

Registered Number: 07875693

**Wirecard Card Solutions Limited**  
**Report and Financial Statements**  
**Period from January 1, 2015 to December 31, 2015**



## Directors and Auditors

<b>Company:</b>	Wirecard Card Solutions Limited
<b>Address:</b>	3rd Floor Grainger Chambers 3-5 Hood Street Newcastle upon Tyne NE1 6 JQ United Kingdom
<b>Registration No.:</b>	07875693
<b>Authorised by:</b>	The Financial Conduct Authority (FCA) under the Electronic Money Regulations 2011 for the issuing of Electronic Money, Register No. 900051
<b>Directors:</b>	Tom Jennings Thomas Kaepfner Burkhard Ley Oliver Bellenhaus
<b>Auditor:</b>	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR United Kingdom

## Strategic Report

Wirecard Card Solutions Limited ("the Company") manages controls and operates the regulated business in accordance with E money and other legislation relevant to issuing prepaid products and acquiring payments. 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 FCA.

The business is required to have a minimum level of capital as stipulated by E money regulations and also holds the E money float that supports the outstanding card balances due to cardholders and monies owed to redeemers. The business has sufficient capital to support its business activities.

During 2015 Wirecard Card Solutions Limited focused on the following main activities:

- Aligning itself to commence card scheme Payment Services Activities including acquiring
- Enhancing product capabilities with the addition of Agency Banking solutions, the launch of acquiring for Visa and the preparation of MasterCard card acceptance.
- Maintaining relationships with existing Programme Managers and encouraging organic growth
- On boarding new Programme Managers
- Supporting Wirecard UK and Ireland programmes
- Further integration into the Wirecard Group
- New processor integrations
- On-going development of core systems

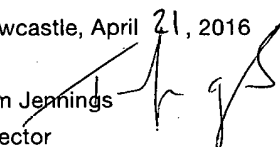
On 2 November 2015, Visa Inc. announced its proposed acquisition of Visa Europe Limited, as a result of this announcement, the shares Wirecard Card Solutions Limited held in Visa Europe Limited increased in value by GBP 2,010K.

The Directors are highly satisfied with Wirecard Card Solutions Limited's performance during its fourth year of trading. The company has achieved all of its strategic objectives and is continuing to integrate well into the group. Wirecard Card Solutions Limited is well positioned to continue to service and grow its portfolio of Programme Managers.

The Directors do not recommend the payment of a dividend.

This Strategic Report was approved by the Board.

Newcastle, April 21, 2016  
Tom Jennings  
Director



## Directors' Report

The Directors have pleasure in presenting to shareholders their third report and the audited financial statements for the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2015.

## 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 und 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 prepaid cards and e-wallets throughout Europe (EEA states). Wirecard Card Solutions Limited holds Principal Membership licences with Visa and MasterCard (the "Schemes").

Wirecard Card Solutions Limited provides its services to PMs, 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 2015 were GBP 20,068K (2014: GBP 17,171K).

## Risk and Uncertainties

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 the taking of action to remove or reduce the likelihood of those risks occurring and their effect. Wirecard Card Solutions Limited operated a Risk-Based-Approach regarding its PM's.

Key risks identified by the Company are:

- Ensuring adequate processes and controls
- Retaining appropriately skilled employees
- Global financial instability leading to client and/or PM failure, for example the referendum on the UK's membership of the EU during this parliament increases economic and operational uncertainty
- Financial crime increasing the potential for material losses
- PMS' financial health and PMS' going out of business
- Pipeline risk
- Achieving business growth objectives or incurring significant unanticipated costs

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

- Robust corporate governance
- Systems and processes to perform an exact and accurate reconciliation of monies and pipelines
- Control mechanisms for processors and PMs
- Yearly compliance audits for all PMs
- Regularly finance reviews of all PMs
- Financial prefunding, i.e. pipeline prefunding
- *Monitoring and setting policies and procedures to be followed*
- Staff workshops and training (continuous)
- IT security

All of which is embedded into a comprehensive risk management framework in place which is designed to identify, measure, manage and mitigate significant risks that could adversely affect Wirecard Card Solutions Limited future performance, against a pre-defined Risk appetite.

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 7.1. of the notes.

## **Risk Monitoring and Reporting**

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

## Going Concern

The Directors, having assessed the financial position of Wirecard Card Solutions Limited, 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 the date of approval of the financial statements which show that the company has sufficient financial resources to fund the business for the foreseeable future.

## 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;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) 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.

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.

The directors are satisfied that Wirecard Card Solutions Limited has adequate resources to continue in business for the foreseeable future. For this reason, the financial statements are prepared on the going concern basis.

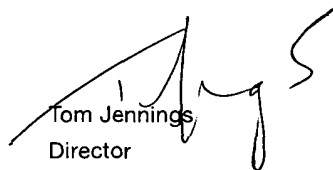
## Disclosure of information to auditors

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.

Newcastle, April 21, 2016

  
Tom Jennings  
Director

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

We have audited the financial statements of Wirecard Card Solutions Limited for the year ended 31 December 2015 which comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of change in Equity, the Statement of Cash Flow and the related notes 1 to 8. 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.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

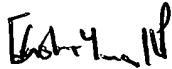
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.



**Alistair Denton (Senior statutory auditor)**  
**for and on behalf of Ernst & Young LLP, Statutory Auditor**  
**Leeds**

**April 22, 2016**

## Statement of financial position – Assets

in GBP '000s	Notes	Dec. 31, 2015	Dec. 31, 2014
<b>ASSETS</b>			
<b>I. Non-current assets</b>	<b>3., 2.2.</b>		
<b>1. Intangible assets</b>	<b>3.1., 2.2.</b>		
Goodwill		6,727	6,727
Internally generated intangible assets		644	559
Other intangible assets		257	448
Customer relationships		2,209	2,367
		<b>9,837</b>	<b>10,101</b>
<b>2. Property, plant and equipment</b>	<b>3.1., 2.2.</b>		
Other property, plant and equipment		97	146
<b>3. Financial and other assets / interest-bearing securities</b>	<b>3.2., 2.2.</b>	<b>2,013</b>	<b>3</b>
<b>Total non-current assets</b>		<b>11,947</b>	<b>10,250</b>
<b>II. Current assets</b>			
1. Inventories and work in progress		8	-
2. Trade receivables and other receivables	<b>3.3., 2.3.</b>	784	751
3. Interest-bearing securities and fixed deposits	<b>3.4., 2.2.</b>	4,858	5,158
4. Cash and cash equivalents	<b>3.5.</b>	10,077	2,893
<b>Total current assets</b>		<b>15,727</b>	<b>8,802</b>
<b>III. Current assets from customer deposits</b>			
1. Interest-bearing securities and fixed deposits	<b>3.6., 2.2.</b>	-	12,831
2. Cash and cash equivalents from customer deposits	<b>3.7.</b>	<b>169,928</b>	<b>94,904</b>
<b>Total current assets from customer deposits</b>		<b>169,928</b>	<b>107,735</b>
<b>Total current assets</b>		<b>185,655</b>	<b>116,537</b>
<b>Total assets</b>		<b>197,602</b>	<b>126,787</b>

## Statement of financial position – Equity and Liabilities

in GBP '000s	Notes	Dec. 31, 2015	Dec. 31, 2014
<b>EQUITY AND LIABILITIES</b>			
I. Shareholders' equity	<b>4.</b>		
1. Subscribed capital	<b>4.1.</b>	<b>2</b>	<b>2</b>
2. Share premium	<b>4.2.</b>	16,793	16,793
3. Retained earnings	<b>5.</b>	1,548	376
4. Revaluation reserve		1,618	-
<b>Total shareholders' equity</b>		<b>19,961</b>	<b>17,171</b>
II. Liabilities	<b>4., 2.2.</b>		
1. Non-current liabilities			
Deferred tax liabilities	2.3., 5.6.	672	106
		<b>672</b>	<b>106</b>
2. Current liabilities	<b>4.3., 2.2.</b>		
Trade payables		4,005	91
Other current liabilities		2,903	1,684
Customer deposits from banking operations		169,928	107,735
Tax provisions	2.3., 5.6.	132	-
		<b>176,968</b>	<b>109,510</b>
<b>Total liabilities</b>		<b>177,641</b>	<b>109,616</b>
<b>Total shareholders' equity and liabilities</b>		<b>197,602</b>	<b>126,787</b>

These financial statements were approved by the Board of Directors on April 21, 2016 and were signed on its behalf by

Tom Jennings  
Director



## Income Statement

in GBP '000s			Jan. 01, 2015 - Dec. 31, 2015	Jan. 01, 2014 - Dec. 31, 2014
	Notes			
<b>I. Revenues</b>	<b>5.1., 2.3.</b>		<b>19,824</b>	<b>17,513</b>
<b>II. Operating expenses</b>			<b>17,425</b>	<b>16,376</b>
1. Cost of services	<b>5.2.</b>		15,357	14,642
2. Personnel expenses	<b>5.3.</b>		1,579	1,223
3. Amortisation and depreciation			489	511
<b>III. Other operating income and expenses</b>			<b>(920)</b>	<b>(1,228)</b>
1. Other operating income	<b>5.4.</b>		141	175
2. Other operating expenses	<b>5.5.</b>		1,061	1,403
<b>Net operating income</b>			<b>1,479</b>	<b>(91)</b>
<b>IV. Profit/(Loss) before taxes</b>			<b>1,479</b>	<b>(91)</b>
V. Income tax	<b>5.6.</b>		(307)	15
<b>VI. Profit/(Loss) after taxes</b>			<b>1,172</b>	<b>(76)</b>

## Statement of other Comprehensive Income

in GBP '000s			Jan. 01, 2015 - Dec. 31, 2015	Jan. 01, 2014 - Dec. 31, 2014
	Notes			
Profit/(Loss) after taxes	<b>5.</b>		1,172	(76)
Revaluation of available-for-sale financial assets			2,010	-
Deferred tax on available-for-sale financial assets			(392)	-
<b>Total comprehensive income/(expense)</b>			<b>2,790</b>	<b>(76)</b>

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

## 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					
<b>Balance as of December 31, 2014</b>	<b>2,119</b>	<b>2</b>	<b>16,793</b>	<b>376</b>		<b>17,171</b>
Profit after taxes				1,172		1,172
Differences of revaluation reserve					1,618	1,618
<b>Balance as of December 31, 2015</b>	<b>2,119</b>	<b>2</b>	<b>16,793</b>	<b>1,548</b>	<b>1,618</b>	<b>19,961</b>

Please refer to Note 4.

## Statement of Cash flow

in GBP '000s	Notes	Jan 1, 2015 - Dec 31, 2015	Jan 1, 2014 - Dec 31, 2014
<b>Profit before Taxes</b>	<b>5.</b>	<b>1,479</b>	<b>(91)</b>
Amortization/depreciation/write-ups of non-current assets		489	511
Changes in inventories		(8)	-
Changes in Trade receivables and other receivables		267	1,034
Changes in provisions		-	(10)
Changes in trade payables		3,915	(41)
Changes in other current liabilities		1,218	(3,159)
Income taxes paid		-	6
<b>Cash flow from operating activities</b>		<b>7,360</b>	<b>(1,750)</b>
Cash paid for investments in intangible assets and property, plant and equipment		(175)	(218)
Cash paid for the acquisition of entities and investments in consolidated entities	<b>1.1.</b>	-	(770)
<b>Cash flow from investing activities</b>		<b>(175)</b>	<b>(988)</b>
Cash received from the issue of shares		-	1,507
<b>Cash flow from financing activities</b>		<b>-</b>	<b>1,507</b>
<b>Financial resources fund at the beginning of period</b>		<b>2,892</b>	<b>4,123</b>
<b>Financial resources fund at the end of period</b>	<b>6.</b>	<b>10,077</b>	<b>2,892</b>

## Explanatory Notes

Financial Statement December 31, 2015

### 1. DISCLOSURES RELATED TO THE COMPANY AND ITS VALUATION PRINCIPLES

#### 1.1 Business activities and legal background

Wirecard Card Solutions Limited, with its registered office in Newcastle (United Kingdom) (Reg. No. 07875693) was formed at 8. December 2011 and is used to operate the prepaid card 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 the United Kingdom.

#### 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.

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

#### Operational environment and 'going concern' assumption

Wirecard Card Solutions Limited have assessed the financial position 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 which show that the company has sufficient financial resources to fund the business for the foreseeable future.

#### Accounting in accordance with International Financial Reporting Standards (IFRS)

The financial statements and the management report have been prepared on a historical cost basis in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as adopted by the EU.

All interpretations valid for accounting period 2015 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.

### **Judgments, estimates, assumptions**

The preparation of the financial statements requires management to make judgments, 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 judgments which have a significant effect on the amounts recognized in the financial statements. Forward-looking assumptions, discretionary decisions as well as other substantial sources of uncertainties relating to estimates as at the Statement of financial position date giving rise to a substantial risk that an adjustment of the carrying amounts of assets and liabilities will be necessary within the following accounting period are explained below within the individual items.

### **Classification**

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-current if they remain within the company for longer than one year. The income statement was prepared in accordance with the nature of expense method.

## **2.1 Accounting for financial assets and liabilities**

Financial assets and liabilities are reported in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). As a result, financial assets and liabilities are recognized in the Statement of financial position when Wirecard Card Solutions Limited has a contractual right to receive cash or cash equivalents or other financial assets from some other party or if it has a contractual obligation to pay liabilities to some other party.

According to IAS 39, financial instruments are split into the following categories:

- financial assets and liabilities to be measured at fair value through profit or loss
- financial investments held until final maturity
- financial assets available for sale
- loans and receivables
- financial liabilities measured at amortised cost

### **Financial assets**

Wirecard Card Solutions Limited classifies its financial assets at the time of first recognition. Financial assets are measured at fair value when first recognized. In the case of financial investments not classified at fair value in profit and loss, transaction costs directly assignable to the acquisition of the assets are additionally taken into account.

Purchases 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 (purchases subject to common market usage) are recognized on the day of trading, i.e., on the day on which Wirecard Card Solutions Limited entered into the obligation to purchase or sell the asset in question.

The financial assets comprise cash as well as current deposits, trade receivables, loans and other receivables as well as unlisted financial instruments and financial derivatives.

**Financial assets measured at fair value through profit or loss**

The group of financial assets to be measured at fair value through profit or loss comprises financial assets held for trading and financial assets designated as measured at fair value through profit or loss on first recognition (Fair value option). Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near future. This category also comprises financial derivatives concluded by the Group that do not meet the accounting criteria for hedge transactions in accordance with IAS 39. Financial assets are designated as being at fair value through profit or loss if these are controlled based on their changes in fair value, their earnings strength is correspondingly assessed and internally transferred to the Group's management level. In so doing, control is performed in accordance with the Group's documented risk management or investment strategy. Financial assets recognised at fair value through profit or loss are recognised in the balance sheet at fair value, with gains and losses being recognised in profit or loss.

Derivatives embedded in host contracts are accounted for separately if their risks and features are not closely related to the underlying agreements and the latter are not measured at fair value. These embedded derivatives are measured at fair value with changes in their fair value being recognised in profit or loss. A reassessment is made only in the event of a change in the contractual terms and conditions if this leads to a significant change in the payment flows that would otherwise have resulted from the contractual terms and conditions.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Such financial assets are measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement if the loans and receivables are taken off the books or impaired or within the scope of amortisations.

**Impairment of financial assets**

Wirecard Card Solutions Limited assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a group of financial assets is only deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the anticipated future



cash flows of the financial asset or a group of financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the anticipated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **Financial liabilities**

Wirecard Card Solutions Limited classifies its financial liabilities at the time of initial recognition. Financial liabilities are recognized initially at fair value and in the case of loans, plus directly attributable transaction costs. This category also comprises financial derivatives concluded by the Group that do not meet the accounting criteria for hedge transactions in accordance with IAS 39.

Wirecard Card Solutions Limited financial liabilities may include trade and other payables, bank overdrafts, loans, financial guarantees and derivative financial instruments.

### **Financial guarantee contracts**

Financial guarantee contracts issued by Wirecard Card Solutions Limited are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

### **Derecognition**

Financial liabilities are derecognized if the obligation on which this liability is based has been fulfilled, waived or extinguished. When 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 recognized in the income statement.

### **Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to a quoted market price. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. 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.

### **Significant accounting judgments, estimates and assumptions in connection with financial instruments**

If the fair value of financial assets and financial liabilities recorded 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 decision to a certain degree. Discretionary decisions 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 recognized for financial instruments.

## **2.2 Essential accounting and valuation policies**

### **Accounting for goodwill**

The goodwill arising when a subsidiary is acquired or business operations are created corresponds to the surplus of acquisition costs over Wirecard Card Solutions Limited's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary 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 Cash-generating unit is to be subjected to impairment testing on an annual basis. In the event of any evidence of impairment to a unit, the latter is evaluated more frequently. If the recoverable amount of a cash-generating unit is less than the book value or carrying amount of the unit in question, then the impairment expense must initially be assigned to the carrying amount of any goodwill assigned to the unit and then allocated pro-rata to the other assets based on the carrying amounts of any such asset within the unit in question. Any impairment charge recognized for goodwill may not be reversed in subsequent periods. When a subsidiary is sold, the amount of goodwill accounted for it is taken into consideration within the scope of determining the profit or loss generated by the sale in question.

In accordance with Wirecard Card Solutions Limited's accounting policies, goodwill is assessed at least once a year for possible impairments. The recoverable amount of a business segment to which goodwill was assigned is determined on the basis of estimates by management. These are effected on the basis of the various products, distribution areas and regions. 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.

## WIRECARD CARD SOLUTIONS LIMITED

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

- Risk-free interest rate: 1.50 percent(2014: 1.75 percent)
- Market risk premium: 6.75 percent (2014: 6.75 percent)
- Unlevered beta factor: 0.94 (2014: 0.96)

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 1 percent.

Reference is made to Note 3.1 “Intangible assets - goodwill” for the breakdown, performance and distribution of the respective goodwill.

### **Accounting for intangible assets**

Acquired customer relationships are recognized at cost and amortized using the straight line method over their expected useful life of up to 10 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 amortized 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 capitalized in accordance with IAS 23. No financing costs were recognized in the year ended 31 December 2015. 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 amortized 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 capitalized 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 capitalization 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 must have the intention and adequate resources to conclude such development and either use or sell the asset in question. Development costs are capitalized in accordance with the accounting method shown and amortized 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 capitalized in the accounting period totaled GBP 216K (2014: GBP 258K).

**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 recognized 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 capitalized in accordance with IAS 23. No financing costs were recognized in the year ended 31 December 2015.

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 thirteen years for office equipment and furniture.

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 amortization 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 recognized 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 recognized after taking account of amortization or depreciation if no impairment charges had been recognized in previous years. Such a value reversal is immediately recognized in the profit or loss of the accounting period. Once a value reversal has been made, the amortization 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.

### **Cash and cash equivalents**

Cash in hand and bank deposits are classified as cash, whereas cash equivalents comprise current, liquid financial investments (in particular, fixed-term deposits) 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 4,858K (2014: GBP 5,158K).

### **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 reported separately on the one hand and to other current provisions on the other.

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

### **Contingent liabilities and receivables**

Contingent liabilities are not recognized. 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 recognized in the financial statements either. They are reported in the notes if the inflow of an economic benefit is likely to occur.

### **Revenue recognition**

Revenues are recognized when there is sufficient evidence that a sales arrangement exists, service has been performed, the price is fixed or determinable, and it is probable that payment will be received. Interest is recognized pro rata temporis, using the accrual basis of accounting. Operating expenses are recognized with an impact on profit and loss once the service is utilized or at the time the cost is incurred. For further information refer to Note 5.1.

### **Uncertainties regarding valuation**

In applying the accounting and valuation methods, discretionary decisions are required to be taken. The most important forward-looking assumptions as well as other substantial sources of uncertainties relating to estimates as at the Statement of financial position date giving rise to a substantial risk that an adjustment of the carrying amounts of assets and liabilities will be necessary within the following accounting period are explained below:

- 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 impairments of assets comprising property, plant and equipment, of intangible assets as well as of financial assets. Valuation adjustments are made to doubtful receivables in order to take account of estimated 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, the best possible findings are used relating to the circumstances prevailing as at the Statement of financial position 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 Statement of financial position and in the relevant notes.

At the time when the financial statements were prepared, no substantial changes were expected with regard to the underlying assumptions on which the accounting and valuation were based. Accordingly, from the present perspective, no adjustments are expected to be made to the assumptions and estimates or carrying amounts of the relevant assets and liabilities in the year ended 31 December 2015.

## **2.3 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**

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.

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 utilized.

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

#### **Value added tax**

Sales revenues, expenses and assets are recognized after deducting value added tax. An exception in this regard is value added tax incurred when purchasing assets or services that cannot be claimed by the revenue authorities. Such value added tax is recognized as part of costs of the asset or as part of expenses. Receivables and liabilities are likewise recognized 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 on the same company and if Wirecard Card Solutions Limited intends to settle its current tax claims and tax debts on a net basis.

## **2.4 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 2015. Wirecard Card Solutions Limited does not early adopt these standards and interpretations.

#### **Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income**

This amendment to IAS 1 requires a new grouping for items of other comprehensive income. Items that are recycled in subsequent reporting periods to the income statement (including losses or gains on the disposal of available-for-sale financial assets) are to be reported separately from items where no recycling occurs (including effects from the remeasurement of land and buildings). These amendments affects only presentation and do not impact the Group's net assets, financial position and results of operations.

#### **Amendments to IFRS 7 - Offsetting of Financial Assets and Liabilities**

According to this amendment, an entity must provide information on offsetting rights and the associated agreements (e.g., hedge agreements). This provides the users of the financial statements with information that they can use to assess the impact of offsetting agreements on the entity's financial position. The new disclosures are required for all financial instruments in the financial statements that are offset according to IAS 32 Financial instruments: Presentation. The disclosures also apply to financial instruments carried that are subject to subject to an enforceable

master netting arrangement or similar agreement, irrespective of whether these are offset according to IAS 32. The change is to be applied for the first time for fiscal years beginning on or after January 1, 2015 and is not expected to have any impact on the presentation of the Wirecard Card Solutions Limited's financial position, net assets or results of operations.

### **IFRS 13 Fair Value Measurement**

This standard sets out uniform guidelines for identifying fair value. This standard does not deal with the issue of when assets and liabilities are to be or can be measured at fair value, rather it provides guidelines as to how the fair value should be properly calculated according to IFRS.

IFRS 13 defines fair value as the disposal price. Due to the IFRS 13 guidelines, the Group has reviewed its accounting methods for fair value measurement, especially including input parameters such as the risk of non-satisfaction when calculating the fair value of liabilities. IFRS 13 defines further disclosure requirements. The application of IFRS 13 had no significant effects on fair value measurement within the Group, and consequently on the Group's net assets, financial position and results of operations. The prescribed disclosures can be found in the notes to the financial statements relating to the specific assets and liabilities whose fair values were calculated.

### **Additional standards and interpretations**

The IASB and the IFRIC have published the following standards and interpretations that were already incorporated in EU law within the scope of the comitology procedures but which are not expected to impact Wirecard Card Solutions financial statements:

The "Improvements IFRS (2009–2011)" were applied from the first-time from 1 January 2014. However, these had no significant effects on this set of financial statements

- IAS 19 Employee Benefits (revised)
- IAS 28 Interests in Associated Companies and Joint Ventures (revised 2011)
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 20 Stripping Costs in the Production Phase of a Surface Mine



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

The IASB has published the following standards and interpretations for which application was not yet mandatory application in fiscal year 2015. These standards and interpretations have not been endorsed by the EU and are not used by Wirecard Card Solutions Limited.

### **IFRS 9 Financial Instruments: Classification and Measurement**

As part of the IASB project relating to the extensive new regulation for the accounting of financial instruments, the IASB in November 2009 published as the first part of the new regulations IFRS 9 "Financial Instruments", which initially regulates only the classification and measurement of financial assets. Accordingly, financial assets are to be recognised at either amortised cost or at fair value through profit or loss depending on their characteristics, and taking into account business models for the management of financial assets. Although equity capital instruments must always be measured at fair value, value fluctuations in equity capital instruments can be recognised in other comprehensive income as long as this option was determined when they were initially recognised. In October 2010, the IASB published the second part of IFRS 9 with new regulations for the classification and measurement of financial liabilities. These new regulations especially amend the measurement of financial liabilities that are measured through profit or loss in application of the fair value option. In November 2014, the IASB published supplements to IFRS 9 that contain hedge accounting regulations, and which replace the corresponding regulations in IAS 39. A new general model for the accounting treatment of hedging relationships was added to the standard, which expands the scope of underlying transactions and hedging instruments to be included. The supplements to IFRS 9 nevertheless contain a methodological option as to whether to account for all hedging relationships according to the existing IAS 39 regulations, or according to the new IFRS 9 regulations. The IASB also cancelled the previous mandatory first-application date from 1 January 2015 that was contained in IFRS 9. In February 2015 the IASB has determined the new first-time application date for IFRS 9 for fiscal years starting on or after 1 January 2018. Wirecard Card Solutions Limited will quantify the effect once the final standard has been published.

### **Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting**

Under certain preconditions, this amendment allows continued hedge accounting in cases where derivatives designated as hedging instruments are transferred to a clearing centre due to statutory or regulatory provisions (novation). This amendment is to be applied for the first time for fiscal years commencing on or after 1 January 2015. Currently Wirecard Card Solutions Limited had no hedging relationships, as a consequence of which there are also no effects on the consolidated financial statements.

### Further standards and interpretations

The IASB and the IFRIC have published additional standards and interpretations for which application was not yet mandatory in fiscal year 2015. They are not used by Wirecard Card Solutions Limited and would not have any impact on financial statements.

- IFRS 9 (Financial Instruments (2015)) - This new standard was issued in July 2015 and supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The standard also supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2014). The standard is mandatory for years beginning on or after 1 January 2018 but is available for early adoption subject to EU endorsement.
- Amendments to IFRS 10 (Consolidated financial statements) and IAS 28 (Investments in associates and joint ventures (2015)) - These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are mandatory for years beginning on or after 1 January 2016 but are available for early adoption subject to EU endorsement.
- Amendment to IFRS 11 (Joint arrangements: on acquisition of an interest in a joint operation (2015)) - This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendment is mandatory for years beginning on or after 1 January 2016 but is available for early adoption subject to EU endorsement.
- IFRS 15 (Revenue from Contracts with Customers (2015)) - This standard was issued in May 2015 and is a converged standard from the IASB and FASB on revenue recognition. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. This standard supersedes IAS 18 (Revenue) and a number of revenue related Interpretations.

### 3. EXPLANATORY NOTES ON STATEMENT OF FINANCIAL POSITION ASSETS

#### Fixed -asset Wirecard Card Solutions Limited

in GBP '000s	Costs				Amortisation		Net book value
	Jan.1, 2015	Additions	Dec. 31, 2015	Jan.1, 2015	Additions	Dec. 31, 2015	Dec. 31, 2015
Non-current assets							
<b>1. Intangible assets</b>							
Goodwill	6,727	-	6,727	-	-	-	6,727
Internally-generated intangible assets	642	160	802	83	75	158	644
Other intangible assets	921	-	921	473	191	664	257
Customer relationships	2,681	-	2,681	314	157	471	2,210
	10,971	160	11,131	870	423	1,293	9,838
<b>2. Property, plant and equipment</b>			-		-	-	-
Other property, plant and equipment	277	15	292	131	66	197	95
<b>3. Financial assets</b>							
Financial and other assets	-	2,013	2,013	-	-	-	2,013
<b>Total:</b>	<b>11,248</b>	<b>2,188</b>	<b>13,436</b>	<b>1,001</b>	<b>489</b>	<b>1,490</b>	<b>11,946</b>

## FINANCIAL STATEMENT EXPLANATORY NOTES

### Fixed -asset Wirecard Card Solutions Limited

in GBP '000s	Costs			Amortisation			Net book value
	Jan.1, 2014	Additions	Dec. 31, 2014	Jan.1, 2014	Additions	Dec. 31, 2014	Dec. 31, 2014
<b>Non-current assets</b>							
<b>1. Intangible assets</b>							
Goodwill	6,727	-	6,727	-	-	-	6,727
Internally-generated intangible assets	426	216	642	29	54	83	559
Other intangible assets	921	-	921	242	231	473	448
Customer relationships	2,681	-	2,681	157	157	314	2,367
	10,755	216	10,971	428	442	870	10,101
<b>2. Property, plant and equipment</b>							
Other property, plant and equipment	275	2	277	62	69	131	146
<b>Total:</b>	<b>11,030</b>	<b>218</b>	<b>11,248</b>	<b>490</b>	<b>511</b>	<b>1,001</b>	<b>10,247</b>

### 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 is assessed at least once a year for possible impairments or whenever the need arises (most recently on December 31, 2015). 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 2.2.

### **Internally generated intangible assets**

During the year ended 31 December 2015 internally-generated software was developed and capitalised in the amount of GBP 160K. It is written off using the straight-line method over its anticipated useful economic life of ten 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 three to ten years.

### **Customer relationships**

Customer relationships refer to acquired customer portfolios. The acquisitions made by Wirecard focused on acquiring regional customer relationships in order to expand the market position with the acquisitions made.

## **3.1 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, as a rule, thirteen years for office equipment and furniture. The main increases in this item are due to investments in the new office.

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.

## **3.2 Financial and other assets / interest bearing securities**

Financial and other assets at December 31, 2015 totaled GBP 2,013K (2014: GBP 3K).

The most important reason for the increase in this item in comparison to the previous year are the shares held by Wirecard Card Solutions Limited in Visa Europe Ltd., which were revalued this year by GBP 2,010K under the item "Revaluation reserve". This revaluation has not led to an improvement of the results in the income statement because this participating interest was classified as "Available-for-sale financial assets" and the increase in value was correspondingly accounted for in the revaluation reserve. The reason for this revaluation was the announcement by Visa Inc. on 2 November 2015 on its proposed acquisition of Visa Europe Limited, subject to regulatory approvals. When this transaction is completed, Wirecard Card Solutions Limited will, as members of Visa Europe Limited, be entitled to a certain consideration. The consideration consists of an upfront consideration receivable on completion comprising cash and preferred stock convertible into Visa Inc. class A common stock as well as of a potentially additional

deferred cash consideration payable following the fourth anniversary of closing subject to an earnout mechanism. The amount of preferred stock and deferred cash consideration are contingent upon certain factors. Based on calculations by Visa Europe Limited, Wirecard estimates the value of the consideration at approx. EUR 2,739K without the earnout components. On the basis of this information, Wirecard revalued its participating interest in Visa Europe Ltd. as of 31 December 2015. The calculation of the fair value is based on the market quotations for Visa A shares, estimations by the management and the calculations of the appraisers of Visa Europe Ltd. The calculation also takes into account the valuations of other market participants. The cash payment was valued at 100 percent as the rules are very clear in this context and no conditions are linked to this payment. The preferred stock, which serves as a guarantee for contractual arrangements between the contractual parties, is subject to a required holding period and was only valued at 50 percent due to uncertainties which include liability risks agreed between Visa Europe Ltd. and Visa Inc. for the United Kingdom. The earnout components were valued at a discount rate of 100 percent because these are dependent on numerous input factors which are partially unknown to management or cannot be influenced by them so that the uncertainty surrounding these earnouts is too high. Following the closing of the transaction, which is expected in the second quarter of 2016, the effects of the revaluation will be reflected in the income statement.

### 3.3 Trade receivables and other receivables

The transaction volume of Wirecard Card Solutions Limited is also reported under the item Trade receivables as a receivable from credit card organizations and program manager. At the same time, these business operations give rise to customer deposits from banking operations, amounting to the transaction volume less our charges.

In determining the value of trade receivables, 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. The present value of the trade receivables is the same as the carrying amount. Additions in the accounting period are reported in the income statement under other operating income and reversals under other operating expenses. Moreover, 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. It also includes Intercompany balances in the amount of GBP 419K (2014: GBP 22K).

### **3.4 Interest-bearing securities and fixed-term deposits**

To improve its interest income, apart from investing in various interest-bearing securities, Wirecard Card Solutions Limited has also invested in fixed-term deposits. All investments were only concluded with banks or 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-term deposits have been transferred as card scheme collateral and E Money Capital for the duration of the business relationship in the amount of GBP 4,858K (2014: GBP 5,158K). Fixed-term deposits with a term of more than three months are disclosed under "Interest-bearing securities and fixed-term deposits", which reduces the item Cash and cash equivalents. Fixed-term deposits with a term of up to three months are disclosed under the item Cash and cash equivalents.

### **3.5 Cash and cash equivalents**

The item Cash and cash equivalents GBP 10,077K (2014: GBP 2,893K) includes cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months and overnight deposits).

### **3.6 Interest-bearing securities and fixed-term deposits from customer deposits**

In order to improve its interest income, apart from investing in various interest-bearing securities, Wirecard Card Solutions Limited has also invested in fixed-term deposits. All investments were only concluded with banks or counterparties that meet the creditworthiness requirements from the 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 renowned ratings agencies. Fixed-term deposits with a term of more than three months in the amount of GBP NIL (previous year: GBP 12,831K) are reported under "Interest-bearing securities and fixed-term deposits from customer deposits", which reduces the cash and cash equivalents from customer deposits position.

### **3.7 Cash and cash equivalents from customer deposits**

The item Cash and cash equivalents from customer deposits GBP 169,928K (2014: GBP 94,904K) includes cash in hand and bank balances (demand deposits, fixed-term deposits with a term of up to three months and overnight deposits). Including the purchase of fixed-term deposits with a term of more than three months, cash and cash equivalents total amount is GBP 169,928K (2014: GBP 107,735K). This position corresponds with the Customer deposits on the liabilities position which are held on behalf of customers and are restricted by the regulatory requirements of an electronic money institution.

## **4. EXPLANATORY NOTES ON STATEMENT OF FINANCIAL POSITION EQUITY AND LIABILITIES**

### **4.1 Subscribed capital**

As no conversions were performed in the fiscal year 2015, the company's subscribed capital did not change in the period and continues to stand at GBP 2K (2014: GBP 2K). Please refer to table "Statement of Changes in Equity".

### **4.2 Share premium accounts**

The capital reserve amounted to GBP 16,793K as of December 31, 2015 (December 31, 2014 GBP 16,793K).

### **4.3 Current liabilities**

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

#### **Trade payables**

Trade payables are owed chiefly to suppliers and trade payables from the area of acquiring in amount of GBP 4,005K (2014: GBP 91K). Trade payables from the area of acquiring are mainly characterised by the transaction volume of retailers that utilise Wirecard's payment services. If the transactions are processed via licensed acquirers that belong to the Wirecard, the amount of the transaction volume remains under trade payables to retailers until the payment is made. Depending on the means of payment and the contractual provisions, this takes place daily, weekly or monthly, whereby a security reserve is generally held for a longer period of time. In individual cases, particularly when dealing with large customers who want to optimise their own cash management, Wirecard agrees to replace these security reserves with bank guarantees, government-backed guarantees or similar sureties, as well as to dispose with a security reserve if dealing with state-owned retailers.



## WIRECARD CARD SOLUTIONS LIMITED

### Other current liabilities

Other liabilities in the amount of GBP 2,903K (2014: GBP 1,684K) accrued liabilities, wages and salaries and social security. It also includes Intercompany balances in the amount of GBP 523K (2014: GBP 585K).

### Customer deposits from banking operations

This item includes customer deposits in the amount of GBP 169,928K (2014: GBP 107,735K).

### Maturities

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

#### Maturity Structure as at 31 December 2015

in GBP '000s	up to 1 year	1 to 5 years	more than 5 years
Trade payables	4,005	-	-
Customer deposits	169,928	-	-
Other liabilities and provisions	3,035	-	-
<b>Total</b>	<b>176,968</b>	<b>-</b>	<b>-</b>

#### Maturity Structure as at 31 December 2014

in GBP '000s	up to 1 year	1 to 5 years	more than 5 years
Trade payables	91	-	-
Customer deposits	107,735	-	-
Other liabilities and provisions	1,684	-	-
<b>Total</b>	<b>109,510</b>	<b>-</b>	<b>-</b>

## 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 organizations. Moreover, Wirecard Card Solutions Limited offers sales partners in the B2B division 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.

### 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 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 2015 totaled GBP 1,739K (2014: GBP 1,439K), comprising salaries amounting to GBP 1,510K (2014: GBP 1,242K), and social security contributions in the amount of GBP 228K (2014: GBP 198K). The position was adjusted by the own work capitalized in the amount of GBP 160K (2014: GBP 216K). In the period under review Wirecard Card Solutions had an average of 33 employees (2014: 33 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	2015	2014
Legal and financial statement costs	413	645
Office expenses, Equipment & Leasing	319	287
Sales and marketing	189	204
Insurances, contributions and duties	90	91
Other	51	176
<b>Total</b>	<b>1,061</b>	<b>1,403</b>

## 5.6 Income tax expense and deferred taxes

The major components of income tax expense for the years ended 31 December 2015 and 31 December 2014 are:

### Taxation

in GBP '000s	Jan 01, 2015 - Dec 31, 2015	Jan 01, 2014 - Dec 31, 2014
<b>Tax charged to the income statement</b>		
<b>Current income tax:</b>		
Current income tax (charge) / credit	(132)	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(170)	15
Adjustments in respect of deferred tax of previous years		
Impact of change in tax rates	(5)	-
<b>Income tax expense reported in the income statement</b>	<b>(307)</b>	<b>15</b>
<b>Tax charged to other comprehensive income</b>		
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(407)	-
Impact of change in tax rates	15	-
<b>Total (charge) / credit reported in the statement of other comprehensive income</b>	<b>(392)</b>	<b>-</b>

## 5.5 Other operating expenses

Breakdown of other operating expenses:

### Other operating expenses

in GBP '000s	2015	2014
Legal and financial statement costs	413	645
Office expenses, Equipment & Leasing	319	287
Sales and marketing	189	204
Insurances, contributions and duties	90	91
Other	51	176
<b>Total</b>	<b>1,061</b>	<b>1,403</b>

## 5.6 Income tax expense and deferred taxes

The major components of income tax expense for the years ended 31 December 2015 and 31 December 2014 are:

### Taxation

in GBP '000s	Jan 01, 2015 - Dec 31, 2015	Jan 01, 2014 - Dec 31, 2014
<b>Tax charged to the income statement</b>		
<b>Current income tax:</b>		
Current income tax (charge) / credit	(132)	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(170)	15
Adjustments in respect of deferred tax of previous years		
Impact of change in tax rates	(5)	-
<b>Income tax expense reported in the income statement</b>	<b>(307)</b>	<b>15</b>
<b>Tax charged to other comprehensive income</b>		
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(407)	-
Impact of change in tax rates	15	-
<b>Total (charge) / credit reported in the statement of other comprehensive income</b>	<b>(392)</b>	<b>-</b>

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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 20.25% (2014: 21.5%). The difference is reconciled below:

### Taxation

in GBP '000s	Jan 01, 2015 - Dec 31, 2015	Jan 01, 2014 - Dec 31, 2014
<b>Profit before taxes</b>	<b>1,479</b>	<b>(91)</b>
Tax at UK standard rate of corporation tax on PBT of 20.25% (2014: of 21.5%)	(299)	20
Expenses not deductible	(4)	(4)
Adjustments in respect of deferred tax of previous years	-	-
Change in rate adjustment	(4)	(1)
<b>Income tax expense</b>	<b>(307)</b>	<b>15</b>

Deferred tax relates to the following:

### Deferred tax

in GBP '000s	2015	2014
Accelerated / (decelerated) capital allowances	75	84
Financial assets	392	-
Goodwill	205	137
Tax losses	-	(115)
<b>Total deferred tax liability</b>	<b>672</b>	<b>106</b>

### Deferred tax in the income statement

in GBP '000s	Jan 01, 2015 - Dec 31, 2015	Jan 01, 2014 - Dec 31, 2014
Accelerated / (decelerated) capital allowances	9	(15)
Goodwill	(69)	(57)
Tax losses	(115)	87
<b>Deferred (charge)/ credit in the income statement</b>	<b>(175)</b>	<b>15</b>

**Deferred tax in the comprehensive income**

in GBP '000s	Jan 01, 2015 -Dec 31, 2015	Jan 01, 2014 - Dec 31, 2014
Financial assets	(392)	-
<b>Deferred (charge)/ credit in comprehensive income</b>	<b>(392)</b>	<b>-</b>

The headline rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. Furthermore, following the enactment of the Finance Act (No. 2) 2015 on 18 November 2015, the corporation tax rate will reduce to 19% on 1 April 2017 and to 18% on 1 April 2020. Deferred tax has been calculated at the tax rate at which it is expected to unwind, based on the tax rates enacted or substantively enacted at the balance sheet date.

The Chancellor of the Exchequer announced in his budget on 16 March 2016 a further reduction of the UK corporation tax rate to 17% from 1 April 2020. However, as this was not enacted or substantively enacted at the balance sheet date, there is no impact of the proposed reduction on the deferred tax balances at 31 December 2015. The impact of this proposed rate change on the deferred tax liability would be to reduce the balance at 31 December 2015 by GBP 33K.

**6. NOTES TO THE CASH FLOW STATEMENT**

Wirecard Card Solutions Limited's cash flow account is prepared in accordance with IAS 7 (Statements of Cash Flows). It discloses the cash flows in order to show the source and application of cash and cash equivalents. In doing so, it distinguishes between changes in cash flows from operating, investing and financing activities.

**7. OTHER NOTES****7.1 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 chart below. All risks may lead to individual or even all intangible assets having to be subjected to impairment charges, resulting in a negative earnings situation. The company's policy is to mitigate these risks by entering into hedge transactions. The deployment of these instruments within the scope of the risk management system is governed by Wirecard Card Solutions Limited directives that set limits based on underlying transactions, define approval procedures, exclude the conclusion of derivatives for speculative purposes, mitigate credit risk and govern internal reporting and the separation of functions. 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 investments and derivatives transactions were only concluded with

## FINANCIAL STATEMENT EXPLANATORY NOTES

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 categorized 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	Risks of exchange and interest rate fluctuations; risks arising from credit institutions defaulting
Payment 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 license rights
Other risks	Environmental and reputation risks as well as risks arising from emergencies

### Interest risks

Wirecard Card Solutions Limited has substantial liquidity at its disposal for investments in demand and time deposits and/or overnight (call money) accounts with well-known banks. The interest payable on these investments is based on the interbank money market interest rate of the respective investment currency, less a margin customary among banks. The interbank money market interest rates may be subject to fluctuations which may impact the earnings realized by Wirecard Card Solutions Limited.

No derivative hedge instruments (e.g., interest-rate swaps, forward rate agreements, etc.) were deployed in the year under review.

### Hedging currency risks

Currency risks exist in particular where receivables, liabilities, debts, cash and cash equivalents and planned transactions exist or will arise in a currency other than the local currency of the company. This impacts Wirecard Card Solutions Limited which generates a part of their revenues in foreign currencies.

The use of derivative financial instruments is subject to strict internal controls effected within the scope of mechanisms and uniform directives fixed on a centralized basis. These instruments are

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used solely for risk control/risk minimization purposes and not in order to generate any income from anticipated currency trends. Wirecard Card Solutions Limited did not have any currency options for fiscal 2015 and in its portfolio for fiscal year 2015.

### Hedging liquidity risks

The primary objectives of finance management are to secure a comfortable liquidity situation at all times along with operational control of financial flows. Management controls liquidity risks by keeping appropriate inventories of cash and cash equivalents, credit lines with banks and by constantly monitoring the cash flows forecast and reconciling these with actual cash flows. Wirecard Card Solutions Limited invests amounts of non-required liquidity in demand and time deposits, overnight call money. Risks may arise due to a liquidity shortage on account of mismatches occurring between the fixed investment term and the time at which liquidity is required. Seeing as only the base volume of liquidity less a substantial security reserve is invested, the Management Board consider that the risk is low.

### Undiscounted cash flows according to contractually agreed payment dates as at December 31, 2015

in GBP '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Other liabilities	(2,903)	-	-	(2,903)
Trade payables	(4,005)	-	-	(4,005)
Customer deposits	169,928	-	-	169,928
Interest-bearing securities - assets	4,858	-	-	4,858
Cash from customer deposits	169,928	-	-	169,928
Cash and cash equivalents	10,077	-	-	10,077

### Undiscounted cash flows according to contractually agreed payment dates as at December 31, 2014

in GBP '000s	Up to 1 year	1 to 5 years	more than 5 years	Total
Other liabilities	(1,684)	-	-	(1,684)
Trade payables	(90.54356)	-	-	(91)
Customer deposits	107,735	-	-	107,735
Interest-bearing securities - assets	5,158	-	-	5,158
Cash from customer deposits	107,735	-	-	107,735
Cash and cash equivalents	2,893	-	-	2,893



### **Debtor risks**

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. This also applies to the review of business relations with commercial banks and merchants.

Payment flows of merchants are monitored on a regular basis and receivables outstanding are continually tracked by the Company's internal debtor and liquidity management system.

The maximum risk of default of financial instruments 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 derecognized without delay, and the risks are booked with an impact on profit or loss.

### **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 Solutions Limited takes account of this risk both through strict conscientious review of counterparties. In addition to specific credit rating and profitability data relating to the relevant counterparties, if external ratings are available these also enter into the review carried out by Wirecard Card Solutions Limited.

On account of the measures adopted as well as the high requirements regarding counterparties, the Management Board assesses as low the risk that Wirecard's deposits might be lost as a result of the insolvency of the credit institutions engaged.

## **7.2 Capital risk management**

Wirecard Card Solutions Limited controls its capital with the objective of maximizing the shareholders' return by optimizing the ration of equity capital to borrowed capital. In doing so, it ensures that Wirecard Card Solutions Limited can operate as a going concern. In particular, information is paid to banking-specific regulation requirements, such as compliance with equity capital limits, being adhered to in the entire course of business. Wirecard Card Solutions Limited's capital structure consists of debts as well as the equity to which the providers of equity capital of the parent company are entitled. Equity comprises shares issued, capital reserves, revenue reserves and the currency translation reserve. The objectives of capital management are to secure operations as a going concern along with an adequate return on equity. For implementation purposes, debt or equity is compared with total capital.

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Following the successful organic growth last year and the transactions performed in 2015, the company aims to maintain a comfortable equity ratio for fiscal years 2015 and 2016. 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 analyzed and assessed under strict conditions in future; in the process, the focus will be especially 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 %)	Dec 31.2015	Dec 31.2014
Equity	19,961	17,171
Equity in % of total capital	10%	14%
Liabilities	177,641	109,616
Liabilities in % of total capital	90%	86%
<b>Total capital (equity and liabilities)</b>	<b>197,602</b>	<b>126,787</b>

## 7.3 Other obligations

Wirecard Card Solutions Limited entered into leases for office space and other leasing agreements. The annual payments from these agreements over the next five years are as follows:

### Other financial obligations

in GBP'000s	2016	2017	2018	2019	2020
<b>Annual commitments</b>	<b>103</b>	<b>12</b>	<b>1</b>	<b>-</b>	<b>-</b>

## 7.4 Financial relations with related companies

During the year ended 31 December 2015, agreements were in place among various companies in the group. In addition, reference is made to Section 8.3. Related party transactions.

## 8. ADDITIONAL MANDATORY DISCLOSURES

### 8.1 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.

### 8.2 Management

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

**Tom Jennings**, Managing Director since December 9, 2011

**Dr. Thomas Käppner**, Managing Director since September 25, 2014

**Burkhard Ley**, Director since December 9, 2011

**Oliver Bellenhaus**, Director since December 9, 2011

#### Remuneration paid to Directors

in GBP '000s	Dec 31, 2015	Dec 31, 2014
Remuneration (Directors remuneration excluding pension contributions)	189	320
Contributions to defined contribution pension schemes	8	6
Number of directors accruing retirement benefits under a defined contribution pension scheme	1	1
Highest paid Director's remuneration	150	160

The Directors are employed by Wirecard AG (Germany), Wirecard Bank AG (Germany), 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 members of the executive bodies during the accounting period.

### 8.3 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 Management Directors along with their family members. In the accounting period 2015 the following legal transactions were entered into by Wirecard Card Solutions Limited with a related party indicated above or at the insistence or in the interests of one of such parties:

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### Legal transactions with impact on P&L

Related person/ related entity	Type of legal relationship	Expenditure in GBP 000s	Liability as at Dec. 31, 2015	Explanatory note
Wirecard Acquiring & Issuing GmbH	Services	(145)	58	Wirecard Acquiring & Issuing GmbH is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.
Wirecard AG	Services	(13)	(3)	Wirecard AG is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.
Wirecard Bank AG	Services	(516)	14	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	(526)	35	Wirecard Technologies GmbH is engaged as a service provider for Wirecard Card Solutions Limited and received remuneration based on daily rates.
Wirecard UK & Ireland Limited	Services	405	-	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 effected 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.

### 8.4 Auditors' fees

in GBP '000s	2015	2014
<b>Fees for the audit of the company</b>	<b>48</b>	<b>42</b>

Fees paid to the Company's auditor, Ernst & Young LLP, and its associated for services other than the statutory audit of the Company are not disclosed in the accounts since the consolidated accounts of the Company's ultimate parent, Wirecard AG, are requested to disclose non-audit fees on a consolidated basis.

### 8.5 Events after the period under review

Events after the period under review, providing additional information on the Company's position as at the balance-sheet date (events required to be taken into account) have been included in the financial statements. Events not to be taken into account after the balance-sheet date are reported in the Notes.