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Visa Worldwide Pte. Limited
Registration Number: 200719281K

Annual Report
Year ended 30 September 2019

Directors' statement

We are pleased to submit this financial statements to the member of Visa Worldwide Pte. Limited (the "Company") together with the audited financial statements for the financial year ended 30 September 2019.

In our opinion:

(a) the financial statements set out on pages FS1 to FS70 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 September 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Vasant Prabhu	
Mary Katherine Padgett	(Appointed on 4 February 2019)
Christopher James Clark	
Tan Kay Huat Andrew	

Directors' interests

Pursuant to Section 202 of the Companies Act, Chapter 50 (the "Act"), the Company is relieved from the requirements of Section 201(16) and paragraph 9 of the Twelfth Schedule of the Act pertaining to the form and content of the report as mentioned therein, to disclose their interests in share and share options in the Company's ultimate holding company, pursuant to the Accounting and Corporate Regulatory Authority's Practice Direction No. 4 of 2005 addendum issued on 10 March 2006.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Mary Katherine Padgett
Director

Tan Kay Huat Andrew
Director

16 March 2020

KPMG

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Independent auditors' report

Member of the Company
Visa Worldwide Pte. Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Visa Worldwide Pte. Limited ('the Company'), which comprise the balance sheet as at 30 September 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS70.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 30 September 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

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

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 March 2020

Balance sheet
As at 30 September 2019

	Note	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	4	42,937	45,031
Volume and support incentives	5	422,876	173,518
Investment securities	6	914,511	994,500
Trade and other receivables	7	196,166	142,421
Subsidiaries	8	178,972	178,722
		1,755,462	1,534,192
Current assets			
Volume and support incentives	5	155,592	87,320
Investment securities	6	349,672	24,996
Trade and other receivables	7	299,128	256,876
Customer collateral		84,994	60,232
Prepayments		11,555	4,917
Cash and cash equivalents	9	204,127	386,891
Derivative financial instruments	10	19,855	28,433
		1,124,923	849,665
Total assets		2,880,385	2,383,857
Equity attributable to equity holder of the Company			
Share capital	11	8,968	8,968
Reserves	12	(94,009)	(69,134)
Accumulated profits		458,540	286,955
Total equity		373,499	226,789
Non-current liabilities			
Volume and support incentives	5	64,017	–
Trade and other payables	13	9,043	10,317
Deferred tax liabilities	15	21,656	20,366
		94,716	30,683
Current liabilities			
Volume and support incentives	5	1,336,742	1,029,341
Trade and other payables	13	526,971	679,342
Customer collateral		84,994	60,232
Deferred revenue	16	68,779	51,828
Derivative financial instruments	10	6,691	3,587
Tax liabilities	14	387,993	302,055
		2,412,170	2,126,385
Total liabilities		2,506,886	2,157,068
Total equity and liabilities		2,880,385	2,383,857

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

Statement of profit or loss and other comprehensive income
Year ended 30 September 2019

	Note	2019 US$'000	2018 US$'000
Revenue	18	3,252,473	2,916,644
Intercompany service fee income		236,087	201,773
Income before operating expenses		3,488,560	3,118,417
Intercompany service fee expense		(536,850)	(481,090)
Staff costs		(257,509)	(239,259)
Professional fees expense		(25,718)	(23,317)
Depreciation expense	4	(15,903)	(15,906)
Advertising, marketing and promotions expenses		(189,614)	(130,138)
Impairment loss on trade receivables		(107)	105
Other expenses		(205,803)	(172,542)
Results from operating activities		2,257,056	2,056,270
Finance income		46,148	86,819
Finance costs		(689)	(1,987)
Net finance income	19	45,459	84,832
Profit before income tax		2,302,515	2,141,102
Income tax expense	20	(106,099)	(109,291)
Profit for the year	21	2,196,416	2,031,811
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		(15,108)	30,903
Net change in fair value of debt investments at fair value through other comprehensive income ("FVOCI")		(585)	–
Net change in fair value of debt investments at FVOCI reclassified to profit or loss		224	–
Net change in fair value of available-for-sale investment securities		–	(1,065)
Net change in fair value of available-for-sale investment securities reclassified to profit or loss		–	761
Income tax on items that are or may be reclassified subsequently to profit or loss		212	(257)
Other comprehensive income for the year, net of income tax		(15,257)	30,342
Total comprehensive income for the year		2,181,159	2,062,153

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

Statement of changes in equity
Year ended 30 September 2019

	Share capital US$'000	Hedging reserve US$'000	Fair value reserve US$'000	Other reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 October 2017	8,968	(12,152)	(155)	(67,455)	655,144	584,350
Total comprehensive income for the year						
Profit for the year	–	–	–	–	2,031,811	2,031,811
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	30,903	–	–	–	30,903
Net change in fair value of available-for-sale investment securities	–	–	(1,065)	–	–	(1,065)
Net change in fair value of available-for-sale investment securities reclassified to profit or loss	–	–	761	–	–	761
Income tax on other comprehensive income	–	(309)	52	–	–	(257)
Total other comprehensive income, net of income tax	–	30,594	(252)	–	–	30,342
Total comprehensive income for the year	–	30,594	(252)	–	2,031,811	2,062,153
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Dividends declared	–	–	–	–	(2,400,000)	(2,400,000)
Share-based payment transactions	–	–	–	(19,714)	–	(19,714)
Total contributions by and distributions to owners of the Company	–	–	–	(19,714)	(2,400,000)	(2,419,714)
At 30 September 2018	8,968	18,442	(407)	(87,169)	286,955	226,789

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

Statement of changes in equity (continued)
Year ended 30 September 2019

	Share capital US$'000	Hedging reserve US$'000	Fair value reserve US$'000	Other reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 October 2018	8,968	18,442	(407)	(87,169)	286,955	226,789
Adjustment on initial application of FRS 115 (net of tax)	–	–	–	–	25,169	25,169
Adjusted balance at 1 October 2018	8,968	18,442	(407)	(87,169)	312,124	251,958
Total comprehensive income for the year						
Profit for the year	–	–	–	–	2,196,416	2,196,416
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	(15,108)	–	–	–	(15,108)
Net change in fair value of debt investments at FVOCI	–	–	(585)	–	–	(585)
Net change in fair value of debt investments at FVOCI reclassified to profit or loss	–	–	224	–	–	224
Income tax on other comprehensive income	–	151	61	–	–	212
Total other comprehensive income, net of income tax	–	(14,957)	(300)	–	–	(15,257)
Total comprehensive income for the year	–	(14,957)	(300)	–	2,196,416	2,181,159
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Dividends declared	–	–	–	–	(2,050,000)	(2,050,000)
Share-based payment transactions	–	–	–	(9,618)	–	(9,618)
Total contributions by and distributions to owners of the Company	–	–	–	(9,618)	(2,050,000)	(2,059,618)
At 30 September 2019	8,968	3,485	(707)	(96,787)	458,540	373,499

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

Statement of cash flows
Year ended 30 September 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Profit for the year		2,196,416	2,031,811
Adjustments for:			
Depreciation expense	4	15,903	15,906
Equity-settled share-based payment transactions	22	24,420	19,136
Net finance income	19	(45,459)	(84,832)
Impairment loss on trade receivables		107	(105)
Loss on disposal of property, plant and equipment		276	638
Income tax expense		106,099	109,291
		2,297,762	2,091,845
Changes in:			
- Amounts due from related corporations and subsidiaries		(24,964)	(15,775)
- Amount due from immediate holding company		3,327	19,077
- Amount due to ultimate holding company		(56,362)	(1,558)
- Amounts due to related corporations and subsidiaries		(137,556)	(82,544)
- Deferred revenue		16,951	2,980
- Volume and support incentives		83,999	253,139
- Prepayments		(6,638)	1,677
- Trade and other receivables		(78,546)	(57,804)
- Trade and other payables		14,484	15,084
Cash generated from operations		2,112,457	2,226,121
Income tax paid		(30,853)	(36,272)
Net cash from operating activities		2,081,604	2,189,849
Cash flows from investing activities			
Interest received		42,299	62,132
Purchase of debt investments at FVOCI		(9,343,846)	–
Purchase of available-for-sale investment securities		–	(2,324,152)
Purchase of property, plant and equipment	4	(14,275)	(17,026)
Proceeds from disposal of property, plant and equipment		190	31
Proceeds from sale/redemption of debt investments at FVOCI		7,406,669	–
Proceeds from sale/redemption of available-for-sale investment securities		–	582,999
Loan to immediate holding company		(9,600)	(582,156)
Loan to related corporation		(4,000)	(7,200)
Net cash used in investing activities		(1,922,563)	(2,285,372)

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

Statement of cash flows (continued)
Year ended 30 September 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from financing activities			
Dividends paid to owners of the Company		(341,822)	(5,242)
Net cash used in financing activities		(341,822)	(5,242)
Net decrease in cash and cash equivalents		(182,781)	(100,765)
Cash and cash equivalents at beginning of year		386,891	486,433
Effect of exchange rate fluctuations on cash held		17	1,223
Cash and cash equivalents at end of year	9	204,127	386,891

Significant non-cash transactions

During the financial year ended 30 September 2019, the Company declared dividends of US$2,050,000,000 (2018: US$2,400,000,000) to VIHL that were settled as follows:

(a) US$11,344,000 (2018: US$2,214,389,000) set-off against the loan to VIHL; and

(b) US$1,696,834,000 (2018: US$180,369,000) by way of transfer of debt securities to VIHL.

During the financial year ended 30 September 2018, the Company extended a loan of US$1,213,600,000 to Visa International Holdings Limited ("VIHL") of which US$631,444,000 was made by way of a transfer of debt securities to VIHL.

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 March 2020.

1 Domicile and activities

Visa Worldwide Pte. Limited (the "Company") is a company incorporated in Singapore and has its principal place of business at 71 Robinson Road #08-01, Singapore 068895.

The principal activities of the Company include provision of payments technology that enables fast, secure and reliable electronic payments which facilitates commerce through the transfer of value and information among a network of consumers, merchants, financial institutions, businesses, strategic partners and government entities across the Asia Pacific region.

The immediate holding company of the Company is Visa International Holdings Limited, incorporated in the United Kingdom. The ultimate holding company is Visa Inc., incorporated in the United States of America.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("SFRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in United States Dollars ("USD" or "US$") which is the Company's functional currency. All financial information presented in USD have been rounded to the nearest thousand, unless otherwise stated.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 3.9, 5 – measurement of volume and support incentives; and
- Notes 3.12, 14 and 15 – estimation of tax liabilities and deferred tax liability.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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 (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2 Basis of preparation (continued)

2.5 Changes in accounting policies

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 October 2018:

- FRS 115 *Revenue from Contracts with Customers*;
- *Clarifications to FRS 115 Revenue from Contracts with Customers* (Amendments to FRS 115);
- FRS 109 *Financial Instruments*; and
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to FRS 102).

Other than FRS 115 and FRS 109, the adoption of these FRSs and amendments to standards did not have a material effect on the Company's financial statements and the Company's balance sheet.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. Under FRS 115, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company has adopted FRS 115 using the cumulative effect method to contracts that are not completed contracts at the date of initial application (i.e. 1 October 2018), with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under FRS 18, FRS 11 and related interpretations, as applicable. Additionally, the disclosure requirements in FRS 115 have not generally been applied to comparative information.

The Company has also applied the practical expedient not to retrospectively restate contracts for contract modifications that occurred before the date of initial application. Instead, the Company has reflected the aggregate effect of all modifications that occurred before the date of initial application when:

- identifying the satisfied and unsatisfied performance obligations ("PO");
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied PO.

The following table summarises the impact, net of tax, of the transition to FRS 115 on the Company's accumulated profits at 1 October 2018.

	Note	Impact of adopting FRS 115 at 1 October 2018 US$'000
Accumulated profits		
Volume and support incentives	(e)	29,181
Related income tax expense		(4,012)
Increase to accumulated profits at 1 October 2018		25,169

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 115 *Revenue from Contracts with Customers (continued)*

The following tables summarise the impacts of adopting FRS 115 on the Company's balance sheet as at 30 September 2019 and the Company's statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Company's statement of cash flows for the year ended 30 September 2019.

Impact on the balance sheet
As at 30 September 2019

	Note	As reported US$'000	Adjustments US$'000	Amounts without adoption of FRS 115 US$'000
Non-current assets				
Property, plant and equipment		42,937	–	42,937
Volume and support incentives	(a), (b)	422,876	(255,661)	167,215
Investment securities		914,511	–	914,511
Trade and other receivables		196,166	–	196,166
Subsidiaries		178,972	–	178,972
		1,755,462	(255,661)	1,499,801
Current assets				
Volume and support incentives	(a), (b)	155,592	(53,459)	102,133
Investment securities		349,672	–	349,672
Trade and other receivables		299,128	–	299,128
Customer collateral		84,994	–	84,994
Prepayments		11,555	–	11,555
Cash and cash equivalents		204,127	–	204,127
Derivative financial instruments		19,855	–	19,855
		1,124,923	(53,459)	1,071,464
Total assets		2,880,385	(309,120)	2,571,265

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 115 *Revenue from Contracts with Customers (continued)*

Impact on the balance sheet (continued)
As at 30 September 2019

	Note	As reported US$'000	Adjustments US$'000	Amounts without adoption of FRS 115 US$'000
Equity attributable to equity holder of the Company				
Share capital		8,968	–	8,968
Reserves		(94,009)	–	(94,009)
Accumulated profits	(c)	458,540	(116,615)	341,925
Total equity		373,499	(116,615)	256,884
Non-current liabilities				
Volume and support incentives	(b)	64,017	(64,017)	–
Trade and other payables		9,043	–	9,043
Deferred tax liabilities		21,656	–	21,656
		94,716	(64,017)	30,699
Current liabilities				
Volume and support incentives	(b)	1,336,742	(127,024)	1,209,718
Trade and other payables		526,971	–	526,971
Customer collateral		84,994	–	84,994
Deferred revenue		68,779	–	68,779
Derivative financial instruments		6,691	–	6,691
Tax liabilities		387,993	(1,464)	386,529
		2,412,170	(128,488)	2,283,682
Total liabilities		2,506,886	(192,505)	2,314,381
Total equity and liabilities		2,880,385	(309,120)	2,571,265

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 115 *Revenue from Contracts with Customers (continued)*

Impact on the statement of profit or loss and other comprehensive income
Year ended 30 September 2019

	Note	As reported US$'000	Adjustments US$'000	Amounts without adoption of FRS 115 US$'000
Revenue	(d)	3,252,473	(194,233)	3,058,240
Intercompany service fee income		236,087	–	236,087
Income before operating expenses		3,488,560	(194,233)	3,294,327
Intercompany service fee expense		(536,850)	–	(536,850)
Staff costs		(257,509)	–	(257,509)
Professional fees expense		(25,718)	7,339	(18,379)
Depreciation expense		(15,903)	–	(15,903)
Advertising, marketing and promotions expenses		(189,614)	71,151	(118,463)
Impairment loss on trade receivables		(107)	–	(107)
Other expenses		(205,803)	26,845	(178,958)
Results from operating activities	(d)	2,257,056	(88,898)	2,168,158
Finance income		46,148	–	46,148
Finance costs		(689)	–	(689)
Net finance income		45,459	–	45,459
Profit before income tax		2,302,515	(88,898)	2,213,617
Income tax expense		(106,099)	(2,548)	(108,647)
Profit for the year		2,196,416	(91,446)	2,104,970
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		(15,108)	–	(15,108)
Net change in fair value of available-for-sale investment securities		(585)	–	(585)
Net change in fair value of available-for-sale investment securities reclassified to profit or loss		224	–	224
Income tax on items that are or may be reclassified subsequently to profit or loss		212	–	212
Other comprehensive income for the year, net of income tax		(15,257)	–	(15,257)
Total comprehensive income for the year		2,181,159	(91,446)	2,089,713

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 115 ***Revenue from Contracts with Customers (continued)***

(a) Under FRS 18, the Company generally recognises advance incentive payments as prepayment if certain criteria are met. The criteria for capitalising and deferring recognition of contra revenue/expenditure include the existence of legally enforceable recoverability clauses, such as early termination clauses, management's ability and intent to enforce the recoverability clauses, and the ability to generate future earnings from the agreement in excess of amounts deferred. Under FRS 115, volume and support incentives are allocated to the transaction price of performance obligations provided over the entire term of the contract. This results in higher volume and support incentives prepayment assets under FRS 115.

In addition, there are often gap periods when the execution of a renewal contract with a customer is not immediately after the expiry date of an existing contract. In such cases, where the Company expects a renewal contract to be executed, the Company continues to accrue for volume and support incentives over the gap period based on the incentive rates per the expired deal as it continues to provide access to its payment network and fulfil its performance obligation to the customer. Subsequent to the execution of the renewal, if the incentives payable to the customer under the renewed contract is greater than the incentives accrued during the gap period, the Company allocates the difference to the transaction price of performance obligations provided over the entire term of the contract. This results in higher volume and support incentives assets under FRS 115.

(b) Under FRS 115, advance incentive payments that are recognised as prepayments are not offset against volume and support incentives liabilities which are financial liabilities. This is unlike FRS 18 where each contract with the same counterparty is presented as a net asset or liability. As a result, the Company recognises higher volume and support incentives assets and liabilities under FRS 115. In addition, larger incentive payments that are fixed in the later years of contracts are recognised earlier under FRS 115 as they are allocated over the entire term of the contract. Under FRS 18, such fixed incentive payments would be allocated only to the intended period of support in the later years. This results in higher volume and support incentives liabilities in the earlier periods under FRS 115.

(c) As explained in (d), delay in recognition of volume and support incentives under FRS 115 results in higher profit for the year and higher accumulated profits at the end of the year.

(d) As explained in (a) above, more advance incentive payments are recognised as prepayments under FRS 115 and allocated over the period in which the services are performed. This is unlike FRS 18, where such advance incentive payments are recognized over the shorter of contractual recoverability or the corresponding period of economic benefit. This results in a larger reduction of revenue in earlier periods. In addition, the contracts contain performance obligations for value added services which are distinct from the payment services that the Company provides to customers. This increases revenue recognised under FRS 115, with a corresponding increase to operating expenses.

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 109 *Financial Instruments*

FRS 109 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model.

As a result of the adoption of FRS 109, the Company has adopted consequential amendments to FRS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Company's approach was to include the impairment of trade receivables in other expenses. As a result, the Company reclassified impairment losses recognised under FRS 39 *Financial Instruments: Recognition and Measurement*, from 'other expenses' to 'impairment loss on trade receivables' in the statement of profit or loss and other comprehensive income for the year ended 30 September 2019. Impairment losses on other financial assets are presented under 'other expenses', similar to the presentation under FRS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

Additionally, the Company has adopted consequential amendments to FRS 107 *Financial Instruments: Disclosures* that are applied to 2019 disclosures but have not been applied to comparative information.

Changes in accounting policies resulting from the adoption of FRS 109 have been applied by the Company retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Accordingly, the information presented for 2018 does not reflect the requirements of FRS 109, but rather those of FRS 39.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application, of 1 October 2018.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss ("FVTPL").
  - The designation of certain investments in equity instruments not held for trading, as FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of FRS 109, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

- FRS 109 allows entities to continue with the hedge accounting under FRS 39 after other elements of FRS 109 became mandatory on 1 October 2018. Visa has elected to continue applying hedging accounting under FRS 39.

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 109 *Financial Instruments (continued)*

(i) Classification and measurement of financial assets and financial liabilities

FRS 109 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale. Under FRS 109, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

FRS 109 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

The adoption of FRS 109 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under FRS 109, see Note 3.3(ii).

The following tables and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under FRS 109 for each class of the Company's financial assets and financial liabilities as of 1 October 2018.

The effect of adopting FRS 109 on the carrying amounts of financial assets as of 1 October 2018 relate solely to the new classification and measurement requirements.

	Note	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 US$'000	New carrying amount under FRS 109 US$'000
Financial assets					
Derivative financial instruments		Cash flow hedging instruments	Cash flow hedging instruments	28,433	28,433
Investment securities – debt securities	(a)	Available-for-sale	FVOCI	1,019,485	1,019,485
Investment securities – unquoted equity securities of a related corporation	(b)	Available-for-sale	FVOCI	11	11
Trade and other receivables*	(c)	Loans and receivables	Amortised cost	261,001	261,001
Customer collateral	(c)	Loans and receivables	Amortised cost	60,232	60,232
Cash and cash equivalents	(c)	Loans and receivables	Amortised cost	386,891	386,891
Total financial assets				1,756,053	1,756,053

* Trade and other receivables exclude tax receivables

2 Basis of preparation (continued)

2.5 Changes in accounting policies (continued)

FRS 109 *Financial Instruments (continued)*

(i) Classification and measurement of financial assets and financial liabilities (continued)

(a) The debt investments categorised as available-for-sale under FRS 39 are held by the Company's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Company considers that these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The debt investments mature in more than three months and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under FRS 109. On transition to FRS 109, the Company has determined that there is no material impact.

(b) These equity investments represent investments that the Company intends to hold for the long term for strategic purposes. As permitted under FRS 109, the Company has designated these investments at 1 October 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(c) Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 39 are now classified at amortised cost.

(ii) Impairment of financial assets

FRS 109 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to equity investments.

Under FRS 109, credit losses are recognised earlier than under FRS 39. For assets in the scope of the FRS 109 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that there is no material impact on impairment allowance resulting from the application of FRS 109 at 1 October 2018.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

3 Significant accounting policies (continued)

3.1 Subsidiaries (continued)

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (2018: available-for-sale investment securities (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)); or

- qualifying cash flow hedges to the extent the hedge is effective.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 October 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets – Policy applicable from 1 October 2018 (continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets: Business model assessment – Policy applicable from 1 October 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and how information is provided to management. The information considered includes: business strategy and past sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading and financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 October 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 October 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets – Policy applicable before 1 October 2018

The Company classified non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 October 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets were non-derivative financial assets that were designated as available-for-sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on available-for-sale debt investments, were recognised in OCI and accumulated in the fair value reserve in equity. When these amounts were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Available-for-sale financial assets comprised equity investments and debt investments.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise trade and other payables and volume and support incentives.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included in cash and cash equivalents.

(vi) Customer collateral

The Company holds cash deposits and other non-cash assets from certain clients in order to ensure their performance of settlement obligations arising from Visa payment services are processed in accordance with the Company's rules. The cash collateral assets are restricted and fully offset by corresponding liabilities and both balances are presented on the balance sheet.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency risk exposure. The Company's policy is to enter into foreign exchange forward derivative contracts to manage the variability in expected future cash flows attributable to changes in foreign exchange rates. Such cash flow exposures result from portions of forecasted revenues and expenses being denominated in or based on currencies other than USD. The Company's rolling hedge strategy seeks to reduce the exchange rate risk from forecasted net exposure of revenue receipts derived from and payments made in foreign currencies during the immediately following 12 months. The Company does not use foreign exchange forward contracts for speculative or trading purposes.

On initial designation of the derivative as the hedging instrument, the Company formally documents the relationships between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% -125%. The Company uses regression analysis to assess effectiveness prospectively and retrospectively. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variances in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of the changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vi) Derivative financial instruments and hedge accounting (continued)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(viii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 October 2018

The Company recognises loss allowances for ECLs on:
- financial assets measured at amortised costs; and
- debt investments measured at FVOCI.

Loss allowances of the Company are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

3 Significant accounting policies (continued)

3.4 Impairment (continued)

(i) Non-derivative financial assets (continued)

General approach (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

3 Significant accounting policies (continued)

3.4 Impairment (continued)

(i) Non-derivative financial assets (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 October 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. The Company considered a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Company considered evidence of impairment for loans and receivables and held-to-maturity investment securities at both an individual asset and collective asset level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

3 Significant accounting policies (continued)

3.4 Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable before 1 October 2018 (continued)

Loans and receivables (continued)

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss recognised previously in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

3 Significant accounting policies (continued)

3.4 Impairment (continued)

(ii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.5 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3 Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	Shorter of lease term or 6 years
Furniture and fittings	7 years
Office equipment	5 years
Telecommunications equipment	3 to 5 years
Computer equipment	3 to 7 years
Security equipment	5 years
Software	3 to 7 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3 Significant accounting policies (continued)

3.6 Employee benefits (continued)

(iii) Share-based payment

The equity and equity-related compensation plans allow the Company's employees to acquire a certain number of options and shares of the ultimate holding company at a predetermined price. The fair value of options and shares granted is recognised as compensation expense, net of estimated forfeitures. Compensation cost for awards with only service condition is recognised on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation cost for performance-based shares is initially estimated based on target performance and adjusted as appropriate throughout the performance period.

The fair value is measured at grant date, and compensation expense is recognised over the requisite service period during which the employees become unconditionally entitled to the options and shares. On a quarterly basis, the Company reviews the reasonableness of the forfeiture rate used. Any change in the forfeiture rate results in a true-up of compensation expense previously recognised for unvested options and shares in the period of change.

(iv) 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.

(v) Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 Significant accounting policies (continued)

3.8 Revenue

The Company's revenue comprises service fees, data processing fees, international transaction fees, royalty fees (collectively, "payment services revenue"), and other revenues, reduced by client incentives.

Service fees consist of revenues earned for services provided in support of client usage of Visa payment services. Data processing fees consist of revenues earned for authorisation, clearing, settlement, network access and other maintenance and support services that facilitate transaction and information processing among the Company's customers. International transaction fees are earned for cross-border transaction processing and currency conversion activities. Cross-border transactions arise when the country of origin of the issuer or financial institution is different from that of the beneficiary. Royalty fees are assessed in relation to the right to use Visa's licensed trademarks in connection with customers' Visa card program.

As a payment network service provider, the Company's performance obligation (PO) to the customer is to stand ready to provide continuous access to the payment network over the contractual term. The Company recognises payment services revenue over time as the payment network services are performed at the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. The individual standalone selling price of a service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised services. The transaction price is variable based primarily upon the amount and type of transactions and payments volume on Visa's products. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Other revenues consist mainly of value-added services, fees for account holder services, certification, licensing and product enhancements, such as extended account holder protection and concierge services. These fees are initially recognised as deferred revenue when advance payments are made by customers. Other revenues are recognised in accordance to when the related POs are satisfied.

3 Significant accounting policies (continued)

3.9 Volume and support incentives

The Company enters into long-term contracts with financial institution clients, merchants and strategic partners for various programs designed to increase revenue by growing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network and driving innovation. These incentives are primarily accounted for as reductions to revenues. Client incentives are accounted for as operating expenses if the payment is in exchange for a distinct good or service provided by the customer and the fair value of the distinct good or service received by the Company can be reasonably estimated. The Company generally capitalizes upfront and fixed incentive payments under these agreements and amortizes the amounts as a reduction to revenues ratably over the contractual term. Incentives that are earned by the customer based on performance targets are recorded as reductions to revenues based on management's estimate of each client's future performance. These accruals are regularly reviewed and estimates of performance are adjusted, as appropriate, based on changes in performance expectations, actual client performance, amendments to existing contracts or the execution of new contracts. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable.

3.10 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense over the term of the lease. Contingent lease payments are charged to profit or loss in the accounting period in which they are incurred.

3.11 Finance income and costs

Finance income and finance costs include interest income on funds invested; interest expense on borrowings; hedge ineffectiveness recognised in profit or loss; the foreign currency gain or loss on financial assets and financial liabilities; the net gain or loss on the disposal of debt investments measured at FVOCI; impairment losses (and reversals) on debt investments carried at amortised cost or FVOCI; and the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

3 Significant accounting policies (continued)

3.11 Finance income and costs (continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 Significant accounting policies (continued)

3.12 Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.13 New accounting standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 October 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning after 1 October 2018:

Applicable to 2020 financial statements
- FRS 116 *Leases;*
- INT FRS 123 *Uncertainty over Income Tax Treatments; and*
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- Interest Rate Benchmark Reform (Amendments to FRS109, FRS39 and FRS107 *Financial Instruments: Disclosures*)

The Company has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Company's assessment of FRS 116, which is expected to have a more significant impact on the Company, is as described below.

3 Significant accounting policies (continued)

3.13 New accounting standards and interpretations not adopted (continued)

FRS 116

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 October 2019, with early adoption permitted.

The Company will adopt the standard effective 1 October 2019 and expects to adopt using the modified retrospective transition method without restating comparative periods. The Company is currently assessing the impact on the Company's financial statements.

The Company as lessee

The Company expects its existing lease arrangements that are in scope to be recognised as ROU assets with corresponding lease liabilities on its balance sheet under FRS 116. The Company will apply a practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 October 2019. The recognition of expenses related to those assets will change as FRS 116 replaces the straight-line operating lease expense with a depreciation charge for ROU assets and interest expense on lease liabilities. The Company is currently quantifying the impact of adopting the standard and does not expect the impact to be significant to the financial statements.

4 Property, plant and equipment

	Leasehold improvements US$'000	Furniture and fittings US$'000	Office equipment US$'000	Tele-communications equipment US$'000	Computer equipment US$'000	Security equipment US$'000	Software US$'000	Total US$'000
Cost								
At 1 October 2017	39,420	5,945	1,404	4,167	53,486	2,534	10,573	117,529
Additions	7,857	306	22	76	8,279	381	105	17,026
Disposals	(1,542)	(669)	(219)	(51)	(43)	–	(227)	(2,751)
At 30 September 2018	45,735	5,582	1,207	4,192	61,722	2,915	10,451	131,804
At 1 October 2018	45,735	5,582	1,207	4,192	61,722	2,915	10,451	131,804
Additions	3,903	890	134	1,422	7,489	366	71	14,275
Disposals	(1,700)	(282)	–	(202)	(2,709)	–	(1,810)	(6,703)
At 30 September 2019	47,938	6,190	1,341	5,412	66,502	3,281	8,712	139,376
Accumulated depreciation and impairment losses								
At 1 October 2017	24,157	3,511	1,230	2,850	32,457	1,736	7,008	72,949
Depreciation	6,196	666	109	701	5,959	426	1,849	15,906
Disposals	(930)	(633)	(219)	(30)	(43)	–	(227)	(2,082)
At 30 September 2018	29,423	3,544	1,120	3,521	38,373	2,162	8,630	86,773
At 1 October 2018	29,423	3,544	1,120	3,521	38,373	2,162	8,630	86,773
Depreciation	5,603	588	69	693	7,286	325	1,339	15,903
Disposals	(1,700)	(221)	–	(202)	(2,495)	–	(1,619)	(6,237)
At 30 September 2019	33,326	3,911	1,189	4,012	43,164	2,487	8,350	96,439
Carrying amounts								
At 1 October 2017	15,263	2,434	174	1,317	21,029	798	3,565	44,580
At 30 September 2018	16,312	2,038	87	671	23,349	753	1,821	45,031
At 30 September 2019	14,612	2,279	152	1,400	23,338	794	362	42,937

5 Volume and support incentives

	2019 US$'000	2018 US$'000
At 1 October	(768,503)	(529,788)
Adjustment on initial application of FRS 115 (note 2.5)	29,181	–
At 1 October, adjusted	(739,322)	(529,788)
Current year amount charged to profit or loss		
- Volume and support incentives	(1,476,781)	(1,384,148)
- Advertising, marketing and promotions expense	–	185
Payments	1,393,812	1,145,248
At 30 September, net liability	(822,291)	(768,503)
Volume and support incentives:		
- Non-current assets	422,876	173,518
- Current assets	155,592	87,320
- Non-current liabilities	(64,017)	–
- Current liabilities	(1,336,742)	(1,029,341)
	(822,291)	(768,503)

Volume and support incentive amounts on the balance sheet are estimated based on existing customer performance and management's estimate of each customer's future performance, amongst other variables. These estimates require a degree of judgement and the application of assumptions.

6 Investment securities

	2019 US$'000	2018 US$'000
Debt securities, at FVOCI	1,264,172	–
Equity investment in a related corporation, at FVOCI	11	–
Available-for-sale investment securities:		
- Debt securities	–	1,019,485
- Unquoted equity securities of a related corporation	–	11
	1,264,183	1,019,496
Non-current	914,511	994,500
Current	349,672	24,996
	1,264,183	1,019,496

FVOCI debt securities (2018: Available-for-sale debt securities) with a carrying amount of US$1,264,172,000 as at 30 September 2019 (2018: US$1,019,485,000) yield coupon interest rates of 1.625% to 2.250% (2018: 2.023% to 2.340%).

The Company's exposures to credit, currency and interest rate risks relating to investment securities are disclosed in Note 17.

7 Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables	201,076	189,338
Allowance for impairment losses	(329)	(255)
	200,747	189,083
Amount due from immediate holding company (note a)	2,821	7,848
Amounts due from subsidiaries (note b)	63,697	39,272
Amounts due from related corporations (note b)	1,418	879
Amount due from a related corporation (note c)	11,200	7,200
Other receivables	215,411	155,015
	495,294	399,297
Trade and other receivables:		
Non-current	196,166	142,421
Current	299,128	256,876
	495,294	399,297

Note (a)

The amount includes a loan amounting to US$2,500,000 (2018: US$4,200,000) extended under a revolving promissory note which is unsecured, interest bearing at the annual short-term Applicable Federal Rate published by U.S.A. Internal Revenue Service and repayable on demand. The effective interest rate of the loan during the year was 2.391% (2018: 1.946%).

Note (b)

The amounts owing are non-trade in nature, unsecured, interest-free and repayable on demand or at short notice.

Note (c)

The amount owing relates to a loan extended under a revolving promissory note which is unsecured, interest bearing at the annual short-term Applicable Federal Rate published by U.S.A. Internal Revenue Service and repayable on demand. The effective interest rate of the loan during the year was 2.391% (2018: 2.246%).

The Company's exposures to credit and currency risks, and impairment losses relating to trade and other receivables are disclosed in Note 17.

8 Subsidiaries

	2019 US$'000	2018 US$'000
Equity investments, at cost	178,972	178,722

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Visa AP (Australia) Pty Ltd	Provision of marketing support, client support, relationship and liaison services to its related companies	Australia	100	100
Visa Hong Kong Limited	Provision of marketing support, client support, relationship and liaison services to its related companies	Hong Kong	100	100
Visa Support Services (Singapore) Pte Ltd	Investment holding	Singapore	100	100
CYBS Singapore Pte. Ltd.	Provision of secure electronic payment and risk management solutions to organisations	Singapore	100	100
Visa Worldwide Singapore Pte. Limited	Provision of marketing support, client support, relationship and liaison services to its related company	Singapore	100	100
Visa Worldwide (New Zealand) Limited	Provision of marketing support, client support, relationship and liaison services to its related company	New Zealand	100	100

8 Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
PT Visa Worldwide Indonesia	Provision of support services to its related company's clients and business interests in Indonesia to assist them in relation to international and domestic electronic payment transactions	Indonesia	99	99
Visa Managed Service (India) Private Limited	Provision of payment processing services, consumer and business support services, technology and business process outsourcing to related companies	India	99.99	99.99
Visa Taiwan Co., Ltd.	Provision of support services to its related company	Taiwan	100	100
Visa Information Technology (Beijing) Co., Ltd.	Provision of support services to its related companies	China	99	99

Consolidated financial statements have not been prepared as the Company is itself a wholly-owned subsidiary within the Visa Inc. group of companies, incorporated in the United States of America with its address at 900 Metro Center Boulevard, Foster City, California 94404, United States of America, which prepares consolidated financial statements available for public use.

9 Cash and cash equivalents

	2019 US$'000	2018 US$'000
Bank balances	75,697	85,309
Money market funds	128,430	301,582
	204,127	386,891

10 Derivative financial instruments

	Notional amount US$'000	Positive fair value US$'000	Negative fair value US$'000
2019			
Forward foreign exchange contracts	1,095,672	19,855	6,691
2018			
Forward foreign exchange contracts	1,089,789	28,433	3,587

The Company enters into forward foreign exchange contracts to hedge certain operational cash flow exposures resulting from changes in foreign currency exchange rates that are expected to occur and affect profit or loss in the 12 months from the reporting date. These forward foreign exchange currency contracts have maturity dates that coincide within the expected occurrence of these transactions.

11 Share capital

	2019 No. of shares	2018 No. of shares
Fully paid ordinary shares, with no par value:		
In issue at 1 October and 30 September	8,967,651	8,967,651

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value. Capital comprises total shareholder's equity.

The Company manages its capital structure which comprises all components of equity and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

12 Reserves

	2019 US$'000	2018 US$'000
Hedging reserve	3,485	18,442
Fair value reserve	(707)	(407)
Other reserve	(96,787)	(87,169)
	(94,009)	(69,134)

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecasted transactions.

Fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI (2018: available-for-sale equity securities) and the cumulative net change in the fair value of debt securities at FVOCI (2018: available-for-sale debt securities) until the assets are derecognised or reclassified.

Other reserve represents equity-settled share-based payments granted to employees. The reserves are made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the equity-settled share-based payments, and reduced by the recharge to the ultimate holding company.

13 Trade and other payables

	2019 US$'000	2018 US$'000
Trade payables	24,654	26,843
Non-trade amounts due to:		
- ultimate holding company	22,274	69,018
- subsidiaries	4,198	10,800
- related corporations	148,128	279,082
Accrued operating expenses	279,859	238,088
Accrued compensation	56,901	65,828
	536,014	689,659
Trade and other payables:		
Non-current	9,043	10,317
Current	526,971	679,342
	536,014	689,659

An amount owing to a related corporation of US$ 8,852,000 (2018: US$22,610,000) is unsecured, interest bearing at the quarterly short-term Applicable Federal Rate published by U.S.A Internal Revenue Service and repayable on demand. The effective interest rate during the year was 2.19% (2018: 2.07%).

Amounts due to ultimate holding company, subsidiaries and other related corporations are unsecured, interest-free and repayable on demand or at short notice.

The Company's exposures to currency and liquidity risks relating to trade and other payables are disclosed in Note 17.

14 Tax liabilities

	2019 US$'000	2018 US$'000
Tax payables	387,993	302,055

15 Deferred tax liabilities

Movements in deferred tax assets and liabilities (prior to the offsetting of balances) of the Company during the year are as follows:

	At 1 October 2017 US$'000	Recognised in profit or loss (Note 20) US$'000	Recognised in other comprehen-sive income US$'000	At 30 September 2018 US$'000	Recognised in profit or loss (Note 20) US$'000	Recognised in other comprehen-sive income US$'000	At 30 September 2019 US$'000
Deferred tax assets							
Investment securities	1,420	–	52	1,472	–	61	1,533
Deferred tax liabilities							
Derivative financial instruments	(797)	–	(309)	(1,106)	–	151	(955)
Property, plant and equipment	(261)	(4)	–	(265)	34	–	(231)
Accrued operating expenses	(11,637)	(8,830)	–	(20,467)	(1,536)	–	(22,003)
	(12,695)	(8,834)	(309)	(21,838)	(1,502)	151	(23,189)
Net deferred tax liabilities	(11,275)	(8,834)	(257)	(20,366)	(1,502)	212	(21,656)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Estimation of deferred tax liability

Deferred taxes are calculated by applying enacted statutory tax rate and concessionary tax rate applicable for future years on temporary differences. Potential tax rate changes or level of temporary differences which differs from the assumptions may result in the deferred tax liabilities not being reversed at the tax rates that are applied and consequently a different liability has to be recorded.

Deferred tax liabilities are calculated on the basis that the Company continues to qualify for the concessionary tax rate until 30 September 2023 (subjected to the fulfilment of certain conditions).

16 Deferred revenue

Such contract liabilities primarily relate to advance consideration received from customers for the services rendered.

Significant changes in the deferred revenue balance during the period are as follows.

	Contract liabilities 2019 US$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(51,828)
Increases due to amount billed, excluding amounts recognised as revenue during the year	59,681
Increases due to deferral of value-added services revenue, excluding amounts recognised as revenue during the year	9,098

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date.

	2020 US$'000	2021 US$'000	2022 and after US$'000	Total US$'000
Value-added services revenue	15,005	17,937	43,660	76,602

The Company has applied the practical expedient to not disclose the remaining performance obligations related to payment services revenue.

17 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

17 Financial risk management (continued)

Risk management framework

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and/or satisfy credit worthiness procedures. The Company limits individual trade debtor counterparty exposure depending on the size and credit worthiness of the customer. At the reporting date, the Company is not exposed to significant credit risk.

The Company indemnifies its financial institution customers for settlement losses suffered due to failure of any other customer to honour Visa-branded cards and payment products processed in accordance with Visa's operating regulations. In certain instances, the Company may indemnify customers even in situations in which a transaction is not processed by the system. This indemnification creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement. No material loss related to settlement risk has been incurred in recent years.

To manage the Company's exposure in the event the customers fail to fund their settlement obligations, the Company has a credit risk policy with a set of credit standards and risk control measures that are consistently applied. The Company regularly evaluates its customers to assess risk. In certain instances, the Company may require a customer to post collateral or provide other guarantees. If a customer becomes unable or unwilling to meet its obligations, the Company is able to draw upon such collateral or guarantee in order to minimise any potential loss.

The exposure to settlement losses is accounted for as a settlement risk guarantee. The fair value of the settlement risk guarantee is estimated using the Company's proprietary model. Key inputs to the model include the probability of customers becoming insolvent, statistically derived loss factors based on historical experience and estimated settlement exposures at period end.

Settlement risk (or exposure) is estimated based on the sum of the following inputs: (1) average daily issuing volumes during the quarter multiplied by the estimated number of days to settle plus a safety margin; (2) four months of the rolling acquiring chargebacks volume; and (3) average daily original credit volume initiated by the acquirer during the quarter multiplied by the estimated number of days to settle plus a safety margin.

17 Financial risk management (continued)

Credit risk (continued)

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time. As at 30 September 2019, the Company's estimated maximum settlement exposure was approximately US$1.5 billion (2018: US$7.4 billion). The Company maintains and regularly reviews global settlement risk policies and procedures to manage settlement exposure, which may require clients to post collateral if certain credit standards are not met. At 30 September 2019 and 2018, the Company held the following collateral to manage settlement exposure:

	2019 US$'000	2018 US$'000
Cash equivalents	84,994	60,226
Letters of credit	324,601	316,182
Guarantees	33,944	28,349
	443,539	404,757

Letters of credit are provided primarily by customer financial institutions to serve as irrevocable guarantees of payment. Guarantees are provided primarily by parent financial institutions to secure the obligations of their subsidiaries. The Company routinely evaluates the financial viability of institutions providing the guarantees.

The fair value of the settlement risk guarantee is estimated using a proprietary model which considers statistically derived loss factors based on historical experience, estimated settlement exposures at period end and a standardised grading process for clients (using, where available, third-party estimates of the probability of customer failure). Historically, the Company has experienced minimal losses, which has contributed to an estimated probability-weighted value of the guarantee of approximately US$643,121 (2018: US$643,121). The fair value of the settlement risk guarantee is reflected in accrued liabilities on the balance sheet.

17 Financial risk management (continued)

Credit risk (continued)

Trade and other receivables

Exposure to credit risk

The exposure to credit risk for trade and other receivables (excluding tax receivables) at the reporting date by geographic region was as follows:

	2019 US$'000	2018 US$'000
United Kingdom	2,872	7,910
India	22,077	16,745
Australia	58,797	47,113
Singapore	28,227	26,570
Japan	20,916	18,128
China	22,590	28,399
Korea	9,219	8,750
Hong Kong	15,519	14,180
Thailand	9,736	8,776
Malaysia	6,738	5,634
Indonesia	48,688	32,444
Taiwan	8,064	6,234
New Zealand	22,724	16,113
Vietnam	4,255	3,238
Others	18,227	20,767
	298,649	261,001

Comparative information under FRS 39

The ageing of trade and other receivables (excluding tax receivables) as at 30 September 2018 is as follows:

	Gross carrying amount US$'000	Impairment losses US$'000
Not past due	260,538	–
Past due 0 – 30 days	139	–
Past due 31 – 90 days	291	(8)
Past due 91 – 120 days	247	(223)
Past due greater than 120 days	41	(24)
	261,256	(255)

17 Financial risk management (continued)

Credit risk (continued)

Trade and other receivables (continued)

Expected credit loss assessment as at 1 October 2018 and 30 September 2019

The ageing of trade and other receivables (excluding tax receivables) is as follows:

	Gross carrying amount 1 Oct 2018	Impairment loss allowance 1 Oct 2018	Gross carrying amount 30 Sep 2019	Impairment loss allowance 30 Sep 2019	Credit impaired
	US$'000	US$'000	US$'000	US$'000	
Not past due	260,538	–	298,230	–	No
Past due 0 – 30 days	139	–	117	–	No
Past due 31 – 90 days	291	(8)	304	(20)	Yes
Past due 91 – 120 days	247	(223)	242	(237)	Yes
Past due greater than 120 days	41	(24)	85	(72)	Yes
	261,256	(255)	298,978	(329)	

Movements in allowance for impairment in respect of trade receivables

The movements in the allowance for impairment in respect of trade receivables were as follows:

	Individual impairments US$'000
At 1 October 2017 per FRS 39	(360)
Allowance made during the year	(760)
Allowance written back during the year	864
Allowance utilised during the year	1
At 30 September 2018 per FRS 39	(255)

17 Financial risk management (continued)

Credit risk (continued)

Trade and other receivables (continued)

Movements in allowance for impairment in respect of trade receivables (continued)

	Lifetime ECL – credit impaired US$'000
At 1 October 2018 per FRS 39	(255)
Adjustment on initial application of FRS 109	–
At 1 October 2018 per FRS 109	(255)
Impairment loss recognised	(107)
Amounts written off	33
At 30 September 2019 per FRS 109	(329)

Cash and cash equivalents and customer collateral

The Company held cash and cash equivalents and customer collateral of US$204,127,000 and US$84,994,000 respectively at 30 September 2019 (2018: US$386,891,000 and US$60,232,000 respectively) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated P-2 to P-1, based on *Moody's* ratings. Impairment on cash and cash equivalents and customer collateral has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents and customer collateral have low credit risk based on the external credit ratings of the counterparties. No impairment loss allowance was provided for cash and cash equivalents and customer collateral.

FVOCI debt investments

The Company limits its exposure to credit risk on investments held by investing in U.S Treasury or U.S government sponsored agencies that have a credit rating of Aaa from Moody's.

12-month and lifetime probabilities of default are based on historical data supplied by Moody's for each credit rating. Loss given default (LGD) parameters generally reflect an assumed recovery rate of approximately 40% based on Moody's debt recovery rates, except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The credit rating of the debt investments is Aaa and impairment has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. No impairment loss was recognised on these balances.

Derivative financial instruments

The derivative financial instruments are entered into with bank and financial institution counterparties with strong ratings.

17 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash flows		
	Carrying amount US$'000	**Contractual cash flows US$'000**	**Within 1 year US$'000**	**Within 1 to 5 years US$'000**
2019				
Non-derivative financial liabilities				
Trade and other payables*	(479,113)	(479,113)	(470,070)	(9,043)
Customer collateral	(84,994)	(84,994)	(84,994)	–
Volume and support incentives	(1,400,759)	(1,400,759)	(1,336,742)	(64,017)
	(1,964,866)	(1,964,866)	(1,891,806)	(73,060)
Derivative financial instruments				
Forward foreign exchange contracts used for hedging (net-settled)	19,855	19,855	19,855	–
Forward foreign exchange contracts used for hedging (gross-settled):	(1,626)			
- Outflow		(110,007)	(110,007)	–
- Inflow		108,381	108,381	–
Forward foreign exchange contracts used for hedging (net-settled)	(5,065)	(5,065)	(5,065)	–
	13,164	13,164	13,164	–
	(1,951,702)	(1,951,702)	(1,878,642)	(73,060)

* Trade and other payables exclude accrued compensation.

17 Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount US$'000	Cash flows: Contractual cash flows US$'000	Within 1 year US$'000	Within 1 to 5 years US$'000
2018				
Non-derivative financial liabilities				
Trade and other payables*	(623,831)	(623,831)	(613,514)	(10,317)
Customer collateral	(60,232)	(60,232)	(60,232)	–
Volume and support incentives	(1,029,341)	(1,029,341)	(1,029,341)	–
	(1,713,404)	(1,713,404)	(1,703,087)	(10,317)
Derivative financial instruments				
Forward foreign exchange contracts used for hedging (net-settled)	28,433	28,433	28,433	–
Forward foreign exchange contracts used for hedging (gross-settled):	(2,620)			
- Outflow		(139,945)	(139,945)	–
- Inflow		137,325	137,325	–
Forward foreign exchange contracts used for hedging (net-settled)	(967)	(967)	(967)	–
	24,846	24,846	24,846	–
	(1,688,558)	(1,688,558)	(1,678,241)	(10,317)

* Trade and other payables exclude accrued compensation.

Market risk

Market risk is the potential economic loss arising from adverse changes in market factors. The Company's exposure to financial market risks results primarily from fluctuations in foreign currency rates and interest rates. The Company does not hold or enter into derivatives or other financial instruments for speculative purposes. Aggregate risk exposures are monitored on an ongoing basis, and cash and cash equivalents are not considered to be subject to significant interest rate risk due to the short period of time to maturity.

17 Financial risk management (continued)

Liquidity risk (continued)

Foreign currency risk

The Company is exposed to foreign currency risk on revenue and operating expenses that are denominated in currencies other than USD.

The Company enters into forward contracts to hedge certain operational ("cash flow") exposures resulting from changes in foreign currency exchange rates. Such cash flow exposures result from portions of forecasted revenues and expenses being denominated in or based on currencies other than USD.

17 Financial risk management (continued)

Market risk (continued)

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows:

	AUD US$'000	CNY US$'000	EUR US$'000	GBP US$'000	HKD US$'000	IDR US$'000	INR US$'000	JPY US$'000	KRW US$'000	NZD US$'000	SGD US$'000	THB US$'000	TWD US$'000	PHP US$'000	MYR US$'000
2019															
Trade and other receivables*	17,696	–	–	–	–	43,658	9,267	–	–	1,950	12,902	–	168	251	–
Customer collateral	–	–	–	–	–	–	–	16,276	–	–	–	–	–	–	–
Cash and cash equivalents	1,076	–	–	–	245	–	–	270	–	1,088	4,755	56	–	–	–
Volume and support incentives	(139,314)	–	–	–	–	(9,795)	(77,889)	(47,498)	(56,396)	(35,426)	(18,041)	(2,409)	–	(570)	(3,078)
Trade and other payables**	(50,607)	(8,519)	(55)	(101)	(2,212)	(994)	(82,481)	(15,140)	(1,342)	(399)	(13,594)	(2,109)	(1,177)	(590)	(860)
Customer collateral	–	–	–	–	–	–	–	(16,276)	–	–	–	–	–	–	–
Balance sheet exposure	(171,149)	(8,519)	(55)	(101)	(1,967)	32,869	(151,103)	(62,368)	(57,738)	(32,787)	(13,978)	(4,462)	(1,009)	(909)	(3,938)
Forward foreign exchange contracts	(33,924)	(10,408)	(217,212)	(167,600)	(115,933)	(11,440)	24,172	(305,187)	(14,373)	–	104,869	(74,261)	–	–	(16,292)
Net exposure	(205,073)	(18,927)	(217,267)	(167,701)	(117,900)	21,429	(126,931)	(367,555)	(72,111)	(32,787)	90,891	(78,723)	(1,009)	(909)	(20,230)

* Trade and other receivables exclude tax receivable.
** Trade and other payables exclude accrued compensation.

17 Financial risk management (continued)

Market risk (continued)

Exposure to foreign currency risk (continued)

	AUD US$'000	CNY US$'000	EUR US$'000	GBP US$'000	HKD US$'000	IDR US$'000	INR US$'000	JPY US$'000	KRW US$'000	NZD US$'000	SGD US$'000	THB US$'000	TWD US$'000
2018													
Trade and other receivables*	10,664	–	–	–	–	28,056	5,285	–	–	351	13,593	–	–
Customer collateral	–	–	–	–	–	–	–	11,194	–	–	–	–	–
Cash and cash equivalents	951	–	–	–	133	–	–	190	–	652	4,321	38	–
Volume and support incentives	(146,642)	–	–	–	–	(6,161)	(41,735)	(35,318)	(59,556)	(41,794)	(9,583)	(910)	–
Trade and other payables**	(3,552)	(5,520)	(303)	(9)	(6,195)	(940)	(47,571)	(7,299)	(602)	(161)	(10,775)	(1,308)	(2,478)
Customer collateral	–	–	–	–	–	–	–	(11,194)	–	–	–	–	–
Balance sheet exposure	(138,579)	(5,520)	(303)	(9)	(6,062)	20,955	(84,021)	(42,427)	(60,158)	(40,952)	(2,444)	(2,180)	(2,478)
Forward foreign exchange contracts	–	(37,384)	(210,002)	(169,859)	(80,264)	(20,264)	22,157	(277,925)	(35,713)	–	117,788	(94,271)	–
Net exposure	(138,579)	(42,904)	(210,305)	(169,868)	(86,326)	691	(61,864)	(320,352)	(95,871)	(40,952)	115,344	(96,451)	(2,478)

* Trade and other receivables exclude tax receivable.
** Trade and other payables exclude accrued compensation.

17 Financial risk management (continued)

Market risk (continued)

Exposure to foreign currency risk (continued)

Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

30 September	Profit or loss 2019 US$'000	Equity 2019 US$'000	Profit or loss 2018 US$'000	Equity 2018 US$'000
AUD	17,115	3,392	13,858	–
CNY	852	1,041	552	3,738
EUR	6	21,721	30	21,000
GBP	10	16,760	1	16,986
HKD	197	11,593	606	8,026
IDR	(3,287)	1,144	(2,096)	2,026
INR	15,110	(2,417)	8,402	(2,216)
JPY	6,237	30,519	4,243	27,793
KRW	5,774	1,437	6,016	3,571
NZD	3,279	–	4,095	–
SGD	1,398	(10,487)	244	(11,779)
THB	446	7,426	218	9,427
TWD	101	–	248	–
PHP	91	–	–	–
MYR	394	1,629	–	–
	47,723	83,758	36,417	78,572

* Amount less than $1,000

A 10 percent weakening of the USD against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Company has no interest-bearing debt obligation. The Company's exposure to changes in interest rates relates primarily to investment securities which is managed through the ultimate holding company. Exposure to interest rate risk is monitored on an ongoing basis and the Company endeavours to keep the net exposure at an acceptable level.

17 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Profile

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	2019 US$'000	2018 US$'000
Fixed rate instruments		
Investment securities	75,100	49,938
Variable rate instruments		
Investment securities	1,189,072	969,547
Cash and cash equivalents	192,502	323,144
Amount due from immediate holding company	2,500	4,200
Non-trade amount due from a related corporation	11,200	7,200
Non-trade amounts due to related corporations	(8,852)	(22,610)
	1,386,422	1,281,481

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 10 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
	10 bp increase US$'000	10 bp decrease US$'000
2019		
Investment securities	1,189	(1,189)
Cash and cash equivalents	193	(193)
Amount due from immediate holding company	3	(3)
Non-trade amounts due from related corporations	11	(11)
Non-trade amounts due to related corporations	(9)	9
Cash flow sensitivity (net)	1,387	(1,387)

17 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or loss	
	10 bp increase US$'000	**10 bp decrease US$'000**
2018		
Investment securities	970	(970)
Cash and cash equivalents	323	(323)
Amount due from immediate holding company	4	(4)
Non-trade amounts due from related corporations	7	(7)
Non-trade amounts due to related corporations	(23)	23
Cash flow sensitivity (net)	1,281	(1,281)

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's balance sheet; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the balance sheet.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the balance sheet.

The Company's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("ISDA") Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

17 Financial risk management (continued)

Market risk (continued)

Offsetting financial assets and financial liabilities (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

	Gross amounts of recognised financial instruments US$'000	Gross amounts of recognised financial instruments offset in the balance sheet US$'000	Net amounts of financial instruments presented in the balance sheet US$'000	Related amounts not offset in the balance sheet – financial instruments: Financial instruments US$'000	Related amounts not offset in the balance sheet – financial instruments: Cash collateral pledged US$'000	Net amount US$'000
2019						
Financial assets						
Derivative financial instrument	19,855	–	19,855	(4,458)	(12,510)	2,887
Financial liabilities						
Derivative financial instrument	6,691	–	6,691	(4,458)	550	2,783
2018						
Financial assets						
Derivative financial instrument	28,433	–	28,433	(3,373)	(20,130)	4,930
Financial liabilities						
Derivative financial instrument	3,587	–	3,587	(3,373)	–	214

17 Financial risk management (continued)

Accounting classifications and fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown in the balance sheet, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount						Fair value			
	Cash flow hedging instruments US$'000	Amortised cost US$'000	Equity investments at FVOCI US$'000	Debt securities at FVOCI US$'	Other financial liabilities US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2019										
Financial assets measured at fair value										
Investment securities	–	–	11	1,264,172	–	1,264,183	–	1,264,172	11	1,264,183
Derivative financial instruments	19,855	–	–	–	–	19,855	–	19,855	–	19,855
	19,855	–	11	1,264,172	–	1,284,038				
Financial assets not measured at fair value										
Trade and other receivables (non-current)*	–	4,404	–	–	–	4,404	–	–	3,391	3,391
Trade and other receivables (current)*	–	294,245	–	–	–	294,245				
Customer collateral	–	84,994	–	–	–	84,994				
Cash and cash equivalents	–	204,127	–	–	–	204,127				
	–	587,770	–	–	–	587,770				
Financial liabilities measured at fair value										
Derivative financial instruments	(6,691)	–	–	–	–	(6,691)	–	(6,691)	–	(6,691)
Financial liabilities not measured at fair value										
Trade and other payables (non-current)	–	–	–	–	(9,043)	(9,043)	–	–	(6,692)	(6,692)
Trade and other payables (current)**	–	–	–	–	(470,070)	(470,070)				
Customer collateral	–	–	–	–	(84,994)	(84,994)				
Volume and support incentives (non-current)	–	–	–	–	(64,017)	(64,017)	–	–	(49,284)	(49,284)
Volume and support incentives (current)	–	–	–	–	(1,336,742)	(1,336,742)				
	–	–	–	–	(1,964,866)	(1,964,866)				

* Trade and other receivables exclude tax receivables
** Trade and other payables exclude accrued compensation.

17 Financial risk management (continued)

Accounting classifications and fair values (continued)

Fair value versus carrying amounts (continued)

	Carrying amount					Fair value			
	Cash flow hedging instruments US$'000	Loans and receivables US$'000	Available-for-sale US$'000	Other financial liabilities US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
2018									
Financial assets measured at fair value									
Investment securities	–	–	1,019,485	–	1,019,485	–	1,019,485	–	1,019,485
Derivative financial instruments	28,433	–	–	–	28,433	–	28,433	–	28,433
	28,433	–	1,019,485	–	1,047,918				
Financial assets not measured at fair value									
Trade and other receivables (non-current)*	–	4,125	–	–	4,125	–	–	3,102	3,102
Trade and other receivables (current)*	–	256,876	–	–	256,876				
Customer collateral	–	60,232	–	–	60,232				
Cash and cash equivalents	–	386,891	–	–	386,891				
	–	708,124	–	–	708,124				
Financial liabilities measured at fair value									
Derivative financial instruments	(3,587)	–	–	–	(3,587)	–	(3,587)	–	(3,587)
Financial liabilities not measured at fair value									
Trade and other payables (non-current)	–	–	–	(10,317)	(10,317)	–	–	(7,760)	(7,760)
Trade and other payables (current)**	–	–	–	(613,514)	(613,514)				
Customer collateral	–	–	–	(60,232)	(60,232)				
Volume and support incentives	–	–	–	(1,029,341)	(1,029,341)				
	–	–	–	(1,713,404)	(1,713,404)				

* Trade and other receivables exclude tax receivables

** Trade and other payables exclude accrued compensation.

17 Financial risk management (continued)

Accounting classifications and fair values (continued)

Fair value hierarchy

During the financial year, there were no transfers between Levels 1, 2 and 3.

Financial instruments measured at fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods outlined below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) FVOCI debt securities

FVOCI debt securities consists of U.S. Treasury securities and U.S. government-sponsored debt securities. The fair value of U.S. Treasury securities is determined by reference to their quoted prices in active markets at the reporting date. The fair value of U.S. government-sponsored debt securities is based on quoted prices in active markets for similar assets. The pricing data obtained from external sources is reviewed internally for reasonableness, compared against benchmark quotes from independent pricing sources, then confirmed or revised accordingly.

(ii) Derivatives

Forward exchange contracts are valued using valuation techniques and market observable inputs. The valuation technique applied is the forward pricing model, using present valuation calculations. The model incorporates various inputs including foreign exchange spot and forward rates, interest rate and forward rate curves.

(iii) Investments in equity securities

The Level 3 fair value of the FVOCI investment (2018: Investment in available-for-sale unquoted equity securities) was determined based on a market approach using comparable industry EBITDA multiples. At 30 September 2018, the unquoted equity investment was stated at cost as there was no active market for the investment and its fair value could not be reliably measured.

17 Financial risk management (continued)

Financial instruments measured at fair value (continued)

(iii) Investments in equity securities (continued)

Level 3 fair values

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	2019 US$	2018 US$
At 1 October	11	–
Acquisition of investment in unquoted equity securities	–	11
Total gains recognised in other comprehensive income		
- Net change in fair value of FVOCI financial assets	–	–
At 30 September	11	11

Financial instruments not measured at fair value

The following table shows the valuation technique and the significant unobservable inputs used in the determination of fair value of the Level 3 financial instruments not measured at fair value:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Trade and other receivables (non-current)	Discounted cash flows: The valuation model considers the present value of expected receipts, discounted using an adjusted discount rate.	• Adjusted discount rate 9.11% (2018: 9.96%)	• The estimated fair value would increase if the adjusted discount rate was lower.

17 Financial risk management (continued)

Financial instruments not measured at fair value (continued)

The following table shows the valuation technique and the significant unobservable inputs used in the determination of fair value of the Level 3 financial instruments not measured at fair value: (continued)

Trade and other payables (non-current) and Volume and support incentives (non-current)	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using an adjusted discount rate.	• Adjusted discount rate 9.11% (2018: 9.96%)	• The estimated fair value would increase if the adjusted discount rate was lower.

Financial instruments for which fair value is equal to the carrying amount

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables (current), cash and cash equivalents, trade and other payables (current) and volume and support incentives (current)) are assumed to approximate their fair values because of the short period to maturity.

18 Revenue

Revenue comprises the following:

	2019 US$'000	2018 US$'000
Service fees	1,520,294	1,409,114
Data processing fees	1,186,467	1,066,883
International transaction fees	1,638,738	1,572,943
Royalty fees	152,423	148,724
Other revenues	231,332	103,129
Volume and support incentives	(1,476,781)	(1,384,149)
	3,252,473	2,916,644

19 Net finance income

	2019 US$'000	2018 US$'000
Recognised in profit or loss		
Interest income:		
- cash and cash equivalents	795	675
- debt securities, at FVOCI	39,727	–
- available-for-sale debt securities	–	12,543
- related corporation	261	64
- immediate holding company	136	37,636
Ineffective portion of cash flow hedges transferred to profit or loss	1,053	–
Net foreign exchange gain	4,176	35,901
Finance income	46,148	86,819
Interest expense:		
- related corporation	(465)	(704)
Ineffective portion of cash flow hedges transferred to profit or loss	–	(522)
Net loss on derecognition of debt investments at FVOCI reclassified from OCI	(224)	–
Net loss on disposal of available-for sale investment securities reclassified from equity	–	(761)
Finance costs	(689)	(1,987)
Net finance income	45,459	84,832

20 Income tax expense

	2019 US$'000	2018 US$'000
Current tax expense		
Current year	24,603	24,630
Tax arising from foreign jurisdictions	77,050	75,338
Under provided in prior years	2,944	489
	104,597	100,457
Deferred tax expense		
Origination and reversal of temporary differences	6,612	6,220
(Over)/Under provided in prior years	(5,110)	2,614
	1,502	8,834
Income tax expense	106,099	109,291

Income tax recognised in other comprehensive income ("OCI")

	<---- 2019 ----		---->	<---- 2018 ----		---->
	Before tax US$'000	Tax (expense)/ credit US$'000	Net of tax US$'000	Before tax US$'000	Tax expense US$'000	Net of tax US$'000
Fair value reserve	(361)	61	(300)	(304)	52	(252)
Cash flow hedges	(15,108)	151	(14,957)	30,903	(309)	30,594
	(15,469)	212	(15,257)	30,599	(257)	30,342

Reconciliation of effective tax rate

	2019 US$'000	2018 US$'000
Profit before income tax	2,302,515	2,141,102
Tax calculated using Singapore tax rate of 17% (2018: 17%)	391,428	363,987
Tax exempt income	(13)	(19)
Non-deductible expenses	15,458	12,713
Effect of concessionary tax rate	(375,711)	(345,847)
Tax arising from foreign jurisdictions	77,050	75,338
(Over)/Under provided in prior years	(2,166)	3,103
Others	53	16
	106,099	109,291

The Company has been granted tax concession up to 30 September 2023, subject to certain terms and conditions.

21 Profit for the year

The following items have been included in arriving at profit for the year:

	2019 US$'000	2018 US$'000
Operating lease expense	18,440	20,597
Contribution to defined contribution plan, included in staff costs	17,243	17,491
Loss on disposal of property, plant and equipment	276	638

22 Share-based payments

The Company's ultimate holding company, Visa Inc., granted non-qualified stock options ("options"), restricted stock awards, restricted stock units and performance-based shares to employees of its subsidiaries under Visa Inc. 2007 Equity Incentive Compensation Plan ("EIP"). The EIP will continue to be in effect until all of the common stock available under the EIP is delivered and all restrictions on those shares have lapsed, unless the EIP is terminated earlier by the ultimate holding company's board of directors. No awards may be granted under the plan on or after 10 years from its effective date.

Options (equity-settled)

Options issued under the EIP expire ten years from the date of grant and vest rateably over three years from the date of grant, subject to earlier vesting in full under certain conditions specified in the award agreement.

The fair value of each stock option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2019	2018
Expected terms (in years)[1]	3.98	4.00
Risk-free rate of return[2]	2.85%	2.00%
Expected volatility[3]	20.24%	18.30%
Expected dividend yield[4]	0.71%	0.70%
Weighted-average fair value per option granted	U$25.89	US$18.24

(1) Based on Visa. Inc.'s historical option exercises and those of a set of peer companies that management believes is generally comparable to Visa.

(2) Based upon the zero coupon U.S. treasury bond rate over the expected term of the awards.

(3) Based on the average of Visa Inc.'s implied and historical volatility. As Visa Inc.'s publicly traded stock history is relatively short, historical volatility relies in part on the historical volatility of a group of peer companies that management believes is generally comparable to Visa Inc.

(4) Based on Visa Inc.'s expected annual dividend rate on the date of grant.

22 Share-based payments (continued)

Options (equity-settled) (continued)

The following table summarises the Company's stock options activities for the year ended 30 September:

	Options 2019	Weighted average exercise price 2019 (US$)	Options 2018	Weighted average exercise price 2018 (US$)
Outstanding at beginning of the year	286,654	73.51	348,700	40.50
Granted	56,225	134.76	53,196	109.82
Forfeited/expired	(3,158)	134.76	–	–
Exercised	(44,502)	58.65	(160,998)	19.46
Transferred (to)/from a related corporation	(35,512)	101.65	45,756	92.90
Outstanding at end of the year	259,707	84.73	286,654	73.51

The options outstanding at 30 September 2019 have an exercise price in the range of US$19.95 to US$134.76 (2018: US$19.90 to US$109.82) and the weighted average remaining contractual life of 6.44 years (2018: 6.79 years).

The weighted average share price at the date of exercise for share options exercised in 2019 was US$163.61 (2018: US$120.54).

At 30 September 2019, there was US$639,756 (2018: US$830,642) of total unrecognised compensation cost related to non-vested stock options. The cost is expected to be recognised over a weighted average period of approximately 1.31 years (2018: 1.12 years).

Restricted Stock Awards ("RSAs") and Restricted Stock Units ("RSUs") (equity-settled)

RSAs and RSUs issued under the EIP generally vest rateably over three years from the date of grant, subject to earlier vesting in full under certain conditions specified in the award agreement.

Upon vesting, the RSAs are settled in the ultimate holding company's class A common stock on a one-for-one basis. During the vesting period, RSA award recipients are eligible to receive dividends and participate in the same voting rights as those granted to the holders of the underlying class A common stock.

Upon vesting, RSUs can be settled in the ultimate holding company's class A common stock on a one-for-one basis or in cash, or a combination thereof, at the ultimate holding company's option. The Company does not currently intend to settle any RSUs in cash. During the vesting period, RSU award recipients are eligible to receive dividend equivalents, but do not participate in the voting rights granted to the holders of the underlying class A common stock. The company discontinued granting RSAs in the year ended 30 September 2016 but will continue to grant RSUs under the EIP.

22 Share-based payments (continued)

Restricted Stock Awards ("RSAs") and Restricted Stock Units ("RSUs") (equity-settled) (continued)

The fair value of RSAs and RSUs is calculated using the closing price of the ultimate holding company's Class A common stock on the date of grant.

The following table summarises the Company's RSAs and RSUs activities for the year ended 30 September:

Restricted stock awards

	Awards 2019	Weighted average grant date fair value 2019 (US$)	Awards 2018	Weighted average grant date fair value 2018 (US$)
Outstanding at beginning of the year	–	–	1,276	62.47
Vested	–	–	(1,364)	63.34
Transferred from a related corporation	–	–	88	76.01
Outstanding at end of the year	–	–	–	–

At 30 September 2019, there was US$Nil (2018: US$Nil) total unrecognised compensation cost related to non-vested RSAs.

Restricted stock units

	Units 2019	Weighted average grant date fair value 2019 (US$)	Units 2018	Weighted average grant date fair value 2018 (US$)
Outstanding at beginning of the year	347,200	95.54	330,016	78.26
Granted	175,284	135.09	178,957	110.10
Forfeited/expired	(14,791)	115.61	(29,799)	92.92
Vested	(168,659)	91.08	(154,225)	75.59
Transferred (to)/from a related corporation	(13,070)	115.12	22,251	92.97
Outstanding at end of the year	325,964	117.42	347,200	95.54

At 30 September 2019, there was US$19,150,502 (2018: US$14,055,988) of total unrecognised compensation cost related to non-vested RSUs. The cost is expected to be recognised over a weighted average period of approximately 1.32 years (2018: 1.26 years).

22 Share-based payments (continued)

Performance-based shares ("PBSs") (equity-settled)

PBSs issued under the EIP generally vest rateably approximately over three years from the date of grant subject to the achievement of both performance and market conditions as specified in the award agreement. The performance condition is based on the ultimate holding company's earnings per share target and the market condition is based on the ultimate holding company's total shareholder return ranked against that of other companies that are included in the Standard & Poor's 500 Index.

The fair value of the PBSs, incorporating the market condition, is estimated on the date of grant using the Monte Carlo simulation model.

The following table summarises the Company's PBSs activities for the year ended 30 September:

Performance-based shares

	Units 2019	Weighted average grant date fair value 2019 (US$)	Units 2018	Weighted average grant date fair value 2018 (US$)
Outstanding at beginning of the year	20,727	101.82	18,759	84.38
Granted	11,120	152.78	10,776	119.74
Forfeited/expired	–	–	(1,066)	76.07
Vested	(9,358)	97.70	(7,742)	88.06
Outstanding at end of the year	22,489	128.73	20,727	101.82

At 30 September 2019, there was US$Nil (2018: US$3,111,066) of total unrecognised compensation cost related to non-vested PBSs. The cost is expected to be recognised over a weighted average period of approximately Nil years (2018: 0.76 years).

Employee Stock Purchase Plan (equity-settled)

In January 2015, Visa Inc. approved the Employee Stock Purchase Plan (the "ESPP"), under which substantially all employees are eligible to participate. The ESPP permits eligible employees to purchase the ultimate holding company's Class A common stock at a 15% discount of the stock price on the purchase date with no look-back option, subject to certain restrictions. A total of 20 million shares of the ultimate holding company's Class A common stock have been reserved for issuance under the ESPP.

Under the terms of the ESPP, employees can elect at each offering to have up to 10% of their eligible compensation withheld to purchase the ultimate holding company's Class A common stock. A one-time decrease in the percentage withholding is allowed but not an increase during the offering period. Upon enrolment, participants are required to remain in service or employed from the offering date to purchase date to be able to exercise their purchase rights. The ESPP's offering period has duration of 6 months and allows monthly purchase over the offering period. The employees are required to hold the common stock purchased for 12 months from the purchase date, except for certain conditions such as employee termination, change of control, etc., as stipulated in the ESPP agreement. Participants are allowed to withdraw from the ESPP prior to purchase date and any withholding contributions will be refunded.

22 Share-based payments (continued)

Employee stock purchase plan (equity-settled) (continued)

The fair value of the purchase rights is determined on the offering date calculated as 15% discount multiplied by the offering date stock price and the estimated number of shares to be purchased. Expected dividends were not incorporated into the measurement of fair value. Compensation cost is recognised based on a graded vesting method over the offering period.

As at 30 September 2019, the number and weighted average fair value of shares purchased was 88,152 (2018: 88,107) and US$130.06 (2018: US$103.72).

The components of share-based compensation expense during the year ended 30 September are summarised below:

	2019 US$'000	**2018 US$'000**
Options	1,473	1,035
RSAs	–	24
RSUs	18,684	15,331
PBSs	2,171	937
ESPP	2,092	1,809
	24,420	19,136

23 Commitments

Non-cancellable operating lease rentals are payable as follows:

	2019 US$'000	**2018 US$'000**
Payable:		
Within 1 year	19,295	25,442
After 1 year but within 5 years	49,294	86,417
After 5 years	13,439	20,499
	82,028	132,358

24 Related parties

Identification of related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or at least a control and a significant influence by a common related party. Related parties may be individuals or other entities.

24 Related parties (continued)

Transactions with related parties

Other than those disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	2019 US$'000	2018 US$'000
Intercompany service fee income		
- From related corporations	209,872	180,617
- From subsidiaries	26,215	21,156
	236,087	201,773
Intercompany service fee expense		
- To related corporations	(451,268)	(397,830)
- To subsidiaries	(85,582)	(83,260)
	(536,850)	(481,090)

Key management personnel

	2019 US$'000	2018 US$'000
Short-term employee benefits	10,019	9,416
Share-based payment (equity-settled)	6,152	6,361
	16,171	15,777

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The following persons are considered as key management personnel:

(i) directors of the Company; and
(ii) members of the Company's key management team.

During the year, 65,193 (2018: 90,832) shares in Visa Inc. were granted by the Company to key management personnel. The shares were granted on the same terms and conditions as those offered to other employees of the Company as described in Note 22. At the reporting date, 297,099 (2018: 341,528) of those shares were outstanding.

Remuneration fees of certain key management personnel are borne by related parties and not recharged to the Company. The remuneration is not in relation to services rendered to the Company.

25 Subsequent event

On 8 November 2019, the Company declared interim dividends of US$250,000,000 (US$27.88 per share) to VIHL.