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

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Continuing operations		
Gross merchant services income	396,787	599,091
Less: interchange expense	(253,760)	(384,233)
Net merchant services income	143,027	214,858
Equipment leasing income	9,638	16,924
Other commission income	26,387	25,228
	<u>179,052</u>	<u>257,010</u>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

7. Operating profit

Profit for the period/year has been arrived at after charging:

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Depreciation of property, plant and equipment	1,667	2,888
Loss on disposal of property, plant and equipment	89	64
Loss on disposal of intangibles	47	203
Amortisation of intangible assets excluding goodwill	4,000	7,653
Staff salary costs	12,080	20,259
Operating lease payments	707	1,005
	<u> </u>	<u> </u>

8. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	11	10
Fees payable to the Company's auditor and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	214	213
	<u> </u>	<u> </u>
Total audit fees	<u>225</u>	<u>223</u>

Fee's payable to the group's auditor of £28,000 (31 May 2016: £27,000) were made in relation to other assurance services.

9. Staff costs

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

	Period ended 31 December 2016	Year ended 31 May 2016
Sales	114	111
Administrative	208	222
	<u> </u>	<u> </u>
	<u>322</u>	<u>333</u>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

9. Staff costs (continued)

Their aggregate remuneration comprised:

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Wages and salaries	9,831	16,947
Social security costs	1,627	2,239
Other pension costs	622	1,073
	<u>12,080</u>	<u>20,259</u>

One director serving during the period received remuneration from Global Payments U.K. Ltd with a salary of £406,000 (31 May 2016: £443,000) and pension costs of £nil (31 May 2016: £nil). All other directors are paid by Global Payments Inc. with no recharge to Global Payments U.K. Ltd as their services to the company were incidental.

10. Employee share purchase plan

The employee share purchase plan is open to almost all employees and provides for a purchase price equal to the middle market quotation of Global Payments Inc. shares at the close of business on the day immediately preceding the day the Directors decide to invite applications, less 15%. The plan vests after three years with participants having a further six months in which to exercise the option to buy shares. The Company creates a new scheme under the plan each year and, currently, there are three schemes active with exercise dates 1 November 2017, 1 November 2018 and 1 November 2019.

At the period end, the weighted average grant-date fair value of each designated share under this plan was \$8.08 (£6.55) for the scheme ended 1 November 2017; \$7.56 (£6.13) for the scheme ended 1 November 2018 and \$9.28 (£7.52) for the scheme ended 1 November 2019. These values represent the fair value of the 15% discount applied calculated using the Black-Scholes valuation method.

Shares are purchased at the prevailing Sterling-US dollar exchange rate at the date of purchase, subsequent to the vesting period; as such the exact number of shares over which the option to purchase is held is undetermined at 31 December 2016 and will remain undetermined until the date of purchase. Assuming the Sterling-US dollar exchange rate remains unchanged from the period end rate the following would be true:

	Period ended 31 December 2016 Number	Year ended 31 May 2016 Number
Number of options outstanding at beginning of period/year	43,036	52,803
Number of options granted	16,310	9,471
Number of options forfeited	(21,138)	(19,238)
Number outstanding as at 31 December/May	<u>38,209</u>	<u>43,036</u>

11. Restricted Shares

The group has a restricted share scheme in place whereby selected employees are able to earn compensation in the form of Global Payments Inc. company shares.

Shares and performance units awarded under the restricted share program of the Plans are held in escrow and released to the grantee upon the grantee's satisfaction of conditions of the grantee's restricted share agreement.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

11. Restricted Shares (continued)

The grant date fair value of restricted share awards is based on the quoted market value of the shares at the award date.

Restricted stock granted before fiscal 2016 vests in equal instalments on each of the first four anniversaries of the grant date. Restricted stock granted during and after fiscal 2016 will either vest in equal instalments on each of the first three anniversaries of the grant date or cliff vest at the end of a three-year service period.

Details of the share options outstanding are as follows:

	Period ended 31 December 2016 Number	Year ended 31 May 2016 Number
Number of options outstanding at beginning of period/year	67,826	66,143
Number of options granted	14,657	29,968
Number of options forfeited	(1,995)	(1,824)
Number of options vested	(30,843)	(26,461)
Number of options transferred	(2,821)	-
	<hr/>	<hr/>
Outstanding as at 31 December/May	46,824	67,826
	<hr/> <hr/>	<hr/> <hr/>

The expense for the period ended 31 December 2016 amounts to £0.9m (31 May 2016: £1.7m).

The share price as at 31 December 2016 closed at \$69.41 or £56.25 at the period end exchange rate (31 May 2016: \$77.69, £53.64).

At the period end it is estimated that 84% to 96% of the shares will vest. All costs in respect of the shares awarded to employees of the company are borne by the ultimate parent company Global Payments Inc. Upon vesting, no payment is required from the employee, for any of the restricted shares granted. The weighted average life to vesting is 330 days (31 May 2016: 298 days).

12. Interest and other income

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Interest received	23	108
Dividend received from GPAP LTD	5,538	8,803
Cross-border transaction related income from related party (note 33)	7,863	-
Exchange difference on foreign currency transaction	2,335	-
	<hr/>	<hr/>
	15,759	8,911
	<hr/> <hr/>	<hr/> <hr/>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

13. Finance costs

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
Interest on loan from immediate parent company (note 23)	4,829	8,279
Bank interest	131	-
	<u>4,960</u>	<u>8,279</u>

14. Tax

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £000's
	Group & Company	Group & Company
Corporation tax:		
- Current tax for period/year	18,700	19,694
Deferred tax (note 25)		
- Current tax for period/year	2,196	2,309
- Tax rate change impact	(1,807)	(2,130)
- Adjustments in respect of prior years	-	982
	<u>19,089</u>	<u>20,855</u>

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 20% (31 May 2016: 20%). During the period the UK Government enacted legislation to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017, plus a further reduction to 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking in to account that existing temporary differences may unwind in periods subject to the reduced rates.

The charge for the period can be reconciled to the profit per the income statement as follows:

	Period ended 31 December 2016 £ 000's	Year ended 31 May 2016 £ 000's
	Group & Company	Group & Company
Profit before tax on continuing operations	107,657	119,033
Tax at the corporation tax rate of 20% (31 May 2016: 20%)	21,531	23,807
Tax rate change impact	(1,347)	(2,130)
Dividend received - non taxable	(1,108)	(1,761)
Expenses not allowable for corporation tax	13	39
Adjustments in respect of prior years	-	900
	<u>19,089</u>	<u>20,855</u>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

14. Tax (continued)

In addition to the amount charged to the income statement, the following amount relating to tax has been recognised in other comprehensive income:

	Period ended 31 December 2016 £ 000's Group & Company	Year ended 31 May 2016 £ 000's Group & Company
Items that may be reclassified subsequently to profit or loss:		
Available for sale assets - unrealised (loss)/gain arising in period/year (note 25 and 35)	(4,111)	5,243
	<u>(4,111)</u>	<u>5,243</u>
Total income tax recognised in other comprehensive income	<u>(4,111)</u>	<u>5,243</u>

15. Dividends

	Period ended 31 December 2016 £ 000's Group & Company	Year ended May 31 2016 £ 000's Group & Company
Amounts recognised as distributions to equity holders in the period/year:		
Dividends declared and paid during the period/year	64,556	90,000
	<u>64,556</u>	<u>90,000</u>

16. Goodwill

	£ 000's
Cost and net realisable value	
At 31 May 2016 and 31 December 2016	<u>291,220</u>

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 Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. No impairment was identified in the period (31 May 2016: £nil). No goodwill is held in the balance sheet of the Company (31 May 2016: £nil).

The trade of the Group represents a single cash generating unit. 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 2016: 9%, 31 May 2016: 9%), growth rates (31 December 2016: 3% - 6.6% per year, 31 May 2016: 3% - 6.6% per year) and period over which cash flows are considered (31 December 2016: 5 years, 31 May 2016: 5 years).

The Group 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.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

17. Other intangible assets

Current Year

	Customer relationships £ 000's	Distribution channels £ 000's	Software £ 000's	Total £ 000's
Cost				
At 1 June 2016	115,056	12,746	6,550	134,352
Acquired during the period	-	-	1,071	1,071
Disposals	-	-	(279)	(279)
At 31 December 2016	<u>115,056</u>	<u>12,746</u>	<u>7,343</u>	<u>135,145</u>
Amortisation				
At 1 June 2016	94,425	12,746	2,959	110,130
Charge for the period	3,491	-	509	4,000
Disposals	-	-	(232)	(232)
At 31 December 2016	<u>97,916</u>	<u>12,746</u>	<u>3,237</u>	<u>113,899</u>
Carrying amount				
At 31 May 2016	<u>20,631</u>	<u>-</u>	<u>3,591</u>	<u>24,222</u>
At 31 December 2016	<u>17,140</u>	<u>-</u>	<u>4,106</u>	<u>21,246</u>

Prior Year

	Customer relationships £ 000's	Distribution channels £ 000's	Software £ 000's	Total £ 000's
Cost				
At 1 June 2015	115,056	12,746	5,810	133,612
Acquired during the year	-	-	1,554	1,554
Disposals	-	-	(814)	(814)
At 31 May 2016	<u>115,056</u>	<u>12,746</u>	<u>6,550</u>	<u>134,352</u>
Amortisation				
At 1 June 2015	87,677	12,746	2,665	103,088
Charge for the year	6,748	-	905	7,653
Disposals	-	-	(611)	(611)
At 31 May 2016	<u>94,425</u>	<u>12,746</u>	<u>2,959</u>	<u>110,130</u>
Carrying amount				
At 31 May 2015	<u>27,379</u>	<u>-</u>	<u>3,145</u>	<u>30,524</u>
At 31 May 2016	<u>20,631</u>	<u>-</u>	<u>3,591</u>	<u>24,222</u>

No other intangible assets are held in the balance sheet of the Company (31 May 2016: £nil).

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

18. Property, plant and equipment

Current Year	Leasehold improvements £ 000's	Terminal estate £ 000's	Other fixtures and equipment £ 000's	Total £ 000's
Cost				
At 1 June 2016	922	20,860	1,081	22,863
Additions	48	3,723	-	3,771
Disposals	-	(3,534)	(267)	(3,801)
At 31 December 2016	<u>970</u>	<u>21,048</u>	<u>814</u>	<u>22,832</u>
Accumulated depreciation and impairment				
At 1 June 2016	15	15,902	1,006	16,923
Charge for the period	113	1,538	16	1,667
Disposals	-	(3,447)	(265)	(3,712)
At 31 December 2016	<u>129</u>	<u>13,993</u>	<u>756</u>	<u>14,878</u>
Carrying amount				
At 31 May 2016	<u>907</u>	<u>4,958</u>	<u>75</u>	<u>5,940</u>
At 31 December 2016	<u>841</u>	<u>7,055</u>	<u>58</u>	<u>7,954</u>
Prior Year				
Cost				
At 1 June 2015	-	19,191	1,081	20,272
Additions	922	2,997	-	3,919
Disposals	-	(1,328)	-	(1,328)
At 31 May 2016	<u>922</u>	<u>20,860</u>	<u>1,081</u>	<u>22,863</u>
Accumulated depreciation and impairment				
At 1 June 2015	-	14,398	900	15,298
Charge for the year	15	2,767	106	2,888
Disposals	-	(1,263)	-	(1,263)
At 31 May 2016	<u>15</u>	<u>15,902</u>	<u>1,006</u>	<u>16,923</u>
Carrying amount				
At 31 May 2015	<u>-</u>	<u>4,793</u>	<u>181</u>	<u>4,974</u>
At 31 May 2016	<u>907</u>	<u>4,958</u>	<u>75</u>	<u>5,940</u>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

18. Property, plant and equipment (continued)

At 31 December 2016, the Group had no contractual commitments for the acquisition of equipment (31 May 2016: £nil)

No property, plant and equipment is held in the balance sheet of the Company (31 May 2016: £nil).

In addition, the Group's obligations under finance leases (see note 22) are secured by the lessors' title to the leased assets, which have a carrying amount of £nil (31 May 2016: £0.47 million).

19. Investments

	Company GPUK LLP £ 000's	Company and Group GPAP LTD £ 000's
Balance at 31 May 2015	315,145	144,275
Additions	-	-
Impairment	-	-
Distributions, paid and committed, of equity made during the period/year	(6,749)	-
Unrealised gains on Visa Europe sale (note 35)	26,968	-
	<hr/>	<hr/>
Balance at 31 May 2016	335,364	144,275
Additions	-	-
Impairment	-	-
Distributions, paid and committed, of equity made during the period	(3,591)	-
Realisation of gains on Visa Europe sale (note 35)	(20,207)	-
	<hr/>	<hr/>
Balance at 31 December 2016	<u>311,566</u>	<u>144,275</u>

The sole, wholly owned, subsidiary of the Company is GPUK LLP whose principal activity is merchant acquiring, which is the electronic transaction processing of point-of-sale payments on issued debit and credit cards and is incorporated as a limited liability partnership in England and Wales.

Global Payment U.K. Ltd holds a 44% stake in Global Payments Asia-Pacific Limited ("GPAP LTD") a company incorporated in Hong Kong. The Group does not exert control or influence over the entity and as such this is accounted for as an investment held at historical cost.

20. Inventories

	31 December 2016 £ 000's Group	31 May 2016 £ 000's Group
Terminals	2,360	2,490
	<hr/>	<hr/>

No inventory is held in the balance sheet of the Company (31 May 2016: £nil). No inventories are impaired at the period end or written off during the period (31 May 2016: £nil).

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

21. Other financial assets

Trade and other receivables

	31 December 2016 £ 000's Group	31 December 2016 £ 000's Company	31 May 2016 £ 000's Group	31 May 2016 £ 000's Company
Trade receivables	23,838	-	19,686	-
Settlement processing assets	541,006	-	515,033	-
Other receivables	23	5	49	-
Due from subsidiary undertaking – distribution receivable	-	43,849	-	29,141
Due from group Companies'	14,851	3,398	26,859	3,435
	<u>579,718</u>	<u>47,252</u>	<u>561,627</u>	<u>32,576</u>

Balances between the related parties are settled monthly.

Total trade receivables held by the Group at 31 December 2016 amounted to £23.8 million (31 May 2016: £19.7 million) none of which were impaired (31 May 2016: none). No trade receivables were held within the Company at 31 December 2016 (31 May 2016: £nil). The directors consider that the carrying amount of trade receivables approximates to their fair value.

Settlement processing assets

	31 December 2016 £ 000's	31 May 2016 £ 000's
Receivable from networks	541,006	515,033
	<u>541,006</u>	<u>515,033</u>

Cash and cash equivalents

	31 December 2016 £ 000's Group	31 December 2016 £ 000's Company	31 May 2016 £ 000's Group	31 May 2016 £ 000's Company
Cash and cash equivalents	199,026	22,963	55,723	9,343
	<u>199,026</u>	<u>22,963</u>	<u>55,723</u>	<u>9,343</u>

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. £16.9 million (31 May 2016: £21.5 million) is merchants' cash held as collateral by the Group.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

22. Other financial liabilities

Trade and other payables

	31 December 2016 £ 000's Group	31 December 2016 £ 000's Company	31 May 2016 £ 000's Group	31 May 2016 £ 000's Company
Trade creditors and accruals	17,643	3,467	12,017	2,222
Other payables	-	-	64,716	-
Due to group Companies'	54,508	-	3,068	-
Settlement processing payables	647,340	-	499,280	-
	<u>719,490</u>	<u>3,467</u>	<u>579,081</u>	<u>2,222</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Other payables comprise of amounts outstanding for the Groups line of credit facilities. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The directors 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 £20.7m (31 May 2016: £27.1m), classified within settlement processing payables which are repayable on demand.

Settlement processing payables

	31 December 2016 £ 000's Group	31 May 2016 £ 000's Group
Liability to Merchants	654,084	489,171
Interchange reimbursement	(16,273)	(15,848)
Exception items	(11,132)	(1,188)
Merchant reserves	20,661	27,145
	<u>647,340</u>	<u>499,280</u>

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.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

22. Other financial liabilities (continued)

Finance Lease Liabilities	31 December 2016 £ 000's	31 May 2016 £ 000's
Amounts payable under finance leases:		
Within one year	-	554
In the second to fifth years inclusive	-	1
After five years	-	-
	<hr/>	<hr/>
	-	555
Less future finance charges	-	-
	<hr/>	<hr/>
Present value of lease obligations	-	555
	<hr/> <hr/>	<hr/> <hr/>

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 4 years. Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. The fair value of the group's lease obligations is approximately equal to their carrying amount. The group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 18.

23. Borrowings

	31 December 2016 £ 000's	31 May 2016 £ 000's
	Group & Company	Group & Company
Unsecured borrowing at amortised cost		
Loans from immediate parent company	189,016	189,016
	<hr/>	<hr/>
Total borrowings	189,016	189,016
	<hr/> <hr/>	<hr/> <hr/>
Amount due for settlement within 12 months	189,016	189,016
	<hr/> <hr/>	<hr/> <hr/>
Amount due for settlement after 12 months	-	-
	<hr/> <hr/>	<hr/> <hr/>

Amounts repayable to related parties carry interest of 5% per annum on £100 million, 5.0% per annum on £30.4 million and 3.0% on £58.6m, charged on the outstanding loan balance. All loans are repayable on demand.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

24. Provision for liabilities

	Chargeback provision £ 000's	Restructuring provision £ 000's	Total £ 000's
Provision as at 31 May 2015	42	2,699	2,741
Provision utilised during the year	(49)	(1,919)	(1,968)
Provision released during the year	(1)	-	(1)
Transactions provided against during the year	101	-	101
Provision as at 31 May 2016	93	780	873
Provision utilised during the period	(165)	(27)	(191)
Provision released during the period	(29)	(11)	(40)
Transactions provided against during the period	246	33	279
Provision as at 31 December 2016	145	775	920

This chargeback provision relates to the risk that the Group 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.

The majority of provisions are expected to be utilised within 6 months of the period end.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

25. Deferred tax

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

	Depreciation in excess of capital allowances £ 000's	Taxable allowances in excess of amortisation £ 000's	Available for sale assets £ 000's	Other £ 000's	Total £ 000's
Balance as at 31 May 2015	1,444	(15,030)	-	69	(13,517)
Charge to profit or loss	(162)	(992)		(7)	(1,161)
Charge to other comprehensive income			(5,243)		(5,243)
Balance as at 31 May 2016	1,282	(16,022)	(5,243)	62	(19,921)
Charge to profit or loss	(74)	6	(319)	(2)	(389)
Credit against other comprehensive income			4,111		4,111
Balance as at 31 December 2016	1,208	(16,016)	(1,451)	60	(16,199)

26. Share capital

	31 December 2016 Group & Company £'s	31 May 2016 Group & Company £'s
Authorised: 1,000 ordinary shares of £1 each	1,000	1,000
Issued and fully paid: Ordinary shares of £1 each	8	7

The Group has one class of ordinary shares which carry no right to a fixed dividend.

All shares were issued to Global Payments Acquisition Corporation 3 LLC.

27. Share premium

	Group & Company £ 000's
At 31 May 2016 and 31 December 2016	171,436

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

28. Retained earnings

	Group £ 000's	Company £ 000's
Balance at 31 May 2015	114,324	101,082
Profit for the year	98,178	98,178
Dividends paid	(90,000)	(90,000)
Balance at 31 May 2016	<u>122,502</u>	<u>109,260</u>
Profit for the period	88,568	89,440
Dividends paid	(64,556)	(64,556)
Balance at 31 December 2016	<u><u>146,514</u></u>	<u><u>134,144</u></u>

29. Notes to the cash flow statement

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Cash flows from operating activities (Group)

	Period ended 31 December 2016 £ 000's	Year Ended 31 May 2016 £ 000's
Operating profit	75,559	118,400
Depreciation of property, plant and equipment	1,667	2,888
Amortisation of intangible assets	4,000	7,653
Loss on disposal of property, plant and equipment	89	64
Loss on disposal of intangibles	47	203
Income from related party	7,863	-
Increase/(Decrease) in provisions	47	(1,867)
Decrease/(Increase) in inventories	130	(1,180)
(Increase)/Decrease in trade receivables	(32,762)	132,611
Decrease/(Increase) in prepayments	(211)	(175)
Increase/(Decrease) in trade and other payables	154,526	(195,108)
Decrease in long term liabilities	(1)	(539)
Cash generated from operations	<u>210,955</u>	<u>62,950</u>
Corporation tax paid in the period/year	(20,413)	(19,445)
Net cash from operating activities	<u><u>190,542</u></u>	<u><u>43,505</u></u>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

29. Notes to the cash flow statement (continued)

Cash flows from operating activities (Company)

	Period Ended 31 December 2016 £ 000's	Year Ended 31 May 2016 £ 000's
Operating loss	-	-
Decrease in receivables	(14,676)	(14,443)
Increase in trade and other payables	1,244	350
Net cash outflow from operations	(13,432)	(14,093)
Corporation tax paid in the period/year	(20,413)	(19,445)
Net cash outflow from operating activities	<u>(33,845)</u>	<u>(33,538)</u>

30. Retirement benefit schemes

Defined contribution schemes

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The ultimate parent company is Global Payments Inc.

The total cost charged to the profit and loss account of £0.6 million (31 May 2016: £1.1 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the plans. As at 31 December 2016, all contributions in respect of the current reporting period had been paid over to the scheme.

31. Operating lease arrangements

The Group as lessee

	31 December 2016 £ 000's	31 May 2016 £ 000's
Minimum lease payments under operating leases recognised as an expense in the period/year	707	1,005

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

	31 December 2016 £ 000's	31 May 2016 £ 000's
Within one year	1,269	1,206
In the second to fifth years inclusive	2,039	2,537
Due in more than five years	-	-
	<u>3,308</u>	<u>3,743</u>

Operating lease payments represent rentals payable for the leasing of office space. Leases are negotiated for an average term of five years.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

31. Operating lease arrangements (continued)

The Group as lessor

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

	31 December 2016 £ 000's	31 May 2016 £ 000's
Within one year	797	1,399

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.

The Company had no lease arrangements either as a lessee or lessor during the current and previous year end.

32. Risk management

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

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

The Group 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 Group has standards, policies and procedures dedicated to monitoring and managing risk, within the Group framework of HSBC Bank plc.

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

<u>Task</u>	<u>Purpose</u>
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 2016 was £756 million (31 May 2016: £608 million).

Where appropriate the Group'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 Group's wider customer portfolio risk management.

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

32. Risk management (continued)

Market risk management

The Group's balance sheet at 31 December 2016 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 Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets 31 December 2016 £ 000's	Assets 31 May 2016 £ 000's
Foreign currency	79,889	132

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors, who have built an appropriate liquidity risk management framework for the management of short, medium and long-term funding. The Group 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.

Financial instruments

At the period end the group's balance sheet included the following financial instruments:

Financial Assets	Group cash and cash equivalents £ 000's	Group loans and receivables £ 000's	Group other assets £ 000's	Total £ 000's
Cash and cash equivalents	199,026	-	-	199,026
Investments	-	-	144,275	144,275
Trade receivables and other receivables	-	581,795	-	581,795
Available for sale assets	-	-	6,661	6,661
	<u>199,026</u>	<u>581,795</u>	<u>150,936</u>	<u>931,757</u>

Financial Liabilities	Group payables £ 000's	Total £ 000's
Trade and other payables	719,490	719,490
Short term borrowings	189,016	189,016
	<u>908,506</u>	<u>908,506</u>

Financial Assets	Company cash and cash equivalents £ 000's	Company loans and receivables £ 000's	Company other assets £ 000's	Total £ 000's
Cash and cash equivalents	22,963	-	-	22,963
Investments	-	-	449,180	449,180
Trade receivables and other receivables	-	47,252	-	47,252
	<u>22,963</u>	<u>47,252</u>	<u>449,180</u>	<u>519,395</u>

Global Payments U.K. Ltd

Notes to the financial statements

For the period ended 31 December 2016

32. Risk management (continued)

Financial instruments

Financial Liabilities	Company payables £ 000's	Total £ 000's
Trade and other payables	3,467	3,467
Short term borrowings	189,016	189,016
	192,483	192,483

As at 31 May 2016 the group's balance sheet included the following financial instruments:

Financial Assets	Group cash and cash equivalents £ 000's	Group loans and receivables £ 000's	Group other assets £ 000's	Total £ 000's
Cash and cash equivalents	55,723	-	-	55,723
Investments	-	-	144,275	144,275
Trade receivables and other receivables	-	561,627	-	561,627
Available for sale assets	-	-	26,968	26,968
	55,723	561,627	171,243	788,593

Financial Liabilities	Group payables £ 000's	Total £ 000's
Trade and other payables	579,081	579,081
Finance lease payable	555	555
Short term borrowings	189,016	189,016
	768,652	768,652

Financial Assets	Company cash and cash equivalents £ 000's	Company loans and receivables £ 000's	Company other assets £ 000's	Total £ 000's
Cash and cash equivalents	9,343	-	-	9,343
Investments	-	-	479,639	479,639
Trade receivables and other receivables	-	32,576	-	32,576
	9,343	32,576	479,639	521,558

Financial Liabilities	Company payables £ 000's	Total £ 000's
Trade and other payables	2,222	2,222
Short term borrowings	189,016	189,016
	191,238	191,238

All liabilities are held on an amortised cost basis at 31 December 2016 and 31 May 2016.

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Notes to the financial statements

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33. Related party transactions

Transactions between the Company, the Group and its associates are disclosed below.

The immediate parent company is Global Payments Acquisition Corporation 3 LLC, and the ultimate parent is Global Payments Inc.

Trading transactions

During the period/year, the company entered into the following transactions with related parties:

	Purchase of goods and services		Interest paid		Amounts owed to related parties		Amounts owed by related parties	
	31	31	31	31	31	31	31	31
	December 2016	May 2016	December 2016	May 2016	December 2016	May 2016	December 2016	May 2016
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Global Payments Acquisition Corporation 2 LLC	-	-	2,759	8,279	-	189,016	-	-
Global Payments Acquisition Corporation HK Holding Ltd	-	-	2,070	-	189,016	-	-	-
GPUK LLP	-	-	-	-	-	-	47,245	32,574
	<u>-</u>	<u>-</u>	<u>4,829</u>	<u>8,279</u>	<u>189,016</u>	<u>189,016</u>	<u>47,245</u>	<u>32,574</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

During the period/year, the Group entered into the following transactions with related parties:

	Purchase of goods and services		Interest paid		Amounts owed to related parties		Amounts owed by related parties	
	31	31	31	31	31	31	31	31
	December 2016	May 2016	December 2016	May 2016	December 2016	May 2016	December 2016	May 2016
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Global Payments Acquisition Corporation 2 LLC	-	-	2,759	8,279	-	189,016	-	-
Global Payments Acquisition Corporation HK Holding Ltd	-	-	2,070	-	189,016	-	-	-
Global Payments Inc.	2,033	5,548	-	-	2,230	3,006	-	-
Global Payments Europe	-	-	-	-	-	-	13,714	6,713
GPC Financial Corporation	-	-	-	-	19,607	63,645	-	-
Global Payments Asia-Pacific Limited	-	-	-	-	8,100	-	-	16,872
Global Payments Australia Pty Ltd	-	-	-	-	-	-	1,137	3,273
Global Payments s.r.o.	-	-	-	-	24,572	-	-	-
The UK Cards Association Limited	17	63	-	-	-	-	-	-
	<u>2,033</u>	<u>5,548</u>	<u>4,829</u>	<u>8,279</u>	<u>215,425</u>	<u>252,667</u>	<u>13,714</u>	<u>20,858</u>

In addition to the transactions above, the Group received one-off income from Global Payments Europe of £7.86m (31 May 2016: £nil) for Visa transactions relating to GPUK LLP that were processed cross border.

The amounts outstanding are unsecured and will be settled in cash. 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 Chris 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.

Global Payments U.K. Ltd

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34. Ultimate parent undertaking and controlling party

At both the balance sheet date and the date of approval of these financial statements, the ultimate parent undertaking and controlling party is Global Payments Inc., a group incorporated in the United States of America. At both the balance sheet date and the date of approval of these financial statements, the immediate parent undertaking is Global Payments Acquisition Corporation 3 LLC, a company incorporated in the United States of America. The shareholding of the company was transferred from Global Payments Acquisition Corporation 2 S.A.R.L. to Global Payments Acquisition Corporation 3 LLC on 21 October 2016.

The parent undertaking of the largest group in which the Group is consolidated is Global Payments Inc. Copies of the consolidated financial statements for Global Payments Inc. can be obtained from the Investor Relations page at www.globalpaymentsinc.com

35. Available for sale financial assets

Pursuant to the sale of Visa Europe Limited to Visa Inc., the group was entitled consideration in the form of upfront cash amounting to €25.6 million, deferred cash amounting to €2.4 million and preference shares amounting to \$8.2 million. The group's interest in Visa Europe Limited was classified as available for sale financial asset as at 31 May 2016 measured at fair value amounting to £26.9 million with the corresponding unrealised gain taken to available for sale equity reserve.

During the seven month period ended 31 December 2016, the group received £21.6 million cash (GBP equivalent of €25.6 million on the transaction date) and accordingly the associated gain has been recycled from available for sale equity reserve to the income statement.

The deferred cash element of £2.1 million (GBP equivalent of €2.4 million as at 31 December 2016) has been reclassified from available for sale financial assets to receivable and accordingly the cumulative gain of £2.1 million has also been recycled from available for sale equity reserve to the income statement.

As at 31 December 2016, only preference shares are classified as available for sale financial assets with cumulative gains recognised in the available for sale equity reserve. The valuation of the preferred shares have been determined using the ordinary share's value as an approximation as both classes of shares have similar dividend rights. However, adjustments are made for: (i) illiquidity, as the preference shares are not tradeable on an open market and can only be transferred to other Visa members; and (ii) future litigation costs of Visa Europe Limited which could affect the valuation of the shares prior to conversion. These are detailed in the table below.

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 5). These inputs are therefore deemed to be unobservable, with fair value impact detailed below.

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Notes to the financial statements

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35. Available for sale financial assets (continued)

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2016	31 May 2016			
Available for sale financial assets	£6,661,000	£26,968,000	Level 3	Discount for illiquidity is determined as 30% by reference to the share price of listed entities in similar industries. Litigation discount has been determined as 41% by benchmarking rates adopted by similar entities.	An increase of 1% in the discount for illiquidity used in isolation would result in a decrease of £95,156 in the fair value. An increase of 1% in the discount for litigation used in isolation would result in a decrease of £85,014 in the fair value.

36. Events after the reporting date

In February 2017 the company issued bonds totalling £189m and listed the bonds on the Channel Islands Securities Exchange, which now constitutes the outstanding loan balance payable to Global Payments Acquisition Corporation HK Holding Ltd at the period end.

The bonds are listed as a £30,408,076.39 5.00% Eurobond due 2027, a £58,607,510 3.00% Eurobond due 2027 and a £100,000,000 5.00% Eurobond due 2027.