

Registration number 07492608

Elavon Digital Europe Limited

(formerly Sage Pay Europe Limited)

Directors' Report and Financial Statements

For the period 1 October 2019 to 31 December 2020

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Company Information

Board of Directors

Victoria Louise Bradin	- resigned 11 March 2020
Adam Mark Richard Parker	- resigned 11 March 2020
Sarah Jane Rolls	- resigned 11 March 2020
Declan Lynch (Irish)	- appointed 11 March 2020
Stephen Groarke (Irish)	- appointed 11 March 2020
Hannah Fitzsimons	- appointed 11 March 2020

Secretary

Mohor Roy	- resigned 11 March 2020
Rajinder James	- appointed 11 March 2020

Registered Office

Second Floor
Q16
Quorum Business Park
Benton Lane
Newcastle upon Tyne
NE12 8BX

Registered Number: 07492608

Bankers

Deutsche Bank AG
6-8 Bishopsgate
London EC2P 2AT

Solicitors

A&L Goodbody
North Wall Quay
Dublin 1

Auditors

Mazars
Chartered Accountants & Statutory Audit Firm
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

Registered number 07492608

Strategic Report

The Directors present their Strategic Report on Elavon Digital Europe Limited for the 15 months ended 31 December 2020.

Review of the business

On 11 March 2020, Elavon Financial Services DAC purchased 100% of the shares of Sage Pay Europe Limited, a well-known and established payments gateway business in the United Kingdom and Ireland. The acquisition included the purchase of Sage Pay Europe Limited (the "Company"), as well as all of Sage Pay Europe Limited's subsidiaries. With effect from 22 June 2020, the Company changed its name from Sage Pay Europe Limited to Elavon Digital Europe Limited.

Elavon Financial Services DAC, its branches and its subsidiaries are hereinafter referred to as the "Group".

For the 15 months ended 31 December 2020, Elavon Digital Europe Limited reported a profit on ordinary activities before tax of £15,175 thousand (30 September 2019: Profit £17,167 thousand).

The information that fulfils the requirements of the fair review of business can be found on page 6 to 7.

Principal risks and uncertainties

Risk management is an integral part of the Elavon Financial Services DAC Group's business process.

The risks and uncertainties which are currently judged to have the largest impact on the Group's performance are noted below:

- General economic conditions may negatively affect consumer spending, resulting in declines in retail sales. A worsening of the current financial market conditions could materially and adversely affect the Group's financial condition and operations;
- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline;
- The Group is subject to changes in government and regulatory compliance regulations, as well as card scheme membership requirements. Ensuring adherence to these regulations and requirements could result in increased compliance costs for the Group and adversely affect operations and profitability;
- Movements in foreign currency exchange rates may positively or adversely affect the Group. The management of this risk is detailed in Note 26 to the Elavon Financial Services DAC Consolidated Financial Statements;
- The success of the Group is built upon a strong effective management team committed to achieving a superior performance in each of the divisions. The loss of key personnel could for a time have a significant impact on business performance;
- On 31 December 2020, following an agreed transition period, the United Kingdom withdrew from the European Union. The Group had taken a number of steps, organisationally, to ensure that direct impacts from Brexit were largely mitigated. The potential broader economic effect of Brexit, through increased trade restrictions, remain to be observed and these continue to be monitored closely by the Group;
- In addition to the above, the Group is subject to operational risks. These include technology and systems execution risk, protection of cardholder data, information security breaches and data
- protection compliance, compliance with card schemes, payment card industry standards, business continuity planning and disaster recovery;
- Adverse impacts from the COVID-19 pandemic have persisted into 2021 and the recovery of revenues will be closely correlated to the unwinding of the adverse economic effects of the pandemic on the sectors and jurisdictions to which the Group provides services.

The detail on the background and management and mitigation process can be seen in detail in the Elavon Financial Services DAC Directors' Report and Consolidated Financial Statements.

Strategic Report (continued)

Future developments

See relevant section in the Directors' Report on page 6.

Financial risk management

The Company's operations expose it to a variety of financial risks. The Company does not use derivative financial instruments to manage interest rate risk and as such, no hedge accounting is applied.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. All counterparties must meet minimum credit rating requirements.

All of the Company's borrowing is in respect of amounts owed by Group undertakings. There is a risk of default on such intercompany debtor balances if the performance of Group trading entities is not in line with expectations. The Directors expect current performance to be maintained in the future and therefore do not foresee any issue with the recoverability of the intercompany debt.

Liquidity risk

The Company's policy is to ensure that sufficient resources are available either from cash balances, cash flows, intercompany funding arrangements and near cash liquid investments to ensure all obligations can be met when they fall due.

Key performance indicators

The directors of Elavon Financial Services DAC manage and measure the Group's operations on a regional and segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The key performance indicators used by the directors of Elavon Financial Services DAC to manage and measure the performance of the Group are discussed within the Group's annual report.

On behalf of the Board, 23 December, 2021.

E-SIGNED by Stephen Groarke
on 2021-12-23 12:27:19 GMT

Stephen Groarke
Director

Directors' Report

The Directors present their report and the audited Financial Statements for the 15 months ended 31 December 2020.

Principal activities of the business

The principal activity of the Company during the period was the provision of payment processing services; including e-commerce payment solutions, cardholder present, mail order, telephone order and associated services (including the resale, hire and rental of payment card terminals and similar technologies).

During the period, the Company changed its year end to 31 December to align with that of its parent, Elavon Financial Services DAC. These Financial Statements are for the period 1 October 2019 to 31 December 2020.

Dividends

Prior to acquisition by Elavon Financial Services DAC but during the period ended 31 December 2020, the Company approved a dividend of £80,272 thousand (30 September 2019: £Nil) to its immediate parent, Sage Online Holdings Limited.

Future developments

As noted the COVID-19 pandemic has had a significant effect on the operating environment of the Company and its subsidiary in 2020 and its effects on merchant services revenues have persisted into 2021. The recovery in these revenues is expected to be closely linked to the lifting of COVID-19 restrictions, noting that different sectors and jurisdictions may recover with different trajectories depending on national decisions and whether sector specific restrictions may persist, such as in travel related areas.

The Directors are confident that business will return to more normalised levels in the future. However, as noted below, there is a planned restructuring of entities within the Group which is likely to impact the future development of the Company.

Research and development

The Directors regard the investment in research and development as being integral to the continuing success of the business operated by its subsidiary undertakings and ensuring products and services remain strong in this sector.

Subsequent events

In April 2021, a dormant subsidiary, Sage Pay SLU was liquidated.

As part of the restructuring of entities within the Group, in December 2021, the Directors of Elavon Digital Europe Limited made a distribution in specie to Elavon Financial Services DAC of the entire shareholding of Elavon Digital Ireland Limited.

Going concern

Due to planned restructuring of entities within the Group, the Directors have assessed that the going concern basis for the preparation of financial statements is no longer a reasonable assumption to make. Therefore, the financial statements have been prepared on a basis other than going concern, being the termination or break up basis. The Directors are of the view that the carrying value of the Company's assets and liabilities equates to their net realisable value.

Directors

The Directors of the Company are listed on page 3. Unless otherwise stated, they served as Directors for the entire period.

Registered number 07492608

Directors' Report (continued)

Disclosure of information to auditors

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are 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.

On behalf of the Board, 23 December, 2021.

E-SIGNED by Stephen Groarke
on 2021-12-23 12:27:23 GMT

Stephen Groarke

Director

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

E-SIGNED by Declan Lynch
on 2021-12-23 10:16:08 GMT

Declan Lynch
Director

E-SIGNED by Stephen Groarke
on 2021-12-23 12:27:26 GMT

Stephen Groarke
Director

Independent auditor's report to the members of Elavon Digital Europe Limited

Opinion

We have audited the financial statements of Elavon Digital Europe Limited ('the Company') for the 15 months ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020, and of its result for the 15 months then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Emphasis of matter – basis of preparation

We draw attention to Note 2 of the financial statements, which explains that the directors intend to transfer the business of its principal activities to another company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 2. Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the Directors' Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the audit report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 course of 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement out on page 8, the directors 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 directors 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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.



Michael Tuohy (Senior Statutory Auditor)
for and on behalf of Mazars
Chartered Accountants and Statutory Auditor
Harcourt Centre, Block 3
Harcourt Road
Dublin 2
Date: 23 December 2021

Statement of Comprehensive Income

Elavon Digital Europe Limited			
Statement of Comprehensive Income			
<i>In £ thousands</i>	Note	15 Months ended 31 December 2020	12 Months ended 30 September 2019
Fee and commission income	3	40,107	31,971
Fee and commission expense	4	(2,724)	(2,145)
Net Fee and commission income		37,383	29,826
Interest income		1,027	2,736
Other operating income		499	-
Operating expenses	5	(23,733)	(15,295)
Operating profit		15,176	17,267
Foreign exchange loss		(1)	-
Profit for the period before taxation		15,175	17,167
Income tax (expense) / benefit	8	(3,026)	12
Profit for the period from ordinary activities, net of tax		12,149	17,179

The notes on pages 16 to 31 form part of these financial statements.

The Company has no recognised gains or losses for 2020 and 2019, other than those included in the results above, therefore no Statement of Other Comprehensive Income has been presented.

These accounts were approved by the directors and authorised for issue on 23 December 2021, and were signed on their behalf by:

E-SIGNED by Stephen Groarke
on 2021-12-23 12:27:29 GMT

Stephen Groarke
Director

Statement of Financial Position

Elavon Digital Europe Limited			
Statement of Financial Position			
<i>In £ thousands</i>	Note	31 December 2020	30 September 2019
Assets			
Due from banks		17,691	4,000
Investments in subsidiaries	14	17,329	17,329
Merchant receivables	9	3,107	3,672
Intangible assets – goodwill	13	70,633	70,633
Intangible assets – other	11	46	107
Property, plant and equipment	10	348	140
Leasehold asset	12	304	-
Deferred tax asset	8	-	318
Other assets	9	3,986	154,841
Total assets		113,444	251,040
Liabilities			
Leasehold obligation	12	268	-
Current tax liability	8	916	-
Deferred tax liability	8	8	-
Other liabilities	15	17,515	88,180
Total liabilities		18,707	88,180
Equity			
Share capital	16	834	83,393
Retained earnings		73,027	58,591
Share premium	16	20,876	20,876
Total equity		94,737	162,860
Total liabilities and equity		113,444	251,040

The notes on pages 16 to 31 form part of these financial statements.

These accounts were approved by the directors and authorised for issue on 23 December 2021, and were signed on their behalf by:

E-SIGNED by Stephen Groarke
on 2021-12-23 12:27:32 GMT

Stephen Groarke
Director

Statement of Changes in Equity

Elavon Digital Europe Limited					
Statement of Changes in Equity					
<i>In £ thousands</i>	Note	Share Capital	Share Premium	Retained Earnings	Total Equity
Balance as at 1 October 2018		83,393	20,876	41,433	145,702
Impact of adoption of IFRS 9		-	-	(21)	(21)
Restated balance at 1 October 2018		83,393	20,876	41,412	145,681
Profit for the year		-	-	17,179	17,179
Balance as at 30 September 2019		83,393	20,876	58,591	162,860

<i>In £ thousands</i>	Note	Share Capital	Share Premium	Retained Earnings	Total Equity
Balance as at 1 October 2019		83,393	20,876	58,591	162,860
Capital reduction	16	(82,559)	-	82,559	-
Dividend	7	-	-	(80,272)	(80,272)
Profit for the period		-	-	12,149	12,149
Balance as at 31 December 2020		834	20,876	73,027	94,737

The notes on pages 16 to 31 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation

Elavon Digital Europe Limited (formerly Sage Pay Europe Limited) (the "Company") is a company incorporated and domiciled in England, it is a private company limited by shares and the Company's registered address is Second Floor, Q16, Quorum Business Park, Benton Lane, Newcastle upon Tyne, NE12 8BX.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the UK Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, Elavon Financial Services DAC, includes the Company in its consolidated Financial Statements. The Group accounts of Elavon Financial Services DAC are available to the public and can be obtained as set out in note 18. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

For the year ended 30 September 2019, the ultimate parent undertaking of the Company was The Sage Group plc, and they included the Company in its consolidated Financial Statements for the year ended 30 September 2019. The group accounts of The Sage Group plc are available to the public as set out in note 18.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes, as required by IAS 7 *Statement of cash flows*;
- Disclosures in respect of transactions with wholly owned subsidiaries, as required by IAS 24 *Related party disclosures*;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.
- Disclosures in respect of capital management, as required by paragraphs 134 to 136 of IAS 1 *Presentation of financial statements*;
- The effects of new but not yet effective IFRSs, as required by paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*;
- Disclosures in respect of the compensation of Key Management Personnel, as required by paragraph 17 of IAS 24 *Related party disclosures*; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company, as required by paragraph 17 of IAS 24 *Related party disclosures*.

As the consolidated Financial Statements of Elavon Financial Services DAC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by paragraphs 91 to 99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Notes to the Financial Statements

2. Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and assumptions by management. It also requires management to exercise its judgement in the process of applying the accounting policies. Management continually evaluates its estimates, assumptions and judgements based on available information. The areas involving a higher degree of judgement or complexity are described below.

Revenue recognition

The recognition and presentation of revenue requires management to make judgements, estimates, and assumptions. The Company determines accounting treatment by methods that include, but are not limited to, reviewing contract terms, roles and obligations of parties to a contract, and the transaction price. Judgement may be required in instances where guidance is principles based, such as principal versus agent guidance which determines gross versus net revenue financial statement presentation.

Goodwill and Intangible Assets Impairment

Goodwill is tested annually for impairment, based on value in use calculations that use a cash flow model. For other intangible assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication of impairment. If such an indication exists, the Company estimates the assets or cash generating units ('CGU') recoverable amount. The cash flows are derived from assumptions based on historical volumes, volume growth rates, revenue margin rates and a discount rate. This test requires significant management judgements as a result of the assumptions used in this test. Additional details on goodwill impairment can be found in Note 15 to the Consolidated Financial Statements. Additional details on intangible assets impairment can be found in Note 16 to the Consolidated Financial Statements.

Recoverability of Investments in subsidiaries

Determining whether investments are impaired requires an estimate of the value-in-use or assessment of the assets and liabilities in the investment group. Where an estimate of the value-in-use is used, the key assumptions applied in the calculation related to the future performance expectations of the business and in particular applying a revenue multiple to the past performance of the business.

The carrying value of investments at 31 December 2020 was £17,329 thousand (30 September 2019: £17,329 thousand) and no impairment loss has been recognised (30 September 2019: £nil).

Recoverability of amounts owed by group undertakings

Determining whether amounts owed by group undertakings are recoverable requires a determination of whether the other party is able to repay. This is performed by assessing the assets and liabilities of the other party.

Other disclosures where management have utilised judgement/estimation and assumptions:

- Deferred tax (Note 8)
- IFRS 9 (Note 9)
- IFRS 16 (Note 12)

Notes to the Financial Statements

2. Accounting policies (continued)

Basis of preparation

Due to planned restructuring of entities within the Group, it is likely that the Company will transfer the business of its principal activities to another Group company in the foreseeable future. Accordingly, the Directors have assessed that the going concern basis for the preparation of financial statements is no longer a reasonable assumption to make. Therefore, the financial statements have been prepared on a basis other than going concern, being the termination or break up basis. The Directors are of the view that the carrying value of the Company's assets and liabilities equates to their net realisable value.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Great British Pounds, which is the Company's functional and presentation currency and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Comparative period

On 14 May 2020, following the acquisition by Elavon Financial Services DAC, the Company changed its year end to 31 December. These Financial Statements cover the 15 month period from 1 October 2019 to 31 December 2020, while the comparative period covers the twelve months from 1 October 2018 to 30 September 2019. As a result, the amounts presented in the Financial Statements are not entirely comparable.

New or amended accounting policies

There are no IFRS, IAS amendments or IFRIC interpretations effective for the first time this financial year that have had a material impact on the Company.

Receivables from and Payables to affiliates

On 11 March 2020, Elavon Financial Services DAC purchased 100% of the stock of Sage Pay Europe Limited, a well-known and established payments gateway business in the United Kingdom and Ireland. The acquisition included the purchase of Sage Pay Europe Limited, now called Elavon Digital Europe Limited, as well as all of Sage Pay Europe Limited's subsidiaries.

As a result of the acquisition by Elavon Financial Services DAC, the balances disclosed as Amounts owed by affiliate companies (note 9) and Amounts owed to affiliate companies (note 15) as at 31 December 2020, refer to balances with other Elavon Financial Services DAC and US Bank entities. The balances for the comparative period, 30 September 2019, refer to balances with other Sage Group plc entities.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less applicable provision for any impairment. An impairment is recognised when the fair value of the investment is lower than its carrying value. Any impairment is charged to the profit and loss account as it arises.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into GBP at rates of exchange prevailing at the Statement of Financial Position date. Transactions in foreign currencies are converted into GBP at the rate prevailing at the dates of the transactions. All differences on exchange are taken to the Statement of Comprehensive Income.

Notes to the Financial Statements

2. Accounting policies (continued)

Revenue recognition

In the ordinary course of business, the Company generates revenues from contracts which are recognised when, or as, services or products are transferred to customers for amounts the Company expects to be entitled.

When the Company enters into an agreement with a customer, products and services deliverable under the contract are identified as performance obligations. Where the performance obligation is the grant of a right to continuously access a cloud offering (gateway services) for a certain term, revenue is recognised based on time elapsed and thus rateably over the term. Revenue also includes revenues related to point-of-sale equipment recorded as sales when the equipment is shipped or as earned for equipment rentals. Costs related to equipment sales and rentals are presented separately in 'Other operating expenses'.

Practical expedients

As the majority of contracts are paid over the term of service any financing component is not considered when determining the transaction price.

Interest income

Interest income is recognised using the effective interest method.

Income tax expense

The taxation expense for the year represents the sum of current tax payable and deferred tax. The expense is recognised in the income statement and statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods. Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities, calculated using tax rates that have been enacted at the end of the reporting period.

The Company and its fellow group undertakings are able to relieve their tax losses by surrendering them to other group companies, within the UK corporation tax group, where capacity to utilise these losses exists.

Due from banks

Due from banks comprise amounts of cash and cash equivalents and money market placements. Cash and cash equivalents and money market placements are convertible into cash with an insignificant risk of change in value and with original maturities of less than 7 days.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on a straight-line basis to write down an asset to its residual value over its useful life as follows:

Plant and equipment	3 to 5 years
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An item of property, plant and equipment is reviewed for impairment whenever events indicate that its carrying value may not be recoverable.

Notes to the Financial Statements

2. Accounting policies (continued)

Merchant receivables

Merchant receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

The Company uses the term “Merchant receivables” for contract receivables. These are recognised when the right to consideration is unconditional. Typically, for performance obligations satisfied over time, judgement is required in determining whether a right to consideration is unconditional. In such situations, a receivable is recognised for the transaction price of the non-cancellable portion of the contract when the Company starts satisfying the performance obligation.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer a contract asset is recognised.

The carrying amounts of merchant receivables are reduced by allowances for expected credit losses using the simplified approach under IFRS 9. The Company uses a matrix approach to determine the allowance. The default rates applied are based on the ageing of the receivable, past experience of credit losses and forward looking information. An allowance for a receivable’s estimated lifetime expected credit losses is first recorded when the receivable is initially recognised, and subsequently adjusted to reflect changes in credit risk until the balance is collected. In the event that management considers that a receivable cannot be collected, the balance is written off.

Intangible assets

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the CGU’s that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

For more information, please see Note 13.

Impairment of goodwill

The Company’s impairment test for goodwill is based on value in use calculations that use a cash flow model. The cash flows are derived from assumptions based on historical volumes, volume growth rates, revenue margin rates and a discount rate. The recoverable amount is most sensitive to the average revenue margins applied in the cash flow model as well as the expected future cash inflows and the volume/margin attrition rates applied for extrapolation purposes. The key assumptions used to determine the recoverable amounts are further explained in Notes 13.

Notes to the Financial Statements

2. Accounting policies (continued)

The recoverable amount of an asset is the higher of its fair value less cost to sell, and its value in use. Value in use is the present value of the expected future cash flows from a CGU. If the recoverable amount is less than the carrying value, an impairment loss is charged to the Statement of Comprehensive Income.

A previously recognised impairment loss relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Intangible assets - other

Intangible assets acquired separately are capitalised at cost. Following initial recognition, intangible assets are carried at amortised cost less any accumulated amortisation and accumulated impairment losses and these expenses are included on the Statement of Comprehensive Income within other operating expenses.

The useful lives of intangible assets are assessed to be either finite or infinite. There were no intangible assets with infinite lives other than goodwill in 2020 or 2019. Intangible assets with finite lives are amortised on a straight line basis and this expense is included on the Statement of Comprehensive Income within operating expense. Amortisation methods and periods relating to these intangible assets are reviewed annually. Intangible assets with finite lives must be tested for impairment where either there is an indicator of impairment or, in the case of material intangible assets, annually.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is de-recognised.

Amortisation

The Company uses the following useful lives when calculating amortisation:

Class	Useful life
Goodwill	Infinite
Leasehold Property	Life of lease, up to 20 years
Computer Software	1 - 5 years

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised (i.e. removed from the Company's balance sheet) when the rights to receive cash flows from the asset have expired; or when the Company has transferred those rights and either has also transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but no longer has control of the asset.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Financial Statements

2. Accounting policies (continued)

Deferred income tax

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 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, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax assets and liabilities are offset when there is a legally enforceable right and there is an intention to settle the balances net.

Leases

The Company recognises a leasehold asset and a corresponding leasehold liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets.

The leasehold 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 lessee uses its incremental borrowing rate.

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

The Company re-measures the leasehold liability (and makes a corresponding adjustment to the related leasehold 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 leasehold liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the leasehold liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the leasehold liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The leasehold assets comprise the initial measurement of the corresponding leasehold 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.

Notes to the Financial Statements

2. Accounting policies (continued)

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related leasehold asset.

Leasehold assets are depreciated over the shorter period of the lease term and useful life of the underlying assets. If a lease transfers ownership of the underlying asset or the cost of the leasehold asset reflects that the Company expects to exercise a purchase option, the related leasehold asset is depreciated over the useful life of the underlying assets.

The depreciation starts at the commencement date of the lease.

Other liabilities

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

3. Fee and commission income

Fee and commission income		
<i>In £ thousands</i>	15 months ended 31 December 2020	12 months ended 30 September 2019
Fee and commission income	40,107	31,971
Total fee and commission income	40,107	31,971

The Fee and commission income is attributable to the principal activity of the Company wholly undertaken in the UK.

4. Fee and commission expense

Fee and commission expense		
<i>In £ thousands</i>	15 months ended 31 December 2020	12 months ended 30 September 2019
Fee and commission expense	(2,724)	(2,145)
Total fee and commission expense	(2,724)	(2,145)

5. Operating expense

Operating expense		
<i>In £ thousands</i>	15 months ended 31 December 2020	12 months ended 30 September 2019
Staff costs		
Wages and salaries	(10,334)	(2,212)
Social security costs	(894)	(256)
Other staff costs	(851)	(139)
Total staff Costs	(12,079)	(2,607)
Services provided by affiliate companies	(2,295)	-
Auditors' remuneration	(85)	(121)
Other operating expense	(9,274)	(12,567)
Total operating expense	(23,733)	(15,295)

For the year ended 30 September 2019, the Auditor's remuneration was borne by Elavon Digital Europe Limited (formerly Sage Pay Europe Limited), for its subsidiary undertakings. The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its ultimate parent Elavon Financial Services DAC (*for year ended 30 September 2019: The Sage Group plc.*)

The directors did not receive any emoluments during the year in respect of their services to the Company (*30 September 2019: Nil*).

Notes to the Financial Statements

6. Staff numbers

The average number of staff employed by the Company during the financial period amounted to:

Staff numbers		
<i>In numbers of persons</i>	15 months ended 31 December 2020	12 months ended 30 September 2019
Payment Processing Services	130	47
Total	130	47

7. Dividend

Prior to the acquisition by EFS DAC, on 12 December 2019, the Company declared an interim dividend of £80,272k to its then parent, Sage Online Holdings Limited.

8. Income taxes

Income taxes		
<i>In £ thousands</i>	15 months ended 31 December 2020	12 months ended 30 September 2019
Current tax		
Current year (expense)	(3,018)	-
Deferred tax		
Deferred tax (expense) / benefit	(8)	12
Total income tax (expense) / benefit recognised	(3,026)	12
<i>Reconciliation of effective tax rate:</i>		
Profit / (Loss) before income tax	15,175	17,167
Theoretical tax charge at statutory rate 19% (2019 19%)	(2,883)	(3,262)
Adjustments to tax charge in respect of previous periods	-	31
Expenses not deductible for tax purposes	-	6
Temporary differences accounted for in deferred tax	(2)	-
Origination and reversal of temporary differences	(8)	-
Group relief	-	3,235
Other	(133)	2
Income tax expense for the period	(3,026)	12

Deferred taxes		
<i>In £ thousands</i>	15 months ended 31 December 2020	12 months ended 30 September 2019
Tax effect of taxable temporary differences:		
Fixed asset temporary differences	(8)	318
Recognised deferred tax (liability) / asset	(8)	318

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

Notes to the Financial Statements

9. Merchant receivables and Other assets

Merchant receivables and Other assets		
<i>In £ thousands</i>	31 December 2020	30 September 2019
Merchant receivables	3,177	3,844
Less: Allowance for expected credit loss	(70)	(172)
Merchant receivables total	3,107	3,672
Receivables from affiliate companies	2,231	153,836
Prepayments, deferred expenses and other receivables	1,755	1,005
Other assets total	3,986	154,841
At period end	7,093	158,513

As outlined in note 2 Accounting policies (Receivables from and Payables to affiliates), group undertakings for the 15 months ended 31 December 2020 refers to balances with other Elavon Financial Services DAC entities. The balances for the comparative period, 30 September 2019, refer to balances with other Sage Group plc entities.

For the year ended 30 September 2019, amounts owed by Sage Treasury Company Limited were unsecured, repayable on demand and attracted interest rates of between nil% and 2%.

10. Property Plant and Equipment

Property, Plant and Equipment	
<i>In £ thousands</i>	Plant & Equipment
Cost	
At 1 October 2019	5,418
Additions	316
Amounts written off	(5,252)
Exchange movements	(1)
Closing balance as at 31 December 2020	481
Accumulated depreciation	
Opening balance	5,278
Depreciation charge for the period	72
Amounts written off	(5,216)
Exchange movements	(1)
Closing balance as at 31 December 2020	133
Net book value as at 31 December 2020	348
Net book value as at 30 September 2019	140

Notes to the Financial Statements

11. Intangible assets

Intangible assets	
<i>In £ thousands</i>	Computer Software
Cost	
At 1 October 2019	687
Additions	48
Amounts written off	(687)
At 31 December 2020	48
Accumulated amortisation	
At 1 October 2019	580
Amortisation charge for the period	35
Amounts written off	(613)
At 31 December 2020	2
Net book value as at 31 December 2020	46
Net book value as at 31 December 2019	107

12. Leases

There is a single building lease accounted for under IFRS 16:

Lease asset	
<i>In £ thousands</i>	2020
As at 1 October 2019	-
Addition	322
Depreciation for the period	(18)
Total lease asset as at 31 December	304
Lease liability	
<i>In £ thousands</i>	2020
Current	214
Non-current	54
Total lease liability as at 31 December	268
Amounts recognised in profit or loss	
<i>In £ thousands</i>	2020
Depreciation on lease asset	18
Interest expense on lease liability	-
Total cash outflow for lease	54

Notes to the Financial Statements

12. Leases (continued)

Lease liability – Maturity analysis	
<i>In £ thousands</i>	2020
Year 1	214
Year 2	54

13. Goodwill

Goodwill		
<i>In £ thousands</i>	31 December 2020	30 September 2019
Cost and net book value		
At the beginning and end of the period	70,633	70,633
At the beginning and end of the period	70,633	70,633

Impairment testing of goodwill

In line with the accounting policy set out in Note 2, goodwill is tested annually for impairment and is also retested for impairment whenever there is an indication that goodwill may be impaired.

For the purpose of impairment testing, the cash generating unit (CGU) has been assessed as the Elavon Digital subgroup which represents the lowest level at which goodwill is monitored by key management personnel.

The value in use is calculated by discounting management's cash flow projections for 20 years. Management used a period of longer than five years due to the nature of the assets, the company's historical experience of cashflow generation and the expectation for market development and growth.

The discount rate of 10% (2019: 11%) used in calculations represents the cost of capital that the Company's ultimate parent undertaking allocates to investments in Europe.

The average short term growth rate of 16.7% was applied based on management's three year plan. A long term growth rate of 8% was used to extrapolate the cash flows.

The growth rate is achievable in the longer term based on customer initiatives implemented and synergies created by the acquisition. An expense margin rate of 57% was based on management's three year plan.

The recoverable amount for goodwill in 2020 is calculated to be in excess of the carrying amount. As a result, no impairment of goodwill was recognised in either 2020 or 2019. Management have factored in additional uncertainty in relation to COVID-19 in the cashflow projections. Additional sensitivity analysis was performed over the key assumptions (growth rate and discount rate) and if any of the inputs were to be reasonably changed, the recoverable amount would still exceed the carrying amount.

Notes to the Financial Statements

14. Investments in subsidiaries

Investment in subsidiary		
<i>In £ thousands</i>	31 December 2020	30 September 2019
Cost and net book value		
At the beginning and end of the period	17,329	17,329
Investment in subsidiary	17,329	17,329

Investments represent shares in the subsidiary undertakings set out in the table below. In the opinion of the directors the shares in the Company's subsidiary are worth at least their carrying amount.

The Company had the following subsidiaries as at 31 December 2020:			
Subsidiary name	Elavon Digital Ireland Limited (formerly Sage Pay Ireland Limited)	Elavon Digital GmbH (formerly Sage Pay GmbH Limited)	Sage Pay SLU
Registered office	F1, Cherrywood Business Park, Loughlinstown, D18W2X7	Franklinstrasse 61-63, 60486 Frankfurt am Main	c/Labastida 10-12, 28934 Madrid
Principal activity	Holding Company	Currently no activity	Currently no activity
Nominal value	EUR 1	EUR 1	EUR 1
Type of shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Shareholder number	20,532,079	25,000	3,006
Par Value	EUR 20,532,079	EUR 25,000	EUR 3,006
Shareholders' Capital in GBP	GBP 17,305,568	GBP 20,377	GBP 2,386

15. Other liabilities

Other liabilities		
<i>In £ thousands</i>	31 December 2020	30 September 2019
Accruals and sundry creditors	2,693	2,149
Payable to affiliate companies	12,649	83,998
VAT and other tax creditors	1,325	1,161
Other liabilities – Other	848	872
At period end	17,515	88,180

Notes to the Financial Statements

16. Share capital

Equity		
<i>In £ thousands</i>	31 December 2020	30 September 2019
Ordinary share capital		
Authorised share capital		
8,339,335,361 Ordinary Shares of £0.0001 each (2019: £0.01 each)	834	83,393

Prior to the acquisition by EFS DAC, on 12 December 2019, the Company carried out a share reduction. This reduced the value of each ordinary share from £0.01 each to £0.0001 each. The value of this share reduction was £82,559k (2019: £nil).

Share premium represents the premium paid over par value for shares issued.

17. Financial instruments

As the consolidated Financial Statements of Elavon Financial Services DAC include the equivalent disclosures, the Company has taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

For the year ended 30 September 2019, these disclosures were included in the consolidated Financial Statements of the Sage Group plc and the Company availed of the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The disclosures below cover statutory balances in relation to amounts owed by / to group undertakings that are not covered in the Elavon Financial Services DAC consolidated Financial Statements for the year ended 31

December 2020 or were not covered in The Sage Group plc consolidated Financial Statements for the year ended 30 September 2019.

Fair value measurement of financial assets and financial liabilities

Amounts owed by group undertakings and amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost. The Directors of the Company consider that the carry amounts of the financial assets and financial liabilities recognised in the Financial Statements approximate their fair values.

18. Immediate and ultimate parent company

The Company's immediate parent undertaking is Elavon Financial Services DAC, a company registered in Ireland. Elavon Financial Services DAC consolidates the Company's Financial Statements. Copies of the Elavon Financial Services DAC Consolidated Financial Statements can be obtained from the Companies Registration Office, Gloucester Place Lower, Mountjoy, Dublin, D01 C8P4 or from their website <https://www.cro.ie/en-ie/>.

For the year ended 30 September 2019 the ultimate parent undertaking and ultimate controlling party was The Sage Group plc a company registered in the United Kingdom. The Sage Group plc was the largest and smallest group to consolidate the Company's financial statements. Copies of the group financial statements for the year ended 30 September 2019 can be obtained from the registered office at The Sage Group plc, North Park, Newcastle upon Tyne, NE13 9AA.

Notes to the Financial Statements

19. Post-balance sheet events

In April 2021, a dormant subsidiary, Sage Pay SLU was liquidated.

As part of the restructuring of entities within the Group, in December 2021, the Directors of Elavon Digital Europe Limited made a distribution in specie to Elavon Financial Services DAC of the entire shareholding of Elavon Digital Ireland Limited.