WIRECARD ASIA HOLDING PTE. LTD.

Registration Number: 201429281D

FINANCIAL STATEMENTS

Year ended 31 December 2018

WIRECARD ASIA HOLDING PTE. LTD.
(Registration No: 201429281D)

Statement by Director and Financial Statements

Year Ended 31 December 2018

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Statement by Directors and Financial Statements

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Statement by Directors

The directors of the company are pleased to present the financial statements of the company for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company for the reporting year covered by the financial statements; and

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

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

Ng Fook Sun
Marsalek Jan
Haeuser Axtner Brigitte

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "Act").

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the company was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

On behalf of the directors

………………………………………………..	………………………………………………..
Ng Fook Sun	Haeuser Axtner Brigitte
Director	Director

…………… 2019

Independent Auditor's Report to the Member of
WIRECARD ASIA HOLDING PTE. LTD.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Wirecard Asia Holding Pte. Ltd., which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the reporting year then ended, and notes to the financial statements, including the significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Singapore Financial Reporting Standards (SFRS) so as to give a true and fair view of the financial position of the company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As disclosed in Note 24 to the financial statements, the ultimate parent company, Wirecard AG appointed external professional firm to conduct an independent review on the allegations made by a whistleblower, which became public knowledge through public media in early 2019. An investigation by a law firm, Rajah & Tann Singapore LLP has been completed. Wirecard AG published a "summary of update findings" on 26 March 2019. Overall, the results of the investigation did not produce any findings having a material impact on the Company. The Commercial Affairs Department of the Singapore Police Force ("CAD") is conducting its investigation in relation to the whistleblower's allegations. As of the date of this report, the CAD investigation is ongoing. The outcome of this investigation may uncover other information that might require adjustments and/or additional disclosures or other consequential effect in respect of the Company's current and prior year financial statements. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Member of
WIRECARD ASIA HOLDING PTE. LTD.

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Other information

Management is responsible for the other information. The other information comprises the statement by directors but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 the financial reporting standards, 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 company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, 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.

The engagement partner on the audit resulting in this independent auditor's report is Goh Swee Hong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

WIRECARD ASIA HOLDING PTE. LTD.

Statement of Profit or Loss and Other Comprehensive Income
Year Ended 31 December 2018

	Notes	2018 $	2017 $
Revenue	4	208,080,341	127,168,612
Other income	5	3,372,042	242,551
Interest income	6	2,801,713	817,313
Other gains	7	–	1,870,395
Employee benefits expense	8	(18,150,454)	(7,385,874)
Depreciation and amortisation expense		(3,967,387)	(1,823,257)
Finance cost	9	(7,719,703)	(3,903,897)
Other losses	7	(1,186,375)	(4,008,300)
Interchange, network and transition services fee		(196,480,983)	(114,567,981)
Other operating expenses		(24,545,826)	(12,595,691)
Loss before tax from continuing operations		(37,796,632)	(14,186,129)
Income tax income / (expense)	10	492,366	(338,705)
Loss from continuing operations, net of tax and total comprehensive loss		(37,304,266)	(14,524,834)

The accompanying notes form an integral part of these financial statements.

WIRECARD ASIA HOLDING PTE. LTD.

Statement of Financial Position
As at 31 December 2018

	Notes	2018	2017
		$	$
ASSETS			
Non-current assets			
Plant and equipment	11	4,175,907	3,078,392
Intangible assets	12	144,217,017	142,477,863
Other non-financial assets, non-current	14	21,622,643	29,918,671
Total non-current assets		170,015,567	175,474,926
Current assets			
Trade and other receivables	13	197,342,267	27,111,178
Other non-financial assets, current	14	9,992,655	4,276,958
Prepayments		72,103	24,620
Cash and cash equivalents	15	8,745,171	2,361,319
Total current assets		216,152,196	33,774,075
Total assets		386,167,763	209,249,001
EQUITY AND LIABILITIES			
Equity			
Share capital	16	128,167,252	69,989,790
Accumulated losses		(61,824,102)	(21,445,799)
Total equity		66,343,150	48,543,991
Non-current liabilities			
Deferred tax liabilities	10	3,771,542	4,921,730
Other liabilities, non-current	18	37,019,359	60,442,558
Total non-current liabilities		40,790,901	65,364,288
Current liabilities			
Trade and other payables	17	252,103,510	69,763,267
Other liabilities, current	18	26,930,202	25,577,455
Total current liabilities		279,033,712	95,340,722
Total liabilities		319,824,613	160,705,010
Total equity and liabilities		386,167,763	209,249,001

The accompanying notes form an integral part of these financial statements.

WIRECARD ASIA HOLDING PTE. LTD.

Statement of Changes in Equity
Year Ended 31 December 2018

	Total Equity $	Share Capital $	Accumulated losses $
Current year:			
Opening balance at 1 January 2018	48,543,991	69,989,790	(21,445,799)
Adjustment to beginning balance (Note 22)	(3,074,037)	–	(3,074,037)
Restated opening balance at 1 January 2018	45,469,954	69,989,790	(24,519,836)
Changes in equity:			
Total comprehensive loss for the year	(37,304,266)	–	(37,304,266)
Issue of share capital (Note 16)	58,177,462	58,177,462	–
Closing balance at 31 December 2018	66,343,150	128,167,252	(61,824,102)
Previous year:			
Opening balance at 1 January 2017	(2,143,545)	4,777,420	(6,920,965)
Changes in equity:			
Total comprehensive loss for the year	(14,524,834)	–	(14,524,834)
Issue of share capital (Note 16)	65,212,370	65,212,370	–
Closing balance at 31 December 2017	48,543,991	69,989,790	(21,445,799)

The accompanying notes form an integral part of these financial statements.

WIRECARD ASIA HOLDING PTE. LTD.

Statement of Cash Flows
Year Ended 31 December 2018

	2018 $	2017 $
Cash flows from operating activities		
Loss before tax	(37,796,632)	(14,186,129)
Adjustments for:		
Depreciation of plant and equipment and amortisation of intangible asset	3,967,387	1,823,257
Allowance for expected credit loss	7,788,527	–
Amortisation charged to revenue	(6,203,483)	(3,125,230)
Amortisation charged to interchange, network and transition services fee	(1,063,997)	(762,817)
Reversal of rebranding cost	(360,750)	(120,250)
Overprovision of earn out payments	(2,999,648)	–
Foreign exchange loss from translation of provision for earn outs	759,042	–
Fair value of contingent consideration arising from acquisition of business operation	–	4,008,300
Interest income	(2,801,713)	(817,313)
Interest expense	7,719,703	3,903,897
Operating cash flows before changes in working capital	(30,991,564)	(9,276,285)
Trade and other receivables	(1,763,856)	(16,777,270)
Prepayments	(47,483)	(19,809)
Trade and other payables	21,494,969	7,917,686
Net cash flows used in operations	(11,307,934)	(18,155,678)
Income tax paid	–	(28,200)
Net cash flows used in operating activities	(11,307,934)	(18,183,878)
Cash flows from investing activities		
Earn out payments	(14,380,949)	–
Purchase of plant and equipment	(2,661,110)	(1,924,544)
Purchase of intangible assets	(4,142,946)	(823,555)
Net cash outflow from acquisition of business operation	–	(98,573,989)
Loan to outside party	(180,228,495)	–
Interest received	934,098	1,656
Net cash flows used in investing activities	(200,479,402)	(101,320,432)

WIRECARD ASIA HOLDING PTE. LTD.

Statement of Cash Flows (Cont'd)
Year Ended 31 December 2018

	2018 $	2017 $
Cash flows from financing activities		
Issues of shares	58,177,462	65,212,370
Amount due to immediate and ultimate parent company	157,963,838	55,509,880
Net movement in amount due from related companies	3,122,312	1,039,140
Interest paid	(1,092,424)	–
Net cash flows from financing activities	218,171,188	121,761,390
Net increase in cash and cash equivalents	6,383,852	2,257,080
Cash and cash equivalents, cash flow statement, beginning balance	2,361,319	104,239
Cash and cash equivalents, cash flow statement, ending balance (Note 15)	8,745,171	2,361,319

The accompanying notes form an integral part of these financial statements.

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are the managing and supplying data processing and information system; and provision of consulting, marketing and business support services to its related companies.

The registered office is: 80 Pasir Panjang Road #14-81 Mapletree Business City Singapore 117372.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRSs") and the related interpretations to SFRS ("INT SFRS") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50.

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

WIRECARD ASIA HOLDING PTE. LTD.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Services – Revenue from payment processing and risk management services to third parties and provision of consulting, marketing and business support to related companies are recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Other income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest income is recognised using the effective interest method.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

WIRECARD ASIA HOLDING PTE. LTD.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Plant and equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment – 3 to 10 years

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Plant and equipment (cont'd)

The gain or loss arising from the derecognition of an item of plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Customer Relationship	–	20 years
Software and platform development cost	–	5 years

Development costs are typically internally generated intangible assets. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) therefore it is the intention of management to complete the intangible asset and use or sell it.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

WIRECARD ASIA HOLDING PTE. LTD.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. The recoverable amount of a business segment to which goodwill was assigned – because it is the business segments that represent the cash-generating units at the level at which the goodwill is monitored – is determined on the basis of estimates by management.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.

4. Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Allowance for trade and other receivables:
The trade and other receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade and other receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

Loan to outside party:
Included in the other receivables from outside parties is a loan of EUR115,584,444 ($180,228,495) due from an outside party with an allowance for expected credit loss of EUR4,975,218 ($7,757,757). An evaluation is made to assess whether there is a significant change in credit risk by comparing the debtor's credit risk at recognition with the credit risk at the reporting date. As management has assessed that there is no significant increase in credit risk, no addition loss allowance is recognised based on its lifetime expected credit loss on the amount.

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2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Plant and equipment:
An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the assets at the end of the reporting year affected by the assumption is $4,175,907.

Assessment of impairment of goodwill:
An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units ("CGU") and the use of estimates as disclosed in Note 12A. Actual outcomes could vary from these estimates.

Assessment of impairment of intangible assets:
An assessment is made of the carrying value of identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future. The carrying amount of the intangible assets at the end of the reporting year affected by the assumption is $49,436,654.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3A. Member of a group:

Name	Relationship	Country of incorporation
Wirecard AG	Ultimate parent company	Germany
Wirecard Sales International Holding GmbH	Immediate parent company	Germany

Related companies in these financial statements include the members of the above group of companies. Associates also include those that are associates of members of the above group.

3. Related party relationships and transactions (cont'd)

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

In addition to transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

	Ultimate parent company	
	2018	2017
	$	$
Service income	1,145,937	98,684
Recharged expenses	(3,282)	(4,183,139)
Others	–	(4,544)

	Immediate parent company	
	2018	2017
	$	$
Subcontracting services	–	(24,523)
Interest expense	(946,542)	(121,195)
Recharged expenses	(346,499)	–
Others	–	(56,704)

	Related companies	
	2018	2017
	$	$
Service income	4,995,870	3,105,562
Subcontracting services	–	(2,849,328)
Interest expense	(147,059)	(108,338)
Purchase of plant and equipment	(679,911)	–
Recharged expenses	(6,257,503)	(141,467)
Others	–	(25,325)

3C Key management compensation:

	2018	2017
	$	$
Salaries and other short-term employee benefits	1,985,739	1,086,893

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	2018	2017
	$	$
Remuneration of directors of the company	1,985,739	1,086,893

3. Related party relationships and transactions (cont'd)

3C Key management compensation: (cont'd)

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation is for directors and other key management personnel.

3D. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Ultimate parent company	
	2018	2017
	$	$
Other receivables:		
Balance at beginning of the year	98,684	(1,365)
Amounts paid out and settlement of liabilities on behalf of ultimate parent company	–	100,049
Amounts paid in and settlement of liabilities on behalf of the company	(98,684)	–
Balance at end of the year (Note 13)	–	98,684

	Immediate parent company	
	2018	2017
	$	$
Other payables:		
Balance at beginning of the year	(55,245,401)	(3,179,034)
Amounts paid in and settlement of liabilities on behalf of the company	(158,134,265)	(52,066,367)
Foreign exchange difference	269,111	–
Balance at end of the year (Note 17)	(213,110,555)	(55,245,401)

	Related companies	
	2018	2017
	$	$
Other receivables/(payables):		
Balance at beginning of the year	7,891,066	399,518
Amounts paid out and settlement of liabilities on behalf of related companies	3,400,812	11,206,781

Amounts paid in and settlement of liabilities on behalf of the company	(6,523,124)	(3,715,233)
Balance at end of the year	4,768,754	7,891,066
Presented in the statement of financial position as follows:		
Other receivables (Note 13)	8,702,705	11,606,299
Other payables (Note 17)	(3,933,951)	(3,715,233)
Balance at end of the year	4,768,754	7,891,066

3. Related party relationships and transactions (cont'd)

3E. Going concern:

As at the end of the reporting year, the company's current liabilities exceeded its current assets by $62,881,516 (2017: $61,566,647). The external liabilities amounted to about $20,454,938 (2017: $3,450,877) as at 31 December 2018. The company's continuation as a going concern is dependent on the immediate parent company not demanding payment of the amounts payable; and the company being profitable in the future. At the date of this report, the management is satisfied that the financial support will be available when required for at least a year from the end of the reporting year.

4. Revenue

Revenue from contracts with customers

	2018 $	2017 $
Payment processing and risk management	201,938,534	123,964,366
Rendering of services	6,141,807	3,204,246
Total revenue	208,080,341	127,168,612

All the contracts are less than 12 months.

Revenue classified by timing of revenue recognition:

	2018 $	2017 $
Point in time	208,080,341	127,168,612

5. Other income

	2018 $	2017 $
Overprovision of earn outs payments in prior year	2,999,648	–
Others	372,394	242,551
	3,372,042	242,551

6. Interest income

	2018 $	2017 $
Interest income	934,098	1,656
Interest income from assets at fair value	1,867,615	815,657
	2,801,713	817,313

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7. Other gains and (other losses)

	2018 $	2017 $
Foreign exchange adjustment (losses)/gain	(1,186,375)	1,870,395
Fair value of contingent consideration arising from acquisition of business operation	–	(4,008,300)
Net	(1,186,375)	(2,137,905)
Presented in profit or loss as:		
Other gains	–	1,870,395
Other losses	(1,186,375)	(4,008,300)
Net	(1,186,375)	(2,137,905)

8. Employee benefits expense

	2018 $	2017 $
Employee benefits expense	16,598,524	6,456,332
Contributions to defined contribution plan	539,387	346,433
Other benefits	1,012,543	583,109
Total employee benefits expense	18,150,454	7,385,874

9. Finance cost

	2018 $	2017 $
Amortisation of net working capital funding asset (Note 14)	773,667	953,383
Interest expense from liabilities at fair value (Note 18)	5,853,612	1,757,942
Interest expense	1,092,424	1,192,572
	7,719,703	3,903,897

10. Income tax

10A. Components of tax (income) / expense recognised in profit or loss includes:

2018 $	2017 $

Current tax expense:		
Under adjustments in respect of prior period	28,200	–
Subtotal	28,200	–
Deferred tax (income) / expense:		
Deferred tax (income) / expense	(520,566)	338,705
Total income tax (income) / expense	(492,366)	338,705

10. Income tax (cont'd)

10A. Components of tax (income) / expense recognised in profit or loss includes: (cont'd)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2018: 17%) to loss before income tax as a result of the following differences:

	2018 $	2017 $
Loss before tax	(37,796,632)	(14,186,129)
Income tax income at the above rate	(6,425,427)	(2,411,642)
Not deductible items	1,413,378	2,638,862
Tax exemptions	(2,062,906)	(820,072)
Deferred tax assets not recognised	6,554,389	592,852
Net deferred tax arising from amortisation of assets and liabilities from acquisition	–	338,705
Under adjustments in respect of prior period	28,200	–
Total income tax (income) / expense	(492,366)	338,705

10B. Deferred tax (income) / expense recognised in profit or loss includes:

	2018 $	2017 $
Net deferred tax arising from amortisation of assets and liabilities from acquisition	658,575	338,705
Excess of book over tax depreciation on plant and equipment	24,093	32,720
Tax losses carryforwards	(6,578,482)	(625,572)
Unrecognised deferred tax assets	6,554,389	592,852
Allowance for expected credit loss	(1,179,141)	–
Total deferred income tax (income) / expense recognised in profit or loss	(520,566)	338,705

10C. Deferred tax income recognised in opening retained earnings:

	2018	2017

	$	$
Allowance for expected credit loss (Note 22)	(629,622)	–
Total deferred income tax income recognised in opening retained earnings	(629,622)	–

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10. Income tax (cont'd)

10D. Deferred tax balance in the statement of financial position:

	2018 $	2017 $
Deferred tax arising from other non-financial assets	5,536,676	5,975,332
Deferred tax arising from other liabilities	(8,129,264)	(9,226,495)
Deferred tax arising from intangible assets	8,172,893	8,172,893
Excess of book value of plant and equipment over tax values	56,813	32,720
Tax losses carryforwards	(7,204,054)	(625,572)
Unrecognised deferred tax assets	7,147,241	592,852
Allowance for expected credit loss	(1,808,763)	–
Net deferred tax liabilities	3,771,542	4,921,730

The above deferred tax assets for the tax losses that have not been recognised as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

11. Plant and equipment

	Plant and equipment $
Cost:	
At 1 January 2017	642,467
Additions	1,924,544
Additions due to acquisition of business operations	1,315,483
At 31 December 2017	3,882,494
Additions	2,661,110
At 31 December 2018	6,543,604

Accumulated depreciation:	
At 1 January 2017	182,742
Depreciation for the year	621,360
At 31 December 2017	804,102
Depreciation for the year	1,563,595
At 31 December 2018	2,367,697
Net book value:	
At 1 January 2017	459,725
At 31 December 2017	3,078,392
At 31 December 2018	4,175,907

12. Intangible assets

	2018 $	2017 $
Goodwill (Note 12A)	94,780,363	94,780,363
Other intangible assets (Note 12B)	49,436,654	47,697,500
Total	144,217,017	142,447,863

12A. Goodwill

	2018 $	2017 $
Cost:		
Balance at beginning of the year	94,780,363	–
Arising from acquisition of business operation	–	94,780,363
Balance at end of the year	94,780,363	94,780,363

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of cash-generating units have been measured based on the value in use. The value is regarded as the lowest level for fair value measurement as the valuation includes the inputs for the assets that are not based on observable market data (unobservable input).

The value in use was determined by management. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The value in use is a recurring fair value measurement (level 3).

The quantitative information about the value in use measurement using significant unobservable inputs for the cash generating unit are consistent with those used for the measurement last performed. The company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 5 years. Management forecasted annual growth rates of between 15% to 20% for the next 5 years forecast, a terminal growth rate of 2% per annum and discount rate of 4.57% per annum which is assumed for the budget and all other planning years that relate to the revenues.

No impairment allowance was recognised because the carrying amount of all cash-generating units was lower than their estimated recoverable amount.

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12. Intangible assets (cont'd)

12B. Other intangible assets

	Customer Relationship	Software and platform development	Total 1.
	$	$	2. $
Cost:			
At 1 January 2017	–	–	–
Additions	–	823,555	823,555
Additions arising from acquisition of business operation	48,075,842	–	48,075,842
At 31 December 2017	48,075,842	823,555	48,899,397
Additions	–	4,142,946	4,142,946
At 31 December 2018	48,075,842	4,966,501	53,042,343
Accumulated amortisation:			
At 1 January 2017	–	–	–
Amortisation for the year	1,201,897	–	1,201,897
At 31 December 2017	1,201,897	–	1,201,897
Amortisation for the year	2,403,792	–	2,403,792
At 31 December 2018	3,605,689	–	3,605,689
Carrying value:			
At 1 January 2017	–	–	–
At 31 December 2017	46,873,945	823,555	47,697,500
At 31 December 2018	44,470,153	4,966,501	49,436,654

13. Trade and other receivables

	2018 $	2017 $
Trade receivables:		
Outside parties	733,830	4,251,494
Less: allowance for expected credit loss	(719,129)	–
Ultimate parent company (Note 3)	1,191,335	69,959
Related companies (Note 3)	12,578,015	9,749,863
Trade receivables – subtotal	13,784,051	14,071,316
Other receivables:		
Advances	230,985	72,782
Deposits	886,610	848,236
Less: allowance for expected credit loss	(59,048)	–
Outside parties	180,773,165	42,292
Less: allowance for expected credit loss	(7,757,757)	–
Unbilled revenue	781,556	343,369
Income tax recoverable	–	28,200
Ultimate parent company (Note 3)	–	98,684
Related companies (Note 3)	8,702,705	11,606,299
Other receivables – subtotal	183,558,216	13,039,862
Total trade and other receivables	197,342,267	27,111,178

13. Trade and other receivables (cont'd)

	2018 $	2017 $
Movements in above allowance on trade receivables:		
At beginning of the year	–	–
Charge for trade receivables to profit or loss included in other operating expenses	913,979	–
Bad debts written off	(194,850)	–
Balance at end of the year	719,129	–
Movements in above allowance on other receivables:		
At beginning of the year	–	–
Charge for other receivables to profit or loss included in other operating expenses	7,692,535	–
Recognised in the opening retained earnings (Note 22)	124,270	–
Balance at end of the year	7,816,805	–

Included in amount receivable from outside parties is a loan of EUR115,584,444 ($180,228,495) due from an outside party which is unsecured, bear interest between 3.80% to 6.00% per annum and is repayable over 4 tranches in 2019. Subsequent to year end, the payment date for EUR15,000,000 ($23,386,500) of the loan have been extended to year 2020.

The trade receivables and other receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and other receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as follows for both trade receivables and other receivables:

	Gross amount		ELR		Loss allowance	
	2018	2017	2018	2017	2018	2017
	$	$			$	$
Trade and other receivables:						
Current	205,144,391	–	4.3%	–	7,816,805	–
1 to 30 days past due	–	–	–	–	–	–
31 to 60 days past due	–	–	–	–	–	–
61 to 90 days past due	–	–	–	–	–	–
Over 90 days past due	733,810	–	6.7%	–	719,129	–
Total	205,878,201	–			8,535,934	–

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables.

13. Trade and other receivables (cont’d)

To determine whether a financial instrument has low credit risk, management uses its internal credit risk ratings (such as external rating of “investment grade” of a financial instrument) or other methodologies that are consistent with a globally understood definition of low credit risk (such as market participant perspective taking into account all of the terms and conditions of the financial instrument).

The loss allowance as at 1 January 2018 was Nil. There was additional loss allowance of $124,270 recognised upon the initial application under the standard on financial instruments. This is from a change in the measurement attribute of the loss allowance relating to the financial asset. There was no allowance matrix for last year.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 30 days (2017: 30 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivables as at the end of reporting year:

	2018	2017
	$	$
Top 1 customer	8,693,148	5,684,018
Top 2 customers	9,884,482	10,430,691
Top 3 customers	10,654,876	12,302,258

Other receivables are normally with no fixed terms and therefore there is no maturity. Related company other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount.

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of $7,816,805 is recognised.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

14. Other non-financial assets

	2018 $	2017 $
At beginning of the year	34,195,629	–
Arising from acquisition of business operation	–	34,333,355
Interest income from unwinding of discount	1,867,615	815,657
Amortisation charged to revenue	(3,674,279)	–
Amortisation charged to interest expense	(773,667)	(953,383)
At end of the year	31,615,298	34,195,629
Presented in the statement of financial position as follows:		
Non-current	21,622,643	29,918,671
Current	9,992,655	4,276,958
Balance at end of the year	31,615,298	34,195,629

Other non-financial assets pertain to identified assets as part of purchase price allocation related to acquisition of the customer portfolios of Citibank's credit card acceptance businesses in accordance with FRS103. The non-current assets are amortised over a period of 5 years based on the expected transaction volume of the customer portfolios.

15. Cash and cash equivalents

	2018 $	2017 $
Not restricted in use	8,745,171	2,361,319

The interest earning balances are not significant.

16. Share capital

	Number of shares issued	Share capital $
Ordinary shares of no par value:		
Balance at 1 January 2017	4,777,420	4,777,420
Issue of shares	65,212,370	65,212,370
Balance at 31 December 2017	69,989,790	69,989,790
Issue of shares	58,177,462	58,177,462
Balance at 31 December 2018	128,167,252	128,167,252

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

The company issued 58,177,462 (2017: 65,212,370) ordinary shares at $1 each for a cash consideration of $58,177,462 (2017: $65,212,370) during the reporting year.

16. Share capital (cont'd)

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The company has no external borrowings as at year end. The debt-to-adjusted ratio therefore may not provide a meaningful indicator of the risk from borrowings.

17. Trade and other payables

	2018	2017

	$	$
Trade payables:		
Outside parties and accrued liabilities	12,601,516	3,450,866
Related companies (Note 3)	8,854,072	1,937,953
Immediate parent company (Note 3)	407,069	64,961
Ultimate parent company (Note 3)	5,342,925	5,348,842
Trade payables – subtotal	27,205,582	10,802,622
Other payables:		
Deposits received	5,042,000	–
Outside parties	50,020	11
Related company (Note 3)	3,933,951	3,715,233
Immediate parent company (Note 3)	213,110,555	55,245,401
Financial guarantee contract liability	2,761,402	–
Other payables – subtotal	224,897,928	58,960,645
Total trade and other payables	252,103,510	69,763,267

The amount due to immediate parent company of $213,110,555 is unsecured, bear floating interest between 1.50% and 3.90% per annum and is repayable on demand.

The amount due to a related company of $3,933,951 is unsecured, bear interest at 4% per annum per annum and is repayable on demand.

	2018	2017
	$	$
Movements in financial guarantee contract liability:		
At beginning of the year	–	–
Recognised in the opening retained earnings (Note 22)	3,579,389	–
Charge to profit or loss included in other operating expenses	(817,987)	–
Balance at end of the year	2,761,402	–

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18. Other liabilities

	Other liabilities	Accrual for earn outs payment	Total 3.
	$	$	$
Carrying value:			
At 1 January 2017	–	–	–
Additions		32,339,147	32,339,147
Arising from acquisition of business operation	55,931,221	–	55,931,221
Interest expense from unwinding of discount	1,757,942	–	1,757,942
Amortisation charged to revenue	(3,125,230)	–	(3,125,230)
Amortisation charged to interchange, network and transition services fee	(762,817)	–	(762,817)
Amortisation charged to other income	(120,250)	–	(120,250)
At 31 December 2017	53,680,866	32,339,147	86,020,013
Interest expense from unwinding of discount	4,487,457	1,366,155	5,853,612
Amortisation charged to revenue	(9,877,762)	–	(9,877,762)

Amortisation charged to interchange, network and transition services fee	(1,063,997)	–	(1,063,997)
Amortisation charged to other income	(360,750)	–	(360,750)
Earn outs paid	–	(14,380,949)	(14,380,949)
Overprovision of earn outs payment	–	(2,999,648)	(2,999,648)
Foreign exchange adjustment losses	–	759,042	759,042
At 31 December 2018	46,865,814	17,083,747	63,949,561

	2018 $	2017 $
Presented in the statement of financial position as follows:		
Non-current	37,019,359	60,442,558
Current	26,930,202	25,577,455
Balance at end of the year	63,949,561	86,020,013

Other liabilities pertain to losses assumed as part of the purchase price allocation relating to acquisition of the customer portfolios of Citibank's credit card acceptance businesses in accordance with FRS 103.

Accrual for earn out payments is the contingent liability consideration arrangement with the vendor. The company is required to pay an additional cash consideration to the vendor in the event the future profit performance of the business operation exceeds multiple targets over the span of three years.

The above liabilities are amortised over a period of 5 years based on the expected transaction volume of the customer portfolios.

19. Capital commitments

	2018 $	2017 $
Commitments to purchase of plant and equipment	–	541,400

20. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	2018 $	2017 $
Not later than one year	1,846,090	1,604,098
Later than one year and not later than five years	6,016,931	7,574,288
More than five years	–	317,858
Rental expense for the year	1,772,280	1,056,380

Operating lease payments represent rentals payable for rental of staff accommodation, office premises and office equipment.

21. Financial instruments: information on financial risks

21A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	2018	2017
	$	$
Financial assets:		
Financial assets at amortised cost	206,087,438	29,472,497
At end of the year	206,087,438	29,472,497
Financial liabilities:		
Financial liabilities at amortised cost	252,103,510	69,763,267
At end of the year	252,103,510	69,763,267

Further quantitative disclosures are included throughout these financial statements.

21B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the financial risks. However, these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following acceptable market practices.

21. Financial instruments: information on financial risks (cont'd)

21B. Financial risk management (cont'd)

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The company is exposed to currency and interest rate risks. There is no arrangement to reduce such risk exposures through derivatives and other hedging instruments.

21C. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 15 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

21D. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	2018 $	2017 $
Financial liabilities with interest:		
Fixed rates	3,933,951	3,715,233
Floating rates	213,110,555	55,245,401
Total at end of the year	217,044,506	58,960,634
Financial assets with interest:		
Fixed rates	180,228,495	–
Floating rates	8,745,171	2,361,319
Total at end of the year	188,973,666	2,361,319

21D. Interest rate risk (cont'd)

Sensitivity analysis: The effect on pre-tax profit is not significant.

	2018 $	2017 $
Financial liabilities:		
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax profit for the year by	2,131,106	552,454

Financial assets:		
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax profit for the year by	87,452	23,613

21E. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts denominated in non-functional currencies:

	Malaysian Ringgit	Euro	United States dollar	Total
2018:	$	$	$	$
Financial assets:				
Trade and other receivables	–	180,228,495	3,400,812	183,629,307
Total financial assets	–	180,228,495	3,400,812	183,629,307
Financial liabilities:				
Trade and other receivables	341,249	186,644,200	16,973,747	230,959,196
Total financial liabilities	341,249	186,644,200	16,973,747	230,959,196
Net financial liabilities at end of the year	(341,249)	(6,415,705)	(13,572,935)	(20,329,889)
2017:				
Financial liabilities:				
Trade and other payables	193,993	48,084,556	15,099,400	63,377,949

There is exposure to foreign currency risk as part of its normal business.

21. Financial instruments: information on financial risks (cont'd)

21E. Foreign currency risk (cont'd)

Sensitivity analysis:

	2018	2017
	$	$
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Malaysian Ringgit with all other variables held constant would have a favourable effect on pre-tax profit of	34,125	19,399

A hypothetical 10% strengthening in the exchange rate of the functional currency $ against Euro with all other variables held constant would have a favourable effect on pre-tax profit of	641,570	4,808,456
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against United States dollar with all other variables held constant would have a favourable effect on pre-tax profit of	1,357,294	1,509,940

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

21F. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Less than 1 year $
2018:	
Trade and other payables	249,342,108
Financial guarantee contracts	2,761,402
At end of the year	252,103,510
2017:	
Trade and other payables	69,763,267
At end of the year	69,763,267

At the end of the reporting year, no claims on the financial guarantees are expected.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2017: 34 days). The other payables are with short-term durations. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

21. Financial instruments: information on financial risks (cont'd)

21F. Liquidity risk – financial liabilities maturity analysis (cont'd)

Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance the financial reporting standard on financial instruments and (b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of the financial reporting standard on revenue from contracts with customers.

22. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements except as discussed below.

SFRS No.	Title
SFRS 109	Financial Instruments
SFRS 115	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS 115 Revenue from Contracts with Customers
INT SFRS 122	Foreign Currency Transactions and Advance Consideration

SFRS 109 Financial Instruments:
The standard on financial instruments contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. It requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification. For financial liabilities, it also has requirements to cases where the fair value option is taken. For the impairment of financial assets, it introduces an "expected credit loss" ("ECL") model; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, it allows financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. Prior reporting periods need not be restated. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. Therefore, the standard has been applied for the reporting year ended 31 December 2018 only. As the entity does not restate prior periods, it has recognised the difference if any between the previous carrying amount and the carrying amount at 1 January 2018 in the opening retained earnings / equity. The details of adjustments to opening account balances as at 1 January 2018 are detailed below.

	As at 1.1.2018	As at 31.12.2017	Difference
	$	$	$
Statement of financial position:			
Trade and other receivables	26,986,908	27,111,178	(124,270)
Financial guarantee contract liability	(3,579,389)	–	(3,579,389)
Deferred tax liabilities	(4,292,108)	(4,921,730)	629,622
Retained earnings	24,519,836	21,445,799	3,074,037

22. Changes and adoption of financial reporting standards (cont'd)

The adjustments to opening accounts balances as at 1 January 2018 is in regards to the impairment of financial assets such as trade and other receivables and financial guarantees, the entity applied the simplified approach to recognise lifetime ECL for these financial assets. The application of the ECL model of the new standard resulted in earlier recognition of credit losses of about $3,074,037.

23. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application except as discussed below.

SFRS No.	Title	Effective date for periods beginning on or after
SFRS 116	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)	1 Jan 2019

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 December 2018 shown in Note 20, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed.

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24. Other corporate information

The ultimate parent company, Wirecard AG appointed external professional firm to conduct an independent review on the allegations made by a whistleblower, which became public knowledge through public media in early 2019. An investigation by a law firm, Rajah & Tann Singapore LLP has been completed. Wirecard AG published a “summary of update findings” on 26 March 2019. Overall, the results of the investigation did not produce any findings having a material impact on the Company. The Commercial Affairs Department of the Singapore Police Force (“CAD”) is conducting its investigation in relation to the whistleblower’s allegations. As of the date of this report, the CAD investigation is ongoing. The outcome of this investigation may uncover other information that might require adjustments and/or additional disclosures or other consequential effect in respect of the Company’s current and prior year financial statements.