

Company Registration No. 06947472 (England and Wales)

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

COMPANY INFORMATION

Directors

Mark Barnett
Susan Grossman
Timothy G Berger
Gary Kearns

Secretary

Judy Estes (appointed 23 June 17)

Company number

06947472

Registered office

4th Floor, 70 Conduit Street
London
W1S 2GF

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

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APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is that of providing software and strategic consulting solutions to large corporations that market products and services across multiple channels. The Company directly enters into contracts with customers for the software and strategic consulting solutions. The Company also provides the same solutions as a cost centre of its parent undertaking.

The activities were unchanged during the year and no significant changes to the principal business are expected in the forthcoming year. The Strategic Report for the year ended 31 December 2015 stated the principal activity of the Company was providing software and strategic consulting solutions as a cost centre of its parent undertaking. The 2015 results have been restated to reflect that the Company directly enters into contracts with customers in addition to providing solutions as a cost centre of its parent undertaking.

Review of business and future outlook

The Company results are set out in the Statement of Comprehensive Income on page 7. The Company balance sheet is set out in the Statement of Financial Position on page 8. The Company measures and monitors a number of key performance indicators, the most important of which are turnover, profit before taxation and operational performance.

The profit before income tax for the year ended 31 December 2016 was £23,000 (2015: £371,000).

Principal 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.

Customer default risk

Credit risk arises from the possibility that the Company will incur losses from its customers' failure to meet their obligations. The majority of the Company's accounts receivable are due from large corporations. Credit exposures are regularly monitored.

Operational risk

Operational risk is defined as the risk arising from within the company from inadequate or failed internal processes, inadequately designed or maintained systems and inadequate staffing resources.

Operational risk exposures are identified, managed and controlled by the Company. Internal controls include a segregated operations structure and the delegation of authority within authorised limits. This is designed to manage, rather than eliminate the risk of failure to achieve business objectives.

Commercial relationships risk

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

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

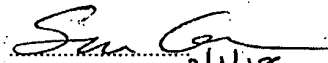
STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Foreign currency risk

The Company conducts business in several currencies, reporting its results in pound sterling. As a result, it is subject to fluctuations in foreign exchange rates which affect the Company's transactional revenues and costs.

On behalf of the board



Susan Grossman

2/1/18

Director

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and audited financial statements of Applied Predictive Technologies UK Limited for the year ended 31 December 2016.

Principal activities

The principal activities of the entity are set out under Principal activities in the strategic report on page 1.

Directors

The directors who served throughout the year were as follows:

Mark Barnett
Susan Grossman
Timothy G Berger
Gary Kearns

Dividends

The directors do not recommend the payment of a dividend for the year (2015: nil).

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.

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.

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 International Inc., its ultimate parent company.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Mastercard International Inc.. The directors have received confirmation that Mastercard International Inc. intends to support the company for at least one year after these financial statements are signed.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Events after the reporting date

There are no events after the reporting date that require disclosure

Future developments

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

Statement of directors' responsibilities

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.

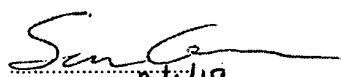
In the case of each director in office at the date the Directors' Report is approved:

- 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.

Appointment of auditor

During the year ended 31 December 2016 RSM UK Audit LLP resigned as auditor. PricewaterhouseCoopers LLP were subsequently appointed. PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution that they will be reappointed will be proposed to the Annual General Meeting, together with a resolution to authorise the Directors to determine the auditor's remuneration.

On behalf of the board



Susan Grossman

Director

Independent auditors' report to the members of Applied Predictive Technologies UK Limited

Report on the financial statements

Our opinion

In our opinion, Applied Predictive Technologies UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the Statement Of Financial Position as at 31 December 2016;
- 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 summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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 not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Applied Predictive Technologies UK Limited (Continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 February 2018

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2016**

		2016	2015
	Note	£000	(restated) £000
Revenue	4	5,198	4,112
Operating expenses	5	<u>(5,175)</u>	<u>(3,741)</u>
Profit before income tax		23	371
Income tax expense	8	<u>(16)</u>	<u>(22)</u>
Profit and total comprehensive income for the financial year		<u>7</u>	<u>349</u>

The notes on the pages 10 to 20 form an integral part of these financial statements.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		2016	2015
	Note	£000	(restated) £000
ASSETS			
Fixed assets			
Property, plant and equipment	9	212	299
		<u>212</u>	<u>299</u>
Current assets			
Trade and other receivables	10	2,038	1,770
Cash at bank and in hand		1,055	612
Deferred tax	13	14	-
		<u>3,107</u>	<u>2,382</u>
Total assets		<u>3,319</u>	<u>2,681</u>
EQUITY AND LIABILITIES			
Equity			
Called up share capital	12	-	-
Capital contribution		258	171
Retained earnings		726	718
		<u>984</u>	<u>889</u>
Total equity		<u>984</u>	<u>889</u>
Current liabilities			
Trade and other payables	11	2,335	1,773
Deferred tax	13	-	19
		<u>2,335</u>	<u>1,792</u>
Total liabilities		<u>2,335</u>	<u>1,792</u>
Total equity and liabilities		<u>3,319</u>	<u>2,681</u>

The notes on pages 10 to 20 form an integral part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 31 January 2018.

The amounts disclosed are after the restatement for the correction disclosed in note 17.

Signed on its behalf by:



Director Susan Grossman

Company Registration No. 06947472

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Capital contribution	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 January 2015 (restated)	-	-	369	369
Profit and total comprehensive income for the year	-	-	349	349
Share based payments	-	171	-	171
Balance at 31 December 2015 (restated)	-	171	718	889
Profit and total comprehensive income for the year	-	-	7	7
Share based payments	-	87	-	87
Deferred tax on share options	-	-	1	1
Balance at 31 December 2016	-	258	726	984

The notes on pages 10 to 20 form an integral part of these financial statements

The amounts disclosed are after the restatement for the correction disclosed in note 17.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Company Information

Applied Predictive Technologies UK Limited ('the Company') is a private limited company limited by shares, domiciled and incorporated in England and Wales. The address of the company's registered office and principal place of business is 4th Floor, 70 Conduit Street, London, England, W1S 2GF.

The company's principal activities and the nature of the Company's operations are disclosed in the Directors' Report.

2 Accounting policies

2.1 Basis of preparation

The financial statements of Applied Predictive Technologies UK Limited (the "Company") for the year ended December 2016 were authorised for issue by the board of directors on 31 January 2018 and the balance sheet was signed on the board's behalf by 31 January 2018.

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 IAS 7 Statement of Cash Flows;
- c. the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- d. the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.
- e. the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- f. the requirements of IFRS 7 Financial Instruments: Disclosures.

These financial statements were prepared under the historical cost convention and in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The principal accounting policies, which have been consistently applied, are set out below.

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 and beyond. They have considered the Company's ongoing cash requirements and the support provided by Mastercard International Inc., and on this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

2.3 Revenue

The Company provides its software solution as a service. Revenue arises from contracts entered with customers. The Company recognises revenue when all of the following conditions are met:

- There is persuasive evidence of an arrangement;
- The software as a service has been provided to the customer;
- The collection of the fees is reasonably assured; and
- The amount of fees to be paid by the customer is fixed or determinable.

The Company's arrangements generally contain multiple elements comprised of license subscriptions and implementation services. The Company evaluates each element in an arrangement to determine whether it represents a separate unit of accounting. An element is considered to be a separate unit of accounting when the delivered item has stand-alone value and delivery of the undelivered element is probable and within the Company's control. The Company's implementation services do not have stand-alone value. Accordingly, license subscriptions and implementation services are combined and recognised as a single unit of accounting.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2.3 Revenue (continued)

The Company accounts for all fees received under the agreements which include implementation services revenue, software license revenue, and post-contract customer support revenue as a single unit of accounting and recognises them ratably over the term of the related agreement, commencing upon the later of the agreement start date or the date access to the software is provided to the customer.

With respect to software professional service contracts, revenue is recognised using the proportional performance method. Under the proportional performance method, revenue for each contract is determined by comparing costs incurred to date to the total estimated cost at contract completion to determine the percentage of revenue to be recognised. The proportional performance is applied to the total contract price to arrive at the revenue earned for the period.

Revenue also arises from recharges of expenses incurred (excluding value added tax) derived from operating as a cost centre of its parent undertaking and is recognised on the accruals basis in line with the provision of services.

2.4 Share based employee remuneration

The company operates a share-based compensation plan, under which the company receives services from employees as consideration for equity instruments (restricted stock units) of Mastercard Inc. The awards are granted by Mastercard Inc. 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 options that are expected to vest.

The fair value of restricted stock units ("RSUs") is determined and fixed on the grant date based on the Mastercard Inc. stock price, adjusted for the exclusion of dividend equivalents. All share-based compensation expenses are recorded in general and administrative expenses.

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.

The charge is recognised as a contribution from the parent company.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 profit or loss 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:

- Leasehold improvements – over the lease term
- Furniture, fittings and equipment – 5 years straight line

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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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.

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 profit or loss in the period of derecognition.

2.6 Impairment of non-financial 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.

2.7 Financial assets

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 are recognised in profit or loss 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 profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents

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

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2.8 Financial liabilities

Trade payables

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

2.9 Share capital and equity

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

2.10 Taxation

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

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 year.

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 year.

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 enforceable 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.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2.11 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

Contingent liabilities are not recognised, but rather disclosed by way of a note to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised, but rather disclosed by way of a note to the financial statements, where an inflow of economic benefits is probable.

2.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The Company provides retirement benefits for its employees. Contributions are made to a defined contribution scheme whose assets are held in an independently administered fund. The company has no payment obligations once the contributions have been paid. Contributions are recognised as employee benefit expenses when they are due.

2.13 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset/liability. This asset/liability is not discounted. Any contingent rents are expensed in the year they are incurred.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2.14 Foreign currency translations

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 Pounds Sterling, 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 profit or loss.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Critical accounting estimates and judgements

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 judgment 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.

There are no significant judgements in the application of the accounting policies.

4 Revenue

Revenue is attributable to the principal activity of the Company and arises within the United Kingdom and other countries.

	2016	2015
	£000	£000
United Kingdom	4,043	3,293
Other Countries	1,155	819
	<u>5,198</u>	<u>4,112</u>

5 Operating expenses

	2016	2015
	£000	£000
Profit for the year is stated after charging/(crediting):		
Staff costs	3,682	2,903
Depreciation of property, plant and equipment	98	98
Operating lease expenses	189	144
Net foreign exchange (gains)/losses	326	2
Other operating expenses	880	594
	<u>5,175</u>	<u>3,741</u>

6 Auditors' remuneration

Audit fees were £22,000 (2015: £18,000) for the financial statements related to the year ended 31 December 2016.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 Employees and directors

The average monthly number of staff employed by the company including executive directors was as follows:

	2016 Number	2015 Number
Administration and management	28	19

Their aggregate remuneration comprised:

	2016 £000	2015 Restated £000
Wages and salaries	3,146	2,344
Social security costs	350	329
Other pension costs	99	59
Share options granted	87	171
	3,682	2,903

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, which are paid by a fellow group company, in respect of each of the subsidiaries. Accordingly, the directors received no identifiable remuneration for their services as directors of the Company during the year (2015: nil). No post-employment benefit schemes are participated in by the directors with the company.

8 Income tax expense

	2016 £000	2015 £000
Current tax		
Current tax on profits for the year	46	34
Adjustment in respect of prior periods	2	2
Total current tax	48	36
Deferred tax		
Current year	(35)	(11)
Effect of changes in tax rates	3	(3)
Total deferred tax	(32)	(14)
Total tax per income statement	16	22
Tax income included in equity		
Deferred tax current year charge/(credit)	(1)	-

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Income tax expense (continued)

Tax expense for the year differs (2015: differs) to the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%).

The Finance Act (No. 2) provided for reduction in the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020. Subsequently as part of the Finance Bill 2016, substantively enacted 6 September 2016, the rate is reduced to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted rates and are reflected in the financial statements.

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

	2016 £000	2015 £000
Profit before income tax on continued operations	23	371
Profit before income tax multiplied by standard rate of UK corporation tax of 20.00% (2015 – 20.25%)	5	75
Taxation impact of factors affecting tax charge:		
Adjustment in respect of prior periods	2	2
Expenses non deductible	6	42
Tax rate changes	3	-
Effects of group relief/other relief	-	(61)
Other tax adjustments	-	(2)
Cash based settlement of vested options	-	(34)
Tax charge for the year	16	22
Tax charged in the financial statements	16	22

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Property, plant and equipment

	Leasehold improvements	Furniture, fittings & equipment	Total
	£000	£000	£000
Cost			
At 1 January 2016	158	268	426
Additions	-	47	47
Disposals	(39)	(75)	(114)
At 31 December 2016	119	240	359
Accumulated depreciation			
At 1 January 2016	51	76	127
Charge for the year	27	71	98
Eliminated on disposal	13	(91)	(78)
At 31 December 2016	91	56	147
Carrying amount			
At 31 December 2016	28	184	212
At 31 December 2015	107	192	299

10 Trade and other receivables

	2016	2015 (restated)
	£000	£000
Prepayments and accrued income	91	186
Amounts owed by group undertakings	1,129	761
Trade receivables	712	717
Other receivables	106	106
	2,038	1,770

Amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

The amounts disclosed are after the restatement for the correction disclosed in note 17.

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Trade and other payables

	2016	2015 (restated)
	£000	£000
Trade payables	11	27
Amounts owed to group undertakings	674	-
Tax and social security	390	307
Accruals and deferred income	1,237	1,384
Other payables	23	55
	<u>2,335</u>	<u>1,773</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

The amounts disclosed are after the restatement for the correction disclosed in note 17.

12 Called up share capital

	2016	2015
	£000	£000
Authorised		
100 ordinary shares of £1 each (2015: 100)	-	-
Issued		
100 ordinary shares of £1 each (2015: 100)	-	-

The Company's ordinary shares, which carry no rights to fixed income, each carry the right to one vote at a general meeting.

13 Deferred Tax

	2016	2015
	£000	£000
Deferred tax (assets)/liabilities		
Provision at start of period	19	33
Deferred tax charge to income statement for period	(32)	(14)
Deferred tax charge in equity for the period	(1)	-
(Assets)/provision at end of period	<u>(14)</u>	<u>19</u>
Fixed assets	5	19
Temporary differences trading	(2)	-
Share options	(17)	-
	<u>(14)</u>	<u>19</u>

APPLIED PREDICTIVE TECHNOLOGIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund. At year-end there were £12,000 (2015: £10,000) outstanding contributions. Total contributions payable to the scheme in the year totalled £99,000 (2015: £59,000).

15 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 not to disclose transactions with the ultimate parent company or any wholly owned subsidiary undertakings in the group.

16 Commitments under operating leases

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £000	2015 £000
Not later than one year	94	176
Later than one year and not later than six years	-	94
	<u>94</u>	<u>270</u>

17 Restatement

The 2015 financial statements were prepared on the basis that the Company acted solely as a cost centre of its parent undertaking. In 2015, the Company derived revenue from contracts directly entered into with external customers in addition to providing solutions as a cost centre of its parent undertaking. The 2015 financial statements are restated to record the related assets and liabilities associated with the contracts directly entered into with external customers.

The restatement of 2015 has had an impact on the Statement of Financial Position as follows:

	Amounts before restatement £000	Restated amounts £000
Trade receivables	-	717
Amounts owed by group undertakings	321	761
Accruals and deferred income	226	1383

18 Controlling party

The immediate parent undertaking of the Company is Applied Predictive Technologies Inc., a company incorporated in the United States of America.

Mastercard Inc. is the parent of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Mastercard Inc. are available from its registered office at 2000 Purchase Street, Purchase, New York.

