

Summary

Trust accounts held by 3rd party acquirer are reported on assets side of Wirecard consolidated financial statement as cash and cash equivalents. These trust accounts in economic term are floating reserves to be held for anticipating chargeback fee, card fee and other scheme fee as part of the main business with 3rd party acquirer which is processing payment business.

Further for the argument whether the trust accounts is considered as restricted or not (IAS 1.66 and IAS 7.6), management shall evaluate from the objective and nature of the account and how it relate to business (IAS 7.11). Moreover, the evaluation further is required for 2 perspective liquidity and risk (IAS 7.6 & IAS 1.66). The trust accounts has high liquidity, considering the nature above which commercially due on day to day basis due to commercial arrangement of payment industry itself (short cash cycle between acquirer and issuer and scheme). In slightly detail to explain how liquidity of trust accounts, it is calculated based on certain % towards transaction volume happened daily. As result, the balance will keep volatile and it has daily cycle cash movement. Further in considering the risk approach Trust accounts risk is relied on the % held. The % cash held in this nature has similar economic term on cash spend to acquire inventory which closely related to revenue generation from business operation.

Thus, based on the fact above, Management believe that trust accounts held in 3rd party acquiring business is cash equivalent, part of operating cash flow and not restricted.

IAS Reference

Definition of cash equivalents are short term highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value IAS 7.6

Operating activities are the principal revenue producing activities of the entity and other activities that are not investing or financing activities IAS 7.6

An entity presents its cash flows from operating, investing and financing activities in a manner which is most appropriate to its business IAS 7.11

An entity may hold securities and loans for dealing or trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. Similarly, cash advances and loans made by financial institutions are usually classified as operating activities since they relate to the main revenue-producing activity of that entity. IAS 7.14

“... the asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.” IAS 1.66