WIRECARD SINGAPORE PTE. LTD.

Registration Number: 199906900E

FINANCIAL STATEMENTS

Year ended 31 December 2017

This document contains no signatures as it is system-generated from the full set of Financial Statements filed in XBRL by company with ACRA.

Company Registration No. 199906900E

Wirecard Singapore Pte. Ltd.

Annual Financial Statements
31 December 2017

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The directors are pleased to present their statement to the member together with the audited financial statements of Wirecard Singapore Pte. Ltd. (the Company) for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Jeffry Ho Kok Hoong
Ng Fook Sun

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No directors who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning, or at the end of the financial year.

Share options

(i) During the financial year, there were no options granted by the Company to any person to take up unissued shares of the Company; and

(ii) No shares issued by virtue of the exercise of options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditors

Ernst & Young LLP, has expressed its willingness to accept re-appointment as auditors.

Jeffry Ho Kok Hoong
Director

Ng Fook Sun
Director

Independent Auditor's Report to the member of Wirecard Singapore Pte. Ltd.

Report on the Audit of the Financial Statements

We have audited the financial statements of Wirecard Singapore Pte Ltd (the "Company"), which comprise the balance sheet of the Company as at 31 December 2017, statement of changes in equity of the Company, the statement of comprehensive income and cash flow statement of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Disclaimer of Opinion

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. ***On-going investigations and inquiries into affairs of the Company***

   As disclosed in Note 1 to the financial statements, the ultimate holding company Wirecard AG has appointed external professional firms to conduct an independent review on the allegations made by whistleblower which became public knowledge through public media in early 2019. The allegations mainly concerned fictitious transactions relating to the procurement and sale of software and also associated circular payments ("roundtripping"). In addition, the legitimacy of payments or the economic substance of contracts was questioned. Furthermore, the Commercial Affairs Department ("CAD") is conducting an investigation on the affairs of the Company. At of the date of this report, the CAD investigations are ongoing. The outcome of these investigations may uncover other information which might require adjustments and/or additional disclosures or other consequential effect in respect of current and prior year financial statements.

2. ***Availability of certain accounting records and explanations***

   Certain accounting records were not available to us during the course of audit as the documents have been retained by CAD. Additionally, we were unable to obtain adequate explanation for certain accounting records and transactions due to turnover in client personnel or insufficient time. As a result, we were unable to obtain sufficient appropriate audit evidence to complete our planned audit procedures in respect of various account balances.

In view of the matters set out in the preceding paragraphs, we are unable to determine the appropriateness, completeness and accuracy of the financial statements, nor are we able to quantify the extent of any adjustments that might be necessary in respect of the financial statements of the Company for the financial year ended 31 December 2017 and preceding years.

Independent Auditor's Report to the member of Wirecard Singapore Pte. Ltd.

Responsibilities of management and director for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with the Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on other legal and regulatory requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company, have been properly kept in accordance with the provisions of the Act.

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company, have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

Statement of Comprehensive Income
For the financial year ended 31 December 2017

	Note	2017 $	Restated 2016 $
Revenue	4	39,594,564	56,958,889
Cost of sales		(12,394,508)	(44,670,360)
Gross profit		27,200,056	12,288,529
Other items of income			
Interest income	5	57,073	51,828
Other income	6	223,409	249,570
Other items of expense			
Administrative expenses	7	(17,513,471)	(16,938,381)
Other expenses		(8,475,603)	(12,139,526)
Finance costs		(313,679)	(288,268)
Profit/(loss) before tax	8	1,177,785	(16,776,248)
Income tax	9	–	487,663
Profit/(loss) for the year, representing total comprehensive income for the year		1,177,785	(16,288,585)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheet
As at 31 December 2017

	Note	2017	Restated 2016
		$	$
Non-current assets			
Plant and equipment	10	1,071,791	284,278
Goodwill and intangible assets	11, 12	36,055,725	37,750,564
Investment in subsidiary companies	13	186,290	186,290
		37,313,806	38,221,132
Current assets			
Inventories	14	655,463	245,950
Trade and other receivables	15	29,263,734	36,662,952
Prepayments		484,598	565,453
Cash and bank balances	16	13,742,194	10,456,039
		44,145,989	47,930,394
Current liabilities			
Trade and other payables	19	19,219,742	15,960,422
Obligations under finance lease	18	531,126	739,512
Provision for income tax		–	426
Loans and borrowings	20	10,996,793	11,182,571
Deferred income	22	121,201	226,970
		30,868,862	28,109,901
Net current assets		13,277,127	19,820,493
Non-current liabilities			
Loans and borrowings	20	–	8,403,560
Obligations under finance lease	18	202,510	633,277
Deferred income	22	289,684	83,834
		492,194	9,120,671
Net assets		50,098,739	48,920,954
Equity attributable to owner of the Company			
Share capital	17	58,196,111	58,196,111

Merger Reserve	21	6,678,758	6,678,758
Accumulated losses		(14,776,130)	(15,953,915)
Total equity		50,098,739	48,920,954

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity
For the financial year ended 31 December 2017

	Share capital (Note 17) $	Merger reserve (Note 21) $	Accumulated losses $	Total equity $
Opening balance at 1 January 2017 (restated)	58,196,111	6,678,758	(15,953,915)	48,920,954
Total comprehensive income for the year	–	–	1,177,785	1,177,785
Closing balance at 31 December 2017	58,196,111	6,678,758	(14,776,130)	50,098,739

	Share capital (Note 17) $	Merger reserve (Note 21) $	Accumulated losses $	Total equity $
Opening balance at 1 January 2016	58,196,111	6,703,553	334,670	65,234,334
Amalgamation of related companies	–	(24,795)	–	(24,795)
Total comprehensive income for the year (restated)	–	–	(16,288,585)	(16,288,585)
Closing balance at 31 December 2016 (restated)	58,196,111	6,678,758	(15,953,915)	48,920,954

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Cash Flows
For the financial year ended 31 December 2017

	Note	2017	Restated 2016
		$	$
Cash flow from operating activities			
Profit/(loss) before tax		1,177,785	(16,776,248)
Adjustments for:			
Unrealised foreign exchange gain		886,655	(283,333)
Depreciation of plant and equipment	10	284,242	1,736,826
Amortisation of intangible assets	12	1,747,668	2,127,587
Interest income	5	(57,073)	(51,828)
Finance costs	8	313,679	288,268
Impairment loss on plant and equipment	8,10	–	2,882,638
Impairment loss on intangible asset	8,12	–	30,134
Allowance for doubtful debts	15	24,272	–
Bad debts written off	8	328,656	–
Inventories written off	8,14	–	248,976
Operating profit/(loss) before working capital changes		4,705,884	(9,796,980)
Changes in working capital			
(Increase)/decrease in inventories		(409,513)	400,912
Decrease/(increase) in trade and other receivables		6,220,593	(210,004)
Decrease in prepayments		80,855	251,119
Increase/(decrease) in settlement accounts		32,898	(1,983,241)
Increase in trade and other payables		1,634,894	552,888
Increase in deferred income		100,081	310,804
Cash flows generated from/(used in) operations		12,365,692	(10,474,502)
Interest received		57,073	51,828
Interest paid		(97,689)	(68,301)
Tax paid		(426)	–
Net cash flows generated from/(used in) operating activities		12,324,650	(10,490,975)
Cash flow from investing activities			
Acquisition of plant and equipment	10	(967,341)	(596,407)
Acquisition of software	12	(52,829)	(179,034)
Net cash inflow on amalgamation of related companies	21	–	687,747
Net cash flows used in investing activities		(1,020,170)	(87,694)
Cash flow from financing activities			
Payments of obligations under finance lease		(743,567)	(541,356)
Placement of deposit with licensed bank		–	(150,000)
Proceeds from intercompany loan		1,520,100	10,131,684
Repayment of intercompany loan		(10,411,835)	–
Net cash flows (used in)/generated from financing activities		(9,635,302)	9,440,328

Net increase/(decrease) in cash and cash equivalents		1,669,178	(1,138,341)
Cash and cash equivalents at beginning of year		3,696,105	4,834,446
Cash and cash equivalents at end of year	16	5,365,283	3,696,105

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Wirecard Singapore Pte. Ltd. (the “Company”) is a private limited liability company incorporated and domiciled in Singapore and is a wholly-owned subsidiary of Wirecard Sales International GmbH. The ultimate holding company is Wirecard AG, a company incorporated and domiciled in the Federal Republic of Germany and listed on the Deutsche Börse Frankfurt (Frankfurt Stock Exchange, FSE), Prime Standard.

The registered office and the principal place of business of the Company is located at 80 Pasir Panjang Road, #14-81 Mapletree Business City, Singapore 117372.

The principal activity of the Company is the provision of multi-channel payment processing services. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Ongoing investigation by Commercial Affair Department (“CAD”)

The ultimate holding company Wirecard AG has appointed external professional firms to conduct an independent review on the allegations made by a whistleblower which became public knowledge through public media in early 2019. The investigation by Rajah & Tann has been completed and the related final report has been submitted in consultation with the law firm, Wirecard AG published a “summary of update findings” on 26 March 2019. All in all the results of the investigations did not produce any findings having a material impact on the Company. Furthermore, the CAD is conducting an investigation in relation to the whistleblower’s allegations. As of the date of this report, the CAD investigations are ongoing. The outcome of these investigations may uncover other information which might require adjustments and/or additional disclosures or other consequential effect in respect of current and prior year financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “$”).

Consolidated financial statements have not been presented for the Company, as it is a wholly-owned subsidiary of Wirecard AG, a company incorporated in the Federal Republic of Germany, based in Einsteinring 35, 85609 Aschheim, Germany.

Wirecard AG prepares and publishes a set of consolidated financial statements which is available for public use.

2. Summary of significant accounting policies (cont’d)

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017 including the Amendments to FRS 7 *Disclosure Initiative* and early adopted FRS 115.

FRS 115 Revenue from Contracts with Customers

On 1 January 2017, the Company early adopted FRS 115 which is effective for annual periods beginning on or after 1 January 2018.

Revenue recognition from transaction-based business

FRS 115 has not resulted in any significant change in the timing of revenue recognition. If external acquiring partners are used for the processing of transactions, the Company will further analyse whether they should be regarded as the principal towards the merchant in accordance with the new requirements of FRS 115 or whether first and foremost a contract with the merchant exists in accordance with FRS 115.

Based on this analysis, a gross presentation of revenues will continue to occur from the date of early adoption on 1 January 2017. Exceptions may exist for some contracts where the Company is subject to significant opportunities and risks and was accordingly regarded as principal in the contract with respect to the merchant in the sense of IAS 18 although no contract with the merchant exists in accordance with FRS 115 (enforceable rights and obligations). Accordingly, the merchant's fees are recognised net of the expenses for the acquiring partner as revenues.

Revenue recognition from non-transaction-based business

The revenue recognised by the Company from non-transaction-based business relates to prepaid cards and terminal sales.

In the case of the Company's non-transaction-based business, there has been no change in the timing of revenue recognition for these business transactions.

Revenue recognition from software license agreement

For the revenue recognition from contracts with customers with whom software licence agreements are the only performance obligations, the new provisions of FRS 115 do not have any significant impact on the financial statements. Revenue continues to be recognised at a point in time when control of the asset is transferred to the customer. This is generally the case on delivery of the software or software licence. As a rule, the Company grants an unlimited right of use to the (licensed) software in its condition at the time the licence is granted. Consequently, there are no further performance obligations after delivery of the software. Therefore, the new standard has not generally affected the amount nor has it deferred the date on which the revenue is recognised.

The effects of applying FRS 115 on the financial statements as compared to that under the previous revenue standards are as follows:

	2017
	$
Increase/(decrease) in:	
Statement of Comprehensive Income	
Revenue	(41,082,622)
Cost of sales	41,082,622

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*

Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 Leases	1 January 2019
Improvements to FRSs (December 2016)	
Amendments to *FRS 28 Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Company plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Company is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective* (cont'd)

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on the balance sheet to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new lease standard is effective for annual periods beginning on or after 1 January 2019.

The Company is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 *Business combination and goodwill*

Business combination involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Business combination involving external parties

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. Summary of significant accounting policies (cont'd)

2.4 *Business combination and goodwill (cont'd)*

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually, and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 ***Foreign currency***

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of comprehensive income.

2.6 ***Plant and equipment***

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant, equipment and furniture and fixtures are measured at cost less accumulated depreciation and any impairment losses. The cost includes the cost of replacing part of the plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying plant and equipment. The accounting policy for borrowing costs is set out in Note 2.14. The cost of an item of plant and equipment is recognised as an asset if, and only if, 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.

2. Summary of significant accounting policies (cont'd)

2.6 *Plant and equipment (cont'd)*

When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the asset as follows:

Office equipment	-	3 to 5 years
Furniture and fittings	-	5 years
Computer and electronic equipment	-	2 to 5 years
Terminal assets	-	2 to 5 years
Renovation	-	5 years
Motor vehicle	-	10 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives 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 year-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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 *Intangible assets (cont'd)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition 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 profit or loss when the asset is derecognised.

(i) ***Intellectual property***

The intellectual property was acquired in business combinations. The useful lives of the brands are estimated to be indefinite because based on the current market share of the brands, management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Company.

(ii) ***Customer relationships***

Customer relationships were acquired separately and are amortised on a straight line basis over its finite useful life of 20 years.

(iii) ***Development and software***

Development activities involve a plan or design for the productions of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes cost of materials, direct labour, overhead costs that are directly attributable to preparing the assets for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Development costs have a finite useful life and are amortised over the period of expected usage from the related project on a straight line basis over its finite useful life of 5 years.

Capitalised development expenditure is transferred to software once the system process is completed.

Software is carried at cost less accumulated amortisation and any accumulated impairment losses. Software have a finite useful life and are amortised over the period of expected usage (ranging from 2 to 5 years) on a straight line basis.

2. Summary of significant accounting policies (cont'd)

2.8 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

2.9 *Subsidiaries*

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses.

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.10 *Financial instruments (cont'd)*

(a) Financial assets (cont'd)

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of financial assets*

The Company assesses at each end of the reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 *Cash and bank balances*

Cash and cash equivalents comprise cash at bank and deposits with financial institutions that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value.

2. Summary of significant accounting policies (cont'd)

2.13 *Settlement accounts*

Settlement assets are disclosed in cash and bank balances and settlement obligations are disclosed in trade and other payables.

Settlement assets consist primarily of the Company's receivables from the transactions processed on behalf of merchants or card issuing banks.

Settlement obligations consist primarily of the Company's obligations to the merchants for transactions made by cardholders who are customers in issuing banks for whom the Company processes transaction.

2.14 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first out cost formula and comprises all costs of purchase.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Due to the nature of the inventories of the Company, cost is lower than net realisable value and therefore, where necessary, inventories will be recorded at cost.

2.15 *Provision*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, the provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in provision due to the passage of time is recognised as finance cost.

2.16 *Employee benefits*

(a) ***Defined contribution plans***

The Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related service is performed.

(b) ***Employee leave entitlement***

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2. Summary of significant accounting policies (cont'd)

2.17 *Leases*

As lessee

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases in which the company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases, initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

2.18 *Revenue*

The Company early adopted FRS 115 Revenue from contracts with customers using the modified retrospective approach on 1 January 2017. For the year ended 31 December 2016, the Company still complied with the requirements of FRS 18.

<u>FRS 18 Revenue</u>
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) ***Service income***

Revenues arising from customisation and integration services are recognised as services which are rendered and accepted by the customers.

2. Summary of significant accounting policies (cont'd)

2.18 *Revenue (cont'd)*

(b) ***Service income (cont'd)***

Revenues from post-contract customer support are recognised proportionately on a time basis over contract period.

Revenues from payment processing services are recognised as services are rendered.

(c) ***Interest income***

Interest income is recognised using the effective interest method.

(d) ***Rental income***

Rental income arising from rental of credit card terminal is accrued on a time-apportioned basis.

<u>FRS 115 Revenue from contracts with customers</u>
In accordance with FRS 115, revenue is recognised at an amount that reflects the consideration for the performance obligation. To implement this principle, a five-step model is used to determine the amount and timing of revenue:

- Identification of the contract with the customer
- Identification of the distinct performance obligations
- Determination of the transaction price
- Allocation of the transaction price to performance obligations
- Revenue recognition with satisfaction of the performance obligations

Revenue recognition from transaction-based business

Most of the revenue recognised by the Company relates to transaction fees received from payment processing.

These transaction fees result from the satisfaction of the different performance obligations, in particular the technical processing of payment transactions.

Fees received from the merchant or customer are recognised as revenue once the transaction has been processed.

The Company has elected to apply the changes in accounting policies retrospectively with the cumulative effect of initially applying FRS 115 recognised as an adjustment to the opening balance of retained earnings as at 1 January 2017. Therefore, the comparative information has not been restated and continues to be reported under the previous revenue standards.

2. Summary of significant accounting policies (cont'd)

2.18 *Revenue (cont'd)*

Revenue recognition from non-transaction-based business

The revenue recognised by the Company from non-transaction-based business relates to prepaid cards and terminal sales.

In the case of the Company's non-transaction-based business, there has been no change in the timing of revenue recognition for these business transactions.

Revenue recognition from software license agreement

In the case of contracts with customers with whom software licence agreements (a right to use intellectual property) constitute a contract obligation, revenue is recognised at the time the licence is granted to the customer, if it is probable, that the Company will in exchange receive the consideration. Invoices are issued in accordance with the contractual terms and conditions. Payment terms usually provide for partial payment within 30 days of invoicing as well as further partial payments within the next 12 to 24 months. Approximately 3 percent of revenue is generated from the sale of software licences.

2.20 *Taxes*

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2. Summary of significant accounting policies (cont'd)

2.21 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management is of the opinion that there are no areas of judgements that are expected to have a significant effect on the amounts recognised in the financial statements.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of loans and receivables

The Company assess at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Company's trade and other receivables are disclosed at Note 15 to the financial statements.

Impairment of non-financial assets

The recoverable amounts of the non-financial assets or cash generating unit for which goodwill or intangible assets have been allocated to be determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 10, 11 and 12 to the financial statements.

The carrying amount of plant and equipment and goodwill and intangible assets as at 31 December 2017 is $1,071,791 (2016: $284,278) and $36,055,725 (2016: $37,750,564) respectively.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with future tax planning strategies.

The carrying value of unrecognised tax losses at 31 December 2017 was $14,578,375, (2016: $14,578,375). If the Company was able to recognize all unrecognised deferred tax assets, the deferred tax assets will increase by $2,478,324.

4. Revenue

	2016
	$
Service income	52,071,703
Rental income	1,648,416
Sale of goods	3,238,770
	56,958,889

	2017
	$
Major product or service lines	
Payment Processing & Risk Management (PP&RM)	39,594,564
	39,594,564
Timing of transfer of goods or services	
At a point in time	37,675,367
Over time	1,919,197
	39,594,564

In the "Payment Processing & Risk Management" segment, the Company generates revenues from services in the area of payment processing, particularly from services rendered via its own multi-channel platform but also via the platforms of its partners.

Furthermore, revenues are generated in the "Payment Processing & Risk Management" segment by licensing software directly associated with the sale of these products. This also includes the sale of the prepaid cards and terminals.

5. Interest income

	2017	2016
	$	$
Interest income from fixed deposits	57,073	51,828

6. Other income

	2017	2016
	$	$
Wage Credit Scheme	63,021	105,508
Temporary Employment Credit	35,157	67,714
Productivity and Innovation Scheme	–	60,000
Special Employment Credit	3,301	6,578
Others	121,930	9,770
	223,409	249,570

7. Administrative expenses

	2017	2016
	$	$
Staff salaries and wages	12,740,078	11,220,642
Staff defined contribution plan	1,345,771	1,073,031
Directors' salaries and wages	521,753	226,608
Directors' defined contribution plan	36,348	19,955
Depreciation and amortisation expenses	2,031,910	3,864,413
Other short-term benefit	437,903	289,934
Others	399,708	243,798
	17,513,471	16,938,381

8. Profit/(loss) before tax

The following items were included in arriving at profit/(loss) before tax:

	2017	2016
	$	$
Entertainment expenses	96,659	71,353
Foreign exchange differences, net	1,055,449	260,616
Legal and professional fees	512,221	584,372
Marketing expenses	123,523	29,118
Rental expenses	1,017,234	1,236,990
Subscription expenses	24,263	123,555
Telecommunication expenses	198,330	205,446
Travelling and transportation expenses	573,915	656,728
Upkeep of office equipment and premises	147,423	367,972
Impairment loss on plant and equipment	–	2,882,638

Impairment loss on intangible asset	–	30,134
Consultation fees	1,582,702	2,013,365
Bad debts written off	328,656	–
Inventories written off	–	248,976
Finance costs	313,679	288,268

9. Income tax expense

Relationship between tax benefit and accounting profit/(loss)

The reconciliation between tax benefit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017 $	Restated 2016 $
Profit/(loss) before tax	1,177,785	(16,776,248)
Tax at domestic rate of 17% (2016: 17%)	200,223	(2,851,962)
Expenses not deductible for tax purposes	542,336	707,295
Income not subject to taxation	(9,702)	(8,811)
Tax incentives	(719,577)	–
Deferred tax asset previously not recognised	(13,280)	–
Reversal of tax provision	–	(233,643)
Reversal of deferred tax liabilities	–	(254,020)
Deferred tax assets not recognised	–	2,153,478
Income tax expense recognised in profit or loss	–	(487,663)

Unrecognised capital allowances and tax losses

At the end of the reporting period, the Company has unrecognised tax losses and unrecognised capital allowances of approximately $14,578,375 (2016: $14,578,375) and $229,762 (2016: $78,117) respectively that are available for offset against future taxable profits, for which no deferred tax assets is recognised due to uncertainty of its recoverability.

10. Plant and equipment

	Office equipment $	Computer and electronic equipment $	Terminal assets $	Furniture and fittings $	Renovation $	Motor vehicle $	Total $
Cost:							
At 1 January 2016	437,908	5,213,102	5,682,506	16,470	404,843	288,300	12,043,129
Additions due to amalgamation (Note 21)	31,941	653,515	1,526,084	17,639	236,854	–	2,466,033
Additions	2,870	782,327	35,982	2,515	183,055	–	1,006,749
Write-off	–	–	(2,264,023)	–	(290)	–	(2,264,313)
At 31 December 2016 and 1 January 2017	472,719	6,648,944	4,980,549	36,624	824,462	288,300	13,251,598
Additions	16,828	244,720	810,207	–	–	–	1,071,755
Write-off	(31,939)	–	–	(20,154)	(150,163)	–	(202,256)
At 31 December 2017	457,608	6,893,664	5,790,756	16,470	674,299	288,300	14,121,097
Accumulated depreciation and impairment loss:							
At 1 January 2016	226,555	3,614,762	4,455,444	14,748	108,120	–	8,419,629
Additions due to amalgamation (Note 21)	31,939	528,243	1,379,386	16,118	236,854	–	2,192,540
Charge for the year	92,953	863,091	642,116	2,259	93,162	43,245	1,736,826
Write-off	–	–	(2,264,023)	–	(290)	–	(2,264,313)
Impairment loss	121,272	1,358,570	767,626	3,499	386,616	245,055	2,882,638
At 31 December 2016 and 1 January 2017	472,719	6,364,666	4,980,549	36,624	824,462	288,300	12,967,320
Charge for the year	3,260	177,583	103,399	–	–	–	284,242
Write-off	(31,939)	–	–	(20,154)	(150,163)	–	(202,256)
At 31 December 2017	444,040	6,542,249	5,083,948	16,470	674,299	288,300	13,049,306
Net carrying amount:							
At 31 December 2016	–	284,278	–	–	–	–	284,278

At 31 December 2017	13,568	351,415	706,808	–	–	–	1,071,791

10. Plant and equipment (cont'd)

The net carrying amount of plant and equipment of the Company in respect to computer and electronic equipment held under finance lease at the end of the reporting period amounted to $228,196 (2016: $284,278).

Additions to plant and equipment of the Company during the year are:

	2017	2016
	$	$
Cash	967,341	596,407
Finance lease	104,414	410,342
	1,071,755	1,006,749

Impairment assessment

With regards to the assessment of value in use, management has determined the key assumptions used in the calculation as well as the sensitivity to the changes of the assumptions in Note 11.

11. Goodwill

	2017	2016
	$	$
Goodwill	19,237,964	19,237,964

Goodwill arises from a business combination transaction completed in 2015. This goodwill is allocated to one single CGU, which is the Company as a whole, as the acquired business has been fully integrated into the existing business.

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	2017	2016
Growth rate	11.4%	13%
Pre-tax discount rate	13.8%	10.8%

Key assumptions used in value in use calculations

Pre-tax discount rate- The discount rate reflect specific risks of the underlying asset which have not been incorporated in the cash flow estimates

Sales growth- Sales growth is based on past performance and expectations of market development. Included in management's assumption is a service agreement entered into between the Company and a related party on the issuing processing business. The agreement allows for a fixed fee to be charged per quarter, subject to a review on an annual basis. Management has assumed that this agreement will not be terminated.

Attrition rate- Attrition rate refers to the proportion of contractual customers who leave a supplier during a given timeframe due to dissatisfaction, based on past performance and expectations of market development

Decline in expenses- Rate of decline is based on past performance and expectations of market development

Sensitivity to changes in assumption

With regards to the assessment of value in use, the management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value to materiality exceed its recoverable amount.

12. Intangible assets

	Intellectual property $	Customer-relationships $	Development in progress $	Development in use $	Software $	Total $
Cost:						
At 1 January 2016	375,000	23,464,339	191,459	66,834	3,626,368	27,724,000
Additions due to amalgamation (Note 21)	–	–	–	–	4,183,418	4,183,418
Additions	–	–	–	–	179,034	179,034
Reclassification	–	–	(191,459)	–	191,459	–
At 31 December 2016 and 1 January 2017	375,000	23,464,339	–	66,834	8,180,279	32,086,452
Additions	–	–	–	–	52,829	52,829
At 31 December 2017	375,000	23,464,339	–	66,834	8,233,108	32,139,281
Accumulated depreciation and impairment loss:						
At 1 January 2016	375,000	3,971,870	–	40,101	3,023,937	7,410,908
Additions due to amalgamation (Note 21)	–	–	–	–	4,005,223	4,005,223
Charge for the year	–	1,455,095	–	13,367	659,125	2,127,587
Impairment loss	–	–	–	–	30,134	30,134
At 31 December 2016 and 1 January 2017	375,000	5,426,965	–	53,468	7,718,419	13,573,852
Charge for the year	–	1,455,093	–	13,366	279,209	1,747,668
At 31 December 2017	375,000	6,882,058	–	66,834	7,997,628	15,321,520
Net carrying amount:						
At 31 December 2016	–	18,037,374	–	13,366	461,860	18,512,600
At 31 December 2017	–	16,582,281	–	–	235,480	16,817,761

Customer relationship have an average remaining amortisation period of eleven years (2016: twelve years).

Impairment assessment

With regards to the assessment of value in use, management has determined the key assumptions used in the calculation as well as the sensitivity to the changes of the assumptions in Note 11.

13. Investment in subsidiary companies

	2017 $	2016 $
Shares, at cost	186,290	394,193
Impairment losses	–	(207,903)
	186,290	186,290

Details of the subsidiaries are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2017 $	Cost 2016 $	Equity held by Company 2017 %	Equity held by Company 2016 %
Wirecard (Vietnam) Company Limited (Vietnam)	Provides software solution and sales of computer related products (Vietnam)	186,290	186,290	100	100
Trans Infotech (Laos) Ltd (*) (Laos)	Provides software solution and sales of computer related products (Laos)	–	–	100	100
Systems@Work (M) Sdn Bhd (#) (Malaysia)	Provision of multi-channel payment processing services (Malaysia)	–	207,903	–	100

(#) Struck-off on 20 October 2017 in the country of incorporation
(*) Struck-off on 9 May 2018 in the country of incorporation

14. Inventories

	2017 $	2016 $
Cards	568,350	82,020
Electronic data capture terminals	87,113	163,930
	655,463	245,950

The cost of inventories (cost of cards and terminals) recognised as expenses and included in "Cost of sales" amounts to $3,858,229 (2016: $1,644,486). Included in "Cost of sales" is inventories written-off of $Nil (2016: $248,976).

15. Trade and other receivables

	2017 $	2016 $
Trade receivables:		
Third party	15,005,345	7,501,726
Less: Allowance for impairment	(39,014)	(74,684)
	14,966,331	7,427,042
Subsidiary	9,527	–
Related companies	10,009,278	19,189,652
	24,985,136	26,616,694
Other receivables:		
Deposits	781,317	609,684
Other debtors	301,272	277,158
Accrued revenue	3,196,009	9,159,416
	4,278,598	10,046,258
Total trade and other receivables	29,263,734	36,662,952
Add: Cash and cash equivalents (Note 16)	5,365,283	3,696,105
Total loans and receivables	34,629,017	40,359,057

Receivables that are past due but not impaired

The Company has trade receivables amounting to $12,391,831 (2016: $5,375,770), respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of the aging at the end of the reporting period is as follows:

	2017 $	2016 $
Trade receivables past due:		
Less than 30 days	5,928,393	1,090,485
31 to 60 days	1,018,121	407,728
61 and above	5,445,317	3,877,557
	12,391,831	5,375,770

15. Trade and other receivables (cont'd)

Receivables that are impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2017 $	2016 $
Trade receivables – nominal amounts	39,014	74,684
Less: Allowance for impairment	(39,014)	(74,684)
	–	–
Movement in allowance accounts:		
At 1 January	74,684	747,828
Written off	(59,942)	(673,144)
Additional provision	24,272	–
At 31 December	39,014	74,684

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The outstanding third party receivables, accrued revenue, and amounts due from subsidiary and related companies have been guaranteed in a form of a deed of guarantee by the ultimate holding company, Wirecard AG.

The Company has provided an allowance for impairment for trade amount due from a subsidiary and its related companies in 2017 and 2016.

Trade and other receivables are denominated in the following foreign currencies:

	2017 $	2016 $
United States Dollar	12,228,882	6,305,490
Australian Dollar	2,408,384	1,166,459
Euro	1,966,033	8,151,707
Others	60,262	89,312

16. Cash and bank balances

	2017 $	2016 $
Operating accounts	4,621,182	3,004,417
Settlement accounts	5,326,911	3,709,934
Fixed deposits	3,794,101	3,741,688
Total cash and bank balances	13,742,194	10,456,039
Less: Fixed deposits with original maturity of more than 3 months when acquired	(3,050,000)	(3,050,000)
Less: Settlement accounts	(5,326,911)	(3,709,934)
Cash and cash equivalents	5,365,283	3,696,105

Settlement accounts are operated exclusively for the settlement of payment and top-up transaction amounts with merchants and card issuers respectively. There is a clear separation of the settlement accounts from the operating accounts and consequently, there is no commingling of funds from both groups of accounts.

Fixed deposits bear interest rates ranging from approximately 0.07% to 1.92% (2016: 0.10% to 0.74%) per annum.

Fixed deposits comprise security deposits over the settlement accounts and collaterals for the Company's bank guarantee facilities.

Cash and bank balances are denominated in the following foreign currencies:

	2017 $	2016 $
United States Dollar	2,565,513	524,842
Euro	153,968	991,615
Hong Kong Dollar	133,640	79,707
Australian Dollar	173,722	195,152
Japanese Yen	9,420	9,769
New Zealand Dollar	1,408	205,332
Sterling Pound	1,984	1,971

17. Share capital

	Company			
	2017		2016	
	No. of Shares	$	No. of shares	$
Balance at beginning and end of financial year	182,909,943	58,196,111	182,909,943	58,196,111

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

18. Obligations under finance lease

As at 31 December 2016, the Company had obligations under finance lease that are repayable as follows:

	Minimum lease payments $	Present value of payment $
2017		
Within 1 year	546,663	531,126
After 1 year but within 5 years	209,489	202,510
Total minimum lease payments	756,152	733,636
Less: Amounts representing finance charges	(22,516)	–
Present value of minimum lease payments	733,636	733,636
2016		
Within 1 year	781,933	739,512
After 1 year but within 5 years	652,042	633,277
Total minimum lease payments	1,433,975	1,372,789
Less: Amounts representing finance charges	(61,186)	–
Present value of minimum lease payments	1,372,789	1,372,789

Finance obligations at the balance sheet date have a maturity of within 1 to 3 years from the end of the financial year with effective interest rate of 0%-5.312% (2016: of 0%-5.312%) per annum.

19. Trade and other payables

	2017 $	Restated 2016 $
Trade payables	5,560,803	5,598,005
Other payables:		
Accruals	2,241,037	1,688,262
Other payables	2,006,388	1,496,601
Advance billing to customers	534,806	1,084,886
Deposits from customers	1,412,290	1,392,684
Amount due to ultimate holding company	–	62,145
Amount due to related companies	7,464,418	4,637,839
	13,658,939	10,362,417
Total trade and other payables	19,219,742	15,960,422
Add: Obligation under finance lease (Note 18)	733,636	1,372,789
Less: Advance billing to customers	(534,806)	(1,084,886)
Less: Deposits from customers	(1,412,290)	(1,392,684)
Less: GST payables	(148,078)	(23,160)
Total financial liabilities carried at amortised cost	17,858,204	14,832,481
Non-trade related	–	62,145
Amount due to ultimate holding company	–	62,145
Trade related	1,477,767	1,627,732
Non-trade related	5,986,651	3,010,107
Amount due to related companies	7,464,418	4,637,839

The amounts due to ultimate holding company and related companies are unsecured, interest free and repayable on demand. These amounts are to be settled in cash.

Trade and other payables are denominated in the following foreign currencies:

	2017 $	2016 $
United States Dollar	5,244,349	1,266,791
Euro	594,039	80,807
Australian Dollar	35,235	40,028
Malaysian Ringgit	29,255	80,463

20. Loans and borrowings

	2017	Restated 2016
	$	$
Current liabilities:		
Interest free loan	73,486	–
2.0% p.a. fixed rate term loan	10,923,307	11,182,571
Non-current liabilities:		
Interest free loan	–	79,486
2.0% p.a. fixed rate term loan	–	8,324,074

2% p.a. fixed rate term loan

This loan due to Wirecard Sales International GmbH is denominated in USD and EUR and is repayable on 31 March 2018. Subsequent to year end, the loan repayment term was extended as described in Note 29.

Interest free loan

This loan due to Wirecard Sales International GmbH is denominated in USD and is repayable on demand.

A reconciliation of liabilities arising from financing activities is as follows:

	2016	Cash flows	Acquisition of plant and equipment	Unrealised foreign exchange	2017
	$	$	$ (Note 10)	$	$
Loans and borrowings	19,586,131	(8,891,735)	–	302,397	10,996,793
Finance lease obligation	1,372,789	(743,567)	104,414	–	733,636

21. Merger reserve

In the prior year, Trans Infotech Pte. Ltd. and Card Techno Pte. Ltd. (collectively known as the "amalgamated entities") were amalgamated respectively with Wirecard Singapore Pte. Ltd. The amalgamation was accounted for using the pooling of interest method with Wirecard Singapore Pte. Ltd. being the surviving entity. The amalgamated entities are under common control by Wirecard AG.

The carrying amounts of the identifiable assets and liabilities of the amalgamated entities as at the amalgamation date are shown below.

	Carrying amounts $
Cost of plant and equipment	2,466,033
Less: Accumulated depreciation	(2,192,540)
Plant and equipment (Note 10)	273,493
Intangible assets	178,195
Investment in a subsidiary	186,290
Inventories	454,142
Trade and other receivables	10,398,613
Prepayment	17,044
Cash and cash equivalents	687,747
	12,195,524
Trade and other payables	(11,707,994)
Provision for income tax	(222,907)
Deferred income	(237,242)
Deferred tax liabilities	(52,176)
	(12,220,319)
Merger reserve arising from amalgamation	(24,795)
Purchase consideration	–

As the transaction is between related companies of the Company, i.e. under common control, the difference between the purchase consideration and the carrying amounts of the net assets is taken to an equity account as merger reserve.

21. Merger reserve (cont'd)

	2017 $	2016 $
Movement in merger reserve:		
At 1 January	6,678,758	6,703,553
Amalgamation of related companies under common control	–	(24,795)
At 31 December	6,678,758	6,678,758

22. Deferred income

	2017 $	2016 $
Current	121,201	226,970
Non-current	289,682	83,834
	410,883	310,804

Deferred income comprised unearned rental income on unexpired period of lease contracts.

23. Related party transactions

(a) ***Sale and purchase of goods and services***

Significant related party transactions entered into by the Company and the related parties took place at terms agreed between the parties concerned during the financial year:

	2017 $	2016 $
Sales to related companies	3,375,319	1,211,649
Management and consulting fee received from related company	6,360,008	3,904,400
Interest charged from immediate holding company	(262,404)	(217,786)
Purchase from subsidiary/related company	(796,077)	(42,951)
Lease expenses charged to related company	21,623	(768,578)
Office shared service fee charged by related company	(528,985)	(2,058,945)
Staff costs recharged to related company	1,182,520	–
Service fee charged by holding/related company	(2,567,497)	(1,439,496)
Royalties fees paid		
– Related company	–	(18,861)
– Ultimate holding company	–	(55,349)

23. Related party transactions (cont'd)

(b) ***Compensation of key management personnel***

	2017 $	2016 $
Short-term employee benefits	559,732	226,608
Central Provident Fund contribution	17,340	12,240
	577,072	238,848

The amount comprise of payment made only to Directors of the Company.

24. Operating lease commitments

At the end of the financial year, commitments in respect of non-cancellable operating leases for office premises are as follows:

	2017 $	2016 $
Within one year	96,077	1,640,759
After one year but within five years	22,000	1,124,415
	118,077	2,765,174

25. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The board of directors reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets which include cash and cash equivalents, the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

25. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

Exposure to credit risk

The carrying amount of intercompany balances, trade and other receivables and cash and cash equivalents represents the Company's maximum exposure to credit risk. No other financial asset carries a significant exposure to credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Company. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with a reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade and other receivables).

(b) ***Liquidity risk***

In the management of liquidity risk, the Company monitors and maintains a level of cash deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayments obligations.

	One year or less	**One to five years**	**Total**
	$	$	$
2017			
Financial liabilities			
Trade and other payables*	(17,124,568)	–	(17,124,568)
Obligations under finance lease	(546,663)	(209,489)	(756,152)
Loans and borrowings	(11,492,641)	–	(11,492,641)
Total undiscounted financial liabilities	(29,163,872)	(209,489)	(29,373,361)
2016 Restated			
Financial liabilities			
Trade and other payables*	(13,459,692)	–	(13,459,692)
Obligations under finance lease	(781,933)	(652,042)	(1,433,975)
Loans and borrowings	(11,792,627)	(8,570,041)	(20,362,668)
Total undiscounted financial liabilities	(26,034,252)	(9,222,083)	(35,256,335)

*Excluding advance billing to customers, deposits from customers and GST payables

25. Financial risk management objectives and policies (cont'd)

(c) *Foreign currency risk*

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Company entities, primarily SGD and Malaysian Ringgit (Ringgit). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD), Australian dollar (AUD) and Euro. The Company's trade receivable balances at the end of the reporting period have similar exposures.

The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit/(loss) before tax to a reasonably possible change in the AUD, EUR and USD exchange rate against the SGD, with all other variables held constant.

		2017 (Loss)/Profit before tax	2016 Profit/(loss) before tax
AUD/SGD	- strengthened 0.05% (2016: 3%)	1,273	39,647
	- weakened 0.05% (2016: 3%)	(1,273)	(39,647)
EUR/SGD	- strengthened 5% (2016: 3%)	76,298	271,875
	- weakened 5% (2016: 3%)	(76,298)	(271,875)
USD/SGD	- strengthened 7.5% (2016: 3%)	716,253	166,906
	- weakened 7.5% (2016: 3%)	(716,253)	(166,906)

(d) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from its loans and borrowings.

The Company's policy is to manage interest cost using fixed rate debts.

26. Fair values of financial assets and financial liabilities

(a) ***Fair Value Hierarchy***

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2: Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurement that use inputs of different hierarchy levels are categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) ***Assets and liabilities not measured at fair value, for which fair value is disclosed***

Determination of fair value

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of trade and other receivables, cash and bank balances and trade and other creditors, based on their notional amounts, are reasonable approximation of fair values either due to their short-term nature or they are floating rate instruments that are re-priced to market rates on or near the end of the reporting period.

Financial instrument by classes that is not carried at fair value, for which fair value is disclosed

The fair value of financial liability by classes that is not carried at fair value, for which fair value is disclosed as follows:

	2017		**2016**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities:				
Loan and borrowings	10,996,793	10,902,597	19,586,130	18,581,776
Finance lease liabilities	733,636	600,082	1,372,789	1,021,211

The fair value of fixed rate bank loan is determined using market observable inputs such as prevailing term loan interest rates (Level 2 of the fair value hierarchy).

27. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

28. Prior year adjustment

The prior financial figures have been restated consequent to adoption of adjustments previously not considered in error. In addition, certain reclassification have been made to enhance comparability with current year financial statements.

Comparatives have been restated to reflect prior year adjustments, as summarized below:

The following line items have been restated for financial year ended 31 December 2016 as follows:

	As previously reported 2016	Restatement 2016	As restated 2016	Note
Statement of comprehensive income:				
Other expenses	11,613,950	525,576	12,139,526	(b)
Income tax	–	487,663	487,663	(a)
Balance sheet:				
Trade and other payables	17,594,849	(1,634,427)	15,960,422	(b),(c)
Loans and borrowings (current)	9,022,568	2,160,003	11,182,571	(c)
Provision for income tax	234,069	(233,643)	426	(a)
Deferred tax liabilities	254,020	(254,020)	–	(a)

(a) Adjustment was taken up to reverse tax provisions and deferred tax liabilities no longer required.

(b) Adjustment was to take up intercompany expenses previously not recognised.

(c) Adjustment was taken up to reclassify interest on intercompany loan previously recognised under loans and borrowings.

29. Subsequent Events

As at 31 December 2017, the loan due to Wirecard Sales International GmbH remains unpaid.

On 27 August 2019, Wirecard Sales International GmbH extended the loan facility to a maximum amount of EUR 30 million with a repayment date of 31 December 2019 with no change to the initial terms of the loan.

30. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on ________________.