

MASTERCARD EUROPE SERVICES LIMITED

(Company Registration Number: 09210818)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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MASTERCARD EUROPE SERVICES LIMITED

Company Information

Directors	Mark Barnett Timothy G Berger Justin Goddard
Company secretary	John McLaren
Registered number	09210818 (England and Wales)
Registered office	10 Upper Bank Street Canary Wharf London E14 5NP
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	Deutsche Bank AG Filiale London 10 Bishops Square London E1 6AO

MASTERCARD EUROPE SERVICES LIMITED

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MASTERCARD EUROPE SERVICES LIMITED

Strategic report For the year ended 31 December 2017

The directors present the strategic report of Mastercard Europe Services Limited ("the Company") for the year ended 31 December 2017.

Principal activity

The principal activity of the company is to act as holders of Mastercard's European product intellectual property assets. The Company is an operating company supporting Mastercard's European business and has profit share agreement with Mastercard Europe SA. The activities were unchanged during the year and no significant changes to the principal business are expected in the forthcoming year.

Review of business, future outlook and key performance indicators

The Company results are set out in the Statement of comprehensive income on page 8. The Company Statement of financial position is set out on page 9.

The Company measures and monitors a number of key performance indicators, the most important of which is profit before income tax.

The Company's profit before income tax for the year was €681,520,000 (2016: €402,611,000).

The profit before income tax increased in the year due to the revenue growth in the Company.

The Company's net assets (being total assets less total liabilities) at the year end were €1,775,213,000 (2016: €1,381,620,000). Net assets increased due to the profit increase in 2017.

Principal risks, financial risks and uncertainties

All businesses are subject to risk and many individual risks are macro-economic or social and common across many businesses. Many risks are to a greater or lesser degree controllable, but some are not controllable. Through its internal risk management process, the Company identifies business-specific risks. It classifies the key risks as those which could materially damage the Company's strategy, reputation, business, profitability or assets and these risks are listed below. This list is in no particular order and is not an exhaustive list of all potential risks. Some risks may be unknown and it may transpire that others, currently considered immaterial, become material.

Commercial relationships

The Company is exposed to changes in relationships with both customers and suppliers. It is a key task for the operational management in each business unit to maintain and develop relationships with customers and suppliers.

Foreign exchange risk

The Company incurs minimal costs in currencies other than GBP and EUR. The directors consider the exposure to foreign exchange variances to be minimal.

Interest rate risk

The Company has interest bearing financial instruments, all of which are owed to or from group undertakings. The loans are interest bearing and have fixed terms of repayment.

Regulation and compliance risk

The Company has a dedicated team to set policy and ensure compliance with Anti Money Laundering (AML) and other legal, regulatory and licensing requirements, including launches in new countries. Money Laundering Reporting Officers (MLRO's) are employed to implement policies and monitor transactions.

MASTERCARD EUROPE SERVICES LIMITED

Strategic report (continued) For the year ended 31 December 2017

Brexit risk

In a referendum held on 23 June 2016, the United Kingdom ('UK') resolved to leave the European Union ('EU'). The referendum result may affect the Company's risk profile through introducing potentially significant new uncertainties and instability in financial markets as the UK negotiates its exit from the EU.

Technology risk

The unavailability of our systems or infrastructure needed to meet our business requirements is a risk to the Company. The Company has a dedicated team to monitor this risk.

Litigation risk

Although the Company has not been directly named in any litigation actions, there are risks related to the litigation actions for which Mastercard Europe SA has been named that may have an impact on the future operating results of the Company. This is because the potential litigation costs for Mastercard Europe SA will have a negative impact on its results, which will impact the profit share agreement it has with the Company.

UK merchant litigation

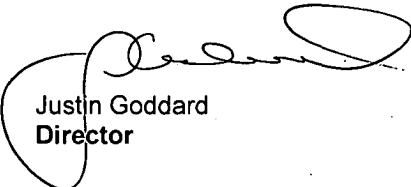
Beginning in May 2012, a number of retailers filed claims or threatened litigation against certain Mastercard companies (including Mastercard Europe SA) seeking damages for alleged anti-competitive conduct with respect to the cross-border interchange fees and U.K. and Ireland domestic interchange fees levied by Mastercard Europe SA. In 2016, a tribunal in one of these cases issued a judgment against Mastercard for damages. In January 2017, Mastercard received a favorable liability judgment on all significant matters in a separate action brought by ten of the claimants, who were seeking over \$500,000,000 in damages. Both the negative and positive judgments were appealed before the U.K. appellate court. In July 2018 the appellate court ruled against Mastercard on some issues and is sending other issues back to the trial court for reconsideration. Mastercard is requesting permission to appeal the negative aspects of the appellate court judgment to the UK Supreme Court.

Up to and including in 2018, Mastercard Europe SA has been named as part of actions concluded through settlement agreements with a number of the claimants. In all cases, any settlement payments which have been made have been made by Mastercard Europe SA.

Mastercard II case with European Commission

In 2015, the European Commission issued a statement of objections to Mastercard Europe SA related to its interregional interchange rates and central acquiring rules within the European Economic Area (the "EEA"). The statement of objections preliminarily concludes that these practices have anticompetitive effects and the European Commission has indicated it intends to seek fines if it confirms these conclusions. Mastercard Europe SA submitted a response in April 2016 and participated in a related oral hearing in May 2016. Since that time, Mastercard Europe SA has remained in discussions with the European Commission and expect to obtain greater clarity with respect to these issues in late 2018.

This report was approved by the board on *28 September 2018* and signed on its behalf.



Justin Goddard
Director

MASTERCARD EUROPE SERVICES LIMITED

Directors' report For the year ended 31 December 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Directors

The directors who held office throughout the year and up to the date of this report are:

Mark Barnett
Timothy G Berger
Justin Goddard

Directors' indemnities

During the financial year and at the date of approval of these financial statements, the Company has provided an indemnity for certain Directors of the Company, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006. The Company also maintains directors' and officers' liability insurance.

Dividends

The directors declared and paid a dividend of €155,000,000 (2016: €120,000,000) was declared and paid for the year ended 31 December 2017, being €15,500 per ordinary share (2016: €12,000 per ordinary share).

Financial risk management

The Company has limited exposure to financial risk as all material financial instruments are with Companies within the group headed by Mastercard Incorporated, its ultimate parent company. The Company's management of financial risk is included in the strategic report.

Future developments

The nature of the business is not expected to change going forward.

Going concern

In preparing the financial statements the directors have taken into account all information that could reasonably be expected to be available for the following 12 months from the date of signing the financial statements and beyond. They have considered the Company's ongoing cash requirements, and on this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

Employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. Details on the number of persons employed and their gross remunerations are contained in note 6 to the financial statements.

MASTERCARD EUROPE SERVICES LIMITED

Directors' report (continued) **For the year ended 31 December 2017**

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its business.

Events after the reporting date

On 14 March 2018 the Company reduced its share capital from £9,999 to £1 and cancelled its share premium account of €1,048,283,301.

On 22 March 2018 the Company declared and paid a dividend of €1,000,000,000 to Mastercard Holdings LP.

The Company also declared and paid a further dividend of \$10,000,000 (€8,712,623) to Mastercard Holdings LP on 22 August 2018.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

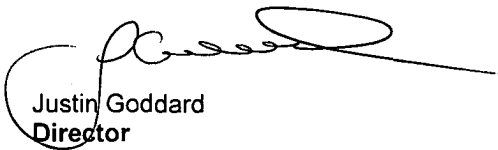
MASTERCARD EUROPE SERVICES LIMITED

Directors' report (continued)
For the year ended 31 December 2017

In the case of each director in office at the date the directors' report is approved:

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

This report was approved by the board on *28 September 2018* and signed on its behalf.


Justin Goddard
Director

Independent auditors' report to the members of Mastercard Europe Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Mastercard Europe Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2017; the Statement of comprehensive income for the year then ended, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the strategic report and directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and directors' report.

MASTERCARD EUROPE SERVICES LIMITED

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Gemma Clark

Gemma Clark (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 September 2018

MASTERCARD EUROPE SERVICES LIMITED

Statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 €000	2016 €000
Revenue	3	963,159	672,088
Operating expenses	4	(280,860)	(271,634)
Operating profit		<u>682,299</u>	<u>400,454</u>
Finance income	9	399	2,221
Finance expense	9	(1,178)	(64)
Profit before income tax		<u>681,520</u>	<u>402,611</u>
Income tax	10	(132,927)	(67,009)
Profit and total comprehensive income for the year		<u><u>548,593</u></u>	<u><u>335,602</u></u>

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 30 form an integral part of these financial statements.

MASTERCARD EUROPE SERVICES LIMITED

Statement of financial position
As at 31 December 2017

	Note	2017 €000	2016 €000
ASSETS			
Non-current assets			
Property, plant and equipment	11	5,662	1,235
Intangible assets	12	580,524	730,536
Investments	13	6,472	5,507
Deferred tax asset	10	57,208	39,043
		<u>649,866</u>	<u>776,321</u>
Current assets			
Trade and other receivables	14	896,005	678,122
Cash and cash equivalents		280,113	34,132
		<u>1,176,118</u>	<u>712,254</u>
Total assets		<u><u>1,825,984</u></u>	<u><u>1,488,575</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shares	16	13	13
Share premium		1,048,283	1,048,283
Retained earnings		726,917	333,324
Total equity		<u>1,775,213</u>	<u>1,381,620</u>
Current liabilities			
Trade and other payables	15	50,771	106,955
Total liabilities		<u>50,771</u>	<u>106,955</u>
Total equity and liabilities		<u><u>1,825,984</u></u>	<u><u>1,488,575</u></u>

The notes on pages 11 to 30 form an integral part of these financial statements.

The financial statements on pages 8 to 30 were approved and authorised for issue by the board on 28 September 2018 and signed on its behalf by:


Justin Goddard
Director

Company registration number: 09210818

MASTERCARD EUROPE SERVICES LIMITED

Statement of changes in equity
For the year ended 31 December 2017

	Share capital €000	Share premium €000	Retained earnings €000	Total equity €000
As at 1 January 2016	13	1,048,283	117,714	1,166,010
Profit and total comprehensive income for the year	-	-	335,602	335,602
Other adjustments	-	-	8	8
Dividends	-	-	(120,000)	(120,000)
As at 31 December 2016	13	1,048,283	333,324	1,381,620
Profit and total comprehensive income for the year	-	-	548,593	548,593
Dividends	-	-	(155,000)	(155,000)
As at 31 December 2017	13	1,048,283	726,917	1,775,213

The expense related to share based payments as shown in note 7 is offset by recharges from Mastercard Incorporated in 2017 to an equal amount under IFRS 2.

The notes on pages 11 to 30 form an integral part of these financial statements.

MASTERCARD EUROPE SERVICES LIMITED

Notes to the financial statements For the year ended 31 December 2017

1. Company information

Mastercard Europe Services Limited is a private limited liability company limited by shares and incorporated and domiciled in the United Kingdom.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The principal accounting policies, which have been consistently applied, are set out below. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- c) the requirements of IAS 7 Statement of Cash Flows;
- d) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- f) The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group; and
- g) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.

The Company is a wholly-owned subsidiary of Mastercard Holdings LP and is included in the consolidated financial statements of Mastercard Incorporated which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

2.2 Going concern

In preparing the financial statements the directors have taken into account all information that could reasonably be expected to be available for the following 12 months from the date of signing the financial statements and beyond. They have considered the Company's ongoing cash requirements, and on this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

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

2. Accounting policies (continued)**2.3 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements in the application of the accounting policy include:

- Investments: Judgements and estimates applied are in relation to the valuation of investments and the assessment of impairment.
- Intangibles: Useful life of purchased intangibles require management's estimation and judgement. Please refer to Intangible assets accounting policy and note 12 for details.
- Goodwill: Judgements and estimates applied are in relation to the valuation of goodwill and the assessment of impairment.

2.4 Revenue

Revenue is measured as the Company's share of profits from Mastercard's European business. Revenue is recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent cost to add to, replace part of, or service an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

- Computer equipment - 3 years
- Fixtures and fittings - 5 years

Leasehold improvements are amortised over the shorter of their respective lease periods and estimated useful economic life. The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2. Accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

2.6 Intangible assets

Separately acquired intangible assets are recognised at historical cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

The amortisation periods for each class of intangible asset can be seen below:

- Software - 3 years
- Product intellectual property - 7 years
- Other intangibles - 9 years

Other intangibles are Customer relationships that were acquired as part of 5one acquisition. Amortisation period of 9 years was agreed as part of the valuation.

The Company accounts for business combinations under the acquisition method of accounting. The Company measures the tangible and intangible identifiable assets acquired, liabilities assumed, and any non-controlling interest in the acquiree, at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred and are included in general and administrative expenses. Any excess of purchase price over the fair value of net assets acquired, including identifiable intangible assets, is recorded as goodwill.

Goodwill is tested annually for impairment in the fourth quarter, or sooner when circumstances indicate an impairment may exist. Goodwill is tested for impairment at the reporting unit level. The impairment evaluation utilises a quantitative assessment using a two-step impairment test. The first step is to compare the reporting unit's carrying value, including goodwill, to the fair value. If the fair value exceeds the carrying value, then no potential impairment is considered to exist. If the carrying value exceeds the fair value, the second step is performed to determine if the implied fair value of the reporting unit's goodwill exceeds the carrying value of the reporting unit. An impairment charge would be recorded if the carrying value exceeds the implied fair value. Impairment charges, if any, are recorded in general and administrative expenses.

2.7 Impairment of tangible and intangible assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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

2. Accounting policies (continued)

2.8 Financial instruments

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Classification is re-assessed on an annual basis, except for derivatives and financial assets designed at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless it is designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, it is classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. It is included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Held-to maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except those with maturities less than 12 months from the reporting date, which are classified as current assets. The gain or loss is included in the statement of comprehensive income for the year.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. It is included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments.

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through the profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through the profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with the gain or loss arising from changes in fair value being included in the statement of comprehensive income for the financial year.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

The gain or loss arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest rate method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Company's right to receive payment is established.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Impairment of financial assets

At each reporting date the Company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

An impairment is recognised in the statement of comprehensive income.

An impairment loss is reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

A reversal of an impairment loss is recognised in the statement of comprehensive income, except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

2. Accounting policies (continued)

2.8 Financial instruments (continued)

Trade payables

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks. These are initially and subsequently recorded at fair value.

Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

2.9 Share premium

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

2.10 Investments

Investments are held at cost less accumulated impairment losses.

2.11 Share based employee remuneration

Mastercard Incorporated operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments (restricted stock units, performance stock units and stock options). The awards are granted by Mastercard Incorporated and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense. A credit is recognised directly in shareholders' funds. The total amount to be expensed is determined by reference to the fair value of the awards granted;

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of awards options that are expected to vest.

Mastercard Incorporated estimates the fair value of its non-qualified stock option awards using a Black-Scholes valuation model. The fair value of restricted stock units is determined and fixed on the grant date based on the Mastercard Incorporated stock price, adjusted for the exclusion of dividend equivalents. The Monte Carlo simulation valuation model is used to determine the grant date fair value of performance stock units granted. All share-based compensation expenses are recorded in general and administrative expenses.

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

2. Accounting policies (continued)**2.11 Share based employee remuneration (continued)**

The total expense is recognised straight-line over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Mastercard Incorporated recharges expenses related to share based payments, which are debited to shareholders' funds.

Restricted stock units

A restricted stock unit (RSU) award is denominated in common shares that will be settled either by delivery of common shares or the payment of cash based upon the value of a specified number of common shares. Mastercard grants restricted stock units periodically to employees in accordance with the restricted stock unit agreement.

Mastercard's RSUs are time-based awards that typically vest at the end of a three year requisite service period (cliff vesting). These awards are conditioned upon the employee's continued employment with the company as of the vesting date.

Performance stock units

A performance stock unit (PSU) consists of the right to receive common shares or cash, as provided in the particular award agreement, upon achievement of a performance goal or goals. The performance unit award shall be earned in accordance with the agreement over a performance period. These awards typically vest at the end of a three year performance period (cliff vesting). These awards are conditioned upon the employee's continued employment with the Company and the achievement of the performance goals established by the committee and set forth in the employee's grant statement.

Stock options

A Stock option (option) shall entitle the participant to receive common shares upon exercise of such option. The committee may provide for grant or vesting of options conditioned upon the performance of services, the achievement of performance goals or the execution of, and/or compliance with, a non-competition or non-solicitation agreement, or any combination of the above. The exercise price per share for an award shall not be less than the fair market value per share as of the grant date. The option period fixed by the committee for any award shall be no longer than ten years from the option's grant date. The standard rate at which an option shall be exercisable shall be twenty five percent on each of the first four anniversaries of the grant.

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

2. Accounting policies (continued)

2.12 Income taxes

Current tax liabilities/ (assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised and included in the statement of comprehensive income.

2.13 Foreign exchange

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Euro, which is the Company's functional currency and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. A foreign exchange gain or loss resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities in foreign currencies are recognised in the statement of comprehensive income.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

MASTERCARD EUROPE SERVICES LIMITED

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

2. Accounting policies (continued)

2.13 Foreign exchange (continued)

Cash flows arising from transactions in foreign currency are recorded in Euros by applying to the foreign currency amount the exchange rate between the Euros and the foreign currency at the date of the cash flow.

2.14 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probably and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

3. Revenue

	2017 €000	2016 €000
Profit share from Mastercard Europe SA	963,159	672,088
	<u>963,159</u>	<u>672,088</u>

No further geographical analysis of revenue, profit before tax or net assets is deemed necessary as the company's activities take place substantially within Europe and are all part of one business segment being the principal activity of the company.

MASTERCARD EUROPE SERVICES LIMITED

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

4. Operating expenses

	2017 €000	2016 €000
Employee costs (note 6)	86,863	81,665
Depreciation of owned property, plant and equipment (note 11)	1,054	429
Amortisation of intangible assets (note 12)	151,357	148,899
Auditors' remuneration - audit fees (note 5)	32	33
Advertising and marketing	21,030	26,444
Loss on disposal of Property, plant and equipment	2	-
Net foreign exchange gains	(7,449)	(11,766)
Other operating expenses	27,971	25,930
	<u>280,860</u>	<u>271,634</u>

5. Auditors' remuneration

Audit fees were €32,211 for the financial statements related to the year ended 31 December 2017 (2016: €32,711). There were no non-audit fees paid to the auditors (2016: €nil).

6. Employee costs

All employees are contracted to Mastercard UK Management Services Limited and costs are recharged to this entity in full; costs received as a recharge are included below with the employee numbers detailed within Mastercard UK Management Services Limited.

Employee costs consist of:

	2017 €000	2016 €000
Wages and salaries	60,722	53,684
Social security costs	9,175	6,406
Share based payment charges	11,432	16,381
Other pension costs	5,534	5,194
	<u>86,863</u>	<u>81,665</u>

MASTERCARD EUROPE SERVICES LIMITED

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

7. Share based employee remuneration**RSU movements during the year**

There were 221,108 RSUs as at 1 January 2017, brought forward from previous periods. On 1 March 2017, 84,180 Mastercard RSUs were awarded.

Other movements of RSUs during the year net to a decrease of 62,135 of which 19,993 RSUs were forfeited in the year and 71,396 RSUs were vested. The remaining movements relate to transfers in and out. There were 243,153 RSUs outstanding at the reporting date. Outstanding awards vest between January 2018 and March 2020, being three years after their grant date.

Due to the nature of these awards, they are exercised at the point of vesting and for nil consideration.

Details of Mastercard RSUs outstanding as at 31 December 2017 and their vest dates, are as follows:

Vest date	RSUs outstanding (no.)	Grant date market value per RSU US \$	Remaining contract life Years
2/1/2018	5,370	83.82	0
28/2/2018	59,528	88.27	0.2
28/2/2019	80,025	87.89	1.2
30/9/2019	20,890	99.55	1.8
28/2/2020	76,656	109.79	2.2
31/3/2020	684	109.71	2.3
	<u>243,153</u>		

For shares vested during the period, the weighted-average share price at the exercise dates was \$116.49.

PSU movements during the year

There were 45,120 PSUs as at 1 January 2017, brought forward from previous periods. On 1 March 2017, 14,060 Mastercard PSUs were awarded.

Other movements of PSUs during the year net to a decrease of 14,291 of which none were forfeited in the year and 14,522 PSUs were vested. The remaining movement relates to changes in performance. There were 44,889 PSUs outstanding at the reporting date. Outstanding awards vest between February 2018 and February 2020, being three years after their grant date.

Due to the nature of these awards, they are exercised at the point of vesting and for nil consideration.

Details of Mastercard PSUs outstanding as at 31 December 2017 and their vest dates, are as follows:

MASTERCARD EUROPE SERVICES LIMITED

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

7. Share based employee remuneration (continued)

Vest date	PSUs outstanding (no.)	Grant date market value per PSU US \$	Weighted average remaining contract life Years
28/2/2018	13,113	99.14	0.2
28/2/2019	17,716	91.73	1.2
28/2/2020	14,060	126.25	2.2
	<u>44,889</u>		

For shares vested during the period, the weighted-average share price at the date of exercise was \$109.41.

Stock option movements during the year

There were 518,916 options as at 1 January 2017, brought forward from previous periods. On 1 March 2017, 137,192 Mastercard options were awarded.

Other movements of options during the year net to a decrease of 84,229 of which none were forfeited in the year and 101,693 options were exercised. The remaining movement relates to transfers in and out. There were 571,879 options outstanding at the reporting date. Outstanding awards expire between 2020 and 2027, being ten years after their grant date.

There were 101,693 Options exercised in 2017 at a weighted-average price of \$62.22. The related weighted-average share price at the time of exercise was \$115.46.

Details of Mastercard Options outstanding as at 31 December 2017 and their vest dates, are as follows:

Expiration date	Options outstanding (no.)	Weighted average remaining contract life Years
12/4/2020	13,520	2.3
1/3/2021	14,040	3.2
1/3/2022	9,280	4.2
1/3/2023	37,510	5.2
1/3/2024	115,246	6.2
1/3/2025	109,528	7.2
1/3/2026	135,563	8.2
1/3/2027	137,192	9.2
	<u>571,879</u>	

MASTERCARD EUROPE SERVICES LIMITED

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

8. Directors' emoluments

The directors did not receive any identifiable emoluments in respect of their services to the Company (2016: £nil). The emoluments of the directors are paid by another entity in the Mastercard group.

The directors are undertaking executive duties on a number of fellow Mastercard subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

9. Net finance (expenses)/ income

	2017 €000	2016 €000
Finance income		
Interest income from group undertakings (note 14)	-	2,221
Finance income	399	-
	<u>399</u>	<u>2,221</u>
Finance expenses		
Interest expense to group undertakings (note 15)	(169)	-
Finance expense	(1,009)	(64)
	<u>(1,178)</u>	<u>(64)</u>

10. Income tax expenses

	2017 €000	2016 €000
Current tax		
Current tax on profits for the year	151,323	94,642
Adjustments in respect of prior periods	(231)	(10,554)
Total current tax	<u>151,092</u>	<u>84,088</u>
Deferred tax		
Current year	(20,547)	(21,540)
Adjustment in respect of prior periods	(16)	11
Effects of changes in tax rates	2,398	4,450
Total deferred tax	<u>(18,165)</u>	<u>(17,079)</u>
Total tax expense	<u>132,927</u>	<u>67,009</u>

MASTERCARD EUROPE SERVICES LIMITED

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

10. Income tax expense (continued)

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

	2017 €000	2016 €000
Profit before income tax	681,520	402,611
Tax on profit before income tax at the standard UK rate of 19.25% (2016: 20.00%)	131,193	80,522
Effects of:		
Expenses not deductible for tax purposes	421	437
Income not taxable	(837)	(997)
Adjustment in respect of prior years	(248)	(10,644)
Effect of changes in tax rates	2,398	4,450
Group relief	-	(6,759)
Total tax expense per statement of comprehensive income	132,927	67,009
	2017 €000	2016 €000
Deferred tax asset:		
Opening balance	(39,043)	(21,964)
Adjustments in respect of prior years	(16)	11
Statement of comprehensive income	(18,149)	(17,090)
	(57,208)	(39,043)
The above deferred tax asset comprised		
Accelerated capital allowances	(57,201)	(39,036)
Short term timing differences	(7)	(7)
	(57,208)	(39,043)

There is no unrecognised deferred tax (2016: €nil).

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

MASTERCARD EUROPE SERVICES LIMITED

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

11. Property, plant and equipment

	Leasehold improvements €000	Fixtures and fittings €000	Computer equipment €000	Total €000
Cost				
As at 1 January 2017	11	9	2,228	2,248
Additions	20	4	5,459	5,483
Disposals	-	-	(83)	(83)
As at 31 December 2017	31	13	7,604	7,648
Accumulated depreciation				
As at 1 January 2017	-	1	1,012	1,013
Depreciation	31	6	1,017	1,054
Disposals during the year	-	-	(81)	(81)
As at 31 December 2017	31	7	1,948	1,986
Net book value				
As at 31 December 2017	-	6	5,656	5,662
As at 31 December 2016	11	8	1,216	1,235

MASTERCARD EUROPE SERVICES LIMITED

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

12. Intangible assets

	Goodwill €000	Software €000	Product intellectual property €000	Other intangibles €000	Total €000
Cost					
As at 1 January 2017	5,941	3,767	1,042,296	1,147	1,053,151
Additions	-	758	-	587	1,345
As at 31 December 2017	5,941	4,525	1,042,296	1,734	1,054,496
Accumulated amortisation					
As at 1 January 2017	-	-	322,615	-	322,615
Charge for the year	-	1,842	148,900	615	151,357
As at 31 December 2017	-	1,842	471,515	615	473,972
Net book value					
As at 31 December 2017	5,941	2,683	570,781	1,119	580,524
As at 31 December 2016	5,941	3,767	719,681	1,147	730,536

The Company purchased intangible assets from Mastercard Europe S.A. (MCE) on 31 October 2014. These assets comprise the technical, customer and commercial know-how relating to the suite of payment solutions and programs within MCE (also referred to as 'the product intangibles'). These assets are amortised over 7 years starting from the purchase date.

Product intellectual property has a net book value of €570,781,147 and a remaining life of 4 years.

The Company purchased 5one Marketing Limited (5one UK) on 29 December 2016, the difference between the assets and liabilities recorded was recognised as goodwill. Following this transaction 5one UK transferred its assets to the Company.

Intangible asset amortisation is recorded in other operating expenses in the Statement of comprehensive income.

MASTERCARD EUROPE SERVICES LIMITED

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

13. Investments

	2017 €000
Cost and net book value	
As at 1 January 2017	5,507
Additions	965
As at 31 December 2017	<u>6,472</u>

On 31 March 2017, the Company acquired further shares in Blue Technology Limited that increased the holding to 7.64% from 6.4% for €965,000.

The Company had the following investments as of 31 December 2017:

Name	Address	Country of incorporation	% ownership of ordinary shares	Value of investment €000	Principal activity
Blue Technologies Limited	37 Bevenden Street, London, England, N1 6BH	UK	7.64	4,457	Trading company
5one Marketing (SA) Proprietary Limited	Regent Square, Block A, 1st Floor, Corner Doncaster Road & Rosemead Avenue, Kenilworth, Cape Town, South Africa 7708	South Africa	100	2,015	Trading company

The directors believe that the carrying value of the investments is supported by the value of their underlying net assets.

MASTERCARD EUROPE SERVICES LIMITED

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

14. Trade and other receivables

	2017 €000	Restated 2016 €000
Amounts due from related parties	886,157	669,765
Other receivables	407	961
Prepayments	2,702	4,161
VAT receivable	2,972	3,235
Corporation tax	3,767	-
	<u>896,005</u>	<u>678,122</u>

Amounts due from related parties include the short term loan to Mastercard Europe SA which increased to €800,000,000 from €480,000,000 on 16 August 2017. The current rate applied to the term loan is nil% (2016 - 0.08%). The term loan ends and is fully repayable on or before 15 September 2018. The remaining balance is made up of other balances due from related parties.

Amounts owed by group undertakings are unsecured, non-interest bearing, repayable on demand and have no fixed date of repayment.

The 2016 deferred tax asset has been re-classified to Non-Current assets.

15. Trade and other payables

	2017 €000	2016 €000
Trade payables	4,386	1,426
Amounts owed to group undertakings	28,384	40,367
Corporation tax and social security	1,913	48,937
Other payables	1,316	457
Accruals	14,772	15,768
	<u>50,771</u>	<u>106,955</u>

Amounts owed by group undertakings are unsecured, non-interest bearing, repayable on demand and have no fixed date of repayment.

MASTERCARD EUROPE SERVICES LIMITED

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

16. Share capital

	2017 €000	2016 €000
Allotted and fully paid		
10,000 (2016: 10,000)		
Ordinary shares of £1 each	13	13

17. Dividends paid

A dividend of €155,000,000 (2016: €120,000,000) was declared and paid for the year ended 31 December 2017, being €15,500 per ordinary share (2016: €12,000 per ordinary share).

18. Related parties

The Company is exempt the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the a group.

19. Immediate and ultimate holding company

The Company's immediate parent undertaking is Mastercard Holdings LP, a company incorporated and domiciled in the United Kingdom.

The ultimate parent undertaking and controlling party is Mastercard Incorporated, a company incorporated and domiciled in the United States of America.

Mastercard Incorporated is the parent of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of Mastercard Incorporated are available from its registered office at 2000 Purchase Street, Purchase, New York.

20. Events after the reporting period

On 14 March 2018 the Company reduced its share capital from £9,999 to £1 and cancelled its share premium account of €1,048,283,301.

On 22 March 2018 the Company declared and paid a dividend of €1,000,000,000 to Mastercard Holdings LP.

The Company also declared and paid a further dividend of \$10,000,000 (€8,712,623) to Mastercard Holdings LP on 22 August 2018.

No other events after the reporting date were noted.