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Visa Worldwide Pte. Limited
Registration Number: 200719281K

Annual Report
Year ended 30 September 2018

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 2018.

In our opinion:

(a) the financial statements set out on pages FS1 to FS55 are drawn up so as to give a true and fair view of the financial position of Visa Worldwide Pte. Limited (the "Company") as at 30 September 2018 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

13 March 2019

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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 2018, 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 FS55.

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 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the *'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.

KPMG

- 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
13 March 2019

Balance sheet
As at 30 September 2018

	Note	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment	4	45,031	44,580
Volume and support incentives	5	173,518	156,776
Investment securities	6	994,500	–
Trade and other receivables	7	142,421	109,943
Subsidiaries	8	178,722	178,722
		1,534,192	490,021
Current assets			
Volume and support incentives	5	87,320	82,520
Investment securities	6	24,996	89,901
Trade and other receivables	7	317,108	1,276,620
Prepayments		4,917	6,594
Cash and cash equivalents	9	386,891	486,433
Derivative financial instruments	10	28,433	6,944
		849,665	1,949,012
Total assets		2,383,857	2,439,033
Equity attributable to equity holder of the Company			
Share capital	11	8,968	8,968
Reserves	12	(69,134)	(79,762)
Accumulated profits		286,955	655,144
Total equity		226,789	584,350
Non-current liabilities			
Trade and other payables	13	10,317	45,568
Tax liabilities	14	–	237,310
Deferred tax liabilities	15	20,366	11,275
		30,683	294,153
Current liabilities			
Volume and support incentives	5	1,029,341	769,084
Trade and other payables	13	739,574	691,444
Deferred revenue	16	51,828	48,848
Derivative financial instruments	10	3,587	21,096
Tax liabilities	14	302,055	30,058
		2,126,385	1,560,530
Total liabilities		2,157,068	1,854,683
Total equity and liabilities		2,383,857	2,439,033

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

Statement of profit or loss and other comprehensive income
Year ended 30 September 2018

	Note	2018 US$'000	2017 US$'000
Revenue	18	2,916,644	2,524,183
Intercompany service fee income		201,773	176,407
Income before operating expenses		3,118,417	2,700,590
Intercompany service fee expense		(481,090)	(438,959)
Staff costs		(239,259)	(200,753)
Professional fees expense		(23,317)	(17,053)
Depreciation expense	4	(15,906)	(14,416)
Advertising, marketing and promotions expenses		(130,138)	(126,666)
Other expenses		(172,437)	(153,307)
Results from operating activities		2,056,270	1,749,436
Finance income		86,819	77,023
Finance costs		(1,987)	(9,776)
Net finance income	19	84,832	67,247
Profit before income tax		2,141,102	1,816,683
Income tax expense	20	(109,291)	(90,907)
Profit for the year	21	2,031,811	1,725,776
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		30,903	20,660
Net change in fair value of available-for-sale investment securities		(1,065)	(10,134)
Net change in fair value of available-for-sale investment securities reclassified to profit or loss		761	1,994
Income tax on items that are or may be reclassified subsequently to profit or loss		(257)	1,177
Other comprehensive income for the year, net of income tax		30,342	13,697
Total comprehensive income for the year		2,062,153	1,739,473

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

Statement of changes in equity
Year ended 30 September 2018

	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 2016	8,968	(32,605)	6,601	(60,814)	6,229,368	6,151,518
Total comprehensive income for the year						
Profit for the year	–	–	–	–	1,725,776	1,725,776
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	20,660	–	–	–	20,660
Net change in fair value of available-for-sale investment securities	–	–	(10,134)	–	–	(10,134)
Net change in fair value of available-for-sale investment securities reclassified to profit or loss	–	–	1,994	–	–	1,994
Income tax on other comprehensive income	–	(207)	1,384	–	–	1,177
Total other comprehensive income, net of income tax	–	20,453	(6,756)	–	–	13,697
Total comprehensive income for the year	–	20,453	(6,756)	–	1,725,776	1,739,473
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Dividends declared	–	–	–	–	(7,300,000)	(7,300,000)
Share-based payment transactions	–	–	–	(6,641)	–	(6,641)
Total contributions by and distributions to owners of the Company	–	–	–	(6,641)	(7,300,000)	(7,306,641)
At 30 September 2017	8,968	(12,152)	(155)	(67,455)	655,144	584,350

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

Statement of changes in equity (continued)
Year ended 30 September 2018

	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 cash flows
Year ended 30 September 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Profit for the year		2,031,811	1,725,776
Adjustments for:			
Depreciation expense	4	15,906	14,416
Equity-settled share-based payment transactions	22	19,136	13,942
Net finance income	19	(84,832)	(67,247)
Impairment loss on trade receivables		(105)	176
Loss on disposal of property, plant and equipment		638	1,159
Income tax expense		109,291	90,907
		2,091,845	1,779,129
Changes in:			
- Amounts due from related corporations and subsidiaries		(15,775)	7,970
- Amount due from immediate holding company		19,077	(22,725)
- Amount due to ultimate holding company		(1,558)	3,880
- Amounts due to related corporations and subsidiaries		(82,544)	77,364
- Deferred revenue		2,980	(7,765)
- Volume and support incentives		253,139	9,453
- Prepayments		1,677	(4,743)
- Trade and other receivables		(82,230)	(30,829)
- Trade and other payables		39,510	99,748
Cash generated from operations		2,226,121	1,911,482
Income tax paid		(36,272)	(17,023)
Net cash from operating activities		2,189,849	1,894,459
Cash flows from investing activities			
Interest received		62,132	61,246
Purchase of available-for-sale investment securities		(2,324,152)	(1,859,773)
Purchase of property, plant and equipment	4	(17,026)	(28,510)
Proceeds from disposal of property, plant and equipment		31	–
Proceeds from sale/redemption of available-for-sale investment securities		582,999	4,172,128
Loan to immediate holding company		(582,156)	(4,141,772)
Loan to related corporation		(7,200)	–
Repayment from related corporation		–	26,300
Acquisition of interests in subsidiaries		–	(1,400)
Net cash used in investing activities		(2,285,372)	(1,771,781)

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

Statement of cash flows (continued)
Year ended 30 September 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from financing activities			
Interest paid		–	(1)
Dividends paid to owners of the Company		(5,242)	(139,246)
Net cash used in financing activities		(5,242)	(139,247)
Net decrease in cash and cash equivalents		(100,765)	(16,569)
Cash and cash equivalents at beginning of year		486,433	499,795
Effect of exchange rate fluctuations on cash held		1,223	3,207
Cash and cash equivalents at end of year	9	386,891	486,433

Significant non-cash transactions

During the financial year ended 30 September 2018:

- The Company extended a loan of $1,213,600,000 (2017: $8,165,744,000) to Visa International Holdings Limited ("VIHL") of which $631,444,000 (2017: $4,023,972,000) was made by way of a transfer of debt securities to VIHL.

- The Company declared dividends of $2,400,000,000 (2017: $7,300,000,000) to VIHL that shall be payable as follows:

  (a) by way of $2,214,389,000 (2017: $7,160,754,000) set-off against the loan to VIHL; and

  (b) $180,369,000 (2017: Nil) by way of 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 13 March 2019.

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.

On 21 February 2017, Visa International Holdings Limited, incorporated in the United Kingdom, acquired the beneficial interest in 100% of the shares in the Company from Visa International Service Association. Consequently, on that date, the immediate holding company of the Company changed from Visa International Service Association to Visa International Holdings Limited.

The ultimate holding company during the financial year 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.

2.4 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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:

- Note 3.9, 5 – measurement of volume and support incentives
- Note 15 – estimation of deferred tax liability
- Note 17 – collectability of trade and other receivables.

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.

2.5 Changes in accounting policies

Revised standards

The Company has applied the following amendments for the first time for the annual period beginning on 1 October 2017:

- *Disclosure Initiative (Amendments to FRS 7)*

The adoption of this amendment did not have any impact on the current or prior period.

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.

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 recognised in profit or loss, except for the difference arising on the translation of qualifying cash flow hedges to the extent the hedge is effective which is recognised in other comprehensive income.

3.3 Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

The Company classifies non-derivative financial assets into loans and receivables, and available-for-sale financial assets.

Loans and receivables

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

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

Cash and cash equivalents comprise cash and certain highly liquid investments with original maturities of 90 days or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for-sale investment securities, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise debt securities.

(ii) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Company has the following non-derivative financial liabilities: trade and other payables, and volume and support incentives. These non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

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.

(iv) Derivative financial instruments, including 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.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iv) Derivative financial instruments, including hedge accounting (continued)

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.

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.

3.4 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.

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

(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.

(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 (or lease term, if shorter) of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

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.

3.5 Impairment

(i) Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

3 Significant accounting policies (continued)

3.5 Impairment (continued)

(i) Non-derivative financial assets (including receivables) (continued)

Objective evidence that financial assets are impaired can include 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 will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is 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. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(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. Impairment losses are recognised in profit or loss.

3 Significant accounting policies (continued)

3.5 Impairment (continued)

(ii) Non-financial assets (continued)

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.

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 or amortisation, if no impairment loss had been recognised.

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.

(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.

3 Significant accounting policies (continued)

3.6 Employee benefits (continued)

(iii) Share-based payment (continued)

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.

3.8 Revenue

The Company's revenue comprises principally service fees, data processing fees, international transaction fees and other revenues, adjusted by volume and support incentives arrangements if a separate identifiable benefit at fair value can be established. The Company recognises revenue when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

3 Significant accounting policies (continued)

3.8 Revenue (continued)

Service fees consist of revenues earned for services provided in support of client usage of Visa products. Service fees are recognised based on current pricing applied to payments volume and card account numbers.

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. Data processing fees are recognised in the same period the related transactions occur or services are rendered.

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 is different from that of the merchant. International transaction fees are primarily generated by cross-border payments and cash volume. The fees from these cross-border transactions are recognised as revenue in the same period the related transactions occur or services are rendered.

Royalty fees are assessed in relation to the right to use Visa's licensed trademarks in connection with customers' Visa card program. Royalty fees are recognised based on current pricing applied to payment volumes.

Other revenues consist mainly of fees for account holder services and licensing and certification. Other revenues also include optional service or 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 profit or loss in the same period the related transactions occur or services are rendered.

3.9 Volume and support incentives

The Company enters into incentive agreements with financial institution customers, merchants, and other business partners designed to build payments volume and to increase product acceptance. These incentives are primarily accounted for as reductions of operating revenues or as marketing expenses if a separate identifiable benefit at fair value can be established. The Company generally recognises advance incentive payments under these agreements as prepayment if certain criteria are met. The prepayment criteria includes 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.

Prepaid amounts are amortised over the shorter of the period of contractual recoverability or the corresponding period of economic benefit. Incentives not yet paid are accrued systematically and rationally based on management's estimate of each customer's performance.

3 Significant accounting policies (continued)

3.9 Volume and support incentives (continued)

Customer's performance refers to payment volumes, card issuance and card conversion. Performance is estimated using customer reported information, transactional information accumulated from the Company's system, historical information and discussions with the customers. 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. Increases in incentive payments are generally driven by increased payment and transaction volume, and as a result, in the event incentive payments exceed estimates, such payments are not expected to have a material effect on the Company's financial condition, results of operations or cash flows. 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 comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in profit or loss. 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.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost, depending on whether the foreign currency movements are in a net gain or net loss position.

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.

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.

3 Significant accounting policies (continued)

3.12 Tax (continued)

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.

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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

In determining the amount of current and deferred tax, the Group 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 amendments to standards are effective for annual periods beginning after 1 October 2017 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these statements.

3 Significant accounting policies (continued)

3.13 New accounting standards and interpretations not adopted (continued)

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company has set up project teams to assess the transition options and the potential impact on its financial statements, and to implement these standards. Management provides updates to the Board of Directors on the progress of implementing these standards. These updates cover project implementation status, key reporting and business risks and the implementation approach. The Company does not plan to adopt these standards early.

Applicable to financial statements for the financial year ending 30 September 2019

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2019 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	The Company will adopt the standard effective 1 October 2018, and expects to adopt the standard using the cumulative effect method. The Company has completed a preliminary assessment of its existing customer contracts through 30 September 2018. Based on this assessment, the Company has estimated that the application of the new standard would result in a post-tax increase of approximately $25,000,000 in retained earnings at 1 October 2019. The assessment may be subject to changes arising from ongoing analysis, until the Company adopts FRS 115 for the financial year ending 30 September 2019.

3 Significant accounting policies (continued)

3.13 New accounting standards and interpretations not adopted (continued)

Applicable to financial statements for the financial year ending 30 September 2019 (continued)

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 109 *Financial Instruments*	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	The Company is currently assessing the impact on the Company's financial statements. The Company's initial assessment of the impact of FRS 109 is described below. **Classification and measurement** - Loans and receivables are currently accounted for at amortised cost and will continue to be accounted for using the amortised cost model under FRS 109. For financial assets currently held at fair value, the Company expects to continue measuring most of these assets at fair value under FRS 109. The expected classification and measurement of these financial assets under FRS 109 is summarised below: • Available-for-sale (AFS) securities are expected to be classified as financial assets subsequently measured at fair value through OCI (FVOCI) as they are held to maintain liquidity for the Company and may be sold from time to time should the need arise. • Derivative financial instruments are expected to be measured at fair value through profit or loss except for derivative financial instruments that are designated as effective cash flow hedges.

3 Significant accounting policies (continued)

3.13 New accounting standards and interpretations not adopted (continued)

Applicable to financial statements for the financial year ending 30 September 2019 (continued)

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 109 *Financial Instruments*	**Impairment** - The Company is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements and does not expect the adoption of the new standard to have a significant impact to its financial statements. The assessment may be subject to changes arising from ongoing analysis, until the Company adopts FRS 109 for the financial year ending 30 September 2019. **Hedge accounting** - The Company expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109. **Transition** - The Company plans to adopt the standard when it becomes effective for the financial year ending 30 September 2019 and does not plan on restating comparative information.

3 Significant accounting policies (continued)

3.13 New accounting standards and interpretations not adopted (continued)

Applicable to financial statements for the financial year ending 30 September 2020

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 ***Leases***	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, 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*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Company has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 23). Based on the preliminary assessment, the Company expects its operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The Company plans to adopt the standard when it becomes effective for the financial year ending 30 September 2020. The Company will perform a detailed analysis of the standard, including the transition options and practical expedients in 2019.

4 Property, plant and equipment

	Leasehold improvements US$'000	Furniture and fittings US$'000	Office equipment US$'000	Telecommuni-cations equipment US$'000	Computer equipment US$'000	Security equipment US$'000	Software US$'000	Total US$'000
Cost								
At 1 October 2016	38,046	6,599	1,574	4,079	38,151	2,789	8,250	99,488
Additions	6,241	392	–	139	18,059	179	3,500	28,510
Disposals	(4,867)	(1,046)	(170)	(51)	(2,724)	(434)	(1,177)	(10,469)
At 30 September 2017	39,420	5,945	1,404	4,167	53,486	2,534	10,573	117,529
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
Accumulated depreciation and impairment losses								
At 1 October 2016	23,152	3,759	1,223	2,008	29,577	1,774	6,351	67,844
Depreciation	4,843	693	176	894	5,589	387	1,834	14,416
Disposals	(3,838)	(941)	(169)	(52)	(2,709)	(425)	(1,177)	(9,311)
At 30 September 2017	24,157	3,511	1,230	2,850	32,457	1,736	7,008	72,949
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
Carrying amounts								
At 1 October 2016	14,894	2,840	351	2,071	8,574	1,015	1,899	31,644
At 30 September 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

5 Volume and support incentives

	2018 US$'000	2017 US$'000
At 1 October	(529,788)	(509,468)
Current year amount charged to profit or loss		
- Volume and support incentives	(1,384,148)	(1,157,344)
- Advertising, marketing and promotions expenses	185	(119)
Payments	1,145,248	1,137,143
At 30 September, net liability	(768,503)	(529,788)
Volume and support incentives:		
- Non-current assets	173,518	156,776
- Current assets	87,320	82,520
- Current liabilities	(1,029,341)	(769,084)
	(768,503)	(529,788)

Volume and support incentive amounts on the balance sheet are estimated based on existing customer performance and recoverable cash flows, amongst other variables. These estimates require a degree of judgement and the application of assumptions.

6 Investment securities

	2018 US$'000	2017 US$'000
Available-for-sale investment securities:		
- Debt securities	1,019,485	89,901
- Unquoted equity securities of a related corporation	11	–
	1,019,496	89,901
Available-for-sale investment securities:		
Non-current	994,500	–
Current	24,996	89,901
	1,019,496	89,901

Available-for-sale debt securities with a carrying amount of US$1,019,485,000 as at 30 September 2018 (2017: US$89,901,000) have stated interest rates of 2.023% to 2.340% (2017: 0.000% to 1.125%).

The unquoted equity investment is stated at cost, as there is no active market for the investment and its fair value could not be reliably measured.

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

	2018 US$'000	2017 US$'000
Trade receivables	189,338	169,909
Allowance for impairment losses	(255)	(360)
	189,083	169,549
Amount due from immediate holding company (note a)	7,848	1,027,714
Amounts due from subsidiaries (note b)	39,272	24,133
Amounts due from related corporations (note b)	879	244
Amount due from a related corporation (note c)	7,200	–
Other receivables	215,247	164,923
	459,529	1,386,563
Trade and other receivables:		
Non-current	142,421	109,943
Current	317,108	1,276,620
	459,529	1,386,563

Note (a)

The amount includes a loan amounting to $4,200,000 (2017: US$1,004,989,000) 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 1.946% (2017: 1.161%).

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 2.246% (2017: 1.004%).

At the reporting date, the Company recorded an impairment allowance of US$255,000 (2017: US$360,000) on trade receivables as the Company is not confident of the recovery of these amounts.

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

	2018 US$'000	2017 US$'000
Equity investments, at cost	178,722	178,722

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
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 2018 %	Ownership interest 2017 %
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

	2018 US$'000	2017 US$'000
Bank balances	85,309	137,182
Money market funds	301,582	349,251
	386,891	486,433

10 Derivative financial instruments

	Positive fair value US$'000	Negative fair value US$'000
2018		
Forward foreign exchange contracts	28,433	3,587
2017		
Forward foreign exchange contracts	6,944	21,096

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

	2018 No. of shares	2017 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

	2018 US$'000	2017 US$'000
Hedging reserve	18,442	(12,152)
Fair value reserve	(407)	(155)
Other reserve	(87,169)	(67,455)
	(69,134)	(79,762)

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

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale investment securities until the investments are derecognised or impaired.

Other reserve represents equity-settled share-based payments granted to employees. The reserves is 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

	2018 US$'000	2017 US$'000
Trade payables	26,843	25,281
Non-trade amounts due to:		
- ultimate holding company	69,018	50,862
- subsidiaries	10,800	9,274
- related corporations	279,082	363,152
Accrued operating expenses	238,088	195,610
Accrued compensation	65,828	57,027
Customer collateral	60,232	35,806
	749,891	737,012
Trade and other payables:		
Non-current	10,317	45,568
Current	739,574	691,444
	749,891	737,012

At 30 September 2017, the amount owing to a related corporation included a loan amounting to US$166,503,000 which is unsecured, interest bearing at the agreed annual rate compounded semi-annually and repayable on demand. The effective interest rate of the loan during the year was 1.60% (2017: 1.91%) per annum.

An amount owing to a related corporation of $22,610,000 (2017: US$24,939,000) 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 2.07% (2017: 1.06%).

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

	2018 US$'000	2017 US$'000
Tax payables	302,055	267,368

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 2016 US$'000	Recognised in profit or loss (Note 20) US$'000	Recognised in other comprehensive income US$'000	At 30 September 2017 US$'000	Recognised in profit or loss (Note 20) US$'000	Recognised in other comprehensive income US$'000	At 30 September 2018 US$'000
Deferred tax liabilities							
Investment securities	36	–	1,384	1,420	–	52	1,472
Derivative financial instruments	(590)	–	(207)	(797)	–	(309)	(1,106)
Property, plant and equipment	(139)	(122)	–	(261)	(4)	–	(265)
Accrued operating expenses	(13,951)	2,314	–	(11,637)	(8,830)	–	(20,467)
	(14,644)	2,192	1,177	(11,275)	(8,834)	(257)	(20,366)

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 fact that the deferred tax liabilities are not reversed at the tax rates that they 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

Deferred revenue represents income received in advance and will be recognised in the statement of profit or loss when earned.

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.

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. The 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

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.

17 Financial risk management (continued)

Credit risk (continued)

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.

The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time. As at 30 September 2018, the Company's estimated maximum settlement exposure was approximately US$7.4 billion (2017: US$9.4 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 September 30, 2018 and 2017, the Company held the following collateral to manage settlement exposure:

	2018 US$'000	2017 US$'000
Cash equivalents	60,226	40,099
Letters of credit	316,182	279,963
Guarantees	28,349	332,727
	404,757	652,789

Cash equivalents collateral amounting to nil (2017: US$4,293,000) is held on behalf of the Company by a related corporation. 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 (2017: US$538,926). 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)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018 US$'000	2017 US$'000
Investment securities	1,019,496	89,901
Trade and other receivables	459,529	1,386,563
Cash and cash equivalents	386,891	486,433
Derivative financial instruments	28,433	6,944
	1,894,349	1,969,841

Trade and other receivables

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	2018 US$'000	2017 US$'000
United Kingdom	7,910	1,030,217
India	156,386	125,515
Australia	48,533	36,784
Singapore	28,615	21,174
Japan	36,664	24,355
China	33,218	24,030
Korea	8,750	8,257
Hong Kong	18,769	14,086
Thailand	8,776	8,024
Malaysia	6,240	5,519
Indonesia	35,399	25,956
Taiwan	6,234	5,210
New Zealand	16,113	7,072
Vietnam	13,059	7,511
Others	34,863	42,853
	459,529	1,386,563

17 Financial risk management (continued)

Credit risk (continued)

Trade and other receivables (continued)

Impairment losses

The ageing of trade and other receivables at reporting date was:

	Gross 2018 US$'000	Allowance for impairment losses 2018 US$'000	Gross 2017 US$'000	Allowance for impairment losses 2017 US$'000
Not past due	459,066	–	1,378,470	–
Past due 0 – 30 days	139	–	7,570	–
Past due 31 – 120 days	291	(8)	475	(27)
Past due more than 120 days	247	(223)	304	(229)
More than one year	41	(24)	104	(104)
	459,784	(255)	1,386,923	(360)

The change in allowance for impairment losses in respect of trade and other receivables during the year was as follows:

	2018 US$'000	2017 US$'000
At beginning of the year	(360)	(190)
Allowance made during the year	(760)	(742)
Allowance written back during the year	864	566
Allowance utilised during the year	1	6
At end of the year	(255)	(360)

Trade receivables analysis

Concentration of credit risk relating to trade receivables is limited due to the Company's varied customers. The Company's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

Cash and cash equivalents

The Company held cash and cash equivalents of US$386,891,000 at 30 September 2018 (2017: US$486,433,000) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banking and financial institution counterparties with high credit ratings.

17 Financial risk management (continued)

Credit risk (continued)

Derivative financial instruments

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

Investment securities

The Company invests in debt securities issued by the U.S Treasury or U.S government sponsored agencies, which have strong credit ratings.

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:

	Carrying amount US$'000	Contractual cash flows US$'000	Cash flows Within 1 year US$'000	Cash flows Within 1 to 5 years US$'000
2018				
Non-derivative financial liabilities				
Trade and other payables*	(684,063)	(684,063)	(673,746)	(10,317)
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.

17 Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount US$'000	Contractual cash flows US$'000	Cash flows Within 1 year US$'000	Within 1 to 5 years US$'000
2017				
Non-derivative financial liabilities				
Trade and other payables*	(679,985)	(679,985)	(634,417)	(45,568)
Volume and support incentives	(769,084)	(769,084)	(769,084)	–
	(1,449,069)	(1,449,069)	(1,403,501)	(45,568)
Derivative financial instruments				
Forward foreign exchange contracts used for hedging (net-settled)	6,039	6,039	6,039	–
Forward foreign exchange contracts used for hedging (gross-settled):	905			
- Outflow		(95,727)	(95,727)	–
- Inflow		96,632	96,632	–
Forward foreign exchange contracts used for hedging (net-settled)	(21,096)	(21,096)	(21,096)	–
	(14,152)	(14,152)	(14,152)	–
	(1,463,221)	(1,463,221)	(1,417,653)	(45,568)

* 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.

Foreign currency risk

The Company incurs 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
2018													
Trade and other receivables	10,664	–	–	–	–	28,056	143,450	11,194	–	351	13,593	–	–
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)	(18,493)	(602)	(161)	(10,775)	(1,308)	(2,478)
Balance sheet exposure	(138,579)	(5,520)	(303)	(9)	(6,062)	20,955	54,144	(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	76,301	(320,352)	(95,871)	(40,952)	115,344	(96,451)	(2,478)

* 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
2017													
Trade and other receivables	4,581	–	–	–	–	19,301	115,314	–	–	–	5,909	–	–
Cash and cash equivalents	890	–	–	–	62	–	–	182	–	1,686	3,883	50	–
Volume and support incentives	(104,986)	–	–	–	–	(2,007)	(46,026)	(17,449)	(48,608)	(52,375)	(9,561)	(1,295)	–
Trade and other payables*	(2,250)	(8,314)	(2)	–	(7,209)	(1,022)	(40,935)	(6,466)	(1,717)	(970)	(15,774)	(2,046)	(2,420)
Balance sheet exposure	(101,765)	(8,314)	(2)	–	(7,147)	16,272	28,353	(23,733)	(50,325)	(51,659)	(15,543)	(3,291)	(2,420)
Forward foreign exchange contracts	(14,291)	(30,019)	(140,737)	(110,672)	(30,942)	(25,297)	–	(273,722)	(44,404)	–	95,727	(85,319)	–
Net exposure	(116,056)	(38,333)	(140,739)	(110,672)	(38,089)	(9,025)	28,353	(297,455)	(94,729)	(51,659)	80,184	(88,610)	(2,420)

* 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.

	Profit or loss 2018 US$'000	Equity 2018 US$'000	Profit or loss 2017 US$'000	Equity 2017 US$'000
30 September				
AUD	13,858	–	10,176	1,429
CNY	552	3,738	831	3,002
EUR	30	21,000	*	14,074
GBP	1	16,986	–	11,067
HKD	606	8,026	715	3,094
IDR	(2,096)	2,026	(1,627)	2,530
INR	(5,414)	(2,216)	(2,835)	–
JPY	4,243	27,793	2,373	27,372
KRW	6,016	3,571	5,033	4,440
NZD	4,095	–	5,166	–
SGD	244	(11,779)	1,554	(9,573)
THB	218	9,427	329	8,532
TWD	248	–	242	–
	22,601	78,572	21,957	65,967

* 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:

	2018 US$'000	2017 US$'000
Fixed rate instruments		
Available-for-sale investment securities	49,938	39,923
Non-trade amounts due to related corporations	–	(166,503)
	49,938	(126,580)
Variable rate instruments		
Available-for-sale investment securities	969,547	–
Cash and cash equivalents	323,144	467,445
Amount due from immediate holding company	4,200	1,004,989
Non-trade amounts due from related corporations	7,200	–
Non-trade amounts due to related corporations	(22,610)	(24,939)
	1,281,481	1,447,495

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
2018		
Available-for-sale 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)
2017		
Cash and cash equivalents	467	(467)
Amount due from immediate holding company	1,005	(1,005)
Non-trade amounts due to related corporations	(25)	25
Cash flow sensitivity (net)	1,447	(1,447)

17 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

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.

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
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
2017						
Financial assets						
Derivative financial instrument	6,944	–	6,944	(4,687)	(2,256)	1
Financial liabilities						
Derivative financial instrument	21,096	–	21,096	(4,687)	(13,614)	2,795

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$'000	Loans and receivables US$'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)	–	142,421	–	–	142,421	–	–	107,119	107,119
Trade and other receivables (current)	–	317,108	–	–	317,108				
Cash and cash equivalents	–	386,891	–	–	386,891				
	–	846,420	–	–	846,420				
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)*	–	–	–	(673,746)	(673,746)				
Volume and support incentives	–	–	–	(1,029,341)	(1,029,341)				
	–	–	–	(1,713,404)	(1,713,404)				

* 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
2017									
Financial assets measured at fair value									
Investment securities	–	–	89,901	–	89,901	–	89,901	–	89,901
Derivative financial instruments	6,944	–	–	–	6,944	–	6,944	–	6,944
	6,944	–	89,901	–	96,845				
Financial assets not measured at fair value									
Trade and other receivables (non-current)	–	109,943	–	–	109,943	–	–	84,616	84,616
Trade and other receivables (current)	–	1,276,620	–	–	1,276,620				
Cash and cash equivalents	–	486,433	–	–	486,433				
	–	1,872,996	–	–	1,872,996				
Financial liabilities measured at fair value									
Derivative financial instruments	(21,096)	–	–	–	(21,096)	–	(21,096)	–	(21,096)
Financial liabilities not measured at fair value									
Trade and other payables (non-current)	–	–	–	(45,568)	(45,568)	–	–	(37,961)	(37,961)
Trade and other payables (current)*	–	–	–	(634,417)	(634,417)				
Volume and support incentives	–	–	–	(769,084)	(769,084)				
	–	–	–	(1,449,069)	(1,449,069)				

* Trade and other payables exclude accrued compensation.

17 Financial risk management (continued)

Accounting classifications and fair values (continued)

Fair value hierarchy (continued)

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 and non-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) Available-for-sale debt securities

Available-for-sale 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 outside 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.

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 receipt discontinued using an adjusted discount rate.	• Adjusted discount rate 9.96% (2017: 9.12%)	• 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)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Trade and other payables (non-current)	Discounted cash flows: The valuation model considers the present value of expected payment, discontinued using an adjusted discount rate.	• Adjusted discount rate 9.96% (2017: 6.28%)	• The estimated fair value would increase if the adjusted discount rate was lower.

The fair value of the Company's unquoted equity investment classified as available-for-sale has not been determined as there is no quoted market price in an active market and other methods of determining fair value do not result in a reliable estimate.

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, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

18 Revenue

Revenue comprises the following:

	2018 US$'000	2017 US$'000
Service fees	1,409,114	1,150,915
Data processing fees	1,066,883	910,038
International transaction fees	1,572,943	1,395,964
Royalty fees	148,724	129,155
Other revenues	103,129	95,455
Volume and support incentives	(1,384,149)	(1,157,344)
	2,916,644	2,524,183

19 Net finance income

	2018 US$'000	2017 US$'000
Recognised in profit or loss		
Interest income:		
- cash and cash equivalents	675	634
- available-for-sale investment securities	12,543	36,205
- related corporation	64	235
- immediate holding company	37,636	39,642
Net change in fair value of ineffective cash flow hedges transferred to profit or loss	–	307
Net foreign exchange gain	35,901	–
Finance income	86,819	77,023
Interest expense:		
- repurchase transaction	–	(1)
- related corporation	(704)	(425)
Net change in fair value of ineffective cash flow hedges transferred to profit or loss	(522)	–
Net loss on disposal of available-for sale investment securities reclassified from equity	(761)	(1,994)
Net foreign exchange loss	–	(7,356)
Finance costs	(1,987)	(9,776)
Net finance income	84,832	67,247

20 Income tax expense

	2018 US$'000	2017 US$'000
Current tax expense		
Current year	24,630	27,664
Tax arising from foreign jurisdictions	75,338	59,370
Under provided in prior years	489	6,065
	100,457	93,099
Deferred tax expense		
Origination and reversal of temporary differences	6,220	3,842
Under/(over) provided in prior years	2,614	(6,034)
	8,834	(2,192)
Income tax expense	109,291	90,907

20 Income tax expense (continued)

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

	2018			2017		
	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	(304)	52	(252)	(8,140)	1,384	(6,756)
Cash flow hedges	30,903	(309)	30,594	20,660	(207)	20,453
	30,599	(257)	30,342	12,520	1,177	13,697

Reconciliation of effective tax rate

	2018 US$'000	2017 US$'000
Profit before income tax	2,141,102	1,816,683
Tax calculated using Singapore tax rate of 17% (2017: 17%)	363,987	308,836
Tax exempt income	(19)	(19)
Non-deductible expenses	12,713	9,941
Effect of concessionary tax rate	(345,847)	(287,420)
Tax arising from foreign jurisdictions	75,338	59,370
Under/(over) provided in prior years	3,103	31
Others	16	168
	109,291	90,907

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:

	2018 US$'000	2017 US$'000
Operating lease expense	20,597	20,090
Contribution to defined contribution plan, included in staff costs	17,491	16,182
Loss on disposal of property, plant and equipment	638	1,159

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:

	2018	**2017**
Expected terms (in years)[1]	4.00	4.23
Risk-free rate of return[2]	2.00%	1.57%
Expected volatility[3]	18.30%	20.17%
Expected dividend yield[4]	0.70%	0.81%
Weighted-average fair value per option granted	US$18.24	US$13.94

(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 2018	Weighted average exercise price 2018 (US$)	Options 2017	Weighted average exercise price 2017 (US$)
Outstanding at beginning of the year	348,700	40.50	442,515	35.67
Granted	53,196	109.82	82,075	80.82
Forfeited/expired	–	–	(3,172)	73.55
Exercised	(160,998)	19.46	(91,104)	24.44
Transferred from/(to) a related corporation	45,756	92.90	(81,614)	71.47
Outstanding at end of the year	286,654	73.51	348,700	40.50

The options outstanding at 30 September 2018 have an exercise price in the range of US$19.90 to US$109.82 (2017: US$11.00 to US$80.82) and the weighted average remaining contractual life of 6.79 years (2017: 4.46 years).

The weighted average share price at the date of exercise for share options exercised in 2018 was US$120.54 (2017: US$90.75).

At 30 September 2018, there was US$830,642 (2017: US$1,625,474) 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 1.12 years (2017: 1.3 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 2018	Weighted average grant date fair value 2018 (US$)	Awards 2017	Weighted average grant date fair value 2017 (US$)
Outstanding at beginning of the year	1,276	62.47	10,768	58.06
Vested	(1,364)	63.34	(7,644)	56.26
Transferred from/(to) a related corporation	88	76.01	(1,848)	62.47
Outstanding at end of the year	–	–	1,276	62.47

At 30 September 2018, there was nil (2017: US$138,375) total unrecognised compensation cost related to non-vested RSAs. At 30 September 2017, the cost was expected to be recognised over a weighted average period of approximately 0.13 years.

Restricted stock units

	Units 2018	Weighted average grant date fair value 2018 (US$)	Units 2017	Weighted average grant date fair value 2017 (US$)
Outstanding at beginning of the year	330,016	78.26	338,635	69.90
Granted	178,957	110.10	218,229	80.85
Forfeited/expired	(29,799)	92.92	(19,052)	74.90
Vested	(154,225)	75.59	(169,038)	65.12
Transferred from/(to) a related corporation	22,251	92.97	(38,758)	78.73
Outstanding at end of the year	347,200	95.54	330,016	78.26

At 30 September 2018, there was US$14,055,988 (2017: US$17,215,000) of total unrecognised compensation cost related to non-vested RSUs. The cost is expected to be recognised over a weighted average period of approximately 1.26 years (2017: 1.6 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 2018	Weighted average grant date fair value 2018 (US$)	Units 2017	Weighted average grant date fair value 2017 (US$)
Outstanding at beginning of the year	18,759	84.38	20,135	76.96
Granted	10,776	119.74	9,767	86.12
Forfeited/expired	(1,066)	76.07	(2,452)	72.50
Vested	(7,742)	88.06	(8,691)	72.50
Outstanding at end of the year	20,727	101.82	18,759	84.38

At 30 September 2018, there was US$3,111,066 (2017: US$1,005,899) of total unrecognised compensation cost related to non-vested PBSs. The cost is expected to be recognised over a weighted average period of approximately 0.76 years (2017: 0.86 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 recognized based on a graded vesting method over the offering period.

As at 30 September 2018, the number and weighted average fair value of shares purchased was 88,107 (2017: 94,267) and US$103.72 (2017: US$74.93).

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

	2018 US$'000	2017 US$'000
Options	1,035	646
RSAs	24	268
RSUs	15,331	11,215
PBSs	937	721
ESPP	1,809	1,092
	19,136	13,942

23 Commitments

Non-cancellable operating lease rentals are payable as follows:

	2018 US$'000	2017 US$'000
Payable:		
Within 1 year	25,442	21,636
After 1 year but within 5 years	86,417	45,437
After 5 years	20,499	1,074
	132,358	68,147

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.

Transactions with related parties

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

	2018 US$'000	2017 US$'000
Intercompany service fee income		
- From related corporations	180,617	151,675
- From subsidiaries	21,156	24,732
	201,773	176,407
Intercompany service fee expense		
- To related corporations	(397,830)	(358,026)
- To subsidiaries	(83,260)	(80,933)
	(481,090)	(438,959)

Key management personnel

	2018 US$'000	2017 US$'000
Short-term employee benefits	9,416	4,362
Post-employment benefits	–	37
Share-based payment (equity-settled)	6,361	3,306
	15,777	7,705

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.

24 Related parties (continued)

Key management personnel (continued)

During the year, 90,832 (2017: 79,365) 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, 341,528 (2017: 371,482) 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.