

Applied Communications Inc. U.K. Holding Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered number: 02874853



Applied Communications Inc. U.K. Holding Limited

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Company information

Directors

D Byrnes
S Behrens
D King

Company secretary

D Byrnes

Registered office

ReD House (First floor)
Cemetery Pales
Brookwood
Surrey
GU24 0BL
United Kingdom

Independent auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ
United Kingdom

Applied Communications Inc. U.K. Holding Limited

Strategic report

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities

Applied Communications Inc. U.K. Holding Limited is a holding company incorporated in England and Wales, registered office ReD House (First floor), Cemetery Pales, Brookwood, Surrey, GU24 0BL, United Kingdom. Its principal subsidiaries' activities are the provision of computer software and services.

Review of the business

The profit for the financial year after taxation was \$83.5 million (2018: profit of \$165.5 million). The Company received a dividend-in-kind of \$90.5 million.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus ("COVID-19") outbreak a pandemic. In response to the outbreak, many countries, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have and will likely continue to cause severe trade disruptions.

The extent to which COVID-19 will impact the Company's results of operations and financial condition, including possible impairments of its financial and non-financial assets, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain or treat its impact, among others. Accordingly, an estimate of the impact cannot be made at the date of this report. The Company considers this outbreak to be a non-adjusting post balance sheet event.

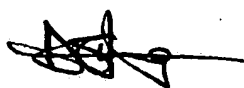
Key performance indicators

Asset value is the key performance indicator used by management to monitor the performance of the business.

Principal risks and future developments

The Company has a strong and external debt free balance sheet and does not have any trade during the year. It is not anticipated that the Company will trade in the future but that it will continue in existence as a holding company. The Company has sufficient cash balances to handle its minimal day-to-day cash outflows. The principal risks are discussed within the Directors' Report on page 2.

Approved by the Board and signed on its behalf by:



D King
Director

11 December 2020

ReD House (First floor)
Cemetery Pales
Brookwood
Surrey
GU24 0BL
United Kingdom

Applied Communications Inc. U.K. Holding Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2019.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus ("COVID-19") outbreak a pandemic. In response to the outbreak, many countries, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have and will likely continue to cause severe trade disruptions.

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Going concern

The directors have prepared the financial statements on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk, and liquidity risk. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates, it should however be noted that the exposure to changes in foreign currency exchange rates are minimal. The Company does not use foreign exchange forward contracts and interest rate swap contracts to hedge these exposures as the exposures can be seen as insignificant.

Interest bearing assets and liabilities are held at rates as per the agreements to ensure certainty of cash flows.

Credit risk

The Company's principal financial assets are bank balances, cash, other receivables and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the statement of accounting policies in the financial statements.

Applied Communications Inc. U.K. Holding Limited

Directors' report (continued)

Dividends

The directors did not recommend the payment of a dividend in 2019 (2018: \$nil).

Directors

The directors, who served throughout the year, were as follows:

S Behrens
D Byrnes
D King

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Political contributions

The Company made no political contributions during the year (2018: \$nil).

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received. The Company is consolidated in the financial statements of its ultimate parent, ACI Worldwide, Inc., which may be obtained at <http://investor.aciworldwide.com/financial-information/annual-reports>.

Approved by the Board and signed on its behalf by:



D King
Director

11 December 2020

ReD House (First floor)
Cemetery Pales
Brookwood
Surrey
GU24 0BL
United Kingdom

Applied Communications Inc. U.K. Holding Limited

Directors' responsibilities 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standards Applicable in the United Kingdom and Ireland. 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 of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Applied Communications Inc. U.K. Holding Limited

Independent auditor's report to the members of Applied Communications Inc. U.K. Holding Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Applied Communications Inc. U.K. Holding Limited ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

Applied Communications Inc. U.K. Holding Limited

Independent auditor's report to the members of Applied Communications Inc. U.K. Holding Limited

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the valuation and allocation of investments held and disposed.
Materiality	The materiality that we used in the current year was \$6.7m which was determined on the basis of 2% of total fixed assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There is no significant change in our approach in the current year.

4. Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Applied Communications Inc. U.K. Holding Limited

Independent auditor's report to the members of Applied Communications Inc. U.K. Holding Limited

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

5.1 Valuation and allocation of investments held and disposed	
Key audit matter description	<p>The Company has unlisted investments of £338.8m as at 31 December 2019 (2018: £338.8m), valued at cost less provision for impairment. These comprise investments in ACI Worldwide (EMEA) Limited, ACI Worldwide B.V. and ACI Worldwide Belgium NV and are highly material to the Company as they account for 99.7% of total assets.</p> <p>The identification of impairment events and the determination of the impairment charge require the application of significant judgement by management based on the financial position and future prospects of the investments. There is a risk that management fail to identify an impairment event or the quantum of the impairment charge is inaccurate.</p> <p>Further details are included within the strategic report on page 1, critical accounting estimates and judgements within note 2 and note 8 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We reviewed the Company's entire investment portfolio for impairment indicators by assessing the recoverability of each significant investment in terms of net asset value and profitability.</p> <p>Subsequently, we have reviewed financial statement disclosures to assess whether they are compliant with applicable accounting standards.</p>
Key observations	<p>We are satisfied with management's assessment of impairment events and the disclosures made in relation to them in the financial statements.</p>

Applied Communications Inc. U.K. Holding Limited

Independent auditor's report to the members of Applied Communications Inc. U.K. Holding Limited

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$6.7m (2018: \$6.7m)
Basis for determining materiality	2% of total fixed assets (2018: 2% of total fixed assets)
Rationale for the benchmark applied	<p>As the Company is primarily a holding company for ACI's EMEA interests, its performance can be determined by referring to the carrying value of its assets.</p> <p>We continue to use total assets as the basis for determining materiality because this represents the key balance within the financial statements.</p>

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 50% of materiality for the 2019 audit (2018: 50%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the overall control environment;
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
- significant judgement involved in unlisted investments.

6.3 Error reporting threshold

We agreed with management that we would report to them all audit differences in excess of \$335k (2018: \$335k) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to management on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Applied Communications Inc. U.K. Holding Limited

Independent auditor's report to the members of Applied Communications Inc. U.K. Holding Limited

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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, 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.

10. Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

11. Opinions 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 or the directors' report.

Applied Communications Inc. U.K. Holding Limited

**Independent auditor's report to the members of
Applied Communications Inc. U.K. Holding Limited**

12. Matters on which we are required to report by exception

12.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

12.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. Use of our 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.



Lee Welham FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

11 December 2020

Applied Communications Inc. U.K. Holding Limited

Profit and loss account

For the year ended 31 December 2019

	Note	2019 \$000	2018 \$000
Turnover		-	-
Administrative expenses		(1)	(346)
Other income	4	90,693	180,641
Operating profit		90,692	180,295
Finance costs (net)	3	(7,100)	(14,378)
Profit before taxation	4	83,592	165,917
Tax on profit	7	(57)	(448)
Profit for the financial year attributable to the equity shareholders of the Company		83,535	165,469
Total comprehensive income attributable to the equity shareholders of the Company		83,535	165,469

The notes on pages 14 to 25 form an integral part of these financial statements.

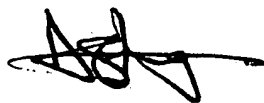
Applied Communications Inc. U.K. Holding Limited

Balance sheet

As at 31 December 2019

	Note	2019 \$000	2018 \$000
Fixed assets			
Investments	8	338,804	338,804
		<u>338,804</u>	<u>338,804</u>
Current assets			
Debtors	10	86,193	1,244
Cash at bank and in hand		-	-
Creditors: amounts falling due within one year	11	<u>(4,139)</u>	<u>(2,725)</u>
Net current assets/(liabilities)		<u>82,054</u>	<u>(1,481)</u>
Total assets less current liabilities		<u>420,868</u>	<u>337,323</u>
Creditors: amounts falling due after more than one year	12	<u>(152,750)</u>	<u>(152,750)</u>
Net assets		<u>268,108</u>	<u>184,573</u>
Capital and reserves			
Called-up share capital	14	12,053	12,053
Capital contribution		58,420	58,420
Profit and loss account		197,635	114,100
Shareholder's funds		<u>268,108</u>	<u>184,573</u>

The financial statements of Applied Communications Inc. U.K. Holding Limited (registered number 02874853) were approved by the board of directors and authorised for issue on 11 December 2020. They were signed on its behalf by:



D King
Director

The notes on pages 14 to 25 form an integral part of these financial statements.

Applied Communications Inc. U.K. Holding Limited

Company statement of changes in equity
For the year ended 31 December 2019

	Called-up share capital \$000	Capital contribution \$000	Profit and loss account \$000	Total \$000
At 1 January 2018	12,053	58,420	(51,369)	19,104
Profit for the financial year	-	-	165,469	165,469
At 31 December 2018	12,053	58,420	114,100	184,573
Profit for the financial year	-	-	83,535	83,535
At 31 December 2019	12,053	58,420	197,635	268,108

The notes on pages 14 to 25 form an integral part of these financial statements.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements **For the year ended 31 December 2019**

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Applied Communications Inc. U.K. Holding Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in compliance and accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be United States Dollars because that is the currency of the primary economic environment in which the Company operates.

As the Company is a wholly-owned subsidiary of ACI Worldwide, Inc. ('ACI') the Company has taken advantage of the exemption contained in section 33 of FRS 102 (FRS 102.33.1A) and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of ACI within which this company is included, can be obtained from the address given in note 16.

Under FRS 102 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the Company in its own published consolidated financial statements. The shareholders have been notified in writing about, and do not object to, the use of the disclosure exemptions and otherwise applies the recognition, measurement and disclosure requirements of FRS 102. The consolidated financial statements of ACI within which this company is included, can be obtained from the address given in note 16.

b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The directors' report further describes the financial position of the Company; the Company's financial risk management objectives; and its exposure to credit risk and liquidity risk.

The Company has generated a profit in the current year, the directors expect that due to its nature of business, the Company will continue to as a going concern in the foreseeable future.

It is not anticipated that the Company will trade in the future but that it will continue in existence as a holding company. The Company is a participant in ACI's international cash pool and depending on the movement of cash the Company can either be the lender or the borrower, this arrangement is underpinned by a signed loan agreement with Applied Communications GPC Limited, which we have received confirmation will be in effect for at least 12 months from the date of these financial statements..

After making enquiries, the Company's directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the directors' report and annual financial statements.

c. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies (continued)

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c)

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

(ii) Investments

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

d. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a cash generating unit ("CGU"), the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Applied Communications Inc. U.K. Holding Limited

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

1. Accounting policies (continued)

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

e. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

f. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are reported under equity.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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.

Critical judgements in applying the Company's accounting policies

There were no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty – impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash-generating units to which investments has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of investments at the balance sheet date was \$338,804k (2018: \$338,804k) (note 8).

3. Finance costs (net)

	2019 \$000	2018 \$000
Interest payable to group undertakings	7,098	14,380
Foreign exchange loss/(gain)	2	(2)
	<u>7,100</u>	<u>14,378</u>

4. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2019 \$000	2018 \$000
Dividend income	(90,468)	(180,552)
Interest receivable from group undertakings	(225)	(89)
Foreign exchange gain/(loss)	2	(2)
	<u></u>	<u></u>

The analysis of the auditor's remuneration is as follows:

Audit	30	30
Tax compliance	6	6
	<u></u>	<u></u>

5. Staff numbers and costs

For the year ended 31 December 2019, the Company had no employees (2018: none) and incurred no staff costs (2018: none).

6. Directors' remuneration and transactions

The directors were not paid any remuneration by the Company in either year but were paid by related group companies. This company does not have any employees and therefore does not take part in a pension scheme.

Applied Communications Inc. U.K. Holding Limited

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

7. Tax on profit

The tax charge comprises:

	2019 \$000	2018 \$000
Current tax on profit		
UK corporation tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	139	480
Adjustments in respect of prior periods	(82)	(32)
Total deferred tax (see note 13)	57	448
Total tax on profit	57	448

A deferred tax asset has been recognised as at 31 December 2019 as the availability of future profits against which to reverse the timing differences is considered sufficiently probable. The deferred tax asset represents other timing differences, which have fully provided for totalling \$1.2million (2018: \$1.2 million), there are no amounts not provided for (2018: \$nil).

The current tax charge for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 \$000	2018 \$000
Profit before tax	83,592	165,917
Tax on Company loss at standard UK corporation tax rate of 19% (2018: 19%)	15,883	31,524
Effects of:		
- Non-taxable other income	(17,189)	(34,305)
- Interest restriction carried forward	(137)	(480)
- Group relief surrendered for nil payment	1,443	3,261
Current tax charge for year	-	-
Deferred tax charge for year	57	448
Total tax charge for year	57	448

The main rate of corporation tax is 19%. The government has announced that the tax rate is to be maintained at 19% from 1 April 2021. The potential deferred tax effect of this unlikely to be material.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Fixed asset investments

	2019 \$000	2018 \$000
Subsidiary undertakings	338,804	338,804

Investments

The Companies in which the Company has interest at the year-end are as follows:

Name	Address	Country of incorporation	Principal activity	Share- holding	%
ACI Worldwide (EMEA) Ltd	ReD House (First floor) Cemetery Pales Brookwood Surrey GU24 0BL United Kingdom	England and Wales	Provision of computer software and services	7	100%
ACI Worldwide (Italia) S.R.L	Blend Tower Piazza 4 Novembre Milan Italy 20124	Italy	Provision of computer software and services	1	5%
Applied Communications Inc. (CIS) Ltd	ReD House (First floor) Cemetery Pales Brookwood Surrey GU24 0BL United Kingdom	England and Wales	Provision of computer software and services	2	100%
ACI Worldwide B.V.	Tielweg 3 2803 PK Gouda The Netherlands	Netherlands	Provision of computer software and services	345,001	100%
ACI Worldwide (Hellas) EPE	No. 37 Kallirois Street N. Kosmos Athens 11743 Greece	Greece	Provision of computer software and services	6	99%
ACI Worldwide Mexico S.A de C.V.	Insurgentes Sur 1605 Torre Mural Piso 14 Modulo 1 San Jose Insurgentes 03900 Mexico D.F. Mexico	Mexico	Provision of computer software and services	1	0.002%
ACI Worldwide Belgium NV	Ikaros Business Park Ikaroslaan 13 Zaventem 1930 Brussels	Belgium	Provision of computer software and services	999	99.9%

All of the above investments are held directly by Applied Communications Inc. U.K. Holding Limited.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Fixed asset investments (continued)

Subsidiary undertakings

	2019 \$000	2018 \$000
Cost		
At 1 January 2018	368,390	368,390
Additions	-	-
Disposals	-	-
	<u>368,390</u>	<u>368,390</u>
Provisions for impairment		
At 1 January 2019	(29,586)	(29,586)
Impairment Provision	-	-
	<u>(29,586)</u>	<u>(29,586)</u>
At 31 December 2019	<u>338,804</u>	<u>338,804</u>
Carrying value		

During the year the Company received dividends from investments in subsidiaries amounting to \$90.5 million (2018: \$180.5 million).

No capital contribution was made in 2019 (2018: \$nil).

Subsidiary undertakings have not been consolidated by Applied Communications Inc. U.K. Holding Limited as permitted by s400 of the Companies Act 2006 as they are consolidated in the financial statements of ACI Worldwide Inc.

9. Post balance-sheet events

As required by the 2006 Act regarding any off-balance sheet events there is no information to disclose other than the details listed below.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus ("COVID-19") outbreak a pandemic. In response to the outbreak, many countries, including those where the Company conducts a large part of its operations, have implemented measures to combat the outbreak, such as quarantines and travel restrictions. Such measures have and will likely continue to cause severe trade disruptions.

The extent to which COVID-19 will impact the Company's results of operations and financial condition, including possible impairments of its financial and non-financial assets, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain or treat its impact, among others. Accordingly, an estimate of the impact cannot be made at the date of this report. The Company considers this outbreak to be a non-adjusting post balance sheet event.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Debtors

	2019 \$000	2018 \$000
Amounts falling due within one year:		
Deferred tax asset (see note 13)	1,187	1,244
Amounts owed by group undertakings	85,006	-
	<u>86,193</u>	<u>1,244</u>

Amounts owed by group undertakings

	2019 \$000	2018 \$000
Loans to related parties:		
Applied Communications GPC Limited	85,006	-
	<u>-</u>	<u>-</u>

The Company is a participant in ACI's international cash pool and depending on the movement of cash the Company can either be the lender or the borrower, this arrangement is underpinned by a signed loan agreement with Applied Communications GPC Limited.

11. Creditors: amounts falling due within one year

	2019 \$000	2018 \$000
Accruals	5	14
Amounts owed to group undertakings	4,134	2,711
	<u>4,139</u>	<u>2,725</u>

Amounts owed to group undertakings

	2019 \$000	2018 \$000
Loans to related parties:		
Applied Communications GPC Limited	4,134	2,711
	<u>4,134</u>	<u>2,711</u>

The Company is a participant in ACI's international cash pool and depending on the movement of cash the Company can either be the lender or the borrower, this arrangement is underpinned by a signed loan agreement with Applied Communications GPC Limited.

Applied Communications Inc. U.K. Holding Limited

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

12. Creditors: amounts falling due after more than one year

	2019 \$000	2018 \$000
Amounts owed to group undertakings	152,750	152,750
	<u>152,750</u>	<u>152,750</u>
Amounts owed to group undertakings		
	2019 \$000	2018 \$000
Eurobond to related parties		
ACI Worldwide (Luxembourg) S.a.r.l	152,750	152,750
	<u>152,750</u>	<u>152,750</u>

The Eurobond is payable to ACI Worldwide (Luxembourg) S.a r.l by August 2021 at an interest rate of 4.5%.

13. Deferred tax

Deferred tax is provided as follows:

	2019 \$000	2018 \$000
Other timing differences	(57)	(448)
	<u>(57)</u>	<u>(448)</u>
	2019 \$000	2018 \$000
Opening deferred tax asset	1,244	1,691
Amounts charged to profit and loss	(57)	(448)
Closing deferred tax asset	<u>1,187</u>	<u>1,244</u>

The deferred tax asset has been recognised, as the Directors consider that the Company will generate sufficient taxable profits in the foreseeable future that will enable the asset to be recovered.

Applied Communications Inc. U.K. Holding Limited

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

14. Called-up share capital and reserves

	2019 \$000	2018 \$000
Authorised		
7,522,187 Ordinary shares £1 each	<u>12,053</u>	<u>12,053</u>
Allotted, called-up and fully paid		
7,522,187 Ordinary shares £1 each	<u>12,053</u>	<u>12,053</u>
Shares classified in shareholders' funds	<u>12,053</u>	<u>12,053</u>

The Company has one class of ordinary shares which carry no right to fixed income.

15. Financial Instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2019 \$000	2018 \$000
Financial assets		
Measured at undiscounted amount receivable		
Amounts due from related undertakings (see note 10)	85,004	-
	<u>85,004</u>	<u>-</u>
Financial liabilities		
Measured at undiscounted amount payable		
Amounts due to related undertakings (see notes 11 and 12)	156,884	155,461
	<u>156,884</u>	<u>155,461</u>

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2019 \$000	2018 \$000
Finance costs		
Total finance costs for financial liabilities at amortised cost	<u>7,098</u>	<u>14,380</u>

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Ultimate parent Company and ultimate controlling party

As the Company is a wholly-owned subsidiary of ACI Worldwide, Inc., the Company has taken advantage of the exemption contained in section 33 of FRS 102 (FRS 102.33.1A) and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the group qualifying as related parties as 100% of the voting rights are controlled within the Group).

The Company's immediate parent undertaking is ACI Worldwide (Luxembourg) S.a.r.l., a company incorporated in Luxembourg and registered at 8-10 Avenue de la Gare, L-1610 Luxembourg. The ultimate parent undertaking and the controlling party which heads the largest and smallest group in which these accounts are consolidated is ACI Worldwide, Inc., a company incorporated in the United States of America and registered at Suite 300, 3520 Kraft Road, Naples, FL 34105 USA. The consolidated accounts may be obtained from <http://investor.aciworldwide.com/financial-information/annual-reports>.