

ayondo Ltd. and its Subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2018



ayondo Ltd. and its Subsidiaries

General information

Directors

Thomas Winkler
Robert Lempka (resigned 22 January 2019)
Foo Fatt Kah
Foong Daw Ching
Chan Heng Toong
Lam Shiao Ning

Company secretary

Wee Woon Hong, LLB

Banker

The Bank of East Asia, Limited

Share registrar

Tricor Barbinder Share Registration Services
80 Robinson Road, #02-00
Singapore 068898

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Index

	Page
Directors' Statement	1
Independent Auditor's Report	6
Consolidated Statement of Comprehensive Income	9
Statement of Financial Position	10
Consolidated Statements of Changes In Equity	12
Consolidated Statement of Cash Flow	15
Notes to the Financial Statements	16

ayondo Ltd. and its Subsidiaries

Directors' statement

The directors present their statement to the members together with the audited consolidated financial statements of ayondo Ltd. (the "Company") and its subsidiary companies (collectively the "Group") for the year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, for the reasons explained in Note 2.4 to the financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

Directors

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

Thomas Winkler
Foo Fatt Kah
Foong Daw Ching
Chan Heng Toong
Lam Shiao Ning

Arrangements to enable directors to acquire shares and debentures

Neither at the end or nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, except as described in the following paragraph entitled "Share Options" below.

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

ayondo Ltd. and its Subsidiaries

Directors' statement

Directors' interest in shares and debentures (cont'd)

Name of director	Direct interest		Deemed interest	
	At the date of appointment	At the end of financial year	At the date of appointment	At the end of financial year
Ordinary shares of the Company				
Thomas Winkler	–	2,296,517	–	26,558,064 ⁽¹⁾
Foo Fatt Kah	1	6,688,057	–	101,174,765 ⁽²⁾
Foong Daw Ching	–	150,000	–	–
Chan Heng Toong	–	1,000,000	–	–
Lam Shiao Ning	–	100,000	–	–

Notes:

- (1) Thomas Winkler, is deemed to be interested in the 423,360 Shares held by his spouse, Astrid Winkler and by virtue of Section 4 of the SFA and Section 7 of the Companies Act, Thomas Winkler is deemed to be interested in the Shares held by the following companies:
- (i) 17,535,420 ordinary shares held by Global Money Ventures AG;
 - (ii) 4,811,184 ordinary shares held by Next Generation Finance Management AG; and
 - (iii) 3,788,100 ordinary shares held by Baltische Bauentwicklungsgesellschaft mbH.
- (2) Foo Fatt Kah, is a director and shareholder of Luminor Capital Pte. Ltd., the fund manager of Luminor Funds (as defined below) which manages Luminor Funds on a discretionary basis. By virtue of Section 4 of the SFA, Foo Fatt Kah is deemed interested in the 56,660,756 Shares of the Company held by Luminor Pacific Fund 1 Ltd. and 44,514,009 Shares of the Company held by Luminor Pacific Fund 2 Ltd.

The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

Share Options

In conjunction with the Company's listing on the Catalist Board of Singapore Exchange Securities Trading Limited, on 12 March 2018, the Company has granted 51,445,800 options to replace all the options granted by ayondo Holding AG, a 99.97% subsidiary of the Company, to employees, directors and consultants of ayondo Holding AG and its subsidiaries and certain third parties to purchase shares in ayondo Holding AG ("**Pre-IPO Options**").

There were no shares issued during the financial year by virtue of the exercise of the Pre-IPO Options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under the Pre-IPO Options at the end of the financial year.

ayondo Employee Share Option Scheme

In conjunction with the Company's listing on the Catalist Board of Singapore Exchange Securities Trading Limited, the Company has adopted the ayondo Employee Share Option Scheme (the "**ESOS**") which was approved by members of the Company on 23 February 2018.

The ESOS is administered by the Remuneration Committee of the company, comprising Mr Chan Heng Toong, Mr Foong Daw Ching and Ms Lam Shiao Ning.

No share options have been awarded pursuant to the ESOS during the financial year.

ayondo Ltd. and its Subsidiaries**Directors' statement**

Share Options (cont'd)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the above share option schemes outstanding as at 31 December 2018 are as follows:-

Expiry date	Exercise price (SGD)	Number of options
9 December 2024	0.215	5,491,800
31 December 2024	0.215	22,842,000
	0.251	810,000
	0.259	3,861,000
30 March 2025	0.215	5,535,000
10 February 2026	0.003	540,000
31 March 2026	0.003	891,000
	0.251	2,700,000
02 August 2026	0.259	3,321,000
10 August 2026	0.251	540,000
15 August 2026	0.259	486,000
		<hr/> 47,017,800 <hr/>

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company are as follows:

Name of the director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial years	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Thomas Winkler	—	9,244,800	—	9,244,800
Robert Lempka	—	10,864,800	—	10,864,800
	—	20,109,600	—	20,109,600

ayondo Ltd. and its Subsidiaries

Directors' statement

Share Options(cont'd)

Since the commencement of the share option plans till the end of the financial year:-

- No options have been granted to the controlling shareholders of the Company and their associates.
- No options that entitle the holder to participate, by virtue of the options, in any shares issue of any other corporation have been granted.
- Other than the above two directors, the following employees have received 5% or more of the total options outstanding under the plans

Name of the employees	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial years	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options lapsed during financial year	Aggregate options outstanding as at end of financial year
Edward Drake	—	3,780,000	—	—	3,780,000
Sarah Brylewski	—	4,455,000	—	—	4,455,000
Raza Perez	—	3,591,000	—	—	3,591,000
Rick Fulton	—	3,780,000	—	(3,780,000)	—
	—	15,606,000	—	(3,780,000)	11,826,000

Audit committee

The members of the Audit Committee at the date of this statement are as follows:

Foong Daw Ching	Chairman, Independent Non-executive Director
Foo Fatt Kah	Independent Non-executive Director
Lam Shiao Ning	Independent Non-executive Director
Chan Heng Toong	Independent Non-executive Director

The Audit Committee reviews the Group's statutory financial statements, and the Independent Auditor's Report thereon, with the auditor.

The Audit Committee may examine any aspect of the Group's financial affairs it deems appropriate and also reviews the Group's internal controls over its internal and external exposures to risks including operational, credit, market, legal and regulatory risks. It will keep under review the Group's system of accounting and internal financial controls, for which the Directors are responsible.

The Audit Committee has full access to, and the co-operation of the Group's management and has full discretion to invite any Director or executive officer to its meetings. The auditor will have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources available to enable it to discharge its functions properly and may require the Company to appoint third parties to undertake independent audits of specific area as it deems appropriate.

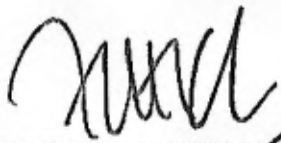
ayondo Ltd. and its Subsidiaries

Directors' statement

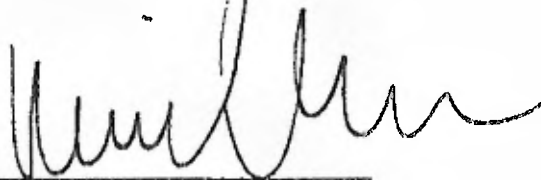
Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,



Foo Fatt Kah
Director



Thomas Winkler
Director

24 May 2019

ayondo Ltd. and its Subsidiaries

Independent Auditor's Report For the year ended 31 December 2018

Independent Auditor's Report to the members of ayondo Ltd

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of ayondo Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

1) Going concern assumption

The Group's current liabilities and total liabilities exceeded its current assets and total assets by CHF8,258,000 and CHF8,279,000 respectively as at 31 December 2018. As at that date the Group's client funds liabilities amounted to CHF34,529,000 (Note 16) and the Group's segregated client fund asset, cash and bank balances and amount due from brokers amounted to CHF32,255,000 (Note 12 and 14). For the financial year ended 31 December 2018, the Group incurred a net loss of CHF50,239,000 and had an operating cash outflow of CHF5,953,000. Additionally, the Company's current liabilities and total liabilities exceeded its current assets and total assets by CHF2,892,000 and CHF 2,892,000 respectively as at 31 December 2018.

As disclosed in Note 2.4 to the financial statements, the directors have prepared these financial statements on a going concern basis as they are of the view that the Group will be able to successfully dispose its 99.91% owned indirect UK subsidiary and complete its restructuring exercise and fund-raising plans. However, we are unable to obtain sufficient appropriate evidence to conclude whether the use of the going concern assumption to prepare these financial statements is appropriate as the outcome of the disposal of the indirect UK subsidiary, restructuring exercise and fund-raising plans is subject to fulfilling certain conditions precedent and approvals, and is inherently uncertain.

If the going concern assumption is not appropriate and the financial statements were presented on a realisation basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the balance sheet. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets and non-current liabilities as current liabilities. No such adjustments have been made to these financial statements.

ayondo Ltd. and its Subsidiaries

Independent Auditor's Report For the year ended 31 December 2018

Independent Auditor's Report to the members of ayondo Ltd

Basis for Disclaimer of Opinion (cont'd)

2) Information technology ("IT") platform costs

As disclosed in Notes 8 and 15 to the financial statements, the Group engaged an external IT consultancy company to provide both research and development services. CHF832,000 incurred by the external IT consultancy company has been capitalised as IT development cost while the remaining CHF448,000 has been recorded as research expense in the income statement. We are unable to ascertain the appropriateness of the split between research expense and development cost. The Group has recorded amortisation charge of CHF71,000 on the capitalised intangible assets and the remaining CHF761,000 has been fully impaired as at 31 December 2018.

Due to limited information available to us, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of CHF832,000 capitalised as intangible assets and consequently the amortisation charge of CHF71,000, impairment expense of CHF761,000 as well as research expense of CHF448,000 recorded during the year. Accordingly, we are unable to ascertain the appropriateness of the classification and presentation of these items in profit or loss and cash flow statements.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the International Financial Reporting Standards as issued by the IASB ("IFRS") and Singapore Financial Reporting Standards (International) ("SFRS(I)") in Singapore, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

ayondo Ltd. and its Subsidiaries

**Independent Auditor's Report
For the year ended 31 December 2018**

Independent Auditor's Report to the members of ayondo Ltd

Responsibilities of Auditor for the Audit of the Financial Statements

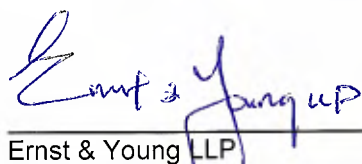
Our responsibility is to conduct the audit of the Group and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Yew Kiang.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

24 May 2019

ayondo Ltd. and its Subsidiaries

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018**

		Group	
	Note	2018 CHF'000	2017 CHF'000
Trading revenue	4	20,801	20,755
Client bonuses	4	(2,231)	–
Net trading revenue	4	18,570	20,755
Fees, rebates, client bonuses and betting duty tax	5	(10,274)	(10,820)
Net operating income		8,296	9,935
Other income		40	165
Staff expenses	6	(6,263)	(7,066)
Marketing expenses	7	(1,916)	(2,705)
Initial public offering/reverse-takeover expenses		(772)	(2,472)
Impairment of assets	8	(37,102)	–
Other operating expenses		(10,125)	(5,466)
Total operating expenses		(56,138)	(17,544)
Operating loss		(47,842)	(7,609)
Finance income		2	1
Finance costs		(2,973)	(2,809)
Loss before tax	8	(50,813)	(10,417)
Income tax credit	9	574	657
Loss for the year, net of tax		(50,239)	(9,760)
Loss for the year, net of tax, attributable to:			
Equity holders of the Company		(50,218)	(9,750)
Non-controlling interests		(21)	(10)
		(50,239)	(9,760)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(106)	(1,738)
<i>Items that may not be reclassified to profit or loss</i>			
Actuarial gains on defined benefit plans		143	9
Total comprehensive income for the year, net of tax		(50,202)	(11,489)
Total comprehensive income, attributable to:			
Equity holders of the Company		(50,180)	(11,478)
Non-controlling interests		(22)	(11)
		(50,202)	(11,489)
Loss per share attributable to equity holders of the Company			
- basic	23	(0.10)	(0.02)
- diluted	23	(0.10)	(0.02)

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

ayondo Ltd. and its Subsidiaries

**Statement of Financial Position
As at 31 December 2018**

		Group		Company 04.10.2017 (Date of incorporation) to 31.12.2017	
	Note	2018 CHF'000	2017 CHF'000	2018 CHF'000	CHF'000
ASSETS					
Non-current assets					
Property, plant and equipment		59	119	—	—
Intangible assets	15	19	36,477	—	—
Total non-current assets		78	36,596	—	—
Current assets					
Trade and other receivables	12	32,129	51,569	26	—
Cryptocurrency asset		291	—	—	—
Derivative financial instruments	13	42	170	—	—
Cash and bank balances	14	1,594	929	4	—*
Investment securities	10	—	932	—	—
Total current assets		34,056	53,600	30	—*
Total assets		34,134	90,196	30	—*
LIABILITIES AND EQUITY					
Current liabilities					
Convertible bonds	20	—	13,593	—	—
Trade and other payables	16	40,021	55,895	2,922	—
Loans from related parties	17	291	1,933	—	—
Derivative financial instruments	13	1,940	9,055	—	—
Bank overdraft	14	62	47	—	—
Total current liabilities		42,314	80,523	2,922	—
Non-current liabilities					
Employee benefit liabilities	22	99	797	—	—
Total non-current liabilities		99	797	—	—
Total liabilities		42,413	81,320	2,922	—

ayondo Ltd. and its Subsidiaries

Statement of Financial Position (cont'd)
As at 31 December 2018

		Group		Company 04.10.2017 (Date of incorporation) to 31.12.2017	
	Note	2018 CHF'000	2017 CHF'000	2018 CHF'000	CHF'000
Equity					
<i>Equity attributable to owners of the Company:</i>					
Share capital	18	32,450	50,006	32,450	—*
Merger reserve	18	50,536	—	—	—
Other reserves	19	(762)	(1,028)	2,988	—
Accumulated losses		(90,458)	(40,079)	(38,330)	—
		(8,234)	8,899	(2,892)	—*
Non-controlling interests		(45)	(23)	—	—
Total equity		(8,279)	8,876	(2,892)	—*
Total liabilities and equity		34,134	90,196	30	—*

* Less than CHF 1,000

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

ayondo Ltd and its Subsidiaries

**Consolidated Statements of Changes in Equity
For the year ended 31 December 2018**

Group	Share capital CHF'000	Merger Reserve ⁽¹⁾ CHF'000	Foreign currency translation reserve CHF'000	Employee share option reserve CHF'000	Gain on reissuance of treasury shares CHF'000	Premium paid on acquisition of non-controlling interest CHF'000	Accumulated losses CHF'000	Total CHF'000	Non- controlling interests CHF'000	Total CHF'000
At 1 January 2018	50,006	-	(491)	2,524	92	(3,153)	(40,079)	8,899	(23)	8,876
Effect of adoption of IFRS9 ⁽²⁾	-	-	-	-	-	-	(304)	(304)	-	(304)
At 1 January 2018 (as restated)	50,006	-	(491)	2,524	92	(3,153)	(40,383)	8,595	(23)	8,572
Loss for year	-	-	-	-	-	-	(50,218)	(50,218)	(21)	(50,239)
Other comprehensive loss										
Actuarial gains on measurement of post-employment benefit plan, net of tax	-	-	-	-	-	-	143	143	-	143
Foreign currency translation	-	-	(106)	-	-	-	-	(106)	(1)	(107)
Other comprehensive loss for the year	-	-	(106)	-	-	-	143	37	(1)	36
Contributions by and distributions to owners										
Merger reserve arising from restructuring	(50,006)	50,098	-	-	(92)	-	-	-	-	-
Share swap pursuant to restructuring	12,314	(12,314)	-	-	-	-	-	-	-	-
Capital contribution	-	12,752	-	-	-	-	-	12,752	-	12,752
Conversion of debt instruments	3,161	-	-	-	-	-	-	3,161	-	3,161
Issuance of shares pursuant to the reimbursement of acquisition expense to Starland Holdings Limited	822	-	-	-	-	-	-	822	-	822
Issuance of shares pursuant to IPO	14,715	-	-	-	-	-	-	14,715	-	14,715
Issuance of shares to sponsor	464	-	-	-	-	-	-	464	-	464
Issue of adjustment shares to CB conversion	1,869	-	-	-	-	-	-	1,869	-	1,869
Capitalised IPO costs	(895)	-	-	-	-	-	-	(895)	-	(895)
Modification of share option scheme	-	-	-	398	-	-	-	398	-	398
Grant of share options to employees	-	-	-	66	-	-	-	66	-	66
Contributions by and distributions to owners	(17,556)	50,536	-	464	(92)	-	-	33,352	-	33,352
At 31 December 2018	32,450	50,536	(597)	2,988	-	(3,153)	(90,458)	(8,234)	(45)	(8,279)

Notes:

- (1) The merger reserve represents the difference between the consideration paid and the share capital of the subsidiaries under common control are accounted for by applying the pooling of interest method.
(2) This relates to fair value adjustment of the Group's investment securities upon adoption of IFRS 9.

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

ayondo Ltd and its Subsidiaries

**Consolidated Statements of Changes in Equity
For the year ended 31 December 2018**

Group	Attributable to equity holders of the Company									
	Share capital CHF'000	Foreign currency translation reserve CHF'000	Equity component of convertible bonds CHF'000	Employee share option reserve CHF'000	Gain on reissuance of treasury shares CHF'000	Premium paid on acquisition of non-controlling interest CHF'000	Accumulated losses CHF'000	Total CHF'000	Non- controlling interests CHF'000	Total CHF'000
At 1 January 2017	45,251	1,246	4,563	2,004	92	(3,153)	(30,338)	19,665	(12)	19,653
Loss for the year	-	-	-	-	-	-	(9,750)	(9,750)	(10)	(9,760)
Other comprehensive income										
Actuarial gains on measurement of post-employment benefit plan, net of tax	-	-	-	-	-	-	9	9	-	9
Foreign currency translation	-	(1,737)	-	-	-	-	-	(1,737)	(1)	(1,738)
Other comprehensive income for the year	-	(1,737)	-	-	-	-	9	(1,728)	(1)	(1,729)
Contributions by and distributions to owners										
Conversion of debt instrument	4,755	-	(4,563)	-	-	-	-	192	-	192
Grant of share options to employees	-	-	-	520	-	-	-	520	-	520
Total contributions by and distributions to owners	4,755	-	(4,563)	520	-	-	-	712	-	712
At 31 December 2017	50,006	(491)	-	2,524	92	(3,153)	(40,079)	8,899	(23)	8,876

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

ayondo Ltd and its Subsidiaries

**Consolidated Statements of Changes in Equity
For the year ended 31 December 2018**

	Share Capital CHF'000	Employee share reserve CHF'000	Retained earnings CHF'000	Total Equity CHF'000
Company				
At 4 October 2017 (date of incorporation)	—*	—	—	—*
Profit net of tax, representing total comprehensive income for the financial year	—	—	—	—
At 31 December 2017	—*	—	—	—*
Loss net of tax, representing total comprehensive income for the financial year	—	—	(38,330)	(38,330)
Share swap pursuant to restructuring	12,314	—	—	12,314
Conversion of debt instruments	3,161	—	—	3,161
Issuance of shares pursuant to the reimbursement of acquisition expense to Starland Holdings Limited	822	—	—	822
Issuance of shares pursuant to IPO	14,715	—	—	14,715
Issuance of shares to sponsor	464	—	—	464
Issue of adjustment shares to CB conversion	1,869	—	—	1,869
Capitalised IPO costs	(895)	—	—	(895)
Transfer of employee share option	—	2,524	—	2,524
Modification of employee share option scheme	—	398	—	398
Grant of share options to employee	—	66	—	66
At 31 December 2018	32,450	2,988	(38,330)	(2,892)

* Less than CHF 1,000

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

ayondo Ltd and its Subsidiaries

**Consolidated Statement of Cash Flow
For the year ended 31 December 2018**

	Group	
	2018	2017
	CHF'000	CHF'000
Cash flows from operating activities		
Loss before tax	(50,813)	(10,417)
<u>Adjustments for:</u>		
Gain on disposal of property, plant and equipment	(9)	—
Depreciation of property, plant and equipment	84	85
Amortisation of intangibles	1,180	838
Issuance of adjustment shares for CB conversion	1,869	—
Issuance of shares to sponsor	464	—
Impairment of assets	37,102	—
Employee share based payments	464	520
Changes in fair value of embedded derivatives of convertible bonds	(2,197)	(1,093)
Unrealised (gain)/loss on derivatives	(83)	1,994
Pension costs	(555)	59
Interest income on loans and receivables	(2)	(1)
Finance costs	2,973	2,809
Capitalised IPO costs	(895)	—
Unrealised exchange loss/(gain)	(187)	(1,837)
Operating cash flows before changes in working capital	(10,605)	(7,043)
Decrease/(increase) in trade and other receivables and cryptocurrency asset	19,149	(17,322)
(Decrease)/increase in trade and other payables	(15,052)	19,587
Cash flows used in operations	(6,508)	(4,778)
Interest paid	(1)	(7)
Interest received	2	1
Income tax received	554	422
Net cash flows used in operating activities	(5,953)	(4,362)
Cash flows from investing activities		
Purchase of property, plant and equipment	(25)	(39)
Capitalisation of internally generated intangibles	(1,729)	(1,929)
Proceeds from disposal of property, plant and equipment	9	—
Proceeds from sale of financial investments	380	—
Net cash used in investing activities	(1,365)	(1,968)
Cash flows from financing activities		
Proceeds from issue of new shares	14,715	—
Proceeds from short-term loans	—	3,505
Repayment of shareholder's loan	(799)	(117)
Repayment of convertible bonds interest coupon	(1,517)	—
Repayment of convertible bonds	(4,393)	—
Net cash flows generated from financing activities	8,006	3,388
Net increase/(decrease) in cash and cash equivalents	688	(2,942)
Effects of exchange rate changes on cash and cash equivalents	(38)	35
Cash and cash equivalents at the beginning of the year	882	3,789
Cash and cash equivalents at the end of the period (Note 14)	1,532	882

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

1. Corporate information

The Company was incorporated as a private limited company domiciled in Singapore on 4 October 2017. On 23 February 2018, the Company was converted into a public company limited by shares and changed its name to ayondo Ltd.

On 26 March 2018, the Company was listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company since incorporation until 31 March 2019 was at 36 Armenian Street, #02-08, Singapore 179934. From 1 April 2019, the registered office of the Company is at 20 Collyer Quay ~01-02 Singapore 049319.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 11.

1.1 The Restructuring Exercise

The Group undertook the following transaction as part of a corporate reorganisation implemented in preparation for its listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") ("the Restructuring Exercise").

Prior to 4 October 2017, ayondo Holding AG had the following subsidiaries:

- Sycap Group (UK) Ltd
- ayondo GmbH
- Social Trading Netzwerk GmbH
- ayondo Asia Pte. Ltd.
- ayondo Markets Ltd
- ayondo Portfolio Management GmbH
- Typhoon Technology Limited

On 4 October 2017, the existing shareholder of ayondo Holding AG incorporated ayondo Ltd. with S\$1 share capital. On 23 February 2018, ayondo Ltd. (the "Company") became the holding company of ayondo Holding AG.

The consolidated financial statements presented for the years ended 31 December 2017 are a continuation of the existing ayondo Holding AG Group, comprising the financial position and the results of the ayondo Holding AG and its subsidiaries.

Pursuant to this, assets, liabilities, reserves, revenue and expense of ayondo Holding AG and its subsidiaries are consolidated at their existing carrying amounts.

For the purpose of the preparation of the consolidated financial statements, the share capital as at 31 December 2017 represents the issued and paid up share capital of ayondo Holding AG.

The above restructuring exercise has been accounted for by applying the pooling of interest method for the purposes of the financial statements for the year ended 31 December 2018. Accordingly, the assets and liabilities of the entities transferred have been included in the Group's balance sheet as of 31 December 2018 at their carrying amounts.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and Singapore Financial Reporting Standards (International) ("SFRS(I)"). There is no significant difference between SFRS (I) and IFRS.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Swiss Francs (CHF or SFr) which is the Company's functional currency. All values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.4 Fundamental accounting concept

The Group's total liabilities exceeded its total assets by CHF8,279,000 (2017: total assets exceeded total liabilities by CHF8,876,000) as at 31 December 2018. The Group's current liabilities exceeded its current assets by CHF8,258,000 (2017: CHF26,923,000) as at 31 December 2018. For the financial year ended 31 December 2018, the Group incurred a net loss of CHF50,239,000 (2017: CHF9,760,000) and operating cash outflow of CHF 5,953,000 (2017: CHF4,362,000). Additionally, the Company's current liabilities and total liabilities exceeded its current assets and total assets by CHF2,892,000 (2017: CHF*) and CHF2,892,000 (2017: CHF*) respectively as at 31 December 2018.

*: less than CHF1,000

The financial performance of the Group in the current year, in particular, during the second half of 2018, was negatively impacted by various factors, including (i) regulatory changes relating to product intervention imposed by the European and UK regulators in 2018, (ii) unfavourable trading conditions in the Group's core CFD markets, particularly during the second quarter period ended 30 June 2018 ("Q2 2018") and the third quarter period ended 30 September 2018 ("Q3 2018"), and (iii) the Group's reduced marketing expenditure.

On 1 June 2018, the European Securities and Markets Authority ("ESMA") announced a series of regulations and restrictions on the provision of contracts for differences ("CFDs") to retail investors. These measures mainly relate to limiting leverage of CFD products, introducing negative balance protection, closing customer positions if their funds fall to 50% of margin, a ban on firms offering inducements to encourage trading, standard risk warnings about retail investor losses clearly displayed on all websites and the banning of binary options. The measures were effective from 1 August 2018. The Group used to offer client bonuses prior to 1 August 2018 in order to incentivise new clients to open accounts and the limitation of leverages of CFD products have correspondingly reduced the notional trade size executed by clients impacting the Group's financial performance. Since then, volumes of traded CFD's have declined significantly across the market as a whole.

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

2.4 Fundamental accounting concept (cont'd)

During the year, CFD market volatility declined resulting in lower market trading volumes which impacted the Group's performance. Adverse movements in the exchange rates of GBP and EUR vs CHF also led to the Group recording an unfavourable exchange loss. As a result of the continued losses, the Group faced and continues to face working capital deficiency.

The Company owns 99.97% of a Swiss-incorporated entity, ayondo Holding AG which in turn holds 99.91% of an English-incorporated entity, Sycap Group (UK) Limited which wholly owns ayondo Markets Limited ("AML"). AML is regulated by Financial Conduct Authority ("FCA") in the UK and required to maintain a minimum capital adequacy ratio of 13% in 2018. As at 31 December 2018, AML had a regulatory capital shortfall of approximately CHF10,200,000. In view of the financial position of the Group and the Group's inability to fund AML in the immediate term to remedy the regulatory breach, the Group entered into a sales and purchase agreement to dispose AML on 7 May 2019 to a proposed buyer for a consideration of £5,700,001 which comprised the following:

- (i) £1 (one pound) in cash; and
- (ii) £5,700,000, being an amount owing to AML (including all interest accrued and any other amounts payable in connection with the repayment of such indebtedness) from the remaining entities of the Group which is agreed to be applied to discharge the amounts owed by the relevant remaining entities of the Group ("the Proposed Disposal").

AML's business carries high operating costs and is heavily regulated. The Proposed Disposal will significantly reduce the Group's cost base, Group's liabilities and regulatory capital requirements. The Proposed Disposal will also remove volatility to earnings caused by reliance on brokerage income and exposure to market risk.

If the Proposed Disposal is successful, the proposed buyer will inject additional capital into AML to remedy the breach. The Group has informed FCA about the Proposed Disposal and subsequent capital injection by the proposed buyer. FCA has approved the Proposed Disposal application on 8 March 2019.

The completion of the Proposed Disposal is conditional upon the fulfilment of the following conditions precedent within 6 months from the date of the sales and purchase agreement:

- (i) the approval of the shareholders of the Company for the Proposed Disposal being obtained at an Extraordinary General Meeting;
- (ii) the necessary approvals from all regulatory and other authorities, including but not limited to the FCA and the Singapore Stock Exchange.
- (iii) there being no material adverse change prior to the time of completion which has not been waived. A material adverse change means occurrence of any of the following matters:

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

2.4 Fundamental accounting concept (cont'd)

- (a) any investigation or enforcement action being undertaken by or at the request of the FCA against, or into any affairs or conduct of the subsidiary;
- (b) any steps taken by the FCA to cancel, suspend, vary or impose any requirement or limitation in respect of, or which indicate a material prospect or possibility that the FCA is reasonably likely to cancel, suspend, vary, or impose any requirement or limitation in respect of, (i) the authorization given to the subsidiary; or (ii) the subsidiary's ability to hold or control client money other than, in each case, as a result of any change in laws or regulations;
- (c) any other matter or circumstance which has or is reasonably likely to have a negative monetary impact exceeding £500,000 on the business, operations, assets, financial position, or profits of the subsidiary, excluding in each case, any event, circumstance or change to the extent resulting from:
 - (i) the United Kingdom's withdrawal from the European Union pursuant to Article 50 of the Treaty on European Union (2007);
 - (ii) changes in stock markets, interest rates, exchange rates, commodity prices or other general economic conditions;
 - (iii) changes in conditions generally affecting the business of CFD and stock broking in the United Kingdom and/or the European Union; or
 - (iv) changes in laws, regulations or accounting standards or practices or the enforcement or interpretation thereof; and
- (e) any material suit, investigation, action or other proceeding or claim (including any application for an injunction or other equitable remedy) existing, pending or threatened in writing against the Group before any court or governmental agency which has resulted in or specifically requires the restraint or prohibition of the consummation of the acquisition by the proposed buyer, as contemplated by the SPA; and

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

2.4 Fundamental accounting concept (cont'd)

- (f) an Insolvency Event occurring in respect of Sycap Group (UK) Ltd and ayondo Ltd. An "Insolvency Event" under the sales and purchase agreement means:
- (i) any meeting convened, order made, application made, petition presented or resolution passed for (i) the purpose of winding up of the relevant person or for a liquidator or provisional liquidator to be appointed in respect of the relevant person or (ii) the entry into any arrangement, compromise or composition with, or assignment for the benefit of, creditors of the person or any class of them;
 - (ii) the appointment of an administrator in respect of the relevant person or any step towards such appointment (including the issue of any notice of intention to appoint or the making of any application to court to appoint an administrator);
 - (iii) the appointment of a receiver or an administrative receiver in respect of the relevant person or all or any of their assets;
 - (iv) the relevant person being insolvent, or unable to pay its debts within the meaning of section 123 of the UK Insolvency Act 1986, or stopping paying its debts as they fall due;
 - (v) the proposal of any voluntary arrangement under section 1 of the UK Insolvency Act 1986 in respect of the relevant person;
 - (vi) any unsatisfied judgement, order or award being outstanding against the relevant person or any written demand under section 123(1)(a) of the UK Insolvency Act 1986 being made against the relevant person or any distress or execution being levied on, or other process commenced against the relevant person;
 - (vii) any indebtedness of the relevant person being subject to a moratorium;
 - (viii) an Encumbrance becoming enforceable or being enforced over all or substantially all of the assets of the relevant person;
 - (ix) any distress, execution or other process being levied on an asset of the relevant person; or
 - (x) any event analogous to any of the events referred to above occurring in or outside England.

The Proposed Disposal amongst others is subject to the above-mentioned conditions.

Shareholders which hold an aggregate of approximately 55.49% of the total number of issued Shares of the Company, have undertaken to vote in favour of the Proposed Disposal.

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

2.4 Fundamental accounting concept (cont'd)

As part of the Group's restructuring plan, the Group is actively pursuing with potential investors business opportunities to develop its social trading business, particularly in Asia. As announced on 20 February 2019, the Group had entered into a non-binding strategic alliance terms with Golden Nugget Jinzhuan Limited ("iMaibo"), which offers a cost-efficient social investing platform for Asian and other global CFDs to facilitate investment-related business, via its network of social media influencers and key opinion leaders ("KOLs"), followers of such KOLs, and third-party service and product providers. Together with iMaibo, the Group intends to relaunch its business focused primarily in Asia and social trading and to combine the elements of KOLs and the Group's social trading technology to create new social trading market place with other strategic partners in the region. The overall size of China and the wider Asia Pacific region in comparison with Europe offers more opportunities to the Company. In addition, the CFD market, outside Singapore and Australia where regulations allow for CFD trading, is still in its early stage and is primarily active in offshore foreign exchange trading. The Group sees B2B opportunities to promote social trading to onshore and offshore market participants through software licensing and other partnerships. The Group's historic social trading platform WeTrade will be supplemented by the launch of the next generation software Tradestac, the Group's next generation social trading technology, which will offer greater flexibility in connecting B2B partners and also facilitate the deployment of its technology.

As part of the collaboration, the Group and some strategic business partners are in the midst of exploring various funding options. The Group is planning to raise long term funding through the various funding options. The funding from the strategic business partners is dependent on the Proposed Disposal being successful. The Group's ability to secure funding is critical for the Group's continued existence and future business plans. The Group's business plans incorporate forecasted growth of revenues and margins of the social trading business in Asia which are fundamental to achieving the Group's forecasted operating and financial results.

In the directors' opinion, barring any unforeseen circumstances, the Group will be able to successfully dispose of AML given that it has already secured irrevocable undertakings from shareholders hold an aggregate of approximately 55.49% of the total number of issued Shares of the Company to vote in favour of the Proposed Disposal. The restructuring exercise and fund-raising plans are underway. Hence, the directors are of the view that the application of the going concern assumption is appropriate for the preparation of the accompanying financial statements.

If the financial statements were presented on a realisation basis, the carrying value of its assets and liabilities may be materially different. If the Group and Company were unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and Company may have to reclassify its non-current assets as current assets and its non-current liabilities to current liabilities. No such adjustments have been made to these financial statements.

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

2.5 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018 as discussed in Note 2.6 below.

2.6 Adoption of new and amended standards and interpretations

IFRS 9 Financial Instruments

On 1 January 2018, the Group adopted IFRS 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The Group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group has not restated comparative information which continues to be reported under IAS 39 and the disclosure requirements of IFRS 7 Financial Instruments: Disclosures relating to items within the scope of IAS 39. The impact arising from IFRS 9 adoption was included in the opening retained earnings and other components of equity at the date of initial application.

Classification and measurement

IFRS 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under IFRS 9. There is no significant impact arising from measurement of these instruments under IFRS 9.

IFRS 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The Group currently measures its investments in unquoted equity securities at cost. Upon adoption of IFRS 9, the Group measures the unquoted equity securities at FVPL. The impact arising from this change resulted in a decrease in carrying value of CHF 304,000 to the unquoted equity securities with a corresponding fair value adjustment being recognised in opening retained earnings as at 1 January 2018.

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

2.6 Adoption of new and amended standards and interpretations (cont'd)

IFRS 9 Financial Instruments (cont'd)

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. The Group concluded that the current impairment model to financial assets measured at amortised cost in accordance with IFRS 9 does not have material impact to the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. The comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

The following shows the amount by which each financial statement line item is affected for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on the statement of financial position or the Group's operating, investing and financing cash flows. The third column shows amounts prepared under IFRS 15 and the first column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of comprehensive income

	2018 (IAS 18) CHF'000	IFRS 15 adjustments CHF'000	2018 (IFRS 15) CHF'000
Trading revenue	20,801	(2,231)	18,570
Fees, rebates, client bonuses and betting duty tax	(12,505)	2,231	(10,274)

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

2.6 Adoption of new and amended standards and interpretations (cont'd)

Variable consideration – Client bonuses

The Group provide client bonuses in rewarding client for opening an account, depositing funds and trade on the platform. Such provision gave rise to variable consideration under IFRS 15. Under IFRS 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is subsequently resolved.

Prior to the adoption of IFRS 15, client bonuses are accounted for as part of fees, rebates, client bonuses and betting duty tax instead of a reduction against the trading revenue. Upon the adoption of IFRS 15, the Group reclassified client bonuses of CHF 2,231,000 as a reduction of trading revenue. This resulted in a decrease in both trading revenue and fees, rebates, client bonuses and betting duty tax by the same amount.

2.7 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or</i>
IFRS 16: Leases	1 January 2019
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application, except for those as described below.

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

2.7 Standards issued but not yet effective (cont'd)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of IFRS 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i) its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply IFRS 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group is still assessing the potential impact to the financial statements.

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

2.8 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting periods. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

2.8 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill

With the exception of business combinations involving entities under common control, business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

2.9 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.10 Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarised in the following notes.

Disclosures for valuation methods, significant estimates and assumptions Note 3
Quantitative disclosures of fair value measurement hierarchy Note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or;

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

2.10 Fair value measurement (cont'd)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivatives are valued quarterly and long term debt is valued at each reporting period. Involvement of external valuers is decided upon annually by the Chief Financial Officer. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Senior personnel decide, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Chief Financial Officer analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, senior Finance personnel verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

2.11 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the good or service. A performance obligation is satisfied at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue for the Group is earned from the provision of the Group's services after eliminating sales within the Group, and is recognised at the fair value of consideration received or receivable for the rendering of services, net of discount and client bonuses.

Trading revenue represents gains and losses arising on client trading activity, primarily in financial spread betting and contracts for difference and the transactions undertaken to hedge the risk associated with client trading activity. Open client and hedging positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.

Trading revenue also includes spread, commission and funding charges made to clients in respect of the opening, holding and closing of financial spread bets and contracts for difference.

Trading revenue is reported gross of introducing partner commission as these amounts are directly linked to trading revenue.

Introducing partner commission, along with betting duties and financial transaction taxes paid, is disclosed as an expense in arriving at net operating income, as is commissions and execution fees paid to hedging counterparties.

The Group recognises revenue when the specific criteria for each of the Group's activities are met as follows:

(a) Spread and commission

Revenue from spread and commission is recognised upon the completion of a trading transaction.

(b) Funding charges

Revenue from funding charges is recognised at the applicable daily interest rates.

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

2.12 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

2.12 Taxes (cont'd)

Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.13 Foreign currencies

The financial statements are presented in Swiss Francs (CHF or SFr), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or the statement of comprehensive income are also recognised in OCI or the statement of profit or loss, respectively).

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

2.13 Foreign currencies (cont'd)

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Swiss Francs at the rate of exchange prevailing at the reporting date and their profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

2.14 Leases

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

2.15 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

2.15 Intangible assets (cont'd)

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs for IT Platform

Research costs are expensed as incurred. Development costs on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development cost as an intangible asset, it is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales from the related IT platform (5 years) on a straight line basis. Amortisation is recorded in other operating expenses.

2.16 Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

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

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(i) Financial assets (cont'd)

Investments in debt instruments

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Financial assets at fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

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

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(i) Financial assets (cont'd)

De-recognition

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The Group's trade receivables and other receivables represents balances with clients and counterparties where the combination of cash held on account and valuation of financial derivative open positions result in an amount due to the Group. The Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2.16 Financial instruments – initial recognition and subsequent measurement (cont'd)

(ii) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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

2.17 Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 3
- Intangible assets Note 15

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount is of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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

2.18 Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.19 Provisions

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

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

2.20 Employee benefits

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Defined contribution plans

The Group participates in defined contribution plans as defined by the laws of the countries in which it has operations. As required by law, the Group makes contributions to the state pension scheme, and recognised such contribution as compensation expenses in the period to which the related service is performed.

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

2.20 Employee benefits (cont'd)

(iii) Pensions and other post-employment benefits

The Group maintains one defined benefit pension plan in Switzerland.

The Group's contributions to defined benefit plans, the recognised amount in the statement of financial position is determined as the present value of the defined benefit obligation at the reporting date less the fair value of any plan assets. Where this calculation results in a net surplus, the excess of assets is recognised only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of refunds from the plan or reduction in future contributions to the plan. When such excess is not available or does not represent a future economic benefit, it is not recognised but is disclosed in the notes.

Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Actuarial gains and losses are not reclassified to profit or loss in subsequent periods. Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred.

Past service costs are recognised immediately in the operating profit. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and is recognised as an expense in the operating profit.

The present value of the defined benefit obligations and the related service costs are calculated annually by qualified actuaries using the projected unit credit method. The pension obligation is measured as the present value of the estimated future cash outflows using market yields of high quality corporate bonds in the country concerned or interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

(iv) Employee share-based compensation

Certain employees of the Group receive remuneration in the form of share options as consideration for the services rendered. The cost of these equity settled share based payment transactions with employees are measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share-based payment reserve, over the vesting period. The cumulative expense recognised at each date until the vesting date reflected the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period recognised in employee benefit expense.

The employee share-based payment reserve is transferred to retained earnings upon expiry of the share option.

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

2.21 Award of equity instruments to non-employees

All non-employee transactions in which goods and services are the consideration received in exchange for equity instruments are accounted for based on the fair value of the consideration received at the dates on which the goods are received or the date on which the services are rendered.

2.22 Share capital and share issuance expenses

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

2.23 Convertible bonds

Redeemable Convertible bonds with conversion option and warrants feature are accounted for as financial liability with embedded derivatives (early redemption option, equity conversion option and issuance of warrants at conversion and warrants at redemption) based on the terms of the contract.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are de-recognised with a corresponding recognition of share capital.

The convertible bonds are hybrid financial instruments with a host debt component, embedded derivative component and an equity component. On issuance of convertible bonds, the embedded options are recognised at fair value as derivative liabilities with subsequent changes in fair value recognised in profit or loss.

The residual amount after deducting the fair value of the embedded derivative component and liability component is recognised in equity.

2.24 Segment reporting

The Group's revenue is derived from a single operating entity. The Chief Operating Decision Maker does not review the Group's financial information and the Group's turnover by revenue streams or customer country of domicile.

2.25 Introducing partner commission and betting duty tax

Commissions payable to introducing partners, and spread betting duty tax are charged to the profit or loss when the associated revenue is recognised. Betting duty tax is payable on net gains generated from clients on spread betting products.

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

2.26 Cryptocurrency assets

The Group offers various cryptocurrency-related products that can be traded on its platform. The Group would normally hedge its client's trading positions with its brokers. However, as the Group is unable to hedge all of its exposures to cryptocurrencies with brokers it purchases and sells cryptocurrency assets to hedge the client's positions.

At present there is a lack of guidance available on how cryptocurrency assets should be accounted in accordance with IFRS. The Group holds cryptocurrency assets in the ordinary course of its business. Cryptocurrency assets are measured at fair value less cost to sell with changes in valuation recorded in the Group's income statement in the period in which they arise.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about 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.

(a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the judgement that the use of going concern assumption is appropriate as further disclosed in Note 2.4. Management has also made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Intangible assets – Development costs

The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to a project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. The carrying amount of capitalised development costs is disclosed in Note 15. Amounts capitalised include the total cost of any services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs and external consulting cost to capitalise and the amounts involved.

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

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of intangible assets

As disclosed in Note 15 to the financial statements, the recoverable amounts of the cash generating units which goodwill and IT platform development costs have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 15 to the financial statements.

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

4. Net trading revenue

	Group	
	2018 CHF'000	2017 CHF'000
Spread and commission	34,690	16,666
Hedging loss	(18,546)	(1,410)
Spread and commission, net of hedging loss	16,144	15,256
Funding charges	4,528	5,398
Others	129	101
Trading revenue	20,801	20,755
Less: Client bonuses	(2,231)	–
	<u>*18,570</u>	<u>20,755</u>

* As indicated in Note 2.6, upon the adoption of IFRS 15 using the modified retrospective method, the Group reclassified client bonuses of CHF 2,231,000 as a reduction in trading revenue.

5. Fees, rebates, client bonuses and betting duty tax

	Group	
	2018 CHF'000	2017 CHF'000
Rebates ¹	8,712	8,496
Client bonuses ²	–	854
Trading counterparty charges ³	1,451	1,375
Betting duty tax ⁴	111	95
	<u>10,274</u>	<u>10,820</u>

- ¹ Represents amounts paid to partners, top traders and clients as an incentive for introducing business
- ² Represents amounts paid to client in rewarding them for opening an account, depositing funds and trading
- ³ Represents broker fees incurred in transacting hedging activity executed via the Group's hedging counterparties
- ⁴ Represents legislative monetary obligations from trade activities that are payable to local regulatory bodies

6. Staff expenses

	Group	
	2018 CHF'000	2017 CHF'000
Staff expenses (including directors):		
Salaries and bonuses	5,930	5,469
Defined contributions expenses	92	730
Employee share-based payments (Note 21)	464	520
Employee benefit liability expense	(555)	60
Other short-term benefits	332	287
	<u>6,263</u>	<u>7,066</u>

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

7. Marketing expenses

	Group	
	2018 CHF'000	2017 CHF'000
Marketing expenses	1,916	2,407
Media services	—	298
	<u>1,916</u>	<u>2,705</u>

Marketing expenses comprised of Google marketing (YouTube pre-rolls, adwords search and display ads), display banners on regular financial websites, events and fairs, TV spots in Germany and the UK, sport sponsoring and the production of brochures and corporate items. Content production for Blogs, Social Media and educational webinars or books is part of the marketing expenditure. Media services relates to TV broadcasting and advertising spots in Germany.

ayondo Holding AG entered into a payment and deferral agreement on 15 November 2017 with one of its media suppliers in relation to the agreement and services dated 19 May 2017 to extend the repayment date to 31 December 2018. The amount owing for media services to the media supplier has yet to be settled as at 31 December 2018. The Group and its media supplier are in negotiations in relation to the repayment date.

8. Loss before tax

The following items have been included in arriving at loss before tax:

	Note	Group	
		2018 CHF'000	2017 CHF'000
Gain on disposal of property, plant and equipment		(9)	—
Depreciation of property, plant and equipment		84	85
Impairment of goodwill	15	33,360	—
Impairment of IT platform	15	3,494	—
Impairment of investment securities	10	248	—
Amortisation of intangibles	15	1,180	838
IT costs		1,687	1,576
Audit services		336	114
Non-audit services		32	—
Reporting accountant fees		9	763
Legal, other professional fees and consultancy fees		2,069	2,231
Value added tax charges		797	885
Regulatory fees		825	720
Research expenses		652	649
Operating lease expenses	25	622	792
Bank charges		660	273
Travel related expenses		210	239
Net foreign exchange loss/(gain)		554	(1,639)
Finance costs on loan from related parties		36	284
Convertible bond finance cost	20	2,937	2,525
		<u>2,973</u>	<u>2,809</u>
Changes in fair value of embedded derivatives of convertible bonds	20	(2,197)	(1,093)

Included in the research expenses is an amount of CHF448,000 relating to work performed by one of its external IT consultancy companies.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

9. Income tax

The major components of income tax credit recognised are:

	Group	
	2018	2017
	CHF'000	CHF'000
Current income tax credit	(574)	(559)
Under provision of income tax credit in respect of previous year	—	(98)
Income tax credit recognised in profit or loss	(574)	(657)

The reconciliation of income taxes below is determined by applying the applicable corporate tax rates. The income tax in profit or loss varied from the amount of income tax determined by applying the income tax rate applicable to Switzerland, Singapore, Germany and United Kingdom to loss before income tax as a result of the following differences:

	Group	
	2018	2017
	CHF'000	CHF'000
Loss before tax	(50,813)	(10,417)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(11,925)	(1,777)
Non-deductible items	9,092	136
Effect of research and development tax credits	(574)	(560)
Deferred tax asset not recognised	2,833	1,642
Under provision in respect of previous year	—	(98)
Total income tax credit	(574)	(657)

The corporate income tax rates for all years applicable to Switzerland, Singapore, Germany and the United Kingdom are 8.50%, 17.00%, 30.00% and 20.00% respectively.

The Group has tax losses of CHF63,693,000 (2017: CHF54,827,000) that are available for offset against future taxable profit of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and temporary differences as it may not be probable that there are future taxable profits to allow the deferred tax asset to be utilised. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Research and development tax credits represent amounts claimed from HM Revenue & Customs in the UK in respect of research and development relief on expenditure incurred by Ayondo Markets Limited. Where a UK company is in a loss making position, expenditure incurred in prescribed qualifying research and development projects is used to compute a taxation credit that is refunded to the Group each year on the submission of a qualifying claim.

10. Investment securities

	Group 2018 CHF'000
Current:	
- Unquoted equity securities at cost at 1 January 2018	932
- Effect of initial adoption of IFRS 9 on 1 January 2018	(304)
- Disposal during the year	(380)
- Impairment loss recorded during the year	(248)
	<hr/>
Unquoted equity securities at fair value through profit or loss at 31 December 2018	—
	<hr/>
	Group 2017 CHF'000
Available-for-sale financial assets	
- Equity securities (unquoted), at cost	932
	<hr/>

The investment securities are denominated in USD.

The Group measured its investment in unquoted equity securities at cost. Upon the adoption of IFRS 9, the Group measures its investment in unquoted equity securities at fair value through profit or loss. The impact arising from this change resulted in a decrease in carrying value of CHF304,000 to the unquoted equity securities with a corresponding fair value adjustment being recognised in opening retained earnings as at 1 January 2018.

During the year, the Group disposed its investment in one of the unquoted equity securities for CHF380,000.

During the year, the Group recorded an impairment loss of CHF248,000 for one of its investment securities as the Group was of the view that the investment is not expected to generate future economic benefits following the cessation of business of the investee in the current year.

11. Subsidiaries

(a) Investment in subsidiary

On 4 October 2017, the existing shareholder of ayondo Holding AG incorporated ayondo Ltd. with S\$1 share capital. On 23 February 2018, ayondo Ltd. (the "Company") became the holding company of ayondo Holding AG. The Company's cost of investment in ayondo Holding AG amounted to CHF13,379,000.

Unquoted equity shares

	Company	
	2018	2017
	CHF'000	CHF'000
Unquoted equity shares, at cost	13,379	—
Impairment losses	(13,379)	—
	<u>—</u>	<u>—</u>

Movements in allowance for impairment loss on investment in subsidiary during the financial year are as follows:

At 1 January	—	—
Additions	13,379	—
At 31 December	<u>13,379</u>	<u>—</u>

Impairment testing of investment in subsidiary

Impairment loss of CHF13,379,000 was recognised for the financial year ended 31 December 2018 to impair the investment in the subsidiary to its estimated recoverable amount.

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

11. Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation and place of business	Principal activities	Effective equity Interest	
			2018 %	2017 %
ayondo Holding AG	Swiss-ZUG	Holding Company	99.97	98.15
<i>Held through ayondo Holding AG:</i>				
Sycap Group (UK) Ltd.	UK-London	Financial Holding	99.91	99.91
ayondo GmbH	GER- Frankfurt a. M.	Social Trading	100	100
Social Trading Netzwerk GmbH	GER- Frankfurt a. M.	Dormant	100	100
ayondo Asia Pte. Ltd.	Singapore	Social Trading - B2B services	100	100
<i>Held through Sycap Group (UK) Ltd:</i>				
ayondo Markets Ltd	UK-London	Broker, Trading CFDs	99.91	99.91
<i>Held through ayondo GmbH:</i>				
ayondo Portfolio Management GmbH	GER- Frankfurt a. M.	Dormant	90.10	90.10
<i>Held through ayondo Asia Pte Ltd:</i>				
Typhoon Technology Limited	Hong Kong	Dormant	100	100

(b) Interest in subsidiaries with material non-controlling interest (NCI)

The Group does not have any interest in subsidiaries that have NCI that are material to the Group.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

12. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	CHF'000	CHF'000	CHF'000	CHF'000
Segregated client funds	25,526	44,007	-	-
Amounts due from brokers	5,135	6,270	-	-
Client fund assets	-	216	-	-
Other receivables	1,107	523	-	-
Due from related companies	-	-	-	-
Prepayments	361	553	26	-
Total trade and other receivables	32,129	51,569	26	-
Add: Cash and bank balances	1,594	929	4	-
Less: Prepayments	(361)	(553)	(26)	-
Total financial assets at amortised cost	33,362	51,945	4	-

Segregated client funds comprise individual client funds held in segregated client money accounts established under UK's Financial Conduct Authority. Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly the funds are not available for the Group's own use.

Amounts due from brokers represent balances with brokers of cash held on the account for trading purposes.

Other receivables are unsecured and interest-free. The amounts are to be settled in cash. Included in other receivables is CHF574,000 (2017: CHF657,000) relating to tax receivable from the tax authorities.

The Group has nil (2017: nil) trade receivables that are past due at the end of the reporting period but not impaired.

The Company's due from related companies that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Company	
	2018	2017
	CHF'000	CHF'000
Other receivables	20,307	-
Less: Allowance for doubtful receivables	(20,307)	-
	-	-
Movements in allowance accounts:		
At 1 January	-	-
Addition	20,307	-
At 31 December	20,307	-

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

13. Derivative financial instruments

	Group	
	2018	2017
	CHF'000	CHF'000
Current assets		
Futures	42	170
Current liabilities		
Futures	1,940	2,151
Warrant issued – Convertible bonds (note 20)	–	6,904
	1,940	9,055

Futures

The amounts are for futures which are derivative contracts held to hedge client market exposures in accordance with the Group's market risk management policy. The details of the futures of the Group at the end of the reporting period are as follows:

	2018			2017		
	Contract notional amount CHF'000	Assets CHF'000	Liabilities CHF'000	Contract notional amount CHF'000	Assets CHF'000	Liabilities CHF'000
Futures	128,438	42	(1,940)	187,838	170	(2,151)

Warrants issue – Convertible bonds

Warrants issued are in relation to convertible bonds (see also note 20) issued by the Group to the investors. These warrants are fair valued at each reporting period. The warrants were derecognised upon the conversion/repayment of the convertible bonds.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

14. Cash and bank balances

	Group		Company	
	2018	2017	2018	2017
	CHF'000	CHF'000	CHF'000	CHF'000
Group's own cash and segregated client funds	27,120	44,936	4	—
Less: Segregated client funds (Note 12)	(25,526)	(44,007)	—	—
Cash and bank balances	1,594	929	4	—
Less: Bank overdraft	(62)	(47)	—	—
Cash and cash equivalents as per statement of cash flow	1,532	882	4	—

Gross cash relate to the Group's own cash and client monies held.

The Group's cash and cash equivalents are denominated in following currencies at the balance sheet date:

	Group	
	2018	2017
	CHF'000	CHF'000
Euro	1,195	761
Sterling Pound	208	39
Singapore Dollar	20	38
Swedish Kroner	1	—
United States Dollar	46	64
Swiss Francs	58	(11)
Danish Krone	4	(9)
	1,532	882

The Company's cash and cash equivalents are denominated in SGD.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

15. Intangible assets

Group	Development cost - IT Platform CHF'000	Goodwill CHF'000	Total CHF'000
<u>Cost:</u>			
At 1 January 2017	2,861	33,360	36,221
Additions—internal development	1,929	—	1,929
Exchange differences	282	—	282
At 31 December 2017 and 1 January 2018	5,072	33,360	38,432
Additions –internal development	1,729	—	1,729
Exchange differences	(314)	—	(314)
At 31 December 2018	6,487	33,360	39,847
<u>Accumulated amortisation:</u>			
At 1 January 2017	1,003	—	1,003
Amortisation	838	—	838
Exchange differences	114	—	114
At 31 December 2017 and 1 January 2018	1,955	—	1,955
Amortisation	1,180	—	1,180
Impairment	3,494	33,360	36,854
Exchange differences	(161)	—	(161)
At 31 December 2018	6,468	33,360	39,828
<u>Net Carrying amount</u>			
At 31 December 2017	3,117	33,360	36,477
At 31 December 2018	19	—	19

The development cost relates to enhancement to the Group's IT platform. All research cost not eligible for capitalisation has been expensed.

Included in the IT platform development cost, is an amount of CHF832,000 relating to work performed by one of its external IT consultancy companies. In relation to this, the Group has recorded amortisation charge of CHF71,000 and the remaining CHF761,000 has been fully impaired as at 31 December 2018.

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements For the year ended 31 December 2018

15. Intangible assets (cont'd)

Impairment testing of goodwill and IT platform development cost

The goodwill arose from the Group's acquisition of ayondo GmbH and Sycap Group (UK) Ltd in February 2014 and April 2014 respectively. The carrying amount of the goodwill and IT platform development costs allocated to each CGU are as follows:

	ayondo GmbH		Sycap Group (UK) Ltd		ayondo Asia Pte Ltd	
	2018 CHF'000	2017 CHF'000	2018 CHF'000	2017 CHF'000	2018 CHF'000	2017 CHF'000
Goodwill	–	13,266	–	20,094	–	–
IT Platform development cost	–	732	19	1,967	–	418
Total	–	13,998	19	22,061	–	418

During the year, the Group carried out a review of the recoverable amounts of its respective CGUs using cash flow projections from financial budgets approved by management covering a period of 2 years with the exception of Sycap Group UK. As mentioned in note 2.4, on 8 May 2019, the Group entered into a sales and purchase agreement to dispose its UK subsidiary, ayondo Markets Limited. Hence the approved budget for Sycap Group covered a period of 4 months in view of the proposed disposal of the UK entity. As a result of the UK subsidiary's regulatory capital shortfall as discussed in note 2.4, the independent valuer has assessed and the Board has agreed, the UK subsidiary's fair value less cost to sell is negative on a standalone basis without an injection of capital.

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the two-year period are as follows:

	2018
Growth rates	0%
Pre-tax discount rates	50%

Key assumptions used in the value in use calculations are as follows:

Pre-tax discount rate

The pre-tax discount applied to the cash flow projections for the respective CGUs are based on pre-tax weighted average cost of capital (WACC) applicable to the respective CGUs and represent the current market assessment of the specific risks, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Growth rates

Projections are determined based on management's knowledge taking into consideration the expected medium to long-term market outlook

An impairment loss of CHF33,360,000 and CHF3,494,000 representing the write down of the goodwill and IT platform to the recoverable amount was recorded in the Group's profit and loss for the year ended 31 December 2018.

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

16. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	CHF'000	CHF'000	CHF'000	CHF'000
Current:				
Trade payables	2,013	2,938	–	–
Client fund liabilities	34,529	47,885	–	–
Other payables	344	186	–	–
Accruals	2,987	3,882	745	–
Due to related companies	–	–	2,177	–
VAT payable	137	150	–	–
Provisions	11	854	–	–
Total trade and other payables	40,021	55,895	2,922	–
Bank overdraft	62	47	–	–
Loans from related parties	291	1,933	–	–
Convertible bonds	–	13,593	–	–
Derivative financial instruments	1,940	9,055	–	–
Less: VAT payable	(137)	(150)	–	–
Total financial liabilities carried at amortised cost	42,177	80,373	2,922	–

Trade payables and other payables are non-interest bearing and normally settled on 30 to 90-day terms.

Client fund liabilities include liabilities to both retail and professional clients.

Included in provisions recorded as at 31 December 2017, is a provision of S\$1,140,544 relating to the reimbursement of the acquisition expenses incurred by Starland Holdings Limited ("Starland") for the proposed acquisition of the entire equity interest of ayondo Holding AG. On 26 March 2018, the Company issued 6,547,324 conversion shares to Starland upon the occurrence on the IPO. The issue price of the conversion shares was at 33% discount of the IPO price.

Included in the amount due to related companies, is an amount of £776,655 owing to ayondo markets limited that will be discharged against the sales consideration as per the sales and purchase agreement if the proposed disposal of ayondo markets limited is approved.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

17. Loans from related parties

	Group	
	2018	2017
	CHF'000	CHF'000
Loans from related parties	291	1,504
Loans from directors	–	429
	291	1,933

The loan from related parties are unsecured, interest bearing at 8% (2017: 4% to 8%) per annum. Repayment of the loan from related parties was due on 31 December 2018. The Group and its media supplier are in negotiations on the relation to the repayment date.

18. Share capital and treasury shares

(a) Share capital

	2018	2017	2018	2017
	No. of	No. of	CHF'000	CHF'000
	shares	shares		
	'000	'000		
<u>Issued and fully paid ordinary shares</u>				
At 1 January	618	618	50,006	45,251
Merger reserve from restructuring	(618)	–	(50,006)	–
Share swap pursuant to the restructuring exercise (i)	727	–	12,314	–
Sub-division of shares (ii)	391,988	–	–	–
Conversion of debt instrument (iii)	17,204	–	3,161	4,755
Issuance of shares pursuant to the reimbursement of acquisition expense to Starland Holdings Limited (iv)	6,547	–	822	–
Issuance of shares pursuant to IPO	80,770	–	14,715	–
Issuance of shares to sponsor	2,549	–	464	–
Issuance of adjustment shares pursuant to CB conversion (v)	10,000	–	1,869	–
Capitalised IPO costs	–	–	(895)	–
At 31 December	509,785	618	32,450	50,006

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

18. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

		Company			
		2018	2017	2018	2017
		No. of	No. of		
		shares	shares	CHF'000	CHF'000
		'000	'000		
<u>Issued and fully paid ordinary shares</u>					
At 1 January 2018 / 4 October 2017 (date of incorporation)		—*	—*	—*	—*
Share swap pursuant to the restructuring exercise	(i)	727	—	12,314	—
Sub-division of shares		391,988	—	—	—
Conversion of debt instrument	(iii)	17,204	—	3,161	—
Issuance of shares pursuant to the reimbursement of acquisition expense to Starland Holdings Limited	(iv)	6,547	—	822	—
Issuance of shares pursuant to IPO		80,770	—	14,715	—
Issuance of shares to sponsor		2,549	—	464	—
Issuance of adjustment shares pursuant to CB conversion	(v)	10,000	—	1,869	—
Capitalised IPO costs		—	—	(895)	—
At 31 December		509,785	—*	32,450	—*

* Less than CHF 1,000 / 1,000 number of shares

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

i. Acquisition of ayondo Holdings AG

On 4 October 2017, the existing shareholder of ayondo Holding AG incorporated ayondo Ltd. with S\$1 share capital. During the year, the Company acquired 727,250 shares, representing approximately 99.97% of the issued and paid-up capital of ayondo Holdings AG. The Company became the holding company of ayondo Holding AG following the completion of the acquisition. The aggregate consideration of the entire issued and paid-up share capital of ayondo Holdings AG was CHF 12,314,000 based on the consolidated Net Asset Value of ayondo Holding AG and its subsidiaries. The consideration was fully satisfied by the allotment and issuance of 727,250 shares of the Company.

ii. Sub-division of shares

On 12 March 2018, 727,251* shares in the capital of the Company were sub-divided into 391,988,289 shares. The sub-division ratio was of every one share into 540 shares.

* Includes share of 1 as of the date of incorporation

18. Share capital and treasury shares (cont'd)

(a) Share capital (cont'd)

iii. Conversion of debt instruments

On 13 March 2018, certain holders of the Pre-IPO redeemable convertible loans (Note 20) with principal amount of approximately CHF2,095,000 and a derivative liability of CHF1,066,000 have elected to convert the Pre-IPO redeemable convertible loans into the shares of the Company. The Company issued and allotted 17,204,048 shares to such holders. The conversion resulted in the derecognition of the carrying amount of the liability component, derivative liability representing the equity conversion option with a corresponding increase in share capital.

In the financial year ended 31 December 2017, conversion of debt instrument represents the redemption of "third convertible bond" (see note 20) with a principal amount of SGD6,700,000, in which it was exchanged into 48,855 shares ("Conversion Shares") at an exercise price of CHF 97 per share. The Conversion Shares were issued on 23 April 2015 and held in trust by the Directors in the interests of the Company. The Conversion Shares held in trust were distributed to the bondholders upon redemption. The redemption resulted in the de-recognition of the carrying amount of liability component and the equity conversion option with a corresponding increase in share capital.

iv. Reimbursement of acquisition expense to Starland Holdings Limited

On 27 October 2017, the Company and Starland Holdings Limited ("Starland") have entered into an agreement to reimburse Starland the acquisition expenses comprising third-party professional fees amounting to SGD1,141,000 (equivalent to CHF822,000) as the proposed reverse take-over did not complete. The Company and Starland mutually agreed that the acquisition expenses will only be reimbursed upon successful listing and the acquisition expense shall be automatically converted into the shares of the Company. Accordingly, 6,547,324 shares were issued to Starland.

v. Issuance of adjustment shares pursuant to CB conversion

On 15 March 2018, the Company entered into a settlement agreement with its investors relating to the First and Second convertible bonds. Under the settlement agreement, the Company issued 10,000,000 shares of the Company to the investors on a pro rata basis based on the investment amounts as an adjustment of the conversion price under the first and second convertible bond. The shares were issued and allocated in full on 15 March 2018.

ayondo Ltd and its Subsidiaries

**Notes to the Consolidated Financial Statements
For the year ended 31 December 2018**

18. Share capital and treasury shares (cont'd)

(b) Merger reserve

	Group	
	2018	2017
	CHF'000	CHF'000
Merger reserve from restructuring ⁽³⁾	50,098	—
Share swap pursuant restructuring (Note 18a) ⁽¹⁾	(12,314)	—
Capital contribution ⁽²⁾	12,752	—
	<u>50,536</u>	<u>—</u>

⁽¹⁾ This represents the aggregate consideration for the acquisition of the entire issued and paid-up share capital of ayondo Holdings AG, in which the consideration was fully satisfied by the allotment and issuance of 727,520 shares of the Company

⁽²⁾ This represents the conversion of CB 1 and CB 2 (refer to Note 20) with principal amount of CHF5,500,000 and SGD5,000,000 respectively, in which they were exchanged into 43,705 and 48,855 ayondo Holdings AG shares respectively.

⁽³⁾ The merger reserve represents the difference between the consideration paid and the aggregate of share capital of the entities acquired during the restructuring exercise.

19. Other reserves

	Group		Company	
	2018	2017	2018	2017
	CHF'000	CHF'000	CHF'000	CHF'000
Foreign currency translation reserve	(597)	(491)	—	—
Employee share-based payments reserve	2,988	2,524	2,988	—
Gain on re-issuance of treasury shares	—	92	—	—
Premium paid on acquisition of non-controlling interest	(3,153)	(3,153)	—	—
	<u>(762)</u>	<u>(1,028)</u>	<u>2,988</u>	<u>—</u>

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of entities within the Group whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2018	2017
	CHF'000	CHF'000
At 1 January	(491)	1,246
Net effect of exchange differences: arising from translation of financial statements of foreign operations	(106)	(1,737)
At 31 December	<u>(597)</u>	<u>(491)</u>

20. Convertible bonds

First convertible bond

In 2014, ayondo holding AG issued convertible bonds in the principal amount of CHF5,500,000 to various investors which is denominated in the functional currency of the issuer. The bonds was disbursed by the investors in 2 tranches at two different completion dates subsequent to the fulfilment of the conditions in the agreement.

The maturity date of the bonds is 4 years from the date of issuance, carries nil interest for the first 2 years, 4% per annum interest for the third year and 8% per annum interest for the fourth year and bears an overdue interest of 5% per annum on all overdue payment.

The investors have the option to convert the principal amount and any accrued and unpaid interests of the bonds into ordinary shares of ayondo Holding AG at a subscription price of (i) CHF83 per share or (ii) at any subsequently adjusted price which represents a valuation of CHF38,000,000 of ayondo Holding AG on a fully diluted basis, upon the earliest of the following events:

- (i) at an IPO of the wholly-owned subsidiary or ayondo Holding AG;
- (ii) a change in control of the wholly-owned subsidiary or ayondo Holding AG; or
- (iii) at the absolute discretion of the investors after the first anniversary of the date of issuance of the bonds.

Upon the conversion of the bonds, ayondo Holding AG undertakes to issue to the investors such number of free warrants, pro rata their investment, with an aggregate exercise price equivalent to 20% of the principal amount of the bonds, with an expiry date of 2 years from the warrants' issuance date.

The investor also has the option to redeem all the bonds then outstanding at principal together with any outstanding interests on the maturity date or occurrence of an event of default (unless waived by the investors) (collectively termed as Redemption Event).

If the redemption is triggered by an event of default, ayondo Holding AG is required to pay an additional annual premium of 12% calculated on a per annum basis from the date of issuance of the bond to the repayment date.

Upon occurrence of a Redemption Event, ayondo Holding AG undertakes to issue to the investors additional free warrants with an aggregate exercise price equivalent to 30% of the value of the principal amount outstanding at the time of the occurrence of the Redemption Event, with an expiry date of 2 years from the redemption date.

In January 2014, ayondo Holding AG issued 13,254 free warrants respectively with an exercise price of CHF 83 per share to the investors, in which the warrants were to expire 2 years after the date of issue of the warrants. The expiry dates of the free warrants had been extended to 31 December 2018.

20. Convertible bonds (cont'd)

Second convertible bond

In 2014, a wholly owned subsidiary of ayondo Holding AG issued convertible bonds in the principal amount of SGD5,000,000 (CHF3,685,000) to various investors, which is denominated in the functional currency of the issuer.

The terms of the second convertible bond inclusive of the warrants issuance are similar to the terms of the first convertible bond.

In August 2014, ayondo Holding AG issued 8,742 free warrants respectively with an exercise price of CHF83 per share to the investors, in which the warrants were to expire 2 years after the date of issue of the warrants. The expiry dates of the free warrants had been extended to 31 December 2018.

Third convertible bond

On 20 April 2015, a wholly owned subsidiary of ayondo Holding AG issued convertible bonds in the principal amount of SGD6,700,000 (CHF4,890,000) to various investors, which is denominated in the functional currency of issuer.

The maturity date of the bonds was 2 years from the date of issuance, carries an interest rate of 8% per annum after the first anniversary of the date of issuance and bears an overdue interest of 5% per annum on all overdue payment.

The bonds can be converted into 48,855 of ayondo Holding AG's shares, determined on the issuance date of the convertible bonds.

The principal amount of the bonds could be converted upon the earliest of the following events:

- (i) at the maturity date, 20 April 2017;
- (ii) at an IPO of ayondo Holding AG;
- (iii) a change in control of ayondo Holding AG; or
- (iv) at the absolute discretion of the investors prior to the maturity date.

The investors have the discretion to redeem all outstanding bonds prior to the maturity date if certain event of defaults occurs. The redemption price is at the subscription price together with accrued and unpaid interest at the redemption date plus an additional premium of 12% calculated on a per annum basis on the principal amount from the issuance date of the convertible bonds to the repayment date.

20. Convertible bonds (cont'd)

Third convertible bond (cont'd)

Upon conversion of the principal amount of the of the bonds into fixed number of ayondo Holding AG's or occurrence of the redemption event, ayondo Holding AG undertakes to issue 24,429 free warrants to the investors with an exercise price of CHF 97 for each ayondo Holding AG's share. The warrants' expiry date is on 30 September 2017. On 22 June 2017, a wholly owned subsidiary of ayondo Holding AG extended the expiry date to 31 December 2018 for the remaining 765 unexercised warrants.

As at 31 December 2016, 21,772 warrants in relation to the first and second convertible bonds have been exercised by the investors with an exercise price of CHF 83 per share and 23,914 warrants in relation to the third convertible bonds have been exercised by the investors with an exercise price of CHF97 per share.

Pre-IPO Redeemable Convertible Loans

Pursuant to the Pre-Initial Public Offering ("IPO") Convertible Loan Agreements in October 2017, existing loans from related parties as at 30 September 2017 amounting to CHF5,092,754 were converted into Redeemable Convertible Loan ("RCL"). In addition to the conversion of existing loans from related parties, new RCL with principal amount of CHF 1,558,168 had also been issued to various investors on 1 October 2017.

The maturity date of the RCLs is 30 September 2018. The RCLs with the notional amount of CHF4,992,754 shall bear simple interest rate at the rate of 8.0% per annum commencing from 1 October 2017, which shall fall due and payable in arrears in cash upon conversion if the RCLs are converted into new ordinary shares of the Company ("Conversion Shares"). The RCL holders have the option to convert into conversion shares no later than 7 days prior to lodgement of the IPO offer document.

The RCLs with the notional amount of CHF1,658,168 shall bear simple interest rate at the rate of 8.0% per annum commencing from 1 October 2017, which shall fall due and payable in arrears only on maturity date, if the conversion of RCL into the Conversion Shares does not occur due to whatsoever reason. In the event that the RCL is converted into Conversion Shares, no interest shall be payable on the RCL.

The issue price of the Conversion Shares shall be a 33% discount of the IPO price. The RCL holders shall have the option to elect to convert the RCLs (in whole and not in part) into the Conversion Shares. In the event that the RCLs is not converted into the Conversion Shares, the Company shall repay the RCLs and all accrued and unpaid interest.

All the Group's convertible bonds were converted/redeemed during the year.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

20. Convertible bonds (cont'd)

The carrying amount of the Bonds at the end of the reporting period is arrived at as follows:

	Note	Group	
		2018 CHF'000	2017 CHF'000
Total face value of the Bonds		20,726	20,726
Derivative liability component at initial recognition		(7,271)	(7,271)
Equity component at initial recognition		(4,563)	(4,563)
Liability component of the Bonds at initial recognition		8,892	8,892
- Opening balance at 1 January	8	4,701	3,040
- Amortisation of discount during the year		2,937	2,525
- Repayment of interest coupon		(768)	(749)
- Conversion during the year		(11,271)	(192)
- Redemption during the year		(4,393)	—
- Exchange difference		(98)	77
- Closing balance at 31 December		(8,892)	4,701
Liability component of the Bonds at the end of the reporting period		—	13,593
<u>Liability component of the Bonds at the end of the reporting period:</u>			
- Current		—	13,593
- Non-current		—	—
		—	13,593
<u>Derivative liability component of the Bonds:</u>			
- At the beginning of the reporting period		6,904	4,674
- Addition during the period		—	3,276
- Fair value change	8	(2,197)	(1,093)
- Conversion during the year		(4,692)	—
- Exchange difference		(15)	47
- At the end of the reporting period	13	—	6,904

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

21. Employee share-based payments reserve

Employee share-based payments reserve relates to the equity-settled share awards granted by the Group to employees of the Group. This reserve is made up of cumulative value to services received from employees recorded over the vesting period commencing from the grant date of the shares. The expense for services received will be recognised over the vesting period.

	Group	
	2018	2017
	CHF'000	CHF'000
At 1 January	2,524	2,004
Modification of share option scheme	398	–
Grant of shares options to employees ¹	66	520
Total share based payment expense (Note 6)	464	520
At 31 December	2,988	2,524

¹ This represents cost of share-based payments recognised in statement of comprehensive income, with a corresponding increase in the employee share-based payments reserve, over the vesting period for shares granted in previous year.

ayondo Employee Share Option Scheme

Share options had been granted to the Group's employees, directors and consultants by ayondo Holdings AG ("AG Options"), giving them the right to purchase shares in ayondo Holdings AG. The exercise price of the options is equal to the market price of the shares on the date of the grant. The options generally become exercisable over four years (with approximately 25 percent of the total grant vesting each year on the anniversary of the grant date or 25% at the end of the first year, 25% at the end of the second year and 50% at the end of the end of the 4th year). There are no cash settlement alternatives except for in the event of termination of the employment relationship upon death of the employee.

On 12 March 2018, the Company granted pre-IPO options to replace all the AG Options. There is no option purchase price and all the pre-IPO options will be vested on the listing date. As such, share based payment expenses of CHF 398,000 was recognised pursuant to the modification of the employee share option plan due to the accelerated vesting date upon listing.

The Pre-IPO Options, which were granted in exchange for the cancellation and replacement of the AG Options were determined on the following basis:

- (i) the conversion on the basis of one AG Option for 540 shares per Pre-IPO Option; and
- (ii) the conversion exchange rate of CHF1.00 to approximately S\$1.40.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

21. Employee share-based payments reserve (cont'd)

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, stock options during the year.

	Group	
	2018 No.	2017 No.
Outstanding at beginning of year	95,270	95,270
Conversion from AG Options to pre-IPO options	51,350,530	—
Granted during the year	—	—
Forfeited during the year	(4,428,000)	—
Outstanding at end of the year ⁽¹⁾	47,017,800	95,270

	Group	
	2018 WAEP	2017 WAEP
Outstanding at beginning of year	CHF 85.0	CHF 85.0
Conversion from AG Options to pre-IPO options	SGD 0.22	—
Granted during the year	—	—
Forfeited during the year	SGD 0.23	—
Outstanding at end of the year ⁽¹⁾	SGD 0.22	CHF 85.0

⁽¹⁾ The range of exercise prices for options outstanding at the end of the year was SGD 0.003 to SGD 0.26 (2017: CHF 1 to CHF 100). The weighted average remaining life for these options is 6.35 years (2017: 7.47 years).

Information on fair value

The fair value of stock options granted in connection with stock incentive plans and rights granted in connection with the employee stock purchase plan as at the date of grant is estimated using actuarial valuations, taking into account the terms and conditions upon which the options and the rights were granted. The following table lists the inputs to the model used:

		Group	
		2018	2017
<u>Employee stock option</u>			
Dividend yield	(%)	0.0	0.0
Volatility	(%)	25.0	25.0
Risk-free interest rate	(%)	0.452	0.452
Expected life	(years)	4	4
Weighted average stock price	(CHF)	100	100

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

22. Employee benefit liabilities

Legal framework and responsibilities

ayondo Holding AG operates a defined plan based on pensionable remuneration and length of service for qualifying employees of ayondo Holding AG as prescribed by the Swiss legislation.

The defined benefit plan is administered by a separate collective fund that is legally separated from the entity. In accordance with the legal provisions, the board of the pension fund is independent from ayondo Holding AG and is responsible for the management and governance of the plan. The board of the pension fund is composed of an equal number of representatives from both employer and employees.

The assets are invested collectively within the scope of a re-insurance agreement.

Pension scheme

Under the plan, the employees are entitled to post-retirement amounting to the amount accrued in the individual member's saving accounts as well as a minimum interest on those savings.

At retirement date, the saving accounts are converted into pensions at a legal conversion rate. Members may opt to receive the pension as a lump sum.

The benefits to be paid to dependents plan members (widow and orphan benefits) vary depending on the respective plan and are determined either in percentage of the insured salary or the estimated retirement pension.

No other post-retirement benefits were granted to the employees.

Funding

The plan is a cash balance plan, where contributions are expressed as a percentage of the pensionable salary. The contributions are split between employer and employee. The law requires that the employer bears a minimum of 50% of the contributions; higher contributions are allowed. ayondo Holding AG bears 60% of the contributions, the other 40% are borne by the employees.

Risk related to the defined benefit plans

The collective fund may at any time change the funding scheme. As long as the entity is joining a plan with full insurance character, no pension deficit can occur. However, the collective fund may terminate the insurance agreement, and the entity would then need to arrange a new insurance agreement with another collective fund.

Significant events

During the year, the Group recorded a gain of CHF581,000 as a result of a curtailment that reduced the number of the employees covered under the defined benefit plan.

22. Employee benefit liabilities (cont'd)

Asset-liability matching

The pension fund bears all actuarial and investment risks. The board of the pension fund is responsible for the assets management. The investments strategy has been defined in such a way that the regulatory benefits can be paid at their maturity date.

The principal assumptions used for accounting purposes were as follows:

	Group	
	2018	2017
	%	%
Discount rates	0.90	0.70
Expected rates of salary increase	0.50	0.50

The following table summarises the components of net benefit expense and the funded status recognised in the consolidated financial statements.

	Group	
	2018	2017
	CHF'000	CHF'000
<u>Net benefit expense</u>		
Current service cost	58	120
Past service cost	(581)	—
Interest cost on benefit obligation	13	19
Interest on plan asset	(9)	—
Administrative cost	1	1
Net benefit expense	518	127

Re-measurement of net defined benefit obligations:

	Group	
	2018	2017
	CHF'000	CHF'000
Defined benefit cost recognised in OCI		
Actuarial loss on defined benefit obligation	(115)	—
Return on plan assets excluding interest income	(28)	4
Defined benefit cost recognised in OCI	(143)	(9)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

22. Employee benefit liabilities (cont'd)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	Group	
	2018	2017
	CHF'000	CHF'000
Present value of defined benefit obligation	752	
Fair value of plan assets	(653)	(1,964)
Net liability arising from defined benefit obligation	99	797

Reconciliation in net defined benefit liability:

	Group	
	2018	2017
	CHF'000	CHF'000
Net defined benefit liability at beginning of the year	797	747
Defined benefit cost recognised in profit or loss	(519)	127
Defined benefit cost recognised in OCI	(143))
Contributions by the employer	(36)	(68)
Net defined benefit liability at end of the year	99	797

Changes in present value of defined benefit obligations are as follows:

	Group	
	2018	2017
	CHF'000	CHF'000
At 1 January	2,761	2,590
Interest cost	13	19
Current service cost	58)
Benefits paid	(1,408)	(1)
Contribution by plan participants	24	;
Past service cost	(581)	—
Actuarial gains recognised in other comprehensive income	(115)	(13)
Administrative cost	—	1
At 31 December	752	2,761

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

22. Employee benefit liabilities (cont'd)

The changes in the fair value of plan assets were as follows:

	Group	
	2018	2017
	CHF'000	CHF'000
Fair value of plan assets as at 1 January	1,964	1,843
Interest income	9	13
Contributions by employer	36	68
Contributions by plan participants	24	;
Benefits paid	(1,408))
Return on plan assets excluding interest income	28	(4)
	653	1,964

23. Loss per share

	Group	
	2018	2017
	CHF'000	CHF'000
Loss attributable to equity holders of the Company	(50,218)	(9,750)
Loss attributable to equity holders of the Company used in computation of diluted earnings per share	(50,218)	(9,750)

	Group	
	2018	2017
	No. of	No. of
	Shares	Shares
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	504,446	504,446
Weighted average number of ordinary shares for diluted earnings per share computation	504,446	504,446

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for comparative period has been adjusted retrospectively to reflect the capitalisation as a result of the restructuring exercise pursuant to the IPO.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

23. Loss per share (cont'd)

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to equity owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and dividing the loss for the year attributable to equity owners of the Company.

Employee share options issued and convertible redeemable shares were excluded from the calculation of diluted loss per share for the financial periods ended 31 December 2018 and 31 December 2017 as their effects would be anti-dilutive (i.e. loss per share would have been increased in the event that employee share options and warrants issued were vested or exercised). Thus, the diluted loss per share was the same as the basic loss per share for the financial period ended 31 December 2018 and 31 December 2017.

24. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2018	2017
	CHF'000	CHF'000
<i>Income</i>		
Interest income from:		
- Subsidiaries	(1,020)	(513)
Management fee income from:		
- Subsidiaries	(536)	(503)
<i>Expense</i>		
Interest expense paid to:		
- Subsidiaries	1,020	513
- Related parties	31	284
- Shareholders of the Group in relation to convertible bonds	870	633
Rental expense paid to:		
- The former management company of ayondo	—	24
Purchase of IT services ¹	867	722
Payment for consulting services ²	108	—

¹ The Group entered into a contract for the provision of IT services with a firm of which the Chief Executive Officer, is the Principal Technology Consultant of the Group.

² The Chief Talent Officer and General Counsel of the Group, had an interest in a company which provides consulting services to the Group.

24. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2018 CHF'000	2017 CHF'000
Short-term employee benefits	1,848	1,279
Share-based payments	—	363
	<hr/> 1,848	<hr/> 1,642
<i>Comprise amounts paid to:</i>		
Directors of the Company	609	532
Other key management personnel	1,239	1,110
	<hr/> 1,848	<hr/> 1,642

At the end of the reporting period, the total number of outstanding share options granted by the Company to the abovementioned directors under the ESOP amount to 20,109,600 under the existing share option scheme (2017: 37,240 under the old share option scheme).

25. Commitments

Operating lease commitments – as lessee

The Group entered into operating lease agreements for office premises. These leases have an average life of between 1 and 4 years with renewable options included in the agreements. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in profit or loss during the period amounted to CHF 622,000. (2017: CHF 792,000).

Future minimum lease payments payable under non-cancellable operating leases are as follows:

	Group	
	2018 CHF'000	2017 CHF'000
Not later than one year	465	607
Later than one year but not later than 5 years	605	1,111
	<hr/> 1,070	<hr/> 1,718

26. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

31.12.2018 CHF'000			
Fair value measurements at the end of the reporting period using			
Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Measured at fair value			
Financial assets as at 31 December 2018			
Cryptocurrency asset	291	–	291
Derivative financial instruments	–	42	42
Financial liabilities as at 31 December 2018			
Derivative financial instruments	–	1,940	1,940

26. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

		31.12.2017 CHF'000		
		Fair value measurements at the end of the reporting period using		
		Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
				Total
Measured at fair value				
Financial assets as at 31 December 2017				
Derivative financial instruments		–	170	–
				170
Financial liabilities as at 31 December 2017				
Derivative financial instruments		–	9,055	–
				9,055

(c) Level 2 fair value measurements

The valuation of the convertible bonds and derivative financial instruments is based on binomial option valuation model to estimate the fair value of the convertible bonds and derivative instruments. This model incorporated various inputs including current share price, time to expiry, risk free rate, volatility, dividend yield and exchange price.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 12), cash and bank balances (Note 14), trade and other payables (Note 16) and loans from related parties (Note 17).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values as they are short-term in nature, market interest rate instruments, or fixed rate instruments whereby the fixed rate approximate market interest rates on or near the end of the reporting period.

26. Fair value of assets and liabilities (cont'd)

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Note	2018 CHF'000		2017 CHF'000	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Unquoted equity securities*	10	**	**	932	#

Fair value information has not been disclosed for these financial instruments carried at cost because fair value cannot be measured reliably.

* Investment in equity instruments carried at cost less impairment loss.

** In accordance with IFRS 9, the investment securities were classified and measured at fair value through profit and loss beginning 1 January 2018.

27. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its use of financial instruments. The key financial risks are client credit risk, credit institution credit risk, liquidity risk, foreign currency risk, market risk and concentration risk. The management reviews and agrees policies and procedures for the management of these risks, which are executed by the Directors of the Group.

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

(a) Client credit risk

The Group operates a real-time mark-to-market leveraged trading facility where customers are required to maintain margin against positions, and any profits and losses generated by the customer are credited and debited automatically to their accounts. As with any leveraged product offering, there is the potential for a customer to lose more than they have deposited in their account. Client credit risk represents the risk associated with a client defaulting on their obligations due to the Group.

The Group has in place the following processes which aim to mitigate client credit risk:

- Auto-liquidation: in the event that a customer account value drops to a certain pre-determined threshold, the customer's account will automatically be liquidated. Upon liquidation, the customer will not be able to open any new positions and all open positions will be closed at the best price available.

27 Financial risk management objectives and policies (cont'd)

(a) Client credit risk (cont'd)

- Client Risk Simulation: The Group maintains a highly complex credit risk model in which the following scenarios are identified and controlled:
 - Significant exposures to assets that are prone to 'gapping', low liquidity or geo-political events;
 - Where customers are carrying large positions and the collateral held is not sufficient to mitigate against simulated sudden shocks in the underlying asset price;
 - Where exposure to one asset (or a highly correlated group of assets) is large and concentrated amongst one or a small number of clients; and
 - Hedging scenarios which compound the overall revenue impact to the Group in the event of adverse market movements.

(b) Credit institution credit risk

Credit institution credit risk is the risk that a credit institution will default on its contractual obligation to the Group resulting in a loss to the Group. The Group has relationships with a number of counterparties that provide brokerage and/or banking services.

The Group maintains accounts with several credit institutions to reduce over-reliance on a single credit institution. In addition, the Group closely monitors the credit quality of the credit institutions by tracking their credit ratings issued by Standard and Poor's long term issuer credit ratings. Where there is a change of credit ratings of these credit institutions, the Group will perform the appropriate changes to mitigate the credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

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

(c) *Liquidity risk*

Group	2018 CHF'000		2017 CHF'000	
	One year or less	One to five years	One year or less	One to five years
	Total	Total	Total	Total
Financial assets:				
Trade and other receivables	32,129	–	32,129	–
Cash and bank balances	1,594	–	1,594	–
Derivative financial instruments	42	–	42	–
	33,765	–	33,765	–
Total undiscounted financial assets			52,668	52,668
Financial liabilities:				
Trade and other payables	40,021	–	40,021	–
Bank overdraft	62	–	62	–
Loans from related parties	291	–	291	–
Convertible bonds	–	–	–	–
Derivative financial instruments	1,940	–	1,940	–
	42,314	–	42,314	–
Total undiscounted financial liabilities			80,523	80,523
Total net undiscounted financial liabilities	(8,549)	–	(8,549)	(27,855)

ayondo Ltd and its Subsidiaries

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

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

(c) *Liquidity risk*

Company

Financial assets:

Trade and other receivables
Cash and bank balances

Total undiscounted financial assets

Financial liabilities:

Trade and other payables

Total undiscounted financial liabilities

Total net undiscounted financial liabilities

	2018 CHF'000		2017 CHF'000	
	One year or less	One to five years	One year or less	One to five years
		Total		Total
Trade and other receivables	26	26	-	-
Cash and bank balances	4	4	-	-
Total undiscounted financial assets	30	30	-	-
Trade and other payables	2,922	2,922	-	-
Total undiscounted financial liabilities	2,922	2,922	-	-
Total net undiscounted financial liabilities	(2,892)	(2,892)	-	-

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

(d) Foreign currency risk

Foreign currency risk arises in the normal course of the business and the Group will closely monitor and ensure that the remaining net foreign exchange exposure is maintained at an acceptable level by buying or selling foreign currencies at spot rates to address short-term imbalances. The Group from time to time may consider the use of derivatives from time to time to further mitigate any risks from exposure.

The Group has transactional currency exposures from expenses that are denominated in foreign currencies, primarily United States Dollars (USD), Pound Sterling (GBP), Euro (EUR) and Singapore Dollar (SGD). The net foreign currency risk impact is not material to the Group as the Group exposure is managed by natural hedge of matching assets and liabilities denominated in foreign currencies.

(e) Market risk

The Group's financial risk exposure is calculated and monitored using the Group's internal risk management platform known as, "Global Risk Model". The Global Risk Model allows its management, trading and risk management teams to monitor the group's exposures throughout the day, with access to risk management dashboards on mobile and desktop applications. The dashboard allows for multi-functional, real-time monitoring and control of the risk management system and features pricing alerts and latency, asset class, turnover, exposure and profit and loss monitoring. Both client and hedge trades are monitored on real-time basis to provide the Group with net exposure data across all assets, providing breakdown of details of exposure. This exposure is managed on real-time basis according to the Group's approved risk strategy. The Group also maintains an Internal Capital Adequacy Assessment Process.

The Global Risk Model will send automated warnings to the dealers when pre-determined limits are breached. Thereafter, the dealers will trade via broker platforms and place instantaneous orders in the underlying market, thus automatically managing client exposures to levels commensurate with the Group's pre-determined risk limits.

Market risk is the risk of loss from adverse market movements. The primary market risk factors to which the Group is exposed are stock and index prices, interest rates, foreign exchange rates and commodity prices. The Global Risk Model monitors the volatility and liquidity of all financial instruments via real-time modelling. Maximum risk limits are pre-determined by the Board and the Market Risk Committee and are expanded and contracted algorithmically within agreed levels. In addition, equity risk limits are allocated at differing levels of granularity, representing the extent of diversification within the risk book.

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

(f) Concentration risk

The Group work with whitelabel partners who introduce potential customers to the Group. In the event of a termination of the Group's relationship with their whitelabel partners and inability of find substitutions in a timely manner, the Group may suffer the risk of losing customers which will affect the Group's business and financial performance.

As at 31 December 2018, 54% (2017: 40%) of the Group's revenue is contributed by customers introduced by BUX B.V.

28. Capital management

The primary objective of the Group's capital management is to ensure it maintains healthy capital ratios in order to support its business, maximise shareholder value as well as to comply with the capital adequacy requirements set by the UK's Financial Conduct Authority ("FCA") and other global regulators in jurisdictions in which the Group entities operate. The Group monitors, and adjusts accordingly its capital adequacy ratio through the management of operational risk, market risk and credit risk where exposures apply relative to its own capital position.

The Group manages its capital structure comprising principally of shareholders' equity and debt and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital.

No changes were made in the objectives, policies or processes during the year ended 31 December 2018.

	Group	
	2018 CHF'000	2017 CHF'000
Loans and borrowings	291	15,526
Trade and other payables	40,021	55,895
Bank overdraft	62	47
Less: Cash and cash equivalents	(1,594)	(929)
<i>Net debt</i>	38,780	70,539
Equity attributable to owners of the Company	(8,234)	8,899

The UK subsidiary, AML, is required to maintain an Individual Capital Guidance CET1 Ratio of 13% (2017: 8%) as at 31 December 2018. As at 31 December 2018, as a result of the change in accounting treatment for the IT platform in the UK statutory financial statements in accordance to FRS102 - The Financial Reporting Standard Applicable in the UK and Republic of Ireland and impairment of the Inter-company receivables, there is a negative impact on AML's CET1 ratio. AML will require capital injection to meet the regulatory capital requirements. The FCA is aware of the situation and has granted regulatory forbearance so allowing AML to continue to trade while the Proposed Disposal and required capital injection takes place.

29. Events occurring after the reporting period

- a. On 22 January 2019, Robert Lempka, resigned from the Company as Executive Director and Chief Executive Director and all positions in group companies pursuant to a termination agreement entered into between him and the Company on the same day.

The Company on 17 April 2019 received a statutory demand from Robert Lempka, demanding payment of an outstanding sum of S\$165,800 pursuant to the termination agreement (a Statutory Demand). The Board noted that the Statutory Demand alleged that the Company had refused and/or failed to respond to a letter of demand dated 9 April 2019 on the above matter. The Board clarified that the Company had not received the letter prior to the Statutory Demand and was not aware of the Letter.

The Company on 26 April 2019 was served a Writ of Summons and a Statement of Claim in the State Courts of Singapore, alleging a repudiatory breach of the termination agreement entered into between the Company and Robert Lempka by refusing and/or failing to make payment of the full sum required to be paid to Robert Lempka under the termination agreement.

- b. Following the receipt of a report from KPMG LLP on 31 January 2019 regarding the accounting treatment applied by AML in relation to two items on its financial statements, relevant to the computation of the core equity tier 1 ("CET1") ratio, namely (a) technology software expenditures ("Tech Expenditures"); and (b) inter-company balances and transactions ("Inter-Company Balances"), AML notified the FCA that it had adopted KPMG's suggested accounting treatment whereby the Tech Expenditures will be classified as intangibles instead of tangible assets. As a result of the change in accounting treatment for the IT platform in the UK statutory financial statements in accordance to FRS102 - The Financial Reporting Standard Applicable in the UK and Republic of Ireland and impairment of the Inter-Company Balances, there is a negative impact on AML's CET1 ratio as at 31 December 2018. AML will require capital injection to meet the regulatory capital requirements.
- c. On 14 February 2019 the Company entered into a non-binding heads of terms with BUX Holdings B.V. its white label partner for the disposal of the entire issued shares of AML.

On 7 May 2019, the Company signed the sale and purchase agreement with BUX Holdings B.V. for the disposal of AML.

The proposed disposal will result in AML ceasing to be an indirect subsidiary of the Company and is subject to, among other conditions, regulatory approval and approval of the shareholders of the Company being obtained at an extraordinary general meeting to be convened on 3 June 2019 as disclosed in the circular to the shareholders dated 19 May 2019.

29. Events occurring after the reporting period (cont'd)

- c. On 20 February 2019 the Company entered into a non-binding strategic alliance with iMaibo. iMaibo is a company incorporated in the British Virgin Islands offering a cost-efficient social investing platform for Asian, European and other global CFDs to facilitate investment-related business. Under the terms of the strategic alliance, the parties intend to co-operate with each other on, inter alia, growing a social trading business in China by leveraging on iMaibo's client base and KOLs and the Company's execution infrastructure and product suite, as well as the Company's top trader community on its social trading platform "WeTrade". The Company and iMaibo intend to derive synergies from both companies and develop both companies' approaches towards the Chinese and European markets, as well as new products aimed at the South East Asian and other regions. The parties also intend to expand into adjacent business areas to secure new clients and additional revenue streams from synergies with brokerages, asset management companies, corporate top traders and other internet platforms.

iMaibo has to date provided and already procured a third-party investor to provide loans of a total of US\$0.9 million to the Group to facilitate parties' collaboration as contemplated under the terms. The loans have been utilised by the Company for its general corporate and working capital purposes. Over the longer term there is contemplated a longer-term fundraising exercise supported by iMaibo.

30. Authorisation of financial statements for issue

The financial statements for the period ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 24 May 2019.

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