

Applied Communications Inc. U.K. Holding Limited
Annual report and financial statements
for the year ended 31 December 2017

Registered number: 02874853



Applied Communications Inc. U.K. Holding Limited

Contents

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report to the members of Applied Communications Inc. U.K. Holding Limited	5
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Company information

Directors

D Byrnes
S Behrens
P Thomalla (Resigned on 31 December 2017)

Company secretary

D Byrnes

Registered office

55/57 Clarendon Road
Watford
Hertfordshire
WD17 1FQ
United Kingdom

Independent auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ
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 55/57 Clarendon Road, Watford, Hertfordshire, WD17 1FQ, United Kingdom. Its principal subsidiaries' activities are the provision of computer software and services.

Review of the business

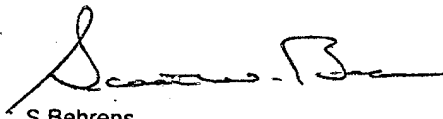
The loss for the financial year after taxation was \$35,320k (2016: \$23,469k). The Company received a dividend-in-kind of \$45,551k, however the disposal of the Company's investment in ACI Worldwide (Germany) GmbH resulted in a loss on disposal of \$60,413k.

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. No significant events since the balance sheet date can be reported.



S Behrens
Director

27 September 2018

55/57 Clarendon Road
Watford
Hertfordshire
WD17 1FQ
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 2017.

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.

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.

The Company's parent, ACI Worldwide (Luxembourg) S.a.r.l., has, via a letter signed by its Director, pledged to continue to provide support for the Company's continued operations for a period of not less than one year from the date of signing of these accounts.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow 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.

Dividends

The directors did not recommend the payment of a dividend in 2017 (2016: \$nil).

Applied Communications Inc. U.K. Holding Limited

Directors' report (continued)

Directors

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

Scott Behrens
Dennis Byrnes
Paul Thomalla (Resigned on 31 December 2017)

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 (2016: \$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.

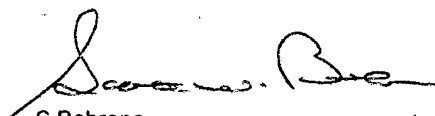
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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:



S Behrens
Director

27 September 2018

55/57 Clarendon Road
Watford
Hertfordshire
WD17 1FQ
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

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 2017 and of its loss 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).

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.

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 \$1.6m which was determined on the basis of 3% of adjusted shareholder's funds.
Scoping	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

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.

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.

Valuation and allocation of investments held and disposed

Key audit matter description



On 21 December 2017, the Company incurred a loss of \$60.4m on the sale of ACI Worldwide (Germany) GmbH to a fellow group undertaking. At the date of sale, the investment was held at cost of \$190.4m and represented 37.4% of the total carrying value of investments held on the balance sheet. Total investments held at 31 December 2017 were \$338.8m.

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. This takes into consideration a range of factors such as the expected revenue growth and discount rates. There is a risk that management fail to identify an impairment event or the quantum of the impairment charge is inaccurate.

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.

Applied Communications Inc. U.K. Holding Limited

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

**How the scope of
our audit
responded to the
key audit matter**



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.

For the major sale in the year, we assessed the discount rates used and the reasonableness of the growth assumptions underpinning an external valuation performed by a third party. We also assessed the accounting performed by management by assessing the step journal entries to test compliance with FRS 102 and traced key items to supporting documentation, such as the consideration payable.

Subsequently, we have reviewed financial statement disclosures to assess whether they are compliant with applicable accounting standards.

Key observations



We are satisfied with management's identification of impairment events, the charges recognised in the year and the disclosures made in relation to them in the financial statements.

Our application of 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	\$1.6m
Basis for determining materiality	3% of total shareholder's funds (excluding the impact of current year profit and loss).
Rationale for the benchmark applied	As the Company is primarily a holding company for ACI's EMEA interests, its performance can be determined by referring to the net assets position, which equates to total shareholder's funds. Given the significant loss on disposal incurred in the year and the significant dividend received, we have deemed it appropriate to maintain materiality at the same level as in the prior year. This level of materiality is equivalent to less than 0.5% of the investment and gross asset values at 31 December 2017.

We agreed with management that we would report to them all audit differences in excess of \$81k 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.

Applied Communications Inc. U.K. Holding Limited

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

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.

The entity is a holding company for ACI Worldwide Inc.'s EMEA operations. It does not trade externally, but is required to file statutory audited accounts in the UK.

The audit work was performed entirely by our local audit team, with quality reviews performed by the engagement manager, engagement partner, professional standards reviewer and engagement quality control review partner.

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.

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Applied Communications Inc. U.K. Holding Limited

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

Report on other legal and regulatory requirements

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.

Matters on which we are required to report by exception

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.

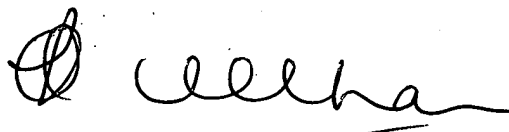
Directors' remuneration

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.

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

30 September 2018

Applied Communications Inc. U.K. Holding Limited

Profit and loss account

For the year ended 31 December 2017

	Note	2017 \$000	2016 \$000
Turnover		-	-
Administrative expenses		(422)	(611)
Other income		45,615	22
Operating profit / (loss)		45,193	(589)
Finance costs (net)	3	(21,791)	(22,880)
Loss on sale of investment	9	(60,413)	-
Loss before taxation	4	(37,011)	(23,469)
Tax on loss	7	1,691	-
Loss for the financial year attributable to the equity shareholders of the Company		(35,320)	(23,469)
Total comprehensive income attributable to the equity shareholders of the Company		(35,320)	(23,469)

The notes on pages 13 to 23 form an integral part of these financial statements.

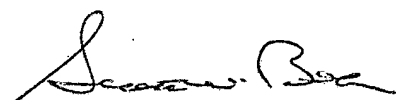
Applied Communications Inc. U.K. Holding Limited

Balance sheet

As at 31 December 2017

	Note	2017 \$000	2016 \$000
Fixed assets			
Investments	8	338,804	509,217
		<u>338,804</u>	<u>509,217</u>
Current assets			
Debtors	10	6,170	2,717
Cash at bank and in hand		-	-
Creditors: amounts falling due within one year	11	(3)	(181,928)
Net current assets		<u>6,167</u>	<u>(179,211)</u>
Total assets less current liabilities		<u>344,971</u>	<u>330,006</u>
Creditors: amounts falling due after more than one year	12	(325,867)	(275,582)
Net assets		<u>19,104</u>	<u>54,424</u>
Capital and reserves			
Called-up share capital	13	12,053	12,053
Capital contribution		58,420	58,420
Profit and loss account		(51,369)	(16,049)
Shareholder's funds		<u>19,104</u>	<u>54,424</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 27 September 2018. They were signed on its behalf by:



S Behrens
Director

The notes on pages 13 to 23 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 2017

	Called-up share capital \$000	Capital contribution \$000	Profit and loss account \$000	Total \$000
At 1 January 2016	12,053	58,420	7,420	77,893
Loss for the financial year	-	-	(23,469)	(23,469)
At 31 December 2016	12,053	58,420	(16,049)	54,424
Loss for the financial year	-	-	(35,320)	(35,320)
At 31 December 2017	12,053	58,420	(51,369)	19,104

The notes on pages 13 to 23 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 2017**

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 17.

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 17.

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 incurred a loss 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. In addition, the Company has sufficient cash balances to handle its minimal day-to-day cash outflows.

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 2017

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 2017

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.

(vi) 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 2017

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.

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

The following are the 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.

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 (note 8).

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

3. Finance costs (net)

	2017 \$000	2016 \$000
Interest payable to group undertakings	22,029	22,790
Foreign exchange (gain) / loss	(238)	90
	<u>21,791</u>	<u>22,880</u>

4. Loss before taxation

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

	2017 \$000	2016 \$
Dividend income	(45,551)	-
Interest receivable from group undertakings	(64)	-
Foreign exchange (gain) / loss	(238)	90
Loss on sale of investment (note 9)	60,413	-
Impairment provision	-	232
	<u>-</u>	<u>232</u>

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

Audit	<u>30</u>	<u>30</u>
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Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

5. Staff numbers and costs

For the year ended 31 December 2017, the Company had no employees (2016: none) and incurred no staff costs (2016: 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 2017

7. Tax on loss

The tax charge comprises:	2017	2016
	\$000	\$000
Current tax on loss		
UK corporation tax	-	-
Total current tax	-	-
Total deferred tax	1,691	-
Total tax on loss	1,691	-

A deferred tax asset has been recognised as at 31 December 2017 (2016: \$nil) 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 we have fully provided for totalling \$1,691k (2016: \$nil), there are no amounts not provided for (2016: \$Nil).

The current tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below.

	2017	2016
	\$000	\$000
Company loss	(37,011)	(23,469)
Tax on Company loss at standard UK corporation tax rate of 19.25% (2016: 20%)	(7,125)	(4,694)
Effects of:		
Non-taxable income from sale of shares in subsidiary	-	-
- Expenses not deductible for tax purposes	11,630	16
- Other income	(8,767)	-
- Interest restriction carried forward	1,713	-
- Group relief surrendered for nil payment	2,549	4,678
Company total tax charge for year	-	-

The main rate of corporation tax is 19.25%. The government has announced that the tax rate is likely to be reduced to 17% from 1 April 2020. The potential deferred tax effect of this reduction is unlikely to be material.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

8. Fixed asset investments

	2017 \$000	2016 \$000
Subsidiary undertakings	<u>338,804</u>	<u>509,217</u>

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	55/57 Clarendon Road Watford Hertfordshire WD17 1FQ 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	57 Clarendon Road Watford Hertfordshire WD17 1FQ 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	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%
S1 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 2017

8. Fixed asset investments (continued)

Subsidiary undertakings

	2017 \$000	2016 \$000
Cost		
At 1 January 2017	538,803	538,803
Additions	20,000	-
Disposals	(190,413)	-
	<u>368,390</u>	<u>538,803</u>
Provisions for impairment		
At 1 January 2017	(29,586)	(29,354)
Impairment Provision	-	(232)
	<u>(29,586)</u>	<u>(29,586)</u>
Carrying value	<u>338,804</u>	<u>509,217</u>

During the year the Company received dividends from investments in subsidiaries amounting to \$45,551k (2016: \$nil).

A capital contribution of \$20,000k was made in ACI Worldwide B.V. in exchange for 1 share of common stock.

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. Loss on sale of investment

The Company did not undertake any investments in the current year.

On 21 December 2017 the Company sold its 100% interest in the ordinary share capital of ACI Worldwide (Germany) GmbH.

Net assets disposed of and the related sale proceeds were as follows:

	2017 \$000	2016 \$000
Net assets		
Carrying value of the investment	190,413	-
Loss on sale	(60,413)	-
Sale proceeds	<u>130,000</u>	<u>-</u>
Satisfied by:		
Amounts settled by group undertakings	<u>130,000</u>	<u>-</u>

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Debtors

	2017 \$000	2016 \$000
Amounts falling due within one year:		
Deferred tax asset	1,691	-
Amounts owed by group undertakings	4,149	1,991
Prepayments	330	726
	<u>6,170</u>	<u>2,717</u>

Amounts owed by group undertakings

	2017 \$000	2016 \$000
Loans to related parties:		
ACI Worldwide (Germany) GmbH	-	1,760
ACI Worldwide B.V.	-	231
Applied Communications GPC Limited	4,149	-
	<u>4,149</u>	<u>1,991</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 which stipulates the outstanding principal amount and other advances made shall bear interest expenses to the Company at a rate equal to the applicable London Interbank Offered rate plus 1.50%.

11. Creditors: amounts falling due within one year

	2017 \$000	2016 \$000
Accruals	3	-
Amounts owed to group undertakings	-	181,928
	<u>3</u>	<u>181,928</u>

The Original Issued Discount Note was payable to ACI Worldwide (Luxembourg) S.A.R.L. by 31 December 2017 at a discounted rate of 5%.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued)
For the year ended 31 December 2017

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

	2017 \$000	2016 \$000
Amounts owed to group undertakings	325,867	275,582
	<u>325,867</u>	<u>275,582</u>

Amounts owed by group undertakings

	2017 \$000	2016 \$000
ACI Worldwide (Luxembourg) S.A.R.L. Eurobond	152,750	112,750
ACI Worldwide (EMEA) Limited Loan	173,117	162,832
	<u>325,867</u>	<u>275,582</u>

The Eurobond is payable to ACI Worldwide (Luxembourg) S.A.R.L by August 2021 at an interest rate of 4.5%.

The Loan agreement is with ACI Worldwide (EMEA) Limited and the principal balance of the loan, plus all compensatory interest and default interest, the loan has no maturity and a fixed interest rate of 5% per annum is charged.

13. Called-up share capital and reserves

	2017 \$000	2016 \$000
Authorised		
7,522,187 Ordinary shares £1 each	12,053	12,053
Allotted, called-up and fully paid		
7,522,187 Ordinary shares £1 each	12,053	12,053
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.

The profit and loss reserve represents cumulative profits or losses, including net dividends paid and other adjustments.

Applied Communications Inc. U.K. Holding Limited

Notes to the financial statements (continued) For the year ended 31 December 2017

14. Financial Instruments

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

	2017 \$000	2016 \$000
Financial assets		
Measured at undiscounted amount receivable		
Amounts due from related undertakings (see note 11)	4,149	1,991
Prepayments	330	726
	<u>4,479</u>	<u>2,717</u>
Financial liabilities		
Measured at undiscounted amount payable		
Amounts due from related undertakings (see note 12)	325,867	457,510
	<u>325,867</u>	<u>457,510</u>

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

	2017 \$000	2016 \$000
Finance costs		
Total finance costs for financial liabilities at amortised cost	<u>22,029</u>	<u>22,790</u>

15. Off balance-sheet arrangements

As required by the 2006 Act regarding any off-balance sheet arrangements there is no information to disclose other than those included elsewhere in the financial statements.

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>.