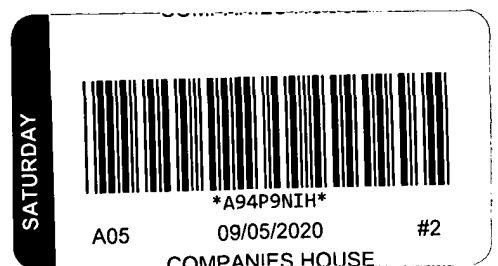


Registered Number: 07875693

Wirecard Card Solutions Limited
Report and Financial Statements
Period from January 01, 2018 to December 31, 2018



WIRECARD CARD SOLUTIONS LIMITED

Directors and Auditors

Company:	Wirecard Card Solutions Limited
Address:	3rd Floor Grainger Chambers 3-5 Hood Street Newcastle upon Tyne NE1 6JQ England
Registration No.:	07875693
Authorised by:	The Financial Conduct Authority (FCA) under the Electronic Money Regulations 2011 for the issuing of Electronic Money, Register No. 900051
Directors:	Tom Jennings Dr. Thomas Kaepfner Oliver Bellenhaus Alexander von Knoop (Appointed 01 January 2018)
Auditor:	Ernst & Young LLP 25 Churchill Place London E14 5EY United Kingdom

Strategic Report

Wirecard Card Solutions Limited ("the Company") manages, controls and operates the regulated business of issuing Electronic Money products and acquiring payment acceptance in accordance with Electronic Money and other relevant legislation. For its card distribution Wirecard Card Solutions Limited works together with a substantial number of Programme Managers ("PMs"), which are either registered as Agents or Distributors of Wirecard Card Solutions Limited with the Financial Conduct Authority (FCA). For its payment acceptance business, Wirecard Card Solutions works closely with other Wirecard Group companies to provide Visa and Mastercard payment acceptance capabilities.

During the period ended 31 December 2018, revenues increased by 12% to £61,767K. Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 71% to £3,122K. The EBITDA movement includes an adverse movement of £6,366K between the results of 2018 and 2017 arising from a weakening Great British Pound adversely impacting the conversion of currency transactions into reporting currency on the revaluation of the balance sheet at the reporting date. The value of card activity processed with MasterCard and Visa increased by 3% despite a fall in the volume of transactions by 32.5% over the same period ended 31 December 2017.

The Company's capital exceeds the minimum level of capital required as stipulated by Electronic Money regulations and also holds the Electronic Money float that supports the outstanding card balances due to cardholders and monies owed to redeemers. The Company has sufficient capital to support its business activities. These measurements are outside the scope of the audit of the financial statements.

Business performance is judged against 4 main performance indicators:

	2018	2017
Revenue	+12%	+68%
EBITDA	-71%	+22%
Settlement volume	+3%	+47%
Total number of active cards	+9%	+45%

Following the departure of the UK from the European Union on 31st January 2020, there remain inherent uncertainties for all UK based businesses during the transition period. There are no changes to the laws and regulations applying to Wirecard Card Solutions Limited during the transition period. Wirecard Card Solutions Limited has prepared contingency plans, to be effected only if required, that will ensure continuity of the issuing and acquiring business for the holders of Electronic Money and the Programme Managers.

WIRECARD CARD SOLUTIONS LIMITED

Wirecard Card Solutions Limited has a regulatory obligation to provide holders of Electronic Money with at least sixty days prior notice of any changes to terms and conditions.

During 2018 Wirecard Card Solutions Limited also focused on the following main activities:

- Reauthorisation with the FCA in accordance with the Payment Services Directive II (PSDII)
- Implementation of new Electronic Money Directives in required markets
- Implementing the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679)
- Gearing up for a wider launch of Agency Banking functionality
- Offering Visa and Mastercard payment acceptance capability using own licences
- Scoping for the enhancement of its payment acceptance offering
- Maintaining relationships with existing Programme Managers and encouraging organic growth
- On boarding new Programme Managers
- Supporting Wirecard UK and Ireland programmes
- Continued integration into the Wirecard Group
- New processor integrations
- On-going development of core systems

The future strategy and longer term visions of the company are:

- Continue to grow the business both organically and through acquisition in the UK market
- Issuing: Build strength and depth across the current programme portfolio, through cross-selling Wirecard Group products and services to existing customers and adding new customers.
- Acquiring: Focus growth across the key verticals central to Wirecard Group strategy: Retail; Travel; Digital; Financial Institutions and Fintech.
- Relationships: Retain and grow long-standing relationships with industry players and stakeholders and develop new relationships as the market continues to evolve.
- Compliance: Maintain reputation as a leading European EMI through strong regulatory practices and a culture of compliance. Leverage Wirecard group's global compliance function to share knowledge and expertise and strengthen local governance.
- Europe: Effectively manage the evolving uncertainties around Brexit to minimise any adverse impact on Wirecard Card Solutions Limited's business.
- Wirecard Group: Further integrate with other Wirecard Group companies to drive efficiencies, embed relationships, and grow the business.

Wirecard Card Solutions Limited acknowledges that the effective identification and management of risks and opportunities across all of its business activities is vital to ensure the delivery of its strategic objectives. The Company's approach to risk management is aimed at the early identification of key risks and taking action to remove or reduce the likelihood of those risks occurring and their effects. Wirecard Card Solutions Limited operates a risk based approach regarding its Programme Managers.

Key risks identified by the Company are:

- The threat to passporting of permissions to countries within the European Union following the end of the transition period now the UK has exited the European Union.
- Ensuring adequate processes and controls
- Retaining appropriately skilled employees
- Global financial instability leading to client and/or Programme Manager failure, for example the increases in economic and operational uncertainty following the UK's exit from the European Union.
- Financial crime increasing the potential for material losses
- Programme Managers' financial health and Programme Managers going out of business
- Pipeline risk (the risk associated with the throughput of loading channels to settle cardholder loading activity)
- Achieving business growth objectives or incurring significant unanticipated costs
- Regulatory compliance
- Outbreak of the corona pandemic

Wirecard Card Solutions Limited addresses the impact and likelihood of the above mentioned business risks mainly through:

- Systems and processes to perform an exact and accurate reconciliation of monies and pipelines
- Control mechanisms for processors and Programme Managers
- Right to perform yearly compliance audits for all Programme Managers
- Regular financial reviews of all Programme Managers
- Financial prefunding, i.e. pipeline prefunding
- Monitoring and setting policies and procedures to be followed
- Staff workshops and training (continuous)
- IT security

All the above controls are embedded into a comprehensive risk management framework, which is designed to identify, measure, manage and mitigate significant risks that could adversely affect Wirecard Card Solutions Limited's future performance.

The Company is exposed to a number of financial risks including currency exchange, interest rates, and risks due to default of credit institutions, which can be seen in further detail in Note 6.1.

The COVID-19 outbreak has been developing worldwide at different rates since initially emerging in China in the latter part of 2019. In addition to the loss of life it has caused substantial volatility in financial markets and extensive disruption in supply chains and working practices. Despite the significant stimulus packages announced by governments around the globe it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown. While the impact is currently not known, we have provided further details on the assessment we have performed in the Directors Report on page 8 and 9 and Note 7.5 in the financial statements.

WIRECARD CARD SOLUTIONS LIMITED

Wirecard Card Solutions Limited's risk exposure is aggregated at Director level, and reported to the Management Board and the Risk Committee of Wirecard AG. The report is discussed quarterly and on a case-by-case basis.

The Directors are highly satisfied with Wirecard Card Solutions Limited's performance during its seventh year of trading. The Company achieved its strategic objectives of reauthorisation by the FCA, implementing solutions to support existing and new Programme Managers, maintain settlement volumes with Mastercard and Visa, implementing contingency plans to protect the acquiring and issuing business from the uncertainty surrounding a future Brexit and is continued integration into the Wirecard Group. Wirecard Card Solutions Limited is well positioned to continue to service and grow its portfolio of Programme Managers.

The Directors declared and approved the payment of a dividend of £2,359.60 per share in a meeting of the Board held on 21 March 2018. The dividend was paid to the Company's immediate parent Wirecard Acquiring & Issuing GmbH.

This Strategic Report was approved by the Board.

Newcastle, 5th May 2020



Tom Jennings
Director

Directors' Report

Board

The Wirecard Card Solutions Limited Board has four Directors, each with significant financial services experience. The directors are:

- Tom Jennings;
- Dr. Thomas Kaepfner;
- Oliver Bellenhaus and;
- Alexander von Knoop (Appointed 01 January 2018)

Burkhard Ley resigned on 31 December 2017

The Directors have pleasure in presenting to the shareholders their seventh report and the audited financial statements for the period from 01 January 2018 to 31 December 2018.

Corporate Structure

Wirecard Card Solutions Limited (with registration number 07875693) is a part of the Wirecard Group ("Wirecard" or the "Group"). It is a wholly owned subsidiary of Wirecard AG its ultimate German parent and its immediate parent is Wirecard Acquiring & Issuing GmbH. Both companies are incorporated in Germany. Wirecard AG is stock listed on the TecDax of the Deutsche Börse in Frankfurt (Germany).

Principal Activities

As an Electronic Money Institution Wirecard Card Solutions Limited's main business is to issue Electronic Money cards and e-wallets and provide acquiring payment acceptance throughout Europe (EEA states). Wirecard Card Solutions Limited holds Principal Membership licences with Visa and MasterCard (the "Schemes").

Wirecard Card Solutions Limited provides its issuing services to Programme Managers, who then distribute card products to consumers in different markets throughout Europe (EEA). Wirecard Card Solutions Limited has all necessary passporting rights in place to perform business activities out of the UK into all EEA states.

Wirecard Card Solutions Limited utilises its Visa and MasterCard licences to work with other Wirecard AG entities in the field of payment acceptance.

Financial Position

The net assets of Wirecard Card Solutions Limited as at 31 December 2018 were GBP 30,557K (2017: GBP 33,683K).

Dividend

The Directors declared and approved the payment of a dividend of £2,359.60 per share in a meeting of the Board held on 21 March 2018. The dividend was paid to the Company's immediate parent Wirecard Acquiring & Issuing GmbH.

Events after the balance sheet date

A lawsuit brought against Wirecard Card Solution Ltd during the year ended 31 December 2018 was recently settled in favour of the claimant and ordered Wirecard Card Solutions Limited to pay the amount of EUR 156K including legal costs (GBP 140K equivalent) in full and final settlement. Provision has been made for the full amount payable to the claimant in the financial statements for year end 31 December 2018.

The COVID-19 outbreak has been developing worldwide at different rates since initially emerging in China in the latter part of 2019. In addition to the loss of life it has caused substantial volatility in financial markets and extensive disruption in supply chains and working practices. Despite the significant stimulus packages announced by governments around the globe it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown.

The COVID-19 outbreak is deemed a non-adjusting balance sheet event that will likely have an impact on the financial performance of the Company through decreases in revenues and gross profit as a result of reduced cardholder spend patterns and merchant trading.

The Company expects that the interventions made by the UK Government to provide support to individuals and support for businesses will reduce the impact of COVID-19 and while the impact is currently not known, based on our assessments of a downside scenario we would still expect to make profits and maintain our regulatory capital requirements.

Going Concern

The Directors have assessed the financial position of Wirecard Card Solutions Limited including reviewing forecasted performance as well as principal risks and uncertainties of the business. This also included an assessment of the impact of COVID-19 as it relates to the going concern assumption in the preparation of the financial statements.

As part of the assessment the Directors' have incorporated stress testing scenarios designed to produce a comprehensive assessment of the current and projected capital position. The scenarios take into consideration that operating expenses remain at existing levels whilst revenues and cost of services from the acquiring and issuing business vary. In addition, the scenarios consider the impact of COVID 19 on business of a six month, nine month and twelve month lockdown each followed by a six month business recovery period.

The Company is also able to use its liquidity resources in the form of cash; which amount to GBP 14,806K as at 31 December 2018, and restrict operational costs as necessary in order to continue operating.

The Company holds a high level of capital over and above minimum requirements as per Electronic Money Institution regulations and see no reasonable scenario that could lead to capital challenge.

In accordance with an FCA requirement on all Electronic Money Institutions (EMI) relating to Payment Services Directive II (PSDII), Wirecard Card Solutions was reauthorised by the FCA as an EMI during 2018.

Based on the assessment performed, the Directors are satisfied that Wirecard Card Solutions Limited has adequate resources to continue in business for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law. Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- exercise independent judgments and accounting estimates that are reasonably based upon their own informed view on the company's activities;
- exercise reasonable care, skill and diligence that could reasonably be expected from a person carrying out the director's functions.
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that Wirecard Card Solutions Limited keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of Wirecard Card Solutions Limited, in accordance with the Companies Act 2006.

WIRECARD CARD SOLUTIONS LIMITED

The directors have general responsibility for safeguarding the assets of Wirecard Card Solutions Limited and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which Wirecard Card Solutions Limited's auditors are unaware and the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant information to establish that Wirecard Card Solutions Limited's auditors are aware of the information.

Auditors

A resolution proposing the re-appointment of Ernst & Young LLP as auditors of Wirecard Card Solutions Limited will be submitted at the Annual General Meeting.

This Director's Report was approved by the Board

Newcastle, 5th May 2020


Tom Jennings
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRECARD CARD SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Wirecard Card Solutions Limited for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Income Statement, and the Statement of Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows and the related notes 1 to 7.5, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 7.5 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting consumer demand, financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

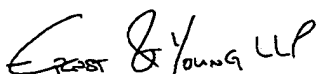
Auditor's responsibilities for the audit of the financial statements

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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Handwritten signature of Hitesh Patel in black ink, followed by the text "Ernst & Young LLP".

Hitesh Patel (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5th May 2020

Notes:

1. The maintenance and integrity of the Wirecard Card Solutions Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENT EXPLANATORY NOTES

Statement of Financial Position – Assets

in GBP '000s	Notes	31 Dec. 2018	31 Dec. 2017
ASSETS			
I. Non-current assets	2.3., 3.		
1. Intangible assets	2.3., 3.1.		
Goodwill		6,727	6,727
Internally generated intangible assets		869	819
Other intangible assets		3	-
Customer relationships		6,442	6,890
		14,041	14,436
2. Property, plant and equipment	2.3., 3.2.		
Other property, plant and equipment	2.3., 3.2.	156	118
3. Financial and other assets	2.3., 3.3.	1,161	1,153
Total non-current assets		15,358	15,707
II. Current assets			
1. Inventories and work in progress		-	-
2. Trade receivables and other receivables	2.3., 3.4.	23,852	9,347
3. Interest-bearing securities and fixed deposits	2.3., 3.5.	1,110	4,045
4. Cash and cash equivalents	2.3., 3.6.	14,806	20,446
Total current assets		39,768	33,838
III. Current assets from customer deposits			
1. Cash and cash equivalents from customer deposits	2.3., 3.7.	465,690	364,697
Total current assets from customer deposits		465,690	364,697
Total current assets		505,458	398,535
Total assets		520,816	414,242

WIRECARD CARD SOLUTIONS LIMITED

Statement of Financial Position – Equity and Liabilities

in GBP '000s	Notes	31 Dec. 2018	31 Dec. 2017
EQUITY AND LIABILITIES			
I. Shareholders' equity	4.		
1. Subscribed capital	4.1.	2	2
2. Share premium	4.2.	16,793	16,793
3. Retained earnings		13,762	16,608
4. Revaluation reserve		-	280
Total shareholders' equity		30,557	33,683
II. Liabilities	2.3.		
1. Non-current liabilities			
Deferred tax liabilities	2.4., 5.7.	542	457
		542	457
2. Current liabilities	2.3., 4.4.		
Trade payables		21,928	10,514
Other current liabilities		1,610	2,924
Customer deposits	2.3.	465,690	364,697
Tax provisions	2.4.	489	1,967
		489,717	380,102
Total liabilities		490,259	380,559
Total shareholders' equity and liabilities		520,816	414,242

These financial statements were approved by the Board of Directors on 5th May 2020 and were signed on its behalf by:


 Tom Jennings
 Director

FINANCIAL STATEMENT EXPLANATORY NOTES

Income Statement

in GBP '000s		01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
	Notes		
I. Revenues	2.1., 5.1.	61,767	55,046
II. Operating expenses		(56,980)	(43,082)
1. Cost of services	5.2.	(51,942)	(39,700)
2. Personnel expenses	5.3.	(3,366)	(2,777)
3. Impairment losses of financial assets		(1,040)	-
4. Amortisation and depreciation		(632)	(605)
III. Other operating income and expenses		(2,309)	(1,686)
1. Other operating income	5.4.	18	-
2. Remeasurement (loss) / gain on interest bearing securities	3.5.	(35)	148
3. Other operating expenses	5.5.	(2,292)	(1,834)
Net operating income		2,478	10,278
IV. Financial result		12	(7)
Financial income	5.6.	17	13
Financial expense	5.6.	(5)	(20)
V. Profit before taxes		2,490	10,271
Income tax	5.7.	(581)	(2,009)
VI. Profit after taxes		1,909	8,262

Statement of Comprehensive Income

in GBP '000s		01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
	Notes		
Profit after taxes	5.	1,909	8,262
Items to be reclassified to profit or loss			
Revaluation of available-for-sale financial assets		-	183
Deferred tax on available-for-sale financial assets		-	(31)
Deferred tax relating to origination and reversal of temporary differences		3	-
Other comprehensive income, net of tax		-	152
Total comprehensive income		1,912	8,414

Total comprehensive income is wholly attributable to the owners of the Company

WIRECARD CARD SOLUTIONS LIMITED

Statement of Changes in Equity

in GBP '000s if not No.						
	Number of shares issued	Share Capital Nominal value	Share premium	Retained earnings	Revaluation reserve	Total Equity
Shares issued on incorporation	1					
Balance as of 31 Dec. 2017	2,119	2	16,793	16,608	280	33,683
Initial adoption of IFRS 9				(38)		(38)
Reclassification of available-for-sale financial assets through profit or loss				280	(280)	-
Restated opening balance under IFRS 9		2	16,793	16,850	-	33,645
Profit after taxes				1,909		1,909
Dividend paid in year				(5,000)		(5,000)
Partial reversal of IFRS 9 deferred tax asset				3		3
Balance as of 31 Dec. 2018	2,119	2	16,793	13,762	-	30,557

Please refer to Notes 2.1., 4. and 5.7.

FINANCIAL STATEMENT EXPLANATORY NOTES

Statement of Cash Flow

in GBP '000s

	Notes	01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
Profit before Taxes	5.	2,490	10,271
Non cash and other adjustments			
Add amortisation and depreciation of non-current assets		632	605
Less remeasurement gain on interest bearing securities		(175)	(122)
Add IFRS 9 expected credit loss assessment		1,019	-
(Less) / Add financial income	5.6.	(12)	7
Decrease in inventories		-	7
(Increase) in trade and other receivables		(15,323)	(5,923)
Increase/(decrease) in trade payables		11,414	(1,977)
(Decrease)/Increase in other current liabilities		(1,314)	1,332
Income taxes paid		(1,967)	(1,542)
Cash flow (used in)/from operating activities		(3,236)	2,658
Cash paid for investments in intangible assets and property, plant and equipment		(275)	(5,462)
Cash invested in interest bearing securities		(1,106)	-
Cash received from redemption of interest bearing securities		4,005	-
Cash flow from/(used) in investing activities		2,624	(5,462)
Dividends received		7	8
Dividends paid		(5,000)	-
Income from interest-bearing securities and fixed deposits		10	5
Interest expense on interest-bearing securities and fixed deposits		(5)	(20)
Cash flow used in financing activities		(4,988)	(7)
Net change in cash and cash equivalents		(5,600)	(2,811)
Cash & Cash Equivalents at the beginning of period	2.1., 2.2.	20,406	23,257
Cash & Cash Equivalents at the end of period		14,806	20,446
Impact of initial adoption of IFRS 9 on Cash & Cash Equivalents			(40)
Revised Cash & Cash Equivalents at 01 Jan. 2018			20,406

WIRECARD CARD SOLUTIONS LIMITED

Operational Cash Flows from Interest

in GBP 000s	2018	2017
Interest received	3,936	2,013
Interest paid	(18)	(30)

Notes to the Financial Statements

Financial Statement 31 December 2018

1. DISCLOSURES RELATED TO THE COMPANY AND ITS FINANCIAL STATEMENTS

1.1 Business activities and legal background

Wirecard Card Solutions Limited is domiciled in England with its registered office in Newcastle (England) (Reg. No. 07875693). The Company was incorporated on 08 December 2011 and operates the Electronic Money prepaid and acquiring business. The Company has the authorization (Register No. 900051) of the Financial Conduct Authority (FCA) under the Electronic Money Regulations 2011 for the issuing of Electronic Money. The Company is a private company limited by shares, incorporated and registered in England.

1.2 Principles used in preparing the annual financial statements

Wirecard Card Solutions Limited publishes its figures in thousands of British Pounds (GBP K), which is the reporting and functional currency. Assets and liabilities held in currencies other than British Pounds are translated at the exchange rate prevailing on the reporting date and reflected through the income statement. Revenue, expense and income transactions in a currency other than British Pounds are translated at the prevailing exchange rate when the transaction is posted in the income statement.

Changes in presentation have been made to improve readability and to expand the explanations on the corresponding items. This includes providing information that was previously in text form in a table or an additional further breakdown of items.

2. PRINCIPLES AND ASSUMPTIONS USED IN PREPARING THE ANNUAL FINANCIAL STATEMENTS

Operational environment and 'going concern' assumption

Wirecard Card Solutions Limited has assessed the financial position, prepared on a historical cost basis except for financial assets measured at fair value through profit or loss, and have no reason to believe that any material uncertainty exists that may cast significant doubt about the ability of Wirecard Card Solutions Limited to continue as a going concern.

Wirecard Card Solutions Limited has prepared forecasts and projections for at least the 12 months following approval of the financial statements. These forecasts and projections include stress testing scenarios and the impact of COVID-19. The Directors have also considered the Company's ability to meet liabilities as they fall due.

Having considered the outputs of this analysis the Directors are satisfied that the Company has sufficient financial resources to fund the business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Accounting in accordance with International Financial Reporting Standards (IFRS)

The financial statements and the strategic report have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the European Union.

All interpretations valid for accounting period 01 January 2018 to 31 December 2018 by the International Financial Reporting Interpretations Committee (IFRIC) and the earlier interpretations by the Standing Interpretations Committee (SIC) were taken into account. The previous year's figures were determined according to the same principles.

Judgements, estimates and assumptions

The preparation of the financial statements requires management to make discretionary judgements, estimates and assumptions that reflect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, the uncertainty inherent in these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying the accounting policies, management has made the following discretionary judgements which have a significant effect on the amounts recognised in the financial statements.

- The measurement of fair values of assets and liabilities as well as the useful lives of assets is based on assessments made by management. This also applies to the measurement of the impairment of goodwill, property and equipment, intangible assets and financial assets. Provision would be made for

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doubtful receivables to take account of expected losses arising from insolvency or unwillingness of customers to pay.

- In accounting for and valuing provisions, expected obligations represent the key sources of estimates.

In the event of uncertainties relating to valuations, appropriate judgments are used relating to the circumstances prevailing as of the balance sheet date. However, actual amounts may differ from the estimates made. The carrying amounts reported in the financial statements and impacted by these uncertainties are listed in the balance sheet and in the relevant notes.

Classification of assets and liabilities within the Statement of Financial Position

In the Statement of Financial Position, a distinction is made between non-current and current assets and liabilities. Assets and liabilities are regarded as being current if they are due for payment or sale within one year. Accordingly, assets and liabilities are classified as long-term if they remain within the Company for longer than one year.

2.1 New and amended standards and interpretations

With the exception of the first-time application of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), the accounting principles applied are the same as the previous year.

The effects resulting from the first-time application of IFRS 9 (Financial Instruments) as of 01 January 2018 resulted in a one-time adjustment totaling GBP 242K after taxes, which was recognised accordingly directly under equity with no effect on profit or loss.

The first-time application of IFRS 15 (Revenue from Contracts with Customers) as of 01 January 2018 resulted in no adjustments to the Statement of Financial Position.

The following sections will present the adjustment effects resulting from the first-time application of the new IFRS standards.

IFRS 9 Financial Instruments

IFRS 9 is to be applied retrospectively at the date of initial application. IFRS 9 allows for making certain disclosures in accordance with IFRS 7 without restating prior periods. Wirecard Card Solutions Limited has utilised this option. The cumulative effect is recognised under equity with no effect on profit or loss.

At the date of initial application of IFRS 9, the management of Wirecard Card Solutions Limited assessed which business models apply to the financial assets held by the Company and reclassified the financial instruments of Wirecard Card Solutions Limited in the appropriate measurement category according to IFRS 9 as follows.

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The Visa preferred stock disclosed under the item "Financial and other assets" on the Statement of Financial Position, which was measured at fair value with no effect on profit or loss on initial recognition and classified under the category "available-for-sale financial assets" up until 31 December 2017, has been measured at fair value through profit or loss since the date of initial application on 01 January 2018. Unrealised gains or losses of GBP 280K that were recognised up to now in equity under other comprehensive income were reclassified from the revaluation reserve to retained earnings as of 01 January 2018.

All other financial assets such as loans, bank accounts, interest-bearing securities, fixed-term deposits and trade receivables are held to collect the contractual cash flows that exclusively represent payments of principal and interest on the outstanding nominal amount. They meet the requirements of the "hold to collect" business model in the sense of IFRS 9 and will continue to be measured at amortised cost.

In the case of the financial liabilities, there was no change in the classification of the financial instruments held by Wirecard Card Solutions Limited according to the IFRS 9 measurement categories at the time of initial application of IFRS 9.

Since 01 January 2018, impairments have been determined using the expected credit loss model, which anticipates expected losses due to future defaults on receivables. This model is to be applied for financial assets not measured at fair value through profit or loss, as well as for so-called contract assets according to IFRS 15. In order to determine the expected credit losses, customers are combined into groups with similar credit risks or an individual assessment of the credit risk is carried out. In general, IFRS 9 stipulates a three-stage model for recognising expected credit losses.

In credit quality Stage 1, impairment losses for financial instruments where there has been no significant increase in credit risk since initial recognition on the reporting date are measured at the level of the 12-month expected credit loss. Using the effective interest method, the effective interest rate is applied to the gross carrying amount of the financial asset.

If there has been a significant increase in the credit risk for a financial instrument since initial recognition, the financial instrument is allocated to credit quality Stage 2 and the impairment loss is measured on every reporting date at the level of the lifetime expected credit loss. As for credit quality Stage 1, the effective interest rate is applied to the gross carrying amount of the financial asset using the effective interest method.

Financial assets which have been impaired on the reporting date or which were already impaired at the time of acquisition or provision are allocated to credit quality Stage 3. As for credit quality Stage 2, the impairment loss is measured at the level of the lifetime expected credit loss. However, the effective interest rate is applied to the amortised cost of the financial asset, i.e. its net carrying amount.

Wirecard Card Solutions Limited recorded expected credit losses for the following classes of financial assets that are measured at amortised cost:

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- Interest-bearing securities and fixed-term deposits
- Receivables and other financial assets
- Cash and cash equivalents

Expected credit losses give the probability-weighted estimate of the credit losses over the expected term of the financial instrument. The amount considered to be at risk of credit loss is the difference between payments that are contractually owed to a company and payments that the company expects to receive.

In this model, Wirecard Card Solutions Limited defines credit risk on the basis of the credit quality of counterparties, issuers or borrowers and the resulting risk of default, delay in payment or complete insolvency of the business partner, as well as the risk of a loss of value due to a change in their credit quality. In its narrowest sense, the credit risk means the risk of default, which is the risk that a contractual party in a transaction involving a financial instrument is unable to fulfil its obligations, thereby causing financial losses to the other party.

The Expected Credit Loss (ECL) is calculated in accordance with the following basic formula:

$$ECL = EaD \times PDT \times LGD$$

In order to determine the expected credit loss, Wirecard Card Solutions Limited defines the following loss parameters:

- Exposure at Default (EaD): Represents the full amount of the receivable in the event of a default.
- Loss Given Default (LGD): Represents the share of the full amount of the receivable that cannot be recovered in the event of a default.
- Probability of Default (PDT): Represents the probability of a default by the counterparty within the expected term of the financial instrument.

For the majority of material items, there is an individual assessment of the risk of default. In some cases there is no appropriate or dependable information that can be used to measure the expected credit losses on an individual basis without incurring inappropriate expenses or loss of time. In these cases, the expected credit losses are measured on a portfolio basis.

Various processes and methods are utilised to determine the probability of defaults. The aim of all the methods used is to make the most objective assessment possible of the counterparties and the financial instrument. Both internal and external data sources are utilised to obtain counterparty-specific empirical data for previous credit losses, external ratings, reports and statistics. If no data or insufficient data is available for individual counterparties, estimates are made based using empirical data for comparable companies in the same sectors.

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To determine the counterparty's probability of default, the results issued by external rating agencies are used. Furthermore, rating and scoring models from external service providers such as crowdlending platforms and a rating model developed in-house using analyses of transaction data from acquiring are used to determine the probability of defaults. In addition, a rating system for the evaluation of individual counterparties is used that takes into account historical and forward-looking values, as well as qualitative, quantitative, sector-specific, macroeconomic and country-specific criteria. If it is not possible to make a valid assessment of the probability of default based on the available data or the quality of the data, portfolio-based average values and expert assessments are used. Accordingly, Wirecard Card Solutions Limited defines its rating classes A to E on the basis of the range of ascending one-year probability of defaults.

Rating class:	One-year probability of default (PD)
A	0.000% to 0.044%
B	0.045% to 0.429%
C	0.430% to 4.499%
D	4.500% to 99.999%
E	100.000%

The appropriateness of these processes and the methods used are checked and validated regularly. Individual processes are used to determine the 12-month expected credit loss and also, if necessary, the lifetime expected credit loss. The 12-month expected credit loss is the portion that corresponds to the expected credit loss resulting from possible default events on a financial instrument within the 12 months after the reporting date. The lifetime expected credit loss is the credit loss that results from all possible default events over the expected lifetime of a financial instrument. The type of credit loss used depends on whether the general or simplified approach is being used and also whether there has been a significant increase in the risk of default.

The expected loss for a financial instrument whose probability of default has not increased significantly since initial recognition is determined using the 12-month credit loss approach. For financial instruments for which the probability of default has increased significantly since initial recognition, the lifetime expected credit loss for the financial instrument is used which represents the risk provision for the remaining term of the instrument.

The analysis of the default risk is carried out as part of a multifactor, holistic analysis of the borrower and the financial instrument. When assessing whether there has been a significant increase in the risk of default, Wirecard Card Solutions Limited utilises, amongst other things, individual qualitative factors that are presented in IFRS 9 and which indicate the insolvency of the counterparty. In addition, a significant increase in the credit risk is assumed if the probability of default has doubled since initial recognition of the financial instrument, which corresponds to a downgrading of two rating levels in the standard rating models. If a payment obligation is 30 days past due, the presumption that there has been a significant increase in the risk of default can be rebutted. This rebuttal must be based on reasonable and supportable information which, for

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example, indicates that the non-payment was due to administrative reasons instead of resulting from the financial difficulty of the counterparty.

Wirecard Card Solutions Limited bases its definition of default in determining the risk of default according to the following assumptions used for internal risk management purposes:

- Significant financial difficulties of the borrower
- An increased probability that insolvency proceedings or other administrative proceedings will be opened against the assets of the borrower
- A default or delay in payment where exposure is not covered by contractual rights of offset

Decisive criteria in this context are the insolvency of the borrower and an inability or unwillingness to pay over a significant period of time. If a payment obligation is 90 days past due, the presumption of a default can be rebutted if proof is presented in the form of reasonable and supportable information that the exposure is covered by the right of offset against liabilities to the borrower. Best possible estimates made by the management of Wirecard Card Solutions Limited are also used to determine the risk of default, especially in the case of high-value receivables.

The amount of the adjustment for credit quality Stage 3 is dependent on the criteria mentioned above. A financial asset is conclusively derecognised when the relevant insolvency proceedings against the debtor have been completed and the recovery of additional payments can no longer be expected and the unrecoverable amount of the receivable is written off.

To determine the expected credit loss in the event of a default, the loss given default (LGD) is determined to describe the loss after all possible enforcement measures. The LGD describes the share of a receivable that cannot be recovered in the event of a default. It is determined using historical empirical values which are based on parameters such as the sector and region, as well as expert assessments.

In the previous year, adjustments on financial instruments were estimated according to IAS 39 based on the incurred loss model. Individual receivables that were considered to be irrecoverable were reported separately (individual adjustments). Other receivables were evaluated on a portfolio basis to see whether objective proof of an impairment existed but had not yet been identified. The estimated adjustments were reported separately for these receivables (portfolio adjustments).

The risk of default from payment transactions mainly relates to potential chargebacks from end customers after a retailer becomes insolvent. The risk is considered very low because the potential chargeback claims against the retailer are covered by liabilities from the ongoing transaction volume, individual security reserves or, alternatively, delayed payment to merchants. These contractual rights of offset are monitored on the basis of a continuous analysis of the merchant business in order to keep the default risk low. If a merchant does become insolvent, however, the contractual right of offset may prove to be inadequate in individual cases, whereby claims for payment which Wirecard Card Solutions Limited is entitled to make against the retailer

due to the reversal of transactions may not be enforceable. The risk of default is now accounted for under the expected credit loss model according to IFRS 9 compared with the incurred credit loss model under IAS 39 applied in prior fiscal years. At the time of initial application, the change due to the transition from IAS 39 (incurred loss model) to IFRS 9 (expected credit loss model) of GBP 38K (before taxes) was recognised under equity with no effect on profit or loss. The effects of the initial application of IFRS 9 on the equity of Wirecard Card Solutions as of 01 January 2018 were as follows:

Initial adoption effect of IFRS 9 to equity

in GBP 000's	Retained Earnings
As of 31 Dec. 2017	16,608
Initial adoption of IFRS 9	
Increase of allowance for financial and other assets	(2)
Increase of allowance for trade receivables and other receivables	(3)
Increase of allowance for Interest-bearing securities and fixed deposits	(1)
Increase of allowance for cash and cash equivalents	(40)
Reclassification Visa preferred stock	280
Initial adoption effect of deferred taxes	8
Initial adoption effect IFRS 9	242
As of 01 Jan. 2018	16,850

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Financial Assets

in GBP '000s	IAS 39 classification	IFRS 9 classification	Carrying amount and fair value 31 Dec. 2017	Carrying amount and fair value 01 Jan. 2018	IFRS 9 expected credit loss
Financial and other assets:	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost			
Fixed-term deposit			202	200	(2)
Financial and other assets:	Available-for-sale financial assets	Financial assets measured at fair value through profit or loss (mandatory)			
Visa preferred stock			951	951	-
Trade receivables and other receivables	Loans and receivables	Financial assets measured at amortised cost	9,347	9,344	(3)
Interest-bearing securities and fixed deposits	Loans and receivables	Financial assets measured at amortised cost	4,045	4,044	(1)
Cash and cash equivalents including customer deposits	Loans and receivables	Financial assets measured at amortised cost	385,143	385,103	(40)

Financial Liabilities

in GBP '000s	IAS 39 classification	IFRS 9 classification	Carrying amount and fair value 31 Dec. 2017	Carrying amount and fair value 01 Jan. 2018	IFRS 9 expected credit loss
Trade payables and other liabilities	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	15,405	15,405	-
Customer deposits	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	364,697	364,697	-

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Initial adoption effect of IFRS 9 on opening balance sheet

in GBP '000s	Balance as at 31 Dec. 2017	IFRS 9 change in measurement	Change in Classification	Balance as at 01 Jan. 2018
Intangible Assets	14,436	-	-	14,436
Property, plant and equipment	118	-	-	118
Financial and other assets	1,153	(2)	-	1,151
Total non-current assets	15,707	(2)	-	15,705
Inventories and work in progress	-	-	-	-
Trade receivables and other receivables	9,347	(3)	-	9,344
Interest-bearing securities and fixed deposits	4,045	(1)	-	4,044
Cash and cash equivalents	20,446	(40)	-	20,406
Cash and equivalents from customer deposits	364,697	-	-	364,697
Deferred tax assets	-	8	-	8
Total current assets	398,535	(36)	-	398,499
Total Assets	414,242	(38)	-	414,204
Subscribed capital	2	-	-	2
Share premium	16,793	-	-	16,793
Retained earnings	16,608	(38)	280	16,850
Revaluation reserve	280	-	(280)	-
Total shareholders' equity	33,683	(38)	-	33,645
Deferred tax liabilities	457	-	-	457
Current liabilities	380,102	-	-	380,102
Total Liabilities	380,559	-	-	380,559
Total shareholder's equity and liabilities	414,242	(38)	-	414,204

IFRS 15 Revenue from Contracts with Customers

Wirecard Card Solutions Limited has applied IFRS 15 (Revenue from contracts with customers) for the first time since 01 January 2018. In accordance with IFRS 15, 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 Wirecard Card Solutions Limited relates to transaction fees incurred in the areas of acquiring payment acceptance and issuing Electronic Money products. These transaction fees result from the satisfaction of the different performance obligations, in particular the technical processing of payment transactions, including risk management, as well as acceptance and issuing of means of payments. Fees received from the merchant or private customer are recognised as revenue once the transaction has been processed. When external acquiring partners are used for the processing of transactions, Wirecard Card Solutions Limited first and foremost determines whether a contract with the merchant exists in accordance with IFRS 15 and the Company should be regarded as the principal and the acquiring partner is defined only as a service provider (agent) of Wirecard Card Solutions Limited in accordance with the new provisions in IFRS 15. Wirecard Card Solutions Limited integrates the various stages for the fulfilment of the performance obligation (processing of the whole payment transaction). Accordingly, all transaction fees incurred by the merchant are recognised as revenue. Fees of other service providers involved in the settlement of the payment transaction, in particular fees for credit-card issuing banks, credit-card companies, payment service providers and external technical operators are recognised as cost of materials once the service is used or at the time the costs are incurred. In general, transaction fees are due immediately on the part of the merchant.

In the case of transaction-based business, IFRS 15 has not resulted in any significant change in the timing of revenue recognition. Wirecard Card Solutions Limited will continue to report fee income received from merchants as revenues and the costs incurred from acquiring partners as cost of services.

Revenue recognition from non-transaction-based business

Revenue is recognised primarily within the Business to Business (B2B) segment in the area of the card issuing business for fees for the implementation of prepaid card co-branding programmes. These fees include, but are not limited to, setup fees, charging costs, and transportation costs that are charged to the programme manager in accordance with the contractual conditions. Payment terms usually provide for payment within 14 days of invoicing.

Wirecard Card Solutions Limited may have a contractual entitlement to the full amount or an agreed portion of the remaining credit balance on expired prepaid cards (breakage). In accordance with IFRS 15, revenue is recognised at the point in time in which a breakage fee is applied to the credit balance and the holder of the prepaid card no longer has an entitlement to the amount deducted from the credit balance. A contract asset could arise in this situation. There are no contract assets to be recognised at the time of initial application on 01 January 2018 or at the reporting date 31 December 2018.

Until 31 December 2017, Wirecard Card Solutions Limited applied IAS 18 (Revenue) for the measurement and recognition of revenue. Further information on reporting and valuation under the old IAS 18 standard is outlined in the Company's prior year Report and Financial Statements.

2.2 Accounting for financial assets and liabilities

Since 01 January 2018, Wirecard Card Solutions Limited has adopted the financial standard IFRS 9 Financial Instruments. The valuation of financial assets according to IFRS 9 depends on their classification as detailed below:

Measured at amortised cost (debt instruments)

This category has the greatest significance for the financial statements. Wirecard Card Solutions Limited measures financial assets at amortised cost when the two following conditions are met:

- the business model for the financial asset has the aim of holding the financial asset to collect contractual cash flows and
- the contractual terms that apply to the financial asset result in cash flows at specified times which exclusively comprise payments of principal and interest on the amount outstanding

Financial assets classified as measured at amortised cost are measured in subsequent periods using the effective interest method and are subject to impairment testing. Gains and losses are recognised in profit or loss if the asset is derecognised, modified or impaired.

Measured at fair value with no effect on profit or loss under other comprehensive income (debt instruments)

Wirecard Card Solutions Limited measures financial assets at fair value under other comprehensive income when the two following conditions are met:

- the business model for the financial asset has the aim of holding it both to collect contractual cash flows and also to sell and
- the contractual terms that apply to the financial asset result in cash flows at specified times which exclusively comprise payments of principal and interest on the amount outstanding

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If debt instruments measured at fair value with no effect on profit or loss under other comprehensive income are derecognised, the cumulative gain or loss from changes in the fair value recognised under other comprehensive income is reclassified in the income statement.

Measured at fair value with no effect on profit or loss under other comprehensive income (equity instruments)

Wirecard Card Solutions Limited can make an irrevocable election at the initial recognition of its equity instruments to classify them as measured at fair value with no effect on profit or loss under other comprehensive income, if they meet the definition of equity according to IAS 32 Financial Instruments: Presentation and are not held for trading purposes. The classification is carried out separately for every instrument.

Gains and losses from these financial assets are not reclassified in the income statement. Dividends are recognised in the income statement as other income if there is a legal right to receive payment, unless the dividends represent the recovery of part of the acquisition costs for the financial asset. In this case, the gains are recognised under other comprehensive income. Equity instruments measured at fair value with no effect on profit or loss under other comprehensive income are not subject to impairment testing.

Wirecard Card Solutions Limited has not utilised this option up to now.

Financial assets measured at fair value through profit or loss

The group of financial assets measured at fair value through profit or loss comprises financial assets held for trading, financial assets classified as measured at fair value through profit or loss at initial recognition and financial assets which must be measured at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchasing in the near future. Financial assets that have cash flows which do not exclusively comprise payments of principal and interest are classified as measured at fair value through profit or loss irrespective of the business model.

Notwithstanding the previous explanations about the criteria for the classification of debt instruments in the categories "measured at amortised cost" or "measured at fair value with no effect on profit or loss under other comprehensive income", debt instruments can be classified as measured at fair value through profit or loss at initial recognition if an accounting mismatch can be eliminated or significantly reduced as a result.

Financial assets measured at fair value through profit or loss are recognised in the Statement of Financial Position at fair value, whereby the net change in the fair value is recognised in the income statement.

Derecognition of financial assets

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognised if one of the following requirements has been met:

- The contractual rights to receive cash flows from a financial asset have expired.

- Wirecard Card Solutions Limited has assigned its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation for immediate payment of the cash flow to a third party within the scope of an agreement which meets the requirements of IAS 39.19 or IFRS 9.3.2.5 respectively (a so-called "pass-through" arrangement) and, in the process, either (a) mainly transferred all opportunities and risks assumed in connection with ownership of the financial asset or (b) while neither having mainly transferred nor retained all opportunities and risks associated with ownership of the financial asset, it has transferred control of the asset in question.

If Wirecard Card Solutions Limited transfers its contractual rights to cash flows arising from an asset or enters into a "pass-through" arrangement and thereby does not mainly transfer or retain all opportunities or risks associated with this asset, but retains control of the asset transferred, Wirecard Card Solutions Limited recognises an asset to the extent of its continuing involvement.

In this case, Wirecard Card Solutions Limited also recognises an associated liability. The transferred asset and the associated liability are measured in such a manner as to duly take account of the rights and obligations retained by the Company. If the continuing involvement takes the form of guaranteeing the asset transferred then the scope of the continuing involvement will correspond to the lower of either the original carrying amount of the asset or the maximum amount of the consideration received that Wirecard Card Solutions Limited might have to repay.

Financial assets and liabilities were reported in accordance with IAS 39 (Financial Instruments: Recognition and Measurement) up until 31 December 2017. Further information on reporting and valuation under the old IAS 39 standard is outlined in the Company's prior year Report and Financial Statements.

Financial assets classification and measurement

Wirecard Card Solutions Limited classifies its financial assets at the time of first recognition. According to IFRS 9, financial assets are measured at fair value when initially recognised. In the case of financial instruments not classified at fair value through profit or loss, transaction costs directly attributable to the acquisition of the assets are additionally taken into account.

At initial recognition, financial assets are classified for subsequent valuation in accordance with IFRS 9 as either measured at amortised cost, measured at fair value with no effect on profit or loss under other comprehensive income or measured at fair value through profit or loss.

The classification of financial assets when initially recognised is dependent on the characteristics of the contractual cash flows for the financial assets and the business model used at Wirecard Card Solutions Limited to manage its financial assets. Except for trade receivables which do not contain any significant financing components, Wirecard Card Solutions Limited measures a financial asset at its fair value. In the case of those financial assets that are not measured at fair value through profit or loss, any transaction costs that are directly assignable to the acquisition or sale of the financial asset are additionally taken into account.

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Trade receivables which do not contain any significant financing components are measured at the transaction price calculated in accordance with IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or at fair value with no effect on profit or loss under other comprehensive income, the cash flows must solely arise from payments of principal and interest (SPPI) on the amount outstanding. This evaluation is described as an SPPI test and is carried out at the level of individual financial instruments.

The business model used by Wirecard Card Solutions Limited to manage financial assets reflects how a company controls its financial assets in order to generate cash flows. Depending on the business model, cash flows are generated by the collection of the contractual cash flows, the sale of the financial assets or both.

Acquisitions or sales of financial assets that provide for delivery of assets within a certain period determined by regulations or conventions applicable to the relevant market (regular-way transactions) are recognised on the settlement date, in other words the date on which the assets are supplied to or delivered by Wirecard Card Solutions Limited.

Impairment of financial assets

In the case of all debt instruments that are not measured at fair value through profit or loss, Wirecard Card Solutions Limited recognises impairments for expected credit losses (ECL). In this context, please refer to the explanations in Notes 2.1. New and amended standards and interpretations and 6.1. Risk reporting.

The impact of the assessment of expected credit losses charged through the Income Statement in the period 01 January 2018 to 31 December 2018 was as follows:

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in GBP '000s	IAS 39 classification	IFRS 9 classification	Carrying amount and fair value 31 Dec. 2018	Carrying amount and fair value 01 Jan. 2018	IFRS 9 expected credit loss
Financial and other assets:	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost			
Fixed-term deposit			-	200	-
Financial and other assets:	Available-for-sale financial assets	Financial assets measured at fair value through profit or loss (mandatory)	1,161	951	-
Trade receivables and other receivables	Loans and receivables	Financial assets measured at amortised cost	23,852	9,344	(1,025)
Interest-bearing securities and fixed deposits	Loans and receivables	Financial assets measured at amortised cost	1,110	4,044	-
Cash and cash equivalents including customer deposits	Loans and receivables	Financial assets measured at amortised cost	480,496	385,103	(58)

in GBP '000s	Rating class	Not credit-impaired			
		As at 01 Jan. 2018	12 month expected credit loss Stage 1	Credit-impaired Stage 3	As at 31 Dec. 2018
Allowance for financial and other assets:	D	(2)	2	-	-
Allowance for trade receivables and other receivables	D, E	(3)	(1)	(1,021)	(1,025)
Allowance for interest-bearing securities and fixed deposits	A	(1)	1	-	-
Allowance for cash and cash equivalents	A, B	(40)	(18)	-	(58)
Total		(46)	(16)	(1,021)	(1,083)

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The following table shows the financial assets and their adjustment according to the internal risk categories:

in GBP '000s	One-year probability of default (PD)	Stage 1	Stage 3
Rating class:			
A	0.000% to 0.044%	(18)	-
B	0.045% to 0.429%	(40)	-
C	0.430% to 4.499%	-	-
D	4.500% to 99.999%	(4)	-
E	100.000%	-	(1,021)
Total		(62)	(1,021)

Financial liabilities

Wirecard Card Solutions Limited classifies its financial liabilities at the time of initial recognition. Financial liabilities are recognised initially at fair value and, in the case of loans, plus directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as detailed below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated as measured at fair value through profit or loss at initial recognition (fair value option). Financial liabilities recognised at fair value through profit or loss are recognised in the Statement of Financial Position at fair value, with gains and losses being recognised in profit or loss.

Liabilities measured at amortised cost

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement if the financial investments are derecognised, or within the scope of amortisation.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position only if a currently legally enforceable right exists to offset the recognised amounts, and the intention exists to settle on a net basis, or to realise the asset and settle the liability simultaneously. There is no offsetting of financial assets and liabilities in the financial statements.

Derecognition of financial liabilities

Financial liabilities are derecognised if the obligation on which this liability is based has been fulfilled, waived or has expired. If an existing financial liability is replaced by another financial liability 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 the income statement.

Fair value of financial instruments

Pursuant to IFRS 13, fair value is defined as the price that would, in a normal transaction between market participants on the measurement date, be received for the sale of an asset, or be paid for the transfer of a liability.

The fair value of financial instruments that are traded on organised financial markets at each reporting date is determined by reference to a quoted market price (Level 1 of the fair value hierarchy).

For instruments for which there are no market quotations on active markets, fair value is calculated using observable market prices for comparable instruments, or using standard market valuation methods. This entails applying measurement parameters that are observable either directly or indirectly on active markets (Level 2 of the fair value hierarchy). Such techniques may include using recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

In the case of some financial instruments, fair value cannot be calculated either directly using market quotations, or indirectly through valuation models that are based on observable measurement parameters or other market quotations. These comprise instruments relating to Level 3 of the fair value hierarchy.

Judgements, estimates and assumptions in connection with financial instruments

If the fair value of financial assets and financial liabilities reported in the Statement of Financial Position cannot be determined with the aid of data from an active market, it can be measured using other methods including the discounted cash flow method. The input parameters included in the model are based on observable market data as far as possible. If this is not possible then the determination of fair values represents a discretionary judgement to a certain degree. Discretionary judgements relate to input parameters such as liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors may have an impact on the fair value recognised for financial instruments. Best possible estimates made by the management of Wirecard Card Solutions Limited are also used to determine the risk of default, especially in the case of high-value receivables.

2.3 Significant accounting and valuation policies

Accounting for goodwill

The goodwill arising when a business combination occurs corresponds to the surplus of acquisition costs over Wirecard Solution Limited's share of the net fair value of identifiable assets, liabilities and contingent liabilities or operations at the time of acquisition. Goodwill is accounted for at cost at the time of acquisition and valued in subsequent periods at its cost of acquisition less all accumulated impairment expenses. The goodwill is to be subjected to impairment testing on an annual basis. In accordance with Wirecard Card

FINANCIAL STATEMENT EXPLANATORY NOTES

Solutions Limited's accounting policies, goodwill is assessed at least once a year for possible impairment. The recoverable amount of the Company's business to which goodwill was assigned is determined on the basis of estimates by management. The cash flow forecasts take account of past experience and are based on the best estimate by management of future trends, which are compared with the assessment of external market research companies.

The most important assumptions on which the impairment testing is based are the following:

- Risk-free interest rate: 1.0 percent (2017: 1.0 percent)
- Market risk premium: 7.0 percent (2017: 7.0 percent)

The Company determines these values using valuation methods based on discounted cash flows. These discounted cash flows are based on forecasts in the form of detailed planning across one year and rough planning activities that span four years, established on the basis of finance plans approved by management. Cash flows beyond the planning or budget period are extrapolated with a growth rate of 2.0 percent (2017: 1.0 percent)

Accounting for intangible assets

Acquired customer relationships are recognised at cost and amortised using the straight line method over their expected useful life of up to 20 years. In addition, these are subject to regular impairment testing, at least once per year. As regards the procedure and essential assumptions, reference is made to the explanatory notes on accounting for goodwill. Purchased software is stated at costs and amortised using the straight-line method over the estimated useful life of the software, generally five years. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalised in accordance with IAS 23. No financing costs were recognised in the year ended 31 December 2018. The software constituting the Wirecard Card Solutions Limited's core operations, most of which was internally generated, has a longer estimated useful life and is amortised over a period of ten years.

Research costs are recorded as expenses through profit or loss on the date on which they occur. The costs of development activities are capitalised if the development costs can be reliably determined, the product or process is technically and commercially viable and a future economic benefit is probable. Initial capitalisation of costs is based on the assessment by management that the technical and commercial viability has been established; as a rule this will be the case where a product development project has reached a certain milestone in an existing project management model. Moreover, Wirecard Card Solutions Limited must have the intention and adequate resources to conclude such development and either use or sell the asset in question. Development costs are capitalised in accordance with the accounting method shown and amortised accordingly over time from the moment the product is ready for use. During the development phase, an annual impairment test is carried out and assumptions of management are reviewed. The development costs capitalised in the accounting period totalled GBP 174K (2017: GBP 172K).

Accounting for property, plant and equipment

The original costs of acquisition or manufacture of property, plant and equipment comprise the purchase price including ancillary acquisition costs. Expenses incurred subsequently after the item of property, plant and equipment was deployed, such as maintenance or repair costs, are recognised as expenses in the period in which the costs arose. Financing costs that can be directly assigned to the acquisition or manufacture of a qualified asset are capitalised in accordance with IAS 23. No financing costs were recognised in the year ended 31 December 2018.

Office equipment is stated at cost and depreciated using the straight-line method over its estimated useful life. For computer hardware this period is three to five years and for office equipment and furniture this period is five to thirteen years.

Any gains and losses on disposal of fixed assets are recorded as other operating income and expenses. Maintenance work and minor repairs are charged to profit or loss as incurred.

Impairment and reversal of intangible assets as well as property, plant and equipment

The useful life and amortisation methods are reviewed annually. An impairment charge is made if, due to changed circumstances, a permanent impairment is probable. At each balance-sheet date, an analysis is made as to whether there are indications that the value of an asset may be impaired. If there are such indicators, the Company estimates the recoverable value of the respective asset. The recoverable amount corresponds to the higher of the value in use of the asset and its fair value less costs of sale. To determine the value in use, the estimated future cash flows are discounted to their present value using a discount rate reflecting current market expectations for interest rates and the specific risks of the asset. In the event that the fair value cannot be reliably determined, the value in use of the asset corresponds to the recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset will be treated as impaired and written down to its recoverable amount. Impairment expenses, if any, are recorded in a separate expense line item.

The necessity of a partial or full reversal is verified as soon as there is evidence that the reasons for impairment charges effected in previous years no longer apply. Any impairment charge previously recognised must be reversed if, since the last impairment charge was reported, a change has occurred regarding the estimates used to determine the recoverable amount. If this is the case, then the carrying amount of the asset is to be increased to its recoverable amount. This increased carrying amount must not exceed the carrying amount that would have been recognised after taking account of amortisation or depreciation if no impairment charges had been recognised in previous years. Such a value reversal is immediately recognised in the profit or loss of the accounting period. Once a value reversal has been made, the amortisation or depreciation charge is adjusted in future reporting periods in order to distribute the adjusted carrying amount of the asset, less any residual carrying amounts, systematically across its residual useful life.

No impairments and no value reversals were registered in the year under review.

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Cash and cash equivalents

Cash in hand and bank deposits are classified as cash, whereas cash equivalents comprise current, liquid financial investments that can be converted at any time into certain amounts of cash and are only subject to negligible fluctuations in value. In the process, the actual intention of cash management is taken into account and only such items are recorded which are directly related to the availability of liquidity for current, operational payment obligations.

Not freely available cash and cash equivalents from interest bearing securities amounted to GBP 1,110K (2017: GBP 4,045K). These securities are held on deposit as collateral for Visa and are not readily convertible into cash.

Cash and cash equivalents from customer deposits represent safeguarded bank deposits in accordance with the Financial Conduct Authority regulations relating to the customer deposits liabilities. The bank deposits are not available liquidity for Wirecard Card Solutions Limited's operational payment obligations.

Provisions

Provisions are carried if Wirecard Card Solutions Limited has a present obligation as a result of a past event which means that an outflow of resources with economic benefits to fulfill the obligation is probable and a reliable estimate of the amount of the obligation is possible. Provisions are reported under liabilities. All provisions are current in nature and relate to tax provisions and other current provisions.

Expenditure incurred in setting up provisions is reported in the income statement. Gains resulting from the reversal of provisions are recognised under other operating income.

Contingent liabilities and receivables

Contingent liabilities are not recognised. These are listed in the Notes unless the likelihood of an outflow of resources with an economic benefit is very remote. Contingent receivables are not recognised in the financial statements either. They are reported in the notes if the inflow of an economic benefit is likely to occur.

2.4 Accounting for and valuation of tax items

Actual income taxes

Current income tax assets and liabilities 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 at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. 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.

Deferred tax

In accordance with IAS 12 (Income Taxes), deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date in accordance with IAS 12.47.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date according to IAS 12.37 and IAS 12.56 and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Value added tax

Sales revenues, expenses and assets are recognised after deducting value added tax. An exception in this regard is value added tax incurred when purchasing assets or services that cannot be claimed from the revenue authorities. Such value added tax is recognised as part of costs of the asset or as part of expenses. Receivables and liabilities are likewise recognised along with the amount of value added tax included therein.

The amount of value added tax refunded by the revenue authorities or paid to the latter is netted in the Statement of Financial Position under receivables and liabilities. Tax assets and liabilities are netted to the extent that they relate to taxes imposed by the same fiscal authority and if Wirecard Card Solutions Limited intends to settle its current tax claims and tax debts on a net basis.

Judgements, estimates and assumptions in connection with taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expenses already reported. Provisions are based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the Company and the tax authority.

Deferred taxes are recognised for unused tax loss carryforwards to the extent that it is probable that future taxable profits will be available against which the tax loss carryforwards can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

2.5 Changes to accounting and valuation methods - new accounting standards with EU endorsement

The IASB and the IFRIC have published the following standards and interpretations that were already incorporated in EU law but were not of mandatory application as yet in 2018. Wirecard Card Solutions Limited did not adopt these standards and interpretations early.

IFRS 16 Leases

In January 2016, the IASB published the accounting standard IFRS 16 "Leases", which was adopted into European law by the European commission in November 2017. IFRS 16 replaces the existing standards and interpretations for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The new standard is required be applied for the first time for fiscal years beginning on or after 01 January 2019. Wirecard Card Solutions Limited has not exercised the option of early adoption of IFRS 16.

IFRS 16 introduces a uniform lease accounting model for lessees that requires the recognition of all assets and liabilities from leases on the Statement of Financial Position. Recognition exemptions exist for short-term leases with a lease term of 12 months or less at the commencement date (and without a purchase option) and for leases for which the underlying asset is of low value. Consequently, in the future, IFRS 16 will eliminate the requirement under IAS 17 for lessees to classify leases either as operating leases, where the respective assets and liabilities are currently not recognised, or as finance leases. The right-of-use acquired by the lessee is recognised as an asset and depreciated over the lease term. The leasing liabilities are reduced over the lease term due to repayments and the interest expense is allocated over the lease term. The liabilities are measured using an effective interest method.

Wirecard Card Solutions Limited has entered into operating leases for moveable assets (primarily IT hardware) and properties. The transition to IFRS 16 takes place on 01 January 2019 using the modified retrospective approach, whereby the cumulative effect of initial application of the standard is recognised as an adjustment to the opening statement of retained earnings at the time of initial application. Wirecard Card Solutions Limited will not adjust the comparative figures for the prior-year period.

Based on Wirecard Card Solutions Limited's analysis, the effects from the initial application of IFRS 16 are expected to be:

- Recognition of the rights and obligations arising from these leases as assets (right of use for the leased asset) and liabilities (lease liability) on the Statement of Financial Position. Wirecard Card Solutions Limited estimates an increase in total assets of approximately GBP 503K with a corresponding increase in liabilities. The estimate reflects the exercise of the early termination clause within the lease

for the offices in Newcastle Upon Tyne. At the time of initial application, Wirecard Card Solutions Limited does not expect a significant adjustment to the opening equity balance as of 01 January 2019.

- Interest expenses and depreciations will be presented in the statement of profit and loss. Accordingly, from 2019, both EBITDA and depreciation will be higher compared to 2018 and the financial result will show a lower surplus or a higher deficit.
- In the cash flow statement, payments for former operating leases will be split into interest payments and repayments, which will be allocated to cash flow from financing activities. Accordingly, from 2019, cash flow from operating activities will be higher and cash flow from financing activities will be lower
- The disclosure requirements have been significantly expanded and amended compared to IAS 17.

Wirecard Card Solutions Limited is not a lessor in any lease agreements.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, IFRIC 23 "Uncertainty over Income Tax Treatments" was published by the IASB. This interpretation clarifies the requirement for the approach for recognising and measuring uncertain income tax treatments. As part of the assessment of the uncertainty, a company is required to consider whether it is probable that the relevant tax authority will accept the income tax treatment. In this process, the company has to determine whether it assesses every uncertain tax treatment separately or jointly with one or more other tax treatments. The approach selected should be the one which provides a better prediction of whether the uncertainty will be resolved.

IFRIC 23 is to be applied for fiscal years beginning on or after 1 January 2019. Earlier application is permitted. Wirecard Card Solutions Limited plans to adopt the interpretation on the required effective date. Wirecard Card Solutions Limited does not expect any significant effects due to the application of IFRIC 23.

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, amendments to IAS 1 and IAS 8 "Definition of Material" was published by the IASB. These amendments clarify the definition of "material" and align the definition used in the conceptual framework and the standards themselves. As part of the assessment of material, a company is required to consider if omitting, misstating or obscuring information could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are to be applied for fiscal years beginning on or after 1 January 2020. Earlier application is permitted. Wirecard Card Solutions Limited plans to adopt the amendments on the required effective date.

FINANCIAL STATEMENT EXPLANATORY NOTES

3. NOTES ON STATEMENT OF FINANCIAL POSITION ASSETS

Fixed Assets

in GBP '000s	Costs			Amortisation		Net book value	
	01 Jan. 2018	+ Additions - Disposals	31 Dec. 2018	01 Jan. 2018	+ Additions - Disposals	31 Dec. 2018	31 Dec. 2018
Non-current assets							
1. Intangible assets							
Goodwill	6,727	-	6,727	-	-	-	6,727
Internally-generated int. assets	1,168	174	1,342	349	124	473	869
Other intangible assets	921	3	924	921	-	921	3
Customer relationships	7,860	-	7,860	970	448	1,418	6,442
	16,676	177	16,853	2,240	572	2,812	14,041
2. Property, plant and equipment							
Other property, plant and equipment	440	98	538	322	60	382	156
Total:	17,116	275	17,391	2,562	632	3,194	14,197

Fixed Assets

in GBP '000s	Costs			Amortisation		Net book value	
	01 Jan. 2017	+ Additions - Disposals	31 Dec. 2017	01 Jan. 2017	+ Additions - Disposals	31 Dec. 2017	31 Dec. 2017
Non-current assets							
1. Intangible assets							
Goodwill	6,727	-	6,727	-	-	-	6,727
Internally-generated int. assets	996	172	1,168	242	107	349	819
Other intangible assets	921	-	921	829	92	921	-
Customer relationships	2,681	5,179	7,860	629	341	970	6,890
	11,325	5,351	16,676	1,700	540	2,240	14,436
2. Property, plant and equipment			-		-	-	-
Other property, plant and equipment	329	111	440	257	65	322	118
Total:	11,654	5,462	17,116	1,957	605	2,562	14,554

3.1 Intangible assets

Intangible assets comprise goodwill, internally generated intangible assets, other intangibles and customer relationships.

Goodwill

In accordance with Wirecard Card Solutions Limited's accounting policies, goodwill paid on the purchase of the regulated business of issuing prepaid products in 2011 is assessed at least once a year for possible impairments or whenever the need arises (most recently on 31 December 2018). The determination of the recoverable amount of a business segment (cash-generating unit) to which goodwill was assigned is based on estimates by management. These take account of the prevailing general economic conditions. The Company determines these values using valuation methods based on discounted cash flows.

For information on goodwill, please refer to Note 2.3.

Internally generated intangible assets

During the year ended 31 December 2018 internally-generated software was developed and capitalised in the amount of GBP 174K. It is amortised using the straight-line method over its anticipated useful economic life of ten years. The remaining amortisation period is 6 years.

Other intangible assets

Other intangible assets, in addition to the software for the individual workstations, essentially relate to software. These will be amortised using the straight-line method. The relevant period ranges from five to ten years.

Customer relationships

The acquisitions made by Wirecard focused on acquiring regional customer relationships in order to expand the market position with the acquisitions made. Where an impairment assessment is triggered, the recoverable amount of the asset is measured by using discounted future cash flow methods (impairment test).

Customer relationships are subject to the following amortisation rules:

Amortisation of customer relationships

Useful life	Remaining useful life	Remaining carrying amount in GBP 000's
20	14	1,768
20	15	4,674
		6,442

3.2 Property, plant and equipment

Other property, plant and equipment

Property plant and equipment comprises office and business equipment. It is stated at cost and depreciated using the straight-line method over its estimated useful life. For computer hardware this period is three to five years and for office equipment and furniture this period is five to thirteen years.

Any gains and losses on disposal of fixed assets are recorded as other operating income and expenses, respectively. Maintenance and minor repairs are charged to profit and loss as incurred.

3.3 Financial and other assets

Financial and other assets at 31 December 2018 totalled GBP 1,161K (2017: GBP 1,153K).

Wirecard Card Solutions Limited holds preferred stock in Visa Europe Ltd that is disclosed under 'Financial and other assets' valued at GBP 1,161K as of 31 December 2018 (nominal value: GBP 1,157K) that is convertible into Visa Inc. class A common stock at 12.955 new shares per share held. Furthermore, an additional deferred cash consideration of GBP 208K as of 31 December 2018 (nominal value: GBP 181K) was agreed, which is to be paid in 1 year and is reclassified in current assets. The amount of preferred stock is contingent upon certain factors and could subsequently change. The calculation of the fair value is based on the market quotations for Visa A shares and estimations by the management which take the calculations of the appraisers and external information about Visa Europe Ltd. or Visa Inc. into account. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties and is subject to a required holding period, was discounted by 45% to reflect marketability in relation to the instrument. A change in discount of 1% would result in a change in the value of the investment of £21K at 31 December 2018. They are allocated as a financial asset measured at fair value and corresponding gains and losses are reported through profit or loss.

Furthermore, an additional deferred cash consideration of GBP 208K as of 31 December 2018 (nominal value: GBP 181K) is held by Visa. This is to be paid during fiscal year 2019 and has been reclassified in current assets. This fixed term deposit, classified under IAS 39 as a financial asset measured at fair value through profit and loss, was reclassified on adoption of IFRS 9 as a financial asset measured at amortised cost. Interest received during fiscal year 2018 totalled GBP 7K (2017: GBP 5K)

Financial instruments measured at fair value

in GBP 000's	31 Dec. 2018	Level 1	Level 2	Level 3
Shares of Visa Inc.	1,161			1,161

The recurring measurements of the fair value of shares of Visa Inc. in Level 3 of the hierarchy are as follows:

Financial instruments of Level 3 measured at fair value

in GBP 000's	Shares of Visa Inc.
As of 01 Jan. 2018	951
Additions	0
Disposals	0
Changes by fair value revaluation	210
through profit or loss	210
not affecting profit or loss	0
As of 31 Dec. 2018	1,161

3.4 Trade receivables and other receivables

In determining the value of trade receivables from credit card organisations and programme managers, each and every change in credit standing is taken into account from the date on which deferred payment was granted up to the balance-sheet date. Due to currency translation factors, receivables in foreign currency were revalued with an impact on expenses at the exchange rate prevailing on the Statement of Financial Position date.

in GBP 000's	Carrying amount and fair value 2018	Carrying amount and fair value 2017
Trade receivables relating to contracted customers	5,075	3,465
Receivables due from related parties	11,446	1,465
Other	7,331	4,417
Total	23,852	9,347

Wirecard Card Solutions Limited's contracts include the right to recover outstanding trade receivables from distributable income due to contracted customers. The increase in receivables due from related parties reflects the transfer of acquired monies to Wirecard Bank AG for settlement of trade payable liabilities relating to contracted merchants. The increase in other receivables includes merchant acquiring settlements being processed for payment at 31 December 2018. The carrying amount represents the approximation of fair value due to the short term to maturity.

3.5 Interest-bearing securities and fixed deposits

To improve its interest income, apart from investing in various interest-bearing securities, Wirecard Card Solutions Limited also invested in fixed deposits. All investments were only concluded with banks or

FINANCIAL STATEMENT EXPLANATORY NOTES

counterparties that meet the creditworthiness requirements from Wirecard Card Solutions Limited's own risk evaluation and - to the extent that external ratings are available - are assessed as having a minimum creditworthiness risk by well-known ratings agencies. Fixed deposits have been transferred as card scheme collateral and Electronic Money Capital for the duration of the business relationship in the amount of GBP 1,110K (2017: GBP 4,045K). The card scheme collateral was exchanged from Euro to Great British Pounds during the year to eliminate the risk of negative interest rates and exchange rate exposure.

Fixed deposits with a term of more than three months are disclosed under "Interest-bearing securities and fixed deposits" which reduces the item Cash and cash equivalents. Fixed deposits with a term of up to three months are disclosed under the item Cash and cash equivalents.

Financial instruments measured at amortised cost

in GBP 000's	31 Dec. 2018	Level 1	Level 2	Level 3
Fixed deposits	1,110		1,110	

The recurring measurements of the fixed deposits in Level 2 (processed by using input parameters with a material influence on the value recognised which can be directly or indirectly observed) of the hierarchy are as follows:

Financial instruments of Level 2 measured at amortised cost

in GBP 000's	Fixed deposits
As of 01 Jan. 2018	4,045
Additions	1,106
Disposals	(4,005)
Changes affecting the valuation	(36)
affecting profit or loss	(35)
not affecting profit or loss	(1)
As of 31 Dec. 2018	1,110

3.6 Cash and cash equivalents

The item Cash and cash equivalents GBP 14,806K (2017: GBP 20,446K) includes cash in hand and bank balances (demand deposits, fixed deposits with a term of up to three months and overnight deposits). The carrying amount represents the approximation of fair value due to the short term to maturity.

3.7 Cash and cash equivalents from customer deposits

The item Cash and cash equivalents from customer deposits GBP 465,690K (2017: GBP 364,697K) includes cash in hand and bank balances (demand deposits, fixed deposits with a term of up to three months and overnight deposits). The carrying amount represents the approximation of fair value due to the short term to maturity.

4. NOTES ON STATEMENT OF FINANCIAL POSITION EQUITY AND LIABILITIES

4.1 Subscribed capital

The Company's subscribed capital of fully paid shares did not change in the period and continues to stand at GBP 2K (2017: GBP 2K). Please refer to table "Statement of Changes in Equity". The Company is not required to have authorised share capital in accordance with the Companies Act 2006.

4.2 Share premium accounts

The share premium amounted to GBP 16,793K as of 31 December 2018 (31 December 2017 GBP 16,793K).

4.3 Dividend

On the 21st March 2018 the Directors declared a dividend of £2,359.60 per share to be paid to Wirecard Acquiring & Issuing GmbH (2017: Nil).

4.4 Current liabilities

Current liabilities are classified into trade payables, customer deposits of Wirecard Card Solutions Limited and other liabilities.

Trade payables

Trade payables are owed to suppliers and to merchant retailers from the area of acquiring and amount to GBP 21,928K (2017: GBP 10,514K). Trade payables from the area of acquiring are mainly characterised by the volume of transactions from merchant retailers that utilise Wirecard card Solutions Limited's payment services.

in GBP 000s	Carrying amount and fair value	Carrying amount and fair value
	2018	2017
Trade payables relating to contracted merchants	21,561	5,002
Trade payables to suppliers	238	105
Payable to related parties	129	5,407
Total	21,928	10,514

The increase in trade payables relating to contracted merchants is reflective of the growth in acquiring volumes during the year ended 31 December 2018. The decrease in payables to related parties reflects Wirecard Card Solutions Limited's settlement of prior year liabilities to Wirecard Bank AG. The carrying amount represents the approximation of fair value due to the short term to maturity.

Other current liabilities

Other liabilities of GBP 1,610K (2017: GBP 2,924K) include accrued liabilities, provisions for legal disputes, provisions for employee bonus and related social security expense, contributions to the defined contribution pension scheme and, in accordance with IFRS 15, sales revenue relating to setting up new programme manager projects in the amount of GBP 150K deferred from the financial period ending 31 December 2018 to be recognised in the financial period ending 31 December 2019. The carrying amount represents the approximation of fair value due to the short term to maturity.

Customer deposits

This item is the liability to customers for safeguarded Electronic Money deposits in the amount of GBP 452,659K (2017: 351,359K) and the separate liability to programme managers for prefunds and income not yet distributed in the amount of GBP 13,031K (2017: GBP 13,338K). The carrying amount represents the approximation of fair value due to the short term to maturity.

Maturities

The maturity structure of other liabilities (excluding deferred tax liabilities) is as follows:

Maturity Structure as at 31 December 2018

in GBP '000s	up to 1 year	1 to 5 years	more than 5 years
Trade payables	21,928	-	-
Customer deposits	465,690	-	-
Other liabilities and provisions	2,099	-	-
Total	489,717	-	-

Maturity Structure as at 31 December 2017

in GBP '000s	up to 1 year	1 to 5 years	more than 5 years
Trade payables	10,514	-	-
Customer deposits	364,697	-	-
Other liabilities and provisions	4,891	-	-
Total	380,102	-	-

5. NOTES TO THE INCOME STATEMENT

5.1 Revenues

Sales revenues are generated particularly through the business of prepaid cards. There interchanges are generated, for which Wirecard Card Solutions Limited receives a volume-dependent fee from credit card organisations. Moreover, Wirecard Card Solutions Limited offers sales partners Business to Business (B2B) co-branding programs in the card-issuing division, for which it not only earns a fixed charge, but also generates sales revenues within the scope of the card agreements entered into.

Sales revenue was generated from the following business activity:

in GBP 000s	2018	2017
<i>Issuing of Electronic Money products</i>	48,859	47,518
Acquiring payment acceptance	8,321	4,722
Interest income	3,936	2,013
Other	651	793
Total	61,767	55,046

In accordance with IFRS 15, sales revenue in the amount of GBP 150K was deferred from the financial period ending 31 December 2018 and will be recognised in the financial period ending 31 December 2019. The deferred revenue relates to setting up new programme manager projects that will be undertaken after 31 December 2018.

5.2 Cost of services

The cost of services essentially comprises charges of the credit card issuing banks (Interchange), charges to credit card companies (e.g. MasterCard and Visa), transaction costs as well as transaction-related charges to third-party providers. The cost of services includes expenditure comprising Interchange and in particular processing costs from external service providers, from production, personalization and transaction costs for prepaid cards and the payment transactions performed with these cards, as well as account management and transaction fees for managing customer accounts.

5.3 Personnel expenses

Personnel expenses in accounting period 01 January 2018 to 31 December 2018 comprised:

WIRECARD CARD SOLUTIONS LIMITED

in GBP 000s	2018	2017
Salaries	2,927	2,430
Social security contributions	343	275
Pension contributions	270	244
Own work capitalised	(174)	(172)
Total	3,366	2,777

In the period under review Wirecard Card Solutions had an average of 69 employees (2017: 59 employees).

5.4 Other operating income

The item other operating income includes income from contractual relationship and income from currency conversion.

5.5 Other operating expenses

Breakdown of other operating expenses:

Other operating expenses

in GBP 000s	2018	2017
Legal and financial statement costs	1,454	721
Office expenses, Equipment & Leasing	425	338
Sales and marketing	240	260
Insurances, contributions and duties	140	111
Interest	13	10
Exchange (gains) / losses	(505)	184
Other	525	210
Total	2,292	1,834

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5.6 Financial Income

Financial income

in GBP '000s	2018	2017
Dividend income from Visa shares	7	8
Income from interest-bearing securities and fixed deposits	10	5
Total	17	13

Financial expense

in GBP '000s	2018	2017
Interest expense on interest-bearing securities and fixed deposits	5	20
Total	5	20

5.7 Income tax expense and deferred taxes

The major components of income tax expense for the years ended 31 December 2018 and 31 December 2017 are:

Taxation

in GBP '000s	01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
Tax charged to the income statement		
Current income tax:		
Current income tax (charge) / credit	(492)	(1,967)
Deferred tax:	-	-
Relating to origination and reversal of temporary differences	(100)	(48)
Adjustments in respect of deferred tax of previous years	-	-
Impact of change in tax rates	11	6
Income tax expense reported in the income statement	(581)	(2,009)
Tax charged to other comprehensive income		
Deferred tax:		
Relating to origination and reversal of temporary differences	3	(35)
Impact of change in tax rates	-	4
Total (charge) / credit reported in the statement of other comprehensive income	3	(31)

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The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The difference is reconciled below:

Taxation

in GBP '000s	01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
Profit before taxes	2,490	10,271
Tax at UK standard rate of corporation tax on PBT of 19.00% (2017: of 19.25%)	(474)	(1,977)
Expenses not deductible	(60)	(38)
Disallowed doubtful debt provision	(58)	-
Change in rate adjustment	11	6
Income tax expenses	(581)	(2,009)

Deferred tax relates to the following:

Deferred tax

in GBP '000s	2018	2017
Accelerated / (decelerated) capital allowances	(25)	(43)
Financial assets	194	162
Goodwill and other intangible assets	376	341
Short term provisions	(3)	(3)
Total deferred tax liability	542	457

Deferred tax in the income statement

in GBP '000s	01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
Accelerated / (decelerated) capital allowances	(18)	(22)
Goodwill and other intangible assets	(35)	(21)
Short term provisions	-	1
Financial assets	(36)	-
Deferred tax (charge)/ credit in the income statement	(89)	(42)

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Deferred tax in other comprehensive income

in GBP '000s	01 Jan. 2018 – 31 Dec. 2018	01 Jan. 2017 – 31 Dec. 2017
Financial assets	3	(31)
Deferred tax (charge)/ credit in other comprehensive income	3	(31)

The UK Government enacted legislation to reduce the rate of UK corporation tax to 19% from 1 April 2017.

The Finance Act 2016, enacted on 15 September 2016, included a decrease in corporation tax rates to 17% from 1 April 2020. In accordance with accounting standards, the effect of this rate reduction on deferred tax balances has been reflected in these accounts as the relevant legislation in relation to the reduction in the UK corporation tax rate has been substantively enacted at the balance sheet date.

On 12 March 2020 it was announced (and later substantively enacted) that the UK corporation tax rate would increase from 17% (the previously enacted rate) to 19% from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under International Financial Reporting Standards. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the total deferred tax liability recognised will be GBP 64K.

On first time adoption of IFRS 9 a deferred tax asset of GBP 8K arose and is referred to in Note 2.1. There was a partial reversal of this asset in 2018 for deductions claimed for the revaluation on first time adoption of IFRS 9 under the UK Change of Accounting Practice ("COAP") tax regulations. The remaining deferred tax asset will reverse in subsequent accounting periods as the remaining relief for the revaluation on first time adoption is claimed in accordance with the same COAP tax regulations.

6. OTHER NOTES

6.1 Risk reporting

Wirecard Card Solutions Limited is exposed to risks within the scope of its ordinary business activities. The risk categories are the ones specified in the table below. Compliance with these directives and due and proper processing and evaluation of transactions are processes that are verified on a regular basis, subject to a separation of functions. All investment transactions were only concluded with banks that meet the high creditworthiness requirements from Wirecard Card Solutions Limited's own risk assessments and, to the extent that external ratings are available, have been categorised as having a minimum creditworthiness risk by well-known ratings agencies.

Overview of risks

Risk categories	Examples
Business risks	Economic risks, risks arising from the general competitive situation for Wirecard Card Solutions Limited and its customers
Operational risks	Personnel risks, risks of product innovations and risks arising from the use of third-party services
Information and IT risks	Risks arising from the operation and design of IT systems as well as risk in connection with the confidentiality, availability and integrity of data
Financial risks	Exchange rate, interest rate and liquidity risks
Debtor risks	Risks of return debits, risks arising from default in payment obligations of customers of Wirecard Card Solutions Limited as well as of card holders
Legal and regulatory risks	Risks arising from changes to the legal and regulatory framework as well as risks arising from litigation and licence rights
Other risks	Reputation risks and risks arising from emergencies

6.1.1 Business risks

Wirecard Card Solutions Limited defines a business risk as the danger of a decline in earnings owing to unexpected changes in the volume of business and/or margins, as well as corresponding (purchasing) costs.

Business strategy risks

Business strategy risks arise in the medium and long term risk of negative effects on the attainment of Wirecard Card Solutions Limited's strategic objectives. The strategy is subject to ongoing development that entails planning, implementation, appraisal and adaptation in defining strategic approaches and guiding principles, as well as setting annual quantitative targets. In addition, external influencing factors such as market and competitive conditions in core markets (for example, the use of cryptocurrencies such as Bitcoin) and regulatory changes that require adaptation of the business strategy are continuously monitored.

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If Wirecard Card Solutions Limited were to fail to efficiently handle changes in the conditions found in the business environment or to successfully implement the strategy, there is a risk of an immaterial impact on the net assets, financial position and results of operations. Due to the measures that have been adopted and the experience gained in recent years. The Directors gauge the probability of occurrence as very unlikely and assume that the risk is very low.

Market risk

Uncertainties relating to the global economy, financial markets and political circumstances could negatively impact Wirecard Card Solutions Limited's net assets, financial position and results of operations.

Legal and regulatory changes in the national and international environment could have a direct or indirect influence on the business performance of the Wirecard Card Solutions Limited. An increased level of political uncertainty and the increasing appeal of populist parties for voters in a number of countries within the European Union could thus have an adverse impact on European integration. An escalation in the political risks could have unforeseeable political consequences and lead to a situation where, for example, certain transactions or their payment processing is only possible to a limited extent or in some countries no longer possible at all. Moreover, growth in those emerging markets where the Wirecard Card Solutions Limited is active could weaken, stagnate or even decrease – resulting in a failure to meet business expectations in these countries which could thus have a direct impact on the planned international growth of the Wirecard Card Solutions Limited. In addition, the transaction-based business model of the Wirecard Card Solutions Limited may indirectly experience adverse effects due to consumer behaviour. In the event of a major deterioration in global economic conditions and a substantial decline in consumer spending, a negative impact on the course of business and performance of the Company may be incurred. Moreover, the purchasing power of consumers may fall, thereby affecting the volume of transactions processed by retailers through Wirecard Card Solutions Limited.

The vote by the United Kingdom (UK) to leave the European Union and the concrete implementation of its exit are creating economic uncertainty and will play an important role for the development of both regions. As a result of the EU passporting model, an Electronic Money Institution based in an EU member state can provide cross-border financial services within all EU countries. Even in the event of a hard exit from the EU by the UK and the simultaneous loss of the passporting model for institutions based in the UK, Wirecard Card Solutions Limited does not expect any significant negative impact. Due to Wirecard Card Solutions Limited's British Electronic Money licence, Wirecard Card Solutions Limited is prepared for corresponding regulatory risks and although regulated business may be novated to another entity within the Wirecard Group, the Company still expects to be able to provide ongoing operation support and Scheme payment services in future on commercial terms that protect the Company's net assets, financial position and results of operations. Opportunities could arise if competitors of Wirecard Card Solutions Limited or the Wirecard Group do not possess an appropriate licensing network and are thus only able to conduct their business to a limited extent in the future within the EU or the UK.

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Due to the fact that the Company's business model is primarily transaction-oriented, the introduction and use of products and services provided by Wirecard Card Solutions Limited calls for only a very low level of initial investment by most customers. If customers' propensity to spend were to be negatively affected due to changes in the overall economic situation, this could impact business performance at Wirecard Card Solutions Limited.

The Wirecard Card Solutions Limited Management Board constantly monitors national and international developments in the political, economic and regulatory environments, as well as economic trends, so that if these factors should change in the short term it can take immediate measures to counter these risks and reduce any negative impact as far as possible.

For this reason, the Directors gauge the occurrence of this risk as unlikely for the 2019 fiscal year. Nevertheless, a considerable impact on the net assets, financial position and results of operations of Wirecard Card Solutions Limited, as well as an increase in the other risks described in this report, cannot be completely excluded. For this reason, the Directors gauge this risk as medium.

Equally, transformational political changes such as a significant improvement in the global economic situation, combined with a marked increase in consumer spending, as well as growth in trade and services on the Internet that outstrips present expectations and could signify new opportunities for Wirecard Card Solutions Limited.

Risks arising from existing customer business

Existing Wirecard Card Solutions Limited customers could decide to cancel their contracts or, as a consequence of the UK's departure from the EU, switch to competitor products or services.

Wirecard Card Solutions Limited generates a significant share of its revenues from an extensive portfolio of existing customers. If a significant number of regular customers were to decide to discontinue their business relationship with Wirecard Card Solutions Limited, this could leave a negative impact on the volume related benefits Wirecard Card Solutions Limited secures from the Schemes that are passed onto customers, the future development of the business and also influence the value of the customer portfolio. This may in turn result in impairments to recognised intangible assets.

The Directors consider this risk to have a low impact on the net assets, financial position and results of operations. Taking into consideration the high level of stability in the existing customer base and the new customers introduced in the current and recent years, the Directors gauge the occurrence of this risk as being very unlikely in the 2019 fiscal year.

Risks arising from intensified competition

Wirecard Card Solutions Limited operates in a market environment characterised by intense consolidation amongst its provider base. Technical developments for end devices utilised for Internet payments or mobile payments also means that hardware manufacturers and telecommunication and Internet companies are

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increasingly developing their own payment solutions and offering them on the market. Smaller payment providers are increasingly entering the market with innovative products. In addition, the Schemes' entry requirements have been reduced in recent years opening the market to new issuers.

Wirecard Card Solutions Limited is confident it can retain its leadership position on the market through the further successful implementation of innovative products and the volume related benefits it can offer to its customer base.

The Directors consider the risk to have a low impact on the net assets, financial position and results of operations and gauge the risk as unlikely and therefore a low risk of occurrence in fiscal year 2019.

6.1.2 Operational risks

Wirecard Card Solutions Limited considers operational risks to mean the risk of losses resulting from the inappropriateness or failure of internal processes and systems, from human error or from external events which have not already been dealt with in other risk areas.

Personnel risk

Qualified, experienced and motivated employees are critical to sustained business success. The growth of the Company's business depends to a degree on the ability to foster the loyalty of current employees and also the ability to recruit highly qualified employees in the face of intense competition for skilled personnel and managers.

If Wirecard Card Solutions Limited cannot effectively manage its personnel resources it may be unable to efficiently and successfully manage its business.

Wirecard Card Solutions Limited counters the risk using a targeted personnel policy. The recruitment of professional and experienced managers is a central element of the policy. Alongside attractive career opportunities, the aim is to foster the loyalties of employees through high levels of innovation, the international and intercultural corporate environment, employee benefits and an attractive working environment.

Over recent years, Wirecard Card Solutions Limited has experienced very low employee turnover. Due to the measures that have been adopted, the Directors gauge the occurrence of this risk as unlikely. However, an immaterial impact on the net assets, financial position and results of operations cannot be excluded. For this reason, the Directors gauge the risk for the 2019 fiscal year as very low.

Risks arising from the use of third party services and technologies

Wirecard Card Solutions Limited's range of products and services call for the utilisation of external and Wirecard Group products and services. Qualitative deficiencies in the products supplied or services rendered, or the total failure of these products and services may have a detrimental impact on Wirecard

Card Solutions Limited's business performance. Delays in the timely completion of the products and services could result in financial penalties and reputational damage.

If the services include the use of IT systems, there is a risk that customer and/or transaction data may be misused. If this leads, for example, to any damage being sustained by customers, this could not only result in economic damage for Wirecard Card Solutions Limited but also reputational damage.

Wirecard Card Solutions Limited monitors the reliability of the third party suppliers and obtains assurance of their compliance with relevant laws and directives. Any omissions could result in sanctions by the regulatory authorities and also contractual penalties from credit card organisations and other contractual parties.

Given the measure and safeguards in place, the Directors gauge the occurrence of this risk as unlikely for the 2019 fiscal year. If the risk should materialise, it could have a low impact on the net assets, financial position and results of operations. As a consequence, the Directors assume a low overall risk in this instance.

6.1.3 Information and IT risks

Wirecard Card Solutions Limited defines information and IT risks as the possibility that one or several weaknesses in IT systems or software will be exploited by a specific threat, causing confidentiality and integrity to be compromised or availability to be impaired.

Risks arising from impermissible publication and modification of data

Due to the nature of Wirecard Card Solutions Limited's business activities, extensive transaction data is held by the Company, its external service providers and the Wirecard Group. The data includes information on both the business activities of corporate customers and the spending patterns and credit status of consumers. The publication of confidential customer data can have a substantial adverse impact on business performance, both through a loss in reputation and direct claims for damages or contractual penalties. The falsification of customer data may have a negative impact on Wirecard Card Solutions Limited's business performance, through both a direct cash outflow due to erroneous payments made during the course of business and lost revenue due to incorrect statements in other business areas.

A mandatory security concept compliant with the Payment Card Industry – Data Security Standards (PCI-DSS) is applied in Wirecard Card Solutions Limited. To counteract the risk of publication or falsification of customer data, the concept includes directives on handling customer data, extensive qualitative assurances measures in the field of product development, comprehensive technological backup and protective measures such as monitoring and early warning systems.

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. This regulation from the European Union standardises the rules for the processing of personal data by private companies and public authorities. The regulation also increased the possible fines for data protection violations.

Due to the security measures existing within Wirecard Card Solutions Limited, the Directors gauge the occurrence of this risk in 2019 fiscal year as unlikely. However, Wirecard Card Solutions Limited cannot fully exclude a considerable impact on its reputation, as well as on its net assets, financial position and result of operations, and thus assumes a medium risk in this instance.

Risks arising from the structure and operation of information systems

The risk exists that previously undiscovered security loopholes are exploited in the information systems relied upon by Wirecard Card Solutions Limited.

Information technology represents a strategic factor for success in Wirecard Card Solutions Limited's business activities. The quality and availability of information systems relied upon by the Company and the ability the external and Wirecard Group service providers to respond speedily, flexibly and in a cost-efficient manner to changing market requirements are critical to the Company's financial and business success. System outages can have a negative impact on business performance. Attacks could result in the abuse of IT systems and a reduction in availability of services. Insufficient availability of IT systems could result in possible claims for damages from customers, reduce customer satisfaction and have a negative impact on business performance.

Even though successful attacks on IT systems or mistakes by employees cannot be excluded in principle, the Directors gauge the occurrence of this risk in the 2019 fiscal year as unlikely. However, the Directors cannot fully exclude a moderate impact on its reputation as well as on its net assets, financial position and results of operations. The Directors assume a medium risk in this instance.

6.1.4 Financial risks

Exchange rate risks

Currency risks derive from Wirecard Card Solutions Limited's foreign currency position and potential changes to corresponding exchange rates.

Currency risk exist where assets, liabilities, revenues and expenses are held or transact in a currency other than the functional currency of Great British Pounds. Wirecard Card Solutions Limited minimises the currency risk by holding receivables and liabilities in the same currency where possible.

The asset cash and cash equivalents from customer deposits and the corresponding liability for customer deposits are held and settled in the same currency and do not expose Wirecard Card Solutions Limited to realised exchange gains or losses. Translation of the assets and liabilities held in currencies other than British Pounds on the reporting date create unrealised exchange gains or losses that are reflected through the income statement but do not affect the Company's liquidity.

An average strengthening of GBP against the exchange rates of relevance to Wirecard Card Solutions Limited of five percentage points would result in decreased income of GBP 260K from realised exchange losses.

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Accordingly, a weakening of GBP against relevant exchange rates of five percentage points would produce additional income of GBP 286K from realised exchange gains.

An average strengthening of GBP against the exchange rates of relevance at the balance sheet date of five percentage points would result in decreased income of GBP 462K from unrealised exchange losses on revaluation of currency balances in the balance sheet at the 31 December 2018. Accordingly, a weakening of GBP against relevant exchange rates of five percentage points would produce additional income of GBP 403K from unrealised exchange gains.

Wirecard Card Solutions Limited has no derivative financial instruments (such as currency options or forward rate exchange options) in the fiscal year 2018 or previous year.

The Directors cannot fully exclude the risk that realised currency losses may have an immaterial impact on the net assets, financial position and results of operations. However, the Directors gauge the occurrence of this risk unlikely and assume the exposure to realised exchange losses to be very low risk in this instance.

Interest risks

Interest rate fluctuations reflecting changes in market interest rates could negatively affect Wirecard Card Solutions Limited's activities.

The interest Wirecard Card Solutions Limited receives on demand deposits and fixed term deposits with credit institutions is based on the interbank money market interest rate which is subject to fluctuations that may impact realised earnings. Until now, the credit institutions have not charged negative interest rates on the Euro balances within approved limits therefore only minor interest costs have arisen from the holding of liquidity in Euro bank accounts. Visa collateral was exchanged from Euro to Great British Pounds during the year to eliminate the risk of negative interest rates and exchange rate exposure.

A fall of a quarter of a percentage point in the interest rate received by Wirecard Card Solutions Limited would result in a decrease in income of GBP 380K. Accordingly, an improvement by a quarter of a percentage point would produce additional income of GBP 560K.

Wirecard Card Solutions Limited has no derivative hedge instruments (such as interest rate swaps, forward rate agreements, etc.,) in the fiscal year 2018 or previous year.

The Directors cannot fully exclude the risk of an immaterial impact on the net assets, financial position and results of operations. However, the Directors gauge the occurrence of this risk as unlikely and assume it to be very low risk in this instance.

Liquidity risks

The risk exists that cash requirements triggered by potential cash flow fluctuations cannot be covered or can only be covered at higher cost.

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The primary objectives of financial management are to secure a comfortable liquidity situation at all times and maintain operational control of financial flows. Management controls liquidity risks by keeping appropriate levels of available cash and cash equivalents by monitoring cash flows and anticipated cash flow projections.

Excess liquidity is invested in fixed term deposits on a short term agreements. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed term investment and the obligations to settle liabilities falling due. Cash invested in the term deposits can be accessed before maturity if required but at the expense of a financial penalty. Management considers the risk of incurring financial penalties to be low.

Undiscounted cash flows according to contractually agreed payment dates as at 31 December 2018

in GBP '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Other current liabilities	(1,610)	-	-	(1,610)
Trade payables	(21,928)	-	-	(21,928)
Customer deposits	(465,690)	-	-	(465,690)
Interest-bearing securities and fixed deposits	1,110	-	-	1,110
Cash and cash equivalents from customer deposits	465,690	-	-	465,690
Cash and cash equivalents	14,806	-	-	14,806

Undiscounted cash flows according to contractually agreed payment dates as at 31 December 2017

in GBP '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Other current liabilities	(2,924)	-	-	(2,924)
Trade payables	(10,514)	-	-	(10,514)
Customer deposits	(364,697)	-	-	(364,697)
Interest-bearing securities and fixed deposits	4,045	-	-	4,045
Cash and cash equivalents from customer deposits	364,697	-	-	364,697
Cash and cash equivalents	20,446	-	-	20,446

Further information on the assessment and calculation of expected credit losses in respect of financial assets is disclosed in Notes 2.1. and 2.2.

The Directors cannot fully exclude the risk of an immaterial impact on the net assets, financial position and results of operations. However, the Directors gauge the occurrence of this risk as unlikely and assume it to be very low risk in this instance.

6.1.5 Debtor risks

Wirecard Card Solutions Limited considers debtor risk to mean possible value losses that could be caused by a third party being unable or unwilling to pay.

Debtor risk

The risk exists of value losses from receivables arising from a contract with a business partner (e.g., Programme Manager, merchants and acquiring partners). Receivables from merchants may arise, for example, from chargebacks following a merchant insolvency, violations of applicable rules or regulations by merchants, or fraud on the part of merchants.

To counteract the risk of business partners of Wirecard Card Solutions Limited defaulting on their contractual payment obligations, these customers are subjected to a comprehensive credit rating and liquidity analysis before entering into business relations with them. Liquidity and payment flows of business partners are monitored on a regular basis and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system.

Wirecard Card Solutions Limited takes account of such risks by stipulating the applicable law and place of jurisdiction in contracts wherever possible. Receivables are also collected from international clients and appropriate securities are agreed with the contractual partners. Wirecard Card Solutions Limited's agreements with business partners include a contractual right to offset receivables against liabilities payable to the business partner.

The maximum risk of default for all financial assets at Wirecard Card Solutions is their carrying amount. In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation adjustments or derecognised without delay, and the risks are booked with an impact on profit or loss in accordance with IFRS 9. Further information on the assessment and calculation of expected credit losses is disclosed in Notes 2.1. and 2.2.

There is nevertheless no guarantee that the measures that have been taken will prove successful in all instances and the Directors cannot fully exclude the risk of a low impact on the net assets, financial position and results of operations. However, the Directors gauge the occurrence of this risk as unlikely and assume it to be a medium risk of occurrence.

Risks due to default of credit institutions

The free liquidity invested in demand deposits and overnight (call) money with credit institutions could also be endangered if these credit institutions suffer from insolvency or financial difficulties. Wirecard Card

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Solutions Limited takes account of this risk by continuous review of specific credit rating and profitability data relating to the relevant counterparties and, where available, external ratings are also included into the review.

Wirecard Card Solutions Limited has trust arrangements with the credit institutions to safeguard the cash and cash equivalents from customer deposits that segregate the deposits in the nominated bank accounts from the working capital of both Wirecard Card Solutions Limited and the credit institutions in the event of the default of either party.

The maximum risk of default for Wirecard Card Solutions Limited deposits with credit institutions is their carrying amount. In the event of identifiable concerns relating to the value of receivables, the latter are subjected to specific valuation adjustments or derecognised without delay, and the risks are booked with an impact on profit or loss in accordance with IFRS 9. Further information on the assessment and calculation of expected credit losses is disclosed in Notes 2.1. and 2.2.

There is nevertheless no guarantee that the measures that have been taken will prove successful in all instances and the Directors cannot fully exclude the risk of a low impact on the net assets, financial position and results of operations. However, the Directors gauge the occurrence of this risk as unlikely and assume it to be a very low risk of occurrence.

6.1.6 Legal and regulatory risks

Regulatory risks

Current and future promulgations concerning regulatory conditions and non-compliance with them could negatively affect the business performance of Wirecard Card Solutions Limited.

Wirecard Card Solutions Limited's services require compliance with both nationally and internationally regulatory requirements which could impact business performance in all countries in which the Company provides its services. Compliance requirements include, for example, anti-corruption and money laundering regulations, contractual variations due to local laws with overseas customers and local tax variations in the supply of services. The underlying legal and regulatory conditions could result in changes to the products and services offered or even result in their withdrawal. Political and social unrest may suddenly lead to the destabilisation of a country or economic region leading to a ban on certain business models. Statutory regulations governing the use of the Internet can differ on both a national and international scale which may limit the extent of services Wirecard Card Solutions is able to offer. Wirecard Card Solutions Limited counteracts the associated risks to its business activities by cooperating closely with regional or specialised law firms that provide assistance both in launching new products and with ongoing business processes and business relations.

Wirecard Card Solutions Limited perceives compliance with national and international legislation as indispensable for sustained business development and places a high priority on meeting all the relevant regulatory requirements as they apply both to internal operations and to its customers. Moreover, Wirecard

Card Solutions Limited makes every effort to maintain a customer structure that is diversified, both regionally and with regard to its operations, in order to limit the risk to the Company's business activities and earnings deriving from changes to underlying legal conditions and regulations.

In Wirecard Card Solutions Limited's business areas, risks deriving from regulatory changes or non-compliance with these changes that may even have a considerable impact on net assets, financial position and results of operations, as well as on the Company's reputation, cannot generally be excluded. However, the Directors assume a risk of occurrence as very unlikely and gauge this risk as medium.

Risks from contractual violations

The risk exists that existing contractual relationships are terminated due to contractual obligations not being fulfilled, not being fulfilled on time, or not being fulfilled to their full extent, which will have a negative impact on the business performance of Wirecard Card Solutions Limited.

Wirecard Card Solutions Limited is a member or licence holder of the credit card companies MasterCard and Visa and has licences for both issuing cards to private customers and retailer acquiring. In the notional event of termination or cancellation of these licence agreements, there would be a considerable impact on the business activities of Wirecard Card Solutions Limited.

If Wirecard Card Solutions Limited were unable to fully comply with its contractual obligations the risk exists of an impact that could reach significant level. Due to constant communication with the contractual partners and continuous monitoring of compliance with the contractual terms, the Directors nevertheless regard the occurrence of this risk as very unlikely and consequently assume the existence of a low risk overall.

6.1.7 Other risks

Reputation risk

The risk exists that the trust and confidence of customers, business partners, employees and third party organisations is adversely impacted by the publication of a report on Wirecard Card Solutions Limited, a specific transaction, a business partner or a business practice.

In particular, this risk arises from the intentional dissemination of false information, breach of contract by customers, misguided information, as well as communications by any dissatisfied employees or customers resulting in an adverse impact on the Company's reputation. Other risks outlined in these financial statements also impact on Wirecard Card Solutions Limited's reputation.

Wirecard Card Solutions Limited continually monitors for statements on its products, as well as reports on the Company and Wirecard Group in the market (print media, television, Internet, forums, etc.), in order to quickly take suitable countermeasures where necessary.

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The quantification of reputation risk is extremely difficult due to the multitude of potential loss scenarios. If Wirecard Card Solutions were to fail to rapidly counter the communication of erroneous or misguided information, there is a risk of a low impact on the net assets, financial position and results of operations, as well as a danger that other risks described in this report will be exacerbated. Despite the preventative measure taken by the Company, the Directors gauge the occurrence of adverse publicity as likely and assumes the overall reputation risk as medium.

6.2 Capital risk management

Wirecard Card Solutions Limited controls its capital with the objective of maximising the shareholders' return by optimizing the ratio of equity capital to borrowed capital. Wirecard Card Solutions Limited's capital structure consists of the equity to which the parent company is entitled. Equity comprises shares issued, capital reserves and revenue reserves. The objectives of capital management are to secure operations as a going concern along with an adequate return on equity and maintain adequate capital to comply with the minimum level of capital requirements as stipulated by Electronic Money regulations.

Following the successful organic growth last year and the transactions performed in 2018, the Company's objective is to maintain a comparable equity ratio for fiscal years 2019 and 2020. In keeping with the current financial structure, future investments and potential acquisitions will either be financed by sourcing the Company's own cash flow, or by moderate deployment of borrowed funding or alternative forms of financing. Potential acquisitions will also continue to be analysed and assessed under strict conditions in future with the focus on profitability and a sensible supplementation of our existing portfolio of products and customers.

Capital is monitored based on economic shareholders' equity. Economic shareholders' equity is the balance-sheet equity. Borrowed capital is generally defined as non-current and current financial obligations, provisions and other liabilities.

Wirecard Card Solutions Limited reviews its capital structure on a regular basis.

Capital structure

in GBP '000s (where not in %)	31 Dec. 2018	31 Dec. 2017
Equity	30,557	33,683
Equity in % of total capital	6%	8%
Liabilities	490,259	380,559
Liabilities in % of total capital	94%	92%
Total capital (equity and liabilities)	520,816	414,242

6.3 Other obligations

Wirecard Card Solutions Limited entered into leases for office space and other leasing agreements. The future minimum payments from these agreements as at 31 December are as follows:

Other financial obligations

in GBP '000s	2018	2017
Within one year	129	301
After one year but not more than five years	375	674
More than five years	-	480
Total	504	1,455

Payments in respect of lease arrangements made in the year ended 31 December 2018 totalled GBP 232K (2017: GBP 303K):

The lease for the office space in Newcastle Upon Tyne contains an early termination clause which allows the Company to exit the lease obligation on 16th January 2023. During the current year, the directors of Wirecard Card Solutions Limited assessed the requirement for additional office space resulting from the projected future growth of the business and now expect to exercise the option to terminate the lease agreement early. The future financial obligations above reflect exercising the option to terminate early. The leases commitments for the remainder of the lease beyond the early termination date are GBP 600K (2017: GBP 600K).

6.4 Financial relations with related companies

During the year ended 31 December 2018, agreements were in place among various companies in the Wirecard Group. In addition, reference is made to Section 7.3. Related party transactions.

7. ADDITIONAL MANDATORY DISCLOSURES

7.1 Parent Company

The Company's immediate parent is Wirecard Acquiring & Issuing GmbH, a company registered in Germany. The ultimate parent in which the results of the Company are consolidated is that headed by Wirecard AG whose offices are at Einsteinring 35, Aschheim, Germany. Published consolidated financial statements are available from Wirecard AG.

7.2 Management

The following persons were employed as Directors of Wirecard Card Solutions Limited:

Tom Jennings, Managing Director since 09 December 2011

Dr. Thomas Kaepfner, Managing Director since 25 September 2014

Oliver Bellenhaus, Director since 09 December 2011

Alexander Von Knoop, Director since 01 January 2018

Remuneration paid to Directors

in GBP '000s	31 Dec. 2018	31 Dec. 2017
Remuneration (Directors remuneration excluding pension contributions)	455	285
Contributions to defined contribution pension schemes	10	9
Number of directors accruing retirement benefits under a defined contribution pension scheme	1	1
Highest paid Director's remuneration	302	220

The Directors are employed by Wirecard AG (Germany), Wirecard Bank AG (Germany) or Wirecard Acquiring & Issuing GmbH (Germany). For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company has been made based on an estimate of the services rendered to the Company.

No loans were made to the Directors during the accounting period 01 January 2018 to 31 December 2018.

7.3 Related party transactions

Related parties

In accordance with IAS 24 (related party disclosure), persons closely related to Wirecard Card Solutions Limited are the members of the Wirecard Group and the Directors. In the accounting period 01 January 2018 to 31 December 2018 the following activities were entered into by Wirecard Card Solutions Limited with a related party indicated below:

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Transactions with impact on Income Statement

Related person/ related entity	Type of legal relationship	(Income) / Expenditure in GBP 000s	(Asset) / Liability as at 31 Dec. 2018 In GBP 000's	Explanatory note
Wirecard Acquiring & Issuing GmbH	Services	486		Wirecard Acquiring & Issuing GmbH is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.
		5,000	115	Wirecard Card Solutions paid a dividend during the year.
Wirecard AG	Services	75	7	Wirecard AG is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.
Wirecard Bank AG	Services	2,579	(9,375)	Wirecard Bank AG is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.
Wirecard Technologies GmbH	Services	(1,019)	(867)	Wirecard Technologies GmbH engaged the services of Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard Issuing Technologies GmbH	Services	3	-	Wirecard Issuing Technologies GmbH is engaged as a service provider for Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard Communication Services GmbH	Services	18	3	Wirecard Communication Services GmbH is engaged as a service provider for Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard Global Sales GmbH	Services	-	-	Wirecard Global Sales GmbH engaged the services of Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard Processing Services Dubai	Services	(107)	(16)	Wirecard Processing Services Dubai engaged the services of Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard Singapore Pte. Ltd	Services	(19)	(26)	Wirecard Singapore Pte. Ltd engaged the services of Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard Retail Services GmbH	Services	4	4	Wirecard Retail Services GmbH is engaged as a service provider for Wirecard Card Solutions Limited and paid to reimburse expenditure at cost.
Wirecard UK & Ireland Limited	Services	(329)	(1,162)	Wirecard UK and Ireland Limited is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.

The exchange of goods, services and payments is affected on an arm's length basis. These arm's length conditions are documented and monitored on a regular basis; any adjustments required are made without delay.

The disclosures in respect of the compensation of key management personnel (Directors) are included in Note 7.2.

7.4 Auditors' fees

in GBP '000s	2018	2017
Fees for the audit of the Company	179	97

Fees paid to the Company's auditor, Ernst & Young LLP, for services other than the statutory audit of the Company are disclosed in the consolidated accounts of the Company's ultimate parent. Wirecard AG is required to disclose non-audit fees on a consolidated basis.

7.5 Events after the period under review

Adjusting events after the balance sheet date that provide additional information on Wirecard Card Solutions Limited would be included in the financial statements. Non-adjusting events after the balance sheet date would be reported in the notes if material in nature.

Adjusting Events

A lawsuit was brought against Wirecard Card Solution Limited during the year ended 31 December 2018. The lawsuit was recently settled in favor of the claimant and ordered Wirecard Card Solutions Limited to pay the amount of EUR 156K including legal costs (GBP 140K equivalent) in full and final settlement. Full provision for this liability has been made in the Financial Statements for year end 31 December 2018. The court order instructs the codefendant to reimburse Wirecard Card Solutions Limited the full the amount of all losses in full and final settlement. No receivable is recognised in the Financial Statement for year end 31 December 2018.

Non-adjusting Events

The COVID-19 outbreak has been developing worldwide at different rates since initially emerging in China in the latter part of 2019. In addition to the loss of life it has caused substantial volatility in financial markets and extensive disruption in supply chains and working practices. Despite the significant stimulus packages announced by governments around the globe it is likely that many developed economies will enter a period of downturn, the severity and length of which are unknown.

The COVID-19 outbreak is deemed a non-adjusting balance sheet event that will likely have an impact on the financial performance of the Company through decreases in revenues and gross profit as a result of reduced cardholder spend patterns and merchant trading.

The Company expects that the interventions made by the UK Government to provide support to individuals and support for businesses will reduce the impact of COVID-19 and while the impact is currently not known, based on our assessments of a downside scenario we would still expect to make profits and maintain our regulatory capital requirements.

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Whilst the impact of Covid-19 at the WireCard AG (the Group) level remains uncertain and given the importance of the Group to the UK operations, management envisage the overall impact to be immaterial to the company. The wider Group's growth plans of a 30% increase in revenues for the financial year ending 31 December 2020 continue to be on track and management fully expects to achieve their targets.

There are no other non-adjusting events after the balance sheet date.