

# **FINTECH SELECT LTD.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**FINTECH SELECT LTD.**

**DECEMBER 31, 2018**

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Chartered Professional Accountants

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Fintech Select Ltd.:

### Opinion

We have audited the consolidated financial statements of Fintech Select Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The consolidated financial statements of the Company for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2018.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as of December 31, 2018 the Company had an accumulated deficit of \$27,901,683 and has a working capital deficiency of \$3,884,612.. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

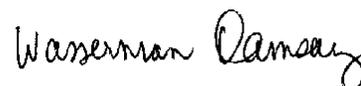
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Ramsay.



Markham, Ontario  
April 17, 2019

Chartered Professional Accountants  
Licensed Public Accountants

**Fintech Select Ltd.**  
**Consolidated Statements of Financial Position**  
(Presented in Canadian Dollars)  
**As at December 31, 2018 and 2017**

	Note	2018	2017
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash – non-restricted		\$ --	\$ 915,934
Cash – restricted	4	29,931	30,859
Accounts receivable	15	185,199	325,713
Investment held for sale		64,022	104,252
Inventory		30,185	28,418
Prepaid and other assets		45,958	79,220
		355,295	1,484,396
<b>LONG TERM</b>			
Property and equipment	5	196,257	205,915
Intangibles	6	158,397	214,592
		354,654	420,507
		\$ 709,949	\$ 1,904,903
<b>LIABILITIES &amp; SHAREHOLDERS' DEFICIT</b>			
<b>CURRENT</b>			
Bank overdraft		\$ 14,037	\$ -
Accounts payable and accrued liabilities	13	3,947,876	6,026,818
Deferred revenue		65,894	71,691
Demand loan	7	176,900	16,876
Customer deposits		35,200	35,200
		4,239,907	6,150,585
<b>SHAREHOLDERS' DEFICIT</b>			
Share capital	8	17,945,142	17,945,142
Contributed and other surplus		6,338,801	6,338,801
Warrant capital	9, 10	356,293	356,008
Other comprehensive loss		(268,511)	(218,859)
Deficit		(27,901,683)	(28,666,774)
		(3,529,958)	(4,245,682)
		\$ 709,949	\$ 1,904,903

Nature of Operations and Going concern (Note 1)

Provision (Note 20)

Subsequent event (Note 21)

Approved by the Board

**Andre Itwaru**  
Director (Signed)

**Mohammad Abuleil**  
Director (Signed)

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

## Fintech Select Ltd.

### Consolidated Statements of Operations and Comprehensive Income

(Presented in Canadian Dollars)

For the years ended December 31, 2018 and 2017

	Note	2018	2017
<b>REVENUE</b>		\$ 3,025,298	\$ 3,594,449
<b>EXPENSES</b>			
Goods and services purchased		718,692	1,472,303
Salaries and benefits	17	2,417,841	1,831,506
Other general and administrative		705,099	1,211,499
Stock based compensation		285	120,521
Foreign exchange loss (gain)		(32,798)	(26,478)
Depreciation and amortization	5,6	102,325	130,119
Loss on disposal of equipment		--	5,896
Unrealized investment loss		95,430	27,748
Interest on demand loan	7	2,058	175,506
<b>Net loss from operations</b>		(983,634)	(1,354,171)
Gain on settlement of accounts payable	13	1,316,241	858,712
Forgiveness of loan interest		--	770,047
Write off stale-dated accounts payable and accrued liabilities		432,484	160,501
<b>Net income</b>		765,091	435,089
Exchange difference on translating foreign operations		(49,652)	39,820
<b>Comprehensive income</b>		715,439	474,909
<b>Earnings per share</b>			
Basic	19	\$ 0.012	\$ 0.009
Diluted	19	\$ 0.012	\$ 0.008
<b>Weighted Average number of shares outstanding</b>			
Basic	19	64,374,515	49,885,824
Diluted	19	64,374,515	56,666,934

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

## Fintech Select Ltd.

### Consolidated Statements of Cash Flow

(Presented in Canadian Dollars)

For the years ended December 31, 2018 and 2017

	Note	2018	2017
<b>Cash provided by (used in)</b>			
<b>Operations</b>			
Net income	\$	765,091	\$ 435,089
<b>Items not affecting cash</b>			
Depreciation and amortization		102,325	130,119
Loss on disposal of equipment		--	5,896
Gain on settlement of accounts payable	(1,316,241)		(858,012)
Forgiveness of loan interest		--	(770,747)
Write off stale-dated accounts payables and accrued liabilities	(432,484)		(160,501)
Interest on demand loan		2,058	175,506
Stock based compensation		285	120,521
Unrealized foreign exchange loss (gain)	(14,199)		34,468
Unrealized investment loss		95,430	27,748
		(797,735)	(859,913)
Net change in non-cash working capital			
Accounts receivable		140,514	231,949
Inventory		(1,767)	73,701
Prepaid and other assets		33,262	4,223
Accounts payable and accrued liabilities	(330,216)		(4,137,956)
Deferred revenue	(5,797)		(43,392)
Customer deposits		--	(4,000)
		(961,739)	(4,735,388)
<b>Investing</b>			
Additions of property and equipment		(36,472)	(10,850)
Addition of investment held for sale		(55,200)	(132,000)
		(91,672)	(142,850)
<b>Financing</b>			
Addition of demand loan		175,000	--
Repayment of demand loan		(17,034)	(1,856,530)
Issuance of shares		--	3,292,916
Exercise of warrants and options		--	1,782,067
		157,966	3,218,453
<b>Net change in cash</b>		(895,445)	(1,659,785)
<b>Effect of exchange rate changes on cash</b>		(35,454)	5,354
<b>Cash, beginning of year</b>	4	946,793	2,601,224
<b>Cash, end of year</b>	4	\$ 15,894	\$ 946,793

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

## Fintech Select Ltd.

### Consolidated Statement of Changes in Shareholders' Deficit

(Presented in Canadian Dollars)

For the year ended December 31, 2018 and 2017

Year ended Dec 31, 2018	Share Capital		Contributed Surplus	Options and Warrant Capital	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
	Number	Amount					
Balance, December 31, 2017	64,374,515	17,945,142	6,338,801	356,008	(218,859)	(28,666,774)	(4,245,682)
Grant of stock options	--	--	--	285	--	--	285
Other comprehensive income from translation of foreign entity	--	--	--	--	(49,652)	--	(49,652)
Net income	--	--	--	--	--	765,091	765,091
As at December 31, 2018	64,374,515	17,945,142	6,338,801	356,293	(268,511)	(27,901,683)	(3,529,958)
Year ended Dec 31, 2017							
Balance, December 31, 2016	30,037,852	\$12,912,787	\$ 6,338,801	\$ 192,860	\$ (258,679)	\$(29,101,863)	\$(9,916,094)
Issuance of capital (net of issuance cost)	19,173,330	2,992,981	--	299,935	--	--	3,292,916
Exercise of warrants	14,793,333	1,936,238	--	(249,572)	--	--	1,686,666
Grant of stock options	--	--	--	120,521	--	--	120,521
Exercise of options	370,000	103,136	--	(7,736)	--	--	95,400
Other comprehensive income from translation of foreign entity	--	--	--	--	39,820	--	39,820
Net income	--	--	--	--	--	435,089	431,930
As at December 31, 2017	64,374,515	17,945,142	6,338,801	356,008	(218,859)	(28,666,774)	(4,245,682)

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

**FINTECH SELECT LTD.**  
**Notes to consolidated financial statements**  
**December 31, 2018 and 2017**  
**(Presented in Canadian Dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

Fintech Select Ltd. (the "Company") is a leader in financial payment services and is a provider of robust and disruptive payment solutions, including prepaid card programs, Crypto-currency POS, and recently acquired e-wallet and online payment solutions. The address of the registered office of Company is 100 King St W, Unit T201a, Chatham, ON, N7M 6A9. The Company's shares are listed on the TSX Venture Exchange under symbol FTEC.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations. The facts and circumstances noted below cast significant doubt on the company's ability to continue as going concern.

During the year, the company incurred a net loss from operations (2017- Net loss). The company had a net outflow of cash from operations of \$961,739 (2017 - outflow \$4,735,388). The Company has a working capital deficiency of \$3,884,612 (2017 deficit \$4,666,189). The working capital deficiency limits the Company's ability to fund capital expenditures and operations.

As of the year end, the Company had collateral account shortfalls which was contrary to the terms of special agreements with the financial institution whereby the Company agreed that it shall maintain in designated special collateral account in a designated bank of amounts equivalent to the consumers unspent card balances. As of December 31, 2018, the Company had collateral account shortfalls of approximately \$2.6 million liable to the cardholders and financial institution. These collateral shortfalls are already included in the working capital deficiency number noted above. The Company continues to work towards an agreeable resolution with the financial institution and simultaneously has been working to address the collateral shortfall.

The continuation of the Company as a going concern is dependent on raising sufficient working capital to maintain operations, reducing operating expenses, and increasing revenues and profits. In April and June 2017, the Company raised \$2,000,000 and \$1,460,000 through private placement of equity (note 7). The Company is pursuing further financing alternatives to fund its operations, to settle the shortfall noted above and continue its activities as a going concern. There is no assurance that it will be able to do so in the near future. Without enough financing the Company may be forced to cease operations.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the going concern assumption not be appropriate. These adjustments could be material.

The consolidated financial statements were authorized for issuance by the Board of Directors on April 16, 2019.

## **2. BASIS OF PRESENTATION**

### **Statement of compliance**

These consolidated financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### **Basis of presentation**

These consolidated financial statements are prepared on the historical cost basis except for held for sale investments which are measured at the fair value, with changes being recognized in other comprehensive income and financial assets classified as "fair value through profit and loss", if any, which are measured at fair value.

### **Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 1382285 Ontario Limited ("SelectComm"), 2143436 Ontario Limited ("SelectCore Comm"), Local Fone Service, Inc. ("LFS"), SelectCore USA, LLC ("SelectCore US") and 2314606 Ontario Limited ("SelectCore Financial Services").

Subsidiaries are all entities over which the Company has the power, is exposed, or has rights, to variable returns from its involvement and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Inter-Company transactions, balances and unrealized gains or losses between subsidiaries are eliminated in preparing the consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the reporting company using consistent accounting policies.

### **Functional and presentational currency**

Unless otherwise noted, all amounts in the accompanying consolidated financial statements and these notes are presented in Canadian funds, which is the functional currency of the Company.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Inventory**

Inventory comprises primarily of vouchers and point of sale activated Personal Identification Number ("Pins"), representing wireless prepaid airtime, which are valued at the lower of cost and net realizable value, with cost determined on a First-in First-out basis.

The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. Reversals of previous inventory write downs are recognized in the period in which the reversals occur.

**FINTECH SELECT LTD.**  
**Notes to consolidated financial statements**  
**December 31, 2018 and 2017**  
**(Presented in Canadian Dollars)**

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### **Property and Equipment**

All property and equipment are stated at historical cost less amortization and impairment losses, if any. Property and equipment are amortized over their estimated useful lives as follows:

Terminals	-	30% declining balance basis
Electronic equipment	-	20-30% declining balance basis
Office furniture and fixtures	-	20% declining balance basis
Leasehold improvements	-	straight-line over the term of the lease

The assets' residual values, amortization methods and useful lives are reviewed and adjusted if appropriate at each reporting date.

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

### **Intangibles**

Intangible assets comprise computer software. Computer software is recorded at cost and amortized on a 30% declining balance basis. Costs associated with maintaining computer software are recognized as an expense in the period incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use the software product;
- It can be demonstrated that the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the software product; and
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Completed computer software costs are recognized as assets and amortized over their useful lives.

The amortization methods and estimated useful lives of intangible assets are reviewed annually.

## **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Impairment of Long-lived Assets**

The carrying amount of Company's non-current assets, which includes property and equipment and intangible assets with finite useful lives are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any indication exists, the assets' recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash generating unit) exceeds its recoverable amount. An asset's recoverable amount is greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses are charged to profit or loss but may be reversed (other than goodwill) if there has been a change in the estimates used to determine the recoverable amount.

### **Share Issuance Costs**

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to share capital when the related shares are issued net of any tax effects. Transaction costs of abandoned equity transactions are recognized in the statement of income and comprehensive loss.

### **Revenue Recognition**

The Company recognizes revenue at the time persuasive evidence of an agreement exists, the price is fixed and determinable, the delivery has occurred and collectability is reasonably assured.

In addition, the Company applies the following specific revenue recognition policies:

- (a) Revenue for prepaid financial services is generated from multiple sources including transaction fees, cardholder fees and interchange fees and is recognized when transactions occur. Revenue from sales of physical cards is recognized when the card is delivered to the customer.
- (b) The Company's revenues are partly generated from delivering point of sale activated prepaid mobile top-up pins and vouchers. Sales of these pins and vouchers under third party brands, where the price to the consumer is fixed or determinable and collection is reasonably assured, are recognized at the date of sale to the customer. Sales of vouchers which allow for the purchase of Pins at a later date are recognized when the pins are delivered. At year end, any voucher amount that has not been delivered to final users is recorded as deferred revenue.
- (c) Call center revenue is recognized monthly based on the service categories and minutes of services used by our customers.
- (d) Revenue from subscriber services, such as local phone lines, is recognized when the service is provided to the customer. Any payment received in advance of providing services is recorded as deferred revenue.
- (e) The Company charges commission on cryptocurrency transactions through our POS system. Once the transaction is completed, the service is considered provided and revenue is recognized monthly based on transactions completed and commission charged during the month.

## **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Stock-Based Compensation**

The Company applies a fair value-based method of accounting for stock-based compensation.

Stock-based compensation is charged to operations as an employee or consultant expense over the vesting period and the offset is credited to warrants capital. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Awards with graded vesting are valued and recognized as compensation cost based on the respective vesting tranche. The amount of compensation cost recognized is adjusted to reflect the number of awards expected to vest based on continued employment vesting conditions, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

Consideration received upon the exercise of stock options is credited to share capital and the related warrants capital amount is transferred to share capital.

The fair value of stock options is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the option issued. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be reliably measured, they are measured at fair value of the equity instruments issued. Otherwise, such stock-based compensation is measured at the fair value of goods or services received.

### **Warrants**

For transactions involving the issuance of warrants, the company measures these transactions at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the company measures these transactions by reference to the fair value of the equity instruments granted. In the case of unit placements, the proceeds from the issuance of units is allocated between common shares and warrants on pro-rata basis based on relative fair values. Share issuance costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

## **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Income Taxes**

#### **(a) Income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

#### **(b) Deferred income tax**

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

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

## **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation (see Note 20).

### **Foreign Currency Transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities not denominated in the functional currency are recognized in the statement of operations and comprehensive loss.

Assets and liabilities of subsidiaries with functional currencies other than Canadian dollars are translated to Canadian dollars at the period end rates of exchange, and their earnings and expense accounts and cash flow statement items are translated at average rates of exchange for the period. The resulting translation adjustments are included in other comprehensive loss in shareholders' deficiency.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are recognized in other comprehensive losses.

On disposal of part or all of the operations, the proportionate share of the related cumulative gains and losses previously recognized in the equity are included in determining the profit or loss on disposal of that operation recognized in the profit or loss.

### **Earnings (loss) per share**

Basic net income or loss per common share is calculated by dividing the net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share is calculated by dividing the applicable net income or loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period. The dilutive effect of outstanding stock options and warrants on earnings per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company.

**SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Financial Instruments**

The Company adopted IFRS 9 as of January 1, 2018

**Financial assets**

Financial assets are classified as either financial assets at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”) or amortized cost. The Company determines the classification of financial assets at initial recognition.

**Financial assets at Fair-value through profit or loss**

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in losses in the period in which they arise.

**Financial assets at Fair-value through other comprehensive income**

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

**Financial assets at amortized cost**

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. The Company’s accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

**Financial liabilities**

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company’s financial liabilities include trade and other payables which are classified at amortized cost.

The Company has completed a detailed assessment of its financial instruments as of January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9

	<b><u>IAS 39</u></b>	<b><u>IFRS 9</u></b>
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivable	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Demand loan	Other financial liabilities	Amortized cost

## **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The adoption of this standard did not have a material impact on the Company's consolidated financial statements but resulted in certain additional disclosures. The carrying value and measurement of all financial instruments remains unchanged as of January 1, 2018 as a result of the adoption of the new standard.

### **Impairment**

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

### **Fair value hierarchy**

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's investment held for sale is classified as Level 1 and cash classified as Level 2. Both investment and cash are recorded at fair value on the consolidated statement of financial position. Other than that, none of the Company's financial instruments is recorded at fair value on the consolidated statement of financial position. The fair values of financial instruments approximate their carrying values due to their short term to maturity.

### **Leases**

Assets that are held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases.

Operating lease charges as the lessee where the Company has the right to use of assets held under operating leases, and payments made under the leases are recognized in profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### **Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The Company currently has three reportable segments, being the call centers, distribution of prepaid wireless airtime and the provision of prepaid card services.

## **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### **Critical Judgements in Applying Accounting Policies**

In the preparation of these consolidated financial statements management has made judgements, in addition to judgement over the going concern assumption described in note 1, aside from those that involve estimates, in the process of applying the accounting policies. These judgements can have an effect on the amounts recognized in the financial statements.

#### Revenue recognition

Certain revenues earned by the Company require judgement to determine if revenue should be recorded gross as a principal or net of related costs as an agent. The Company evaluates each significant contract using various criteria to determine if revenue should be recognized on a gross basis if the Company is the primary obligor to its customers and bears the risk of loss of inventory in its possession. Revenue from transactions where the Company earns a fee and does not incur inventory risk is recognized on a net basis.

### **Critical Accounting Estimates**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes to the consolidated financial statements. While management believes that these estimates and assumptions, based on management's best knowledge of current events and actions that the Company may undertake in the future, are reasonable, actual results could differ from these estimates.

Significant estimates and assumptions include those related to determining the value in use for impairment test, valuation of investments, valuation of share-based payments, the useful lives of property and equipment for amortization purposes, allowance for doubtful accounts, and the fair values of financial assets.

These estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

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**Future Accounting Changes**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable, or do not have a significant impact to the Company and have been excluded.

IFRS 16, Leases. In January 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases (IAS 17) standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. We have the option to either: apply IFRS 16 with full retrospective effect; or recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. We believe that, as a result of adopting IFRS 16, we will recognize an increase to both assets and liabilities, as we will be required to record a right-of-use asset and a corresponding lease liability on our Consolidated Statements of Financial Position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability), and an increase to depreciation and amortization (due to depreciation of the right-of-use asset). We are implementing a process that will enable us to comply with the requirements of IFRS 16 on a lease-by-lease basis. We are still assessing the effect of this standard on our consolidated financial statements.

**4. RESTRICTED CASH**

It represents cash balances in designated special collateral accounts in designated banks under the terms of the special agreements with credit union/financial institution as further explained in Note 1. Withdrawals from the accounts can only be made with the approval of the credit union/financial institution.

**5. PROPERTY AND EQUIPMENT**

Activity during the year ended December 31, 2018 is as follows:

<b>Cost</b>	<b>Terminals</b>	<b>Electronic Equipment</b>	<b>Office Furniture &amp; Fixtures</b>	<b>Leasehold Improvement</b>	<b>Totals</b>
Balance January 1, 2018	954,264	657,864	164,143	-	1,776,271
Additions	553	9,581	19,817	6,522	36,473
Balance December 31, 2018	954,817	667,445	183,960	6,522	1,812,744
<b>Accumulated Depreciation</b>					
Balance January 1, 2018	893,940	537,807	138,612	-	1,570,359
Depreciation for the year	15,839	23,193	6,803	293	46,128
Balance December 31, 2018	909,779	561,000	145,415	293	1,616,487
Net Book Value	45,038	106,445	38,545	6,229	196,257

**FINTECH SELECT LTD.**

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**PROPERTY AND EQUIPMENT (Cont'd)**

Activity during the year ended December 31, 2017 is as follows:

<b>Cost</b>	<b>Terminals</b>	<b>Electronic Equipment</b>	<b>Office Furniture &amp; Fixtures</b>	<b>Totals</b>
Balance January 1, 2017	954,264	793,472	185,678	1,933,414
Additions	-	1,957	8,893	10,850
Disposal	-	(137,565)	(30,428)	(167,993)
<b>Balance December 31, 2017</b>	<b>954,264</b>	<b>657,864</b>	<b>164,143</b>	<b>1,776,271</b>
<b>Accumulated Depreciation</b>				
Balance January 1, 2017	872,524	644,467	161,487	1,678,478
Depreciation for the period	21,416	26,997	5,560	53,973
Disposal	-	(133,658)	(28,437)	(162,095)
<b>Balance December 31, 2017</b>	<b>893,940</b>	<b>537,806</b>	<b>138,610</b>	<b>1,570,356</b>
<b>Net Book Value</b>	<b>60,324</b>	<b>120,058</b>	<b>25,533</b>	<b>205,915</b>

**6. INTANGIBLES**

<b>Cost</b>	<b>Computer Software</b>	
	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Balance January 1,	\$ 1,299,117	\$ 1,302,795
Additions	-	-
Disposal	-	(3,678)
<b>Balance end of year</b>	<b>\$ 1,299,117</b>	<b>\$ 1,299,117</b>
<b>Accumulated Depreciation</b>		
Balance January 1,	\$ 1,084,525	\$ 1,012,058
Amortization for the year	56,195	72,467
<b>Balance end of year</b>	<b>\$ 1,140,720</b>	<b>\$ 1,084,525</b>
<b>Net Book Value end of year</b>	<b>\$ 158,397</b>	<b>\$ 214,592</b>

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**7. Demand Loan**

	<b>December 31, 2018</b>	December 31, 2017
Demand loan	<b>\$ 176,900</b>	\$ 16,876

This loan bears an interest rate of 8% per annum. It was secured by a promissory note and a general security agreement, covering all of the assets of the Company.

**8. SHARE CAPITAL**

**Authorized:** Unlimited common shares

**Issued and fully paid:**

	<b>2018</b>		2017	
	Number	Amount	Number	Amount
Common Shares	<b>64,374,515</b>	<b>17,945,142</b>	64,374,515	17,945,142
Total	<b>64,374,515</b>	<b>17,945,142</b>	64,374,515	17,945,142

On April 13, 2017, the Company completed a private placement. The Company issued 13,333,330 units at a price of \$0.15 per unit and raised aggregate proceeds of \$2,000,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of \$0.20 for a period of three years.

On June 12, 2017, the Company completed a private placement. The Company issued 5,840,000 units at a price of \$0.25 per unit and raised aggregate proceeds of \$1,460,000. Each unit consists of one common share and one common share purchase warrant with an exercise price of \$0.35 for a period of three years.

The issue costs of the two private placements of \$167,084 has been deducted from share capital.

**9. STOCK OPTIONS**

The Board of Directors has adopted a stock option plan for the Company (the “Plan”). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers and technical consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of outstanding shares. Furthermore, the aggregate number of shares to be issued upon exercise of the options granted there under to any one director or officer shall not exceed 5% of the issued and outstanding shares and the number of shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding shares. Options shall expire no later than five years after the date of grant. Options may be exercised no later than ninety (90) days following cessation of the optionee’s position with the Company, provided that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The exercise price of options granted pursuant to the Plan shall be set by the Board of Directors and shall not be less than the applicable discount permitted by the TSX-V or such other stock market on which the shares are then traded. The options issued under the plan vest according to the provisions determined by the Board at the time of grant.

On April 3, 2017, the Company granted 3,380,000 incentive stock options each giving the holder the right to acquire one common share to various officers, directors, employees and consultants. The options are exercisable at \$0.17 per option for a period of three years from the date of grant, vesting immediately. 120,000 stock options were exercised during the year ended December 31, 2017.

On June 26, 2017, the Company granted 2,000,000 incentive stock options each giving the holder the right to acquire one common share to directors and consultants. The options are exercisable at \$0.30 per option for a period of three years from the date of grant, vesting immediately. 250,000 stock options were exercised during the year ended December 31, 2017.

On April 12, 2018, the Company granted 1,425,000 incentive stock options each giving the holder the right to acquire one common share to certain of its consultants, directors and officers. The options are exercisable at \$0.30 per option for a period of three years from the date of grant, vesting immediately. None of these options was exercised yet.

The Company had following options outstanding and exercisable at December 31, 2018:

	Number of options	Weighted average exercise price	Remaining life (Years)
Granted in April, 2017	3,260,000	\$0.17	1.3
Granted in June, 2017	1,750,000	0.30	1.5
Granted in April, 2018	1,425,000	0.30	2.3
<b>Balance, December 31, 2018</b>	<b>6,435,000</b>	<b>\$0.23</b>	<b>1.6</b>

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<b>Date of Expiry</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Grant Date Fair Value of options</b>
02-Apr-20	3,380,000	\$0.17	\$ 85,916

The options granted were valued using the Black-Scholes option pricing model with the following assumptions.

	<b>2017</b>
Expected dividend yield	0.00%
Expected volatility	20%
Risk free interest rate	0.82%
Expected life	3

<b>Date of Expiry</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Grant Date Fair Value of options</b>
25-Jun-20	2,000,000	\$0.30	\$ 34,605

The options granted were valued using the Black-Scholes option pricing model with the following assumptions.

	<b>2017</b>
Expected dividend yield	0.00%
Expected volatility	18%
Risk free interest rate	1.04%
Expected life	3

<b>Date of Expiry</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Grant Date Fair Value of options</b>
11-Apr-21	1,425,000	\$0.30	\$ 285

The options granted were valued using the Black-Scholes option pricing model with the following assumptions.

	<b>2018</b>
Expected dividend yield	0.00%
Expected volatility	15%
Risk free interest rate	1.20%
Expected life	3

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**10. WARRANTS**

The Company had the following warrants outstanding and exercisable at December 31, 2018 and 2017.

		<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Remaining life (Years)</b>
<b>Balance, January 1, 2017</b>		11,300,000	\$0.08	0.5
Granted, private placements		19,173,330	0.25	-
Exercised		14,793,333	0.11	-
Expired or cancelled		-	-	-
<b>Balance, December 31, 2017</b>		15,679,997	\$0.25	2.5
Granted, private placements		-	-	-
Exercised		-	-	-
<b>Balance, December, 2018</b>		15,679,997	\$0.25	1.5

	<b>Date of Expiry</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Grant Date Fair Value of Warrants</b>
	12-Apr-20	13,333,330	\$0.20	\$225,216

The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions.

				<b>2017</b>
Expected dividend yield				0.00%
Expected volatility				18%
Risk free interest rate				0.82%
Expected life				3

On April 13, 2017, the company issued 13,333,330 common shares in a private placement at a price of \$0.15 per share for gross proceeds of \$2,000,000. In addition, for each issued common share, the company issued one (1) warrant exercisable into one (1) common share expiring in 36 months which, if exercised, will lead to proceeds per Warrant of \$0.20.

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**WARRANTS (Cont'd)**

	Date of Expiry	Number of Warrants	Exercise Price	Grant Date Fair Value of Warrants
	11-Jun-20	5,840,000	\$0.35	\$74,718
The warrants granted were valued using the Black-Scholes option pricing model with the following assumptions.				
				<b>2017</b>
Expected dividend yield				0.00%
Expected volatility				20%
Risk free interest rate				0.88%
Expected life				3

On June 12, 2017, the company issued 5,840,000 common shares in a private placement at a price of \$0.25 per share for gross proceeds of \$1,460,000. In addition, for each issued common share, the company issued one (1) warrant exercisable into one (1) common share expiring in 36 months which, if exercised, will lead to proceeds per Warrant of \$0.35. The issued common shares and warrants are subject to a hold period expired on October 11, 2017.

Upon expiry of the warrants, the related outstanding balance in warrant capital will be transferred to contributed surplus.

There was no warrant granted or exercised during the six months ended September 30, 2018.

**11. SEGMENT INFORMATION**

Although the Company has revenue from US customers, it operates solely in Canada.

The Company operates primarily in three industry segments based on the nature of the product/service, its distribution division, which sells prepaid wireless airtime, its call center and its Financial Services division which provides prepaid debit card services.

	Distribution		Call Center		Financial and Payment Services		Corporate		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
\$ Millions										
Revenue	0.41	0.99	2.35	1.53	0.27	1.07	--	--	3.03	3.59
Assets	0.18	0.33	0.28	0.73	0.21	0.75	0.03	0.09	0.70	1.90
Net Profit/(Loss)	(0.14)	0.51	0.42	0.02	1.02	0.16	(0.53)	(0.25)	0.77	0.44

**FINTECH SELECT LTD.**  
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**12. COMMITMENTS**

The Company has net lease commitments for premises and equipment requiring the following minimum annual payments:

Within 1 year	\$	134,878
2 to 6 years		419,158
	<b>\$</b>	<b>554,036</b>

**13. GAIN ON SETTLEMENT OF ACCOUNTS PAYABLES**

Gain on settlement of accounts payable is made up as follows:

- the gain of \$1,242,753 on settlement with a service provider represents the difference between the outstanding accounts payable to that service provider and the settlement amount agreed upon and paid;
- the gain of \$73,488 on settlement with a service provider which represents the difference between the outstanding accounts payable to that service provider and the settlement amount agreed upon and paid.

**14. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued common shares, warrant reserve, contributed surplus and accumulated other comprehensive income in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its growth activities, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and or debt financing. See note 1.

The Company's overall capital management strategy during the period ended December 31, 2018 and 2017 has been to raise share capital, reach settlement with creditors, shut down money-losing businesses, and expand profitable call center business.

**15. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the accounting and finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

**FINANCIAL RISK MANAGEMENT (Cont'd)**

**(a) Market Risk**

(i) Currency Risk

The Company operates primarily in Canada and has a subsidiary in USA that had ceased operation. The Company has exposure to foreign exchange risk. Foreign exchange risk arises from purchase and sales transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain Canadian cash on hand to support Canadian forecasted cash flows over a 12-month horizon. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the currency of cash held.

Balances denominated in USD at December 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Cash	\$ <b>3,707</b>	\$ 406,707
Accounts receivable and other receivables	<b>114,393</b>	110,021
Accounts payable and accrued liabilities	<b>(121,893)</b>	(91,101)
<b>Total net asset (liability)</b>	<b>\$ (3,793)</b>	<b>\$ 425,637</b>

Fluctuations in the Canadian dollar exchange rate have an impact on the Company's results from operations.

Fluctuation of the U.S. dollar relative to the Canadian dollar of 5% would impact net income by approximately \$ 190 as of December 31, 2018 (2017 impact net income - \$21,282).

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company's demand loan has fixed interest rates and is not exposed to interest rate risk.

**(b) Credit Risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The maximum exposure to credit risk of the Company at period-end is the carrying value of its cash and accounts receivables.

The Company manages credit risk by maintaining bank accounts with Schedule 1 banks in Canada.

## **FINTECH SELECT LTD.**

**Notes to consolidated financial statements**

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### **FINANCIAL RISK MANAGEMENT (Cont'd)**

The Company does not require collateral or other security for accounts receivable or amounts due from related parties. The Company estimates its provision for uncollectable amounts based on analysis of the specific amount and debtor's payment history and prospects. Accounts receivable are stated net of an allowance for doubtful accounts of \$45,466 (2017 \$45,491).

Top three customers represent 57% of accounts receivable as of December 31, 2018 (2017 - three customers represented 70%). As of April 17, 2019, 75% (2017 - 59%) of the accounts receivable balance was collected. As of December 31, 2018, approximately \$90,594 (2017 - \$162,793) of the Company's receivable were 60 days past due of which approximately \$45,466 (2017 - \$45,491) have been allowed for as doubtful debts.

#### **(c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As of December 31, 2018, the Company has accounts payable and accrued liabilities and demand loans of \$4,225,872 due within 12 months (2017 - \$6,043,694), cash of \$ 15,894 (2017 - \$946,793), receivables of \$ 185,199 (2017 - \$325,713) and investment held for sale of \$64,022 (2017 - \$104,252) to meet its current obligations. As a result the Company has significant liquidity risk (see note 1 for further details).

#### **(d) Economic Dependence**

One customer accounting for more than 10% of total revenues, represent 66% of the Company's revenue in the current year (2017 - one customer, accounting for more than 10% of total revenues, represented 31%).

The Company depends on large telecommunications carriers to provide certain products and services. If these carriers were unwilling or unable to provide such products and services in the future, the Company's ability to provide products and services to its customers may be adversely affected and the Company might not be able to obtain similar services from alternative carriers on a timely basis or on terms favorable to the Company.

#### **(e) Fair value**

The estimated fair values of accounts receivable, accounts payable, accrued liabilities and demand loans debt approximates their carrying values due relatively short-term nature of the instruments. The fair value of investment is based on open market price.

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**16. RELATED PARTY TRANSACTIONS AND BALANCES**

The following summarizes the Company's outstanding balances with related parties:

	<b>2018</b>	<b>2017</b>
Accounts payable	\$ 211,383	28,299

The balances are non-secured and without interest or payment terms. They mainly represents compensations due to directors for services provided.

**17. KEY MANAGEMENT COMPENSATION**

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Company's key management personnel include the board of directors, Chief Executive Officer & President, Chief Financial Officer and Vice President Business Operations and IT Development.

Remuneration of Directors and key management of Company was as follows:

	<b>Year ended Dec 31, 2018</b>	<b>Year ended Dec 31, 2017</b>
Salaries and Benefits	<b>\$ 463,827</b>	\$ 337,166
<b>Total</b>	<b>\$ 463,827</b>	<b>\$ 337,166</b>

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**18. INCOME TAXES**

**(a) Income tax expense**

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the consolidated financial statements:

	<b>2018</b>	2017
Income before income taxes	<b>\$765,091</b>	\$435,089
Statutory rate	<b>26.50%</b>	<b>26.50%</b>
Expected income tax expense (recovery)	<b>202,749</b>	115,298
Effect on income taxes of unrecognized deferred income tax asset relating to deductible temporary differences on:		
Change in unrecognized deferred tax asset and rates	<b>(255,230)</b>	(189,071)
Non-deductible expenses	<b>52,481</b>	<b>73,773</b>
Income tax expense	<b>-</b>	<b>-</b>

**(b) Deferred income taxes**

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	<b>2018</b>	2017
Amounts related to tax loss and credits carry forwards	<b>\$4,819,406</b>	\$5,842,387
Property and equipment, intangible assets and investments	<b>472,824</b>	432,755
Deferred tax asset, not recognized	<b>5,292,230</b>	6,275,142

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**(c) Loss and tax credits carry forwards**

As at December 31, 2018, the company has non-capital **losses** expiring as follows:

2028	\$ 573,066
2029	444,439
2030	675,981
2031	490,688
2032	6,881,881
2033	4,019,146
2034	1,844,278
2035	2,416,234
2036	1,538,556
2037	393,355
	<b>\$19,277,624</b>

The potential tax benefit relating to the non-capital losses and tax credit carry forwards has not been reflected in these financial statements.

**19. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**

	2018	2017
Basic earnings available to common shareholders	\$ 765,091	\$ 435,089
Weighted average number of common shares outstanding, basic	64,374,515	49,885,824
Basic earnings per share	\$ 0.012	\$ 0.009
Weighted average number of common shares outstanding	64,374,515	49,885,824
Assumed exercise of outstanding dilutive options and warrants	--	20,689,997
Shares repurchased from proceeds of assumed exercise of options and warrants	--	(13,908,887)
Weighted average number of common shares outstanding, diluted	64,374,515	56,666,934
Basic and diluted earnings per share	\$ 0.012	\$ 0.008

**20. PROVISION**

On April 20, 2017, the Company was served by a service provider with a Statement of Claim filed in the Ontario Superior Court of Justice (the "**Claim**") for the amount of \$4,000,000. The Claim relates to the shortfall of a secured cash pledge ("Secured Deposit"), as per the Special Account Agreement executed between the Company and the service provider. The Company has recorded its estimate of the liabilities associated to the service provider as of December 31, 2018. The Company has been working on settling this claim. The company does not expect that any additional loss will be incurred.

**21. SUBSEQUENT EVENTS**

On December 31, 2018, the Company signed a definitive agreement with Mswipe Technologies ("Vendor") to acquire an online payment and e-wallet platform ("Platform") that will complement and easily integrate with the Company's existing core payment platforms. In February 2019, the Company issued six million (6,000,000) common shares to the Vendor, in consideration for the acquired Platform, and five hundred thousand (500,000) common shares, as payment of finder's fees to an arm's length third-party. The issued shares are currently held in trust with the Company's legal counsel until white labelling of the software is completed and uploaded on the Company's servers.