FTC CARDS INC.

Independent auditors' report

Financial statements
As of December 31, 2018

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To
The Director and Shareholders of
FTC Cards Inc.
São Paulo - SP

We have audited the consolidated financial statements of FTC Cards Inc. ("Company"), which comprise de statement of financial position as at December 31, 2018 and 2017, and respective statement of income, comprehensive income, changes in shareholder's equity and cash flows for the years then ended, and a summary of the significant accounting policies and other notes.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the fair presentation and preparation of the consolidated financial statements in accordance with International Financial Reporting Standards - (IFRS) and for the internal controls considered necessary to allow the preparation of the consolidated financial statements free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, conducted in accordance with international auditing standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit includes performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of consolidated financial statement, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of FTC Cards Inc. as of December 31, 2018 and 2017, and the result of its operations for the years then ended, in accordance with International Financial Reporting Standards.

Going concern

Syspoints Serviços de Informática Ltda. (“Syspoints”), controlled company of FTC Cards Inc., is the only company in the group with operating activities. Currently, Syspoints has no significant revenues and has reported successive losses. In addition, its principal customer has not renewed the contract, as mentioned in note 1.4. We draw attention to the risks related to the Company’s continuity as a going concern. Our opinion is not qualified in respect of this matter.

São Paulo, April 30, 2019.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Esmir de Oliveira
Contador CRC 1 SP 109628/O-0

FTC CARDS INC.

Statements of financial position
As at December 31, 2018 and 2017
(In thousands of Canadian Dollars)

Assets	Note	2018	2017
Current			
Cash and cash equivalents	4	693	2.740
Trade accounts receivable	6	368	603
Other current assets	-	8	34
Total current assets		1.069	3.377
Non-current assets	-		
Related parties	17	-	151
Deposit of rent	-	17	38
Deferred income taxes	15	-	70
		17	259
Investment	6	-	143
Property and equipment	7	16	80
Intangible	8	20	48
Total non-current assets		36	271
Total assets		1.122	3.906

Liabilities and shareholders' equity	Note	2018	2017
Current liabilities			
Trade accounts payable	9	1.079	1.022
Labor and social liabilities	10	-	334
Tax payable	11	77	52
Othes liabilities	-	223	-
Total current liabilities		1.379	1.409
Shareholders' equity negative			
Share capital	12	8.305	8.305
Retained earnings		(5.529)	(2.992)
Capital transactions		(310)	(310)
Other comprehensive income		(2.723)	(2.506)
Total Shareholders' equity negative		(257)	2.497
Total liabilities and shareholders' equity		1.122	3.906

The accompanying notes are an integral part of these financial statements

FTC CARDS INC.

Statement of income

For the years ended December 31, 2018 and 2017
(In thousands of Canadian Dollars)

	Note	2018	2017
Net sales	13	339	541
Cost of sales	14	(852)	(2.402)
Gross income		(513)	(1.861)
Other revenues/(expenses)			
Sales and marketing	14	-	(134)
Administration	14	(1.695)	(1.994)
Others expenses	14	(365)	(616)
Financial expenses, net		100	250
		(1.960)	(2.494)
Net income before income tax and social contribution		(2.473)	(4.355)
Income tax and social contribution - current	-	-	-
Income tax and social contribution - deferred	16	(64)	(6)
Net income		(2.537)	(4.361)

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

FTC CARDS INC.

Statement of comprehensive income
For the years ended December 31, 2018 and 2017
(In thousands of Canadian Dollars)

	2018	2017
Net income (loss)	(2.537)	(4.361)
Other comprehensive income (loss)		
Exchange rate gains (losses) of foreign investments	(217)	(475)
Total comprehensive income (loss) for the period	(2.754)	(4.836)

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

FTC CARDS INC.

Statement of changes in shareholder's equity
(In thousands of Canadian Dollars)

	Share capital	Shareholders transactions	Retained earnings	Accumulated other comprehensive income	Total Shareholders' equity
Balance, December 2016	8.305	(310)	1.369	(2.031)	7.333
Net income for the year	-	-	- 4.361	-	(4.361)
Exchange rate gains (losses) of foreign investments	-	-	-	(475)	(475)
Balance, December 2017	8.305	(310)	(2.992)	(2.506)	2.497
Net income for the year	-	-	(2.537)	-	(2.537)
Exchange rate gains (losses) of foreign investments	-	-		(217)	(217)
Balance, December 2018	8.305	(310)	(5.529)	(2.723)	(257)

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

FTC CARDS INC.

Statement of cash flows
For the years ended December 31, 2018 and 2017
(In thousands of Canadian Dollars)

	2018	2017
Cash flow from operating activities:		
Net income for the period	(2.537)	(4.361)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	36	35
Impairment loss	-	616
Loss/(gain) on investment	-	39
Exchange rate gains (losses)	8	26
Deferred income tax and social contribution	70	6
Accounts receivable	235	1.228
Other current assets	26	(184)
Deposit of rent	21	-
Trade accounts payable	57	(266)
Accrued liabilities	(334)	4
Tax payable	25	(225)
Due to related parties	151	(1.021)
Othes liabilities	223	-
Cash flows provided by (used in) operating activities	(2.019)	(4.103)
Cash flows from investing activities:		
Long term investment	-	2.485
Loss/(gain) on investment	143	-
Purchase of software development	(20)	-
Disposal of assets, net	66	-
Cash flows provided by (used in) investing activities	189	2.485
Effect of changes in cumulative translation adjustment	(217)	(475)
Increase (decrease) in cash and cash equivalents	(2.047)	(2.093)
Cash and cash equivalents, beggining of period	2.740	4.833
Cash and cash equivalents, end of period	693	2.740
Increase (decrease) in cash and cash equivalents	(2.047)	(2.093)

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

1. Operations

1.1. Corporate structure

FTC Cards Inc. ("FTC Canada" and the "Company") was incorporated under the name "0934977 B.C. Ltd." under the laws of the Province of British Columbia by articles of incorporation dated March 9, 2012. On May 16, 2012, the name was changed to "FTC Cards Inc."

The Company was incorporated by CTF Technologies Inc. ("CTF") for the purposes of completing a reorganization whereby, pursuant to the terms of an Arrangement agreement between CTF, and FleetCor Technologies Inc, ("FleetCor"), FleetCor would acquire all of the shares of CTF from its existing shareholders and FTC Canada would be "spun-out" from CTF, i.e. all of the shares of FTC Canada owned by CTF would be dividended to its shareholders so that the former CTF shareholders became the new shareholders of FTC Canada. Consequently, on July 3, 2012, the completion date, FTC Canada ceased to be a wholly-owned subsidiary of CTF and became a reporting issuer, although its common shares are currently not listed on any exchange for trading in Canada or elsewhere.

Also, pursuant to the terms of the Arrangement agreement, when the FTC Canada shares were issued to CTF, in return the Company acquired approximately 90.5% of the equity of FTC Cards Processamento e Serviços de Fidelização Ltda. ("FTC Brazil") from CTF and assumed the management of the business of FTC Brazil. FTC Brazil is a limited liability company limited under the laws of Brazil and was incorporated on April 7, 2011. The balance of the equity in FTC Brazil was initially held by Technis Planejamento e Gestão em Negócios Ltda. (“Technis”), a limited liability company limited under the laws of Brazil and a related party.

On October 17, 2014, at the request of the minority shareholder of FTC Brazil the 9.5 interest held by Technis was repurchased and canceled, such that FTC Brazil became a wholly-owned subsidiary of FTC Canada with effect from October 2014.

These consolidated financial statements include the results of FTC Canada for the years 2018 and 2017, 100% (one hundred percenter) of FTC Canada thereafter to December 31, 2018.

On 2017, Dezember first the FTC Cards Processamento e Serviços de Fidelização Ltda. changed your Business name to Syspoints Serviços de Informatica Ltda. (“Syspoints” or previously “FTC Brazil”).

The registered and records office of FTC Canada is located at 1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The head office of FTC Canada is located at 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2. The registered and head office of Syspoints is located at Alameda Tocantins, No.125, 33rd floor, room 3302, Building 01 of Condominio West Side - Alphaville, in the city of Barueri, State of Sao Paulo, Brazil.

1.2. Business of the company

The Company's primary operations are in Brazil and involve service implementation, maintenance and operation of systems for the Promotion Award, Fidelity and Acquiring, leasing, subleasing and the provision of electronic terminals or other equipment to enable the capture, transmission and processing of data relating to transactions arising from the use of credit cards and/or debit cards, Direct Consumer credit - CDC, purchase, service and other means of payment, provision of service installation and maintenance of electronic terminals and of equipment for capturing, transmitting and processing data related to transactions arising from the use of payment cards, targeted at the franchise gas stations of Raízen Combustíveis S.A. ("Raizen"). Syspoints is continuing the business originally developed by CTF Technologies do Brasil Ltda., a subsidiary of CTF Technologies Inc., under an agreement entered into with Petrobras.

On October 15, the contract with Raizen was interrupted by Syspoints and the company don´t have any other contract yet.

1.3. Acquisition of FTC Cards Processamentos e Serviços de Fidelização Ltda. “Syspoint”

The Company acquired its 99.99 per cent interest in its operating subsidiary in exchange for the issue of 58,351,052 common shares of its capital as part of the Arrangement Agreement as described in note 1 on July 3, 2012 from its former parent company, CTF Technologies Inc., a related party. As a consequence, the value of the assets acquired, and the liabilities assumed were valued at their respective recorded amounts, which approximate their fair values, and the value of the shares issued to CTF amounted to the net of these assumed assets and liabilities as at July 3, 2012 converted at the prevailing exchange rate for the Brazilian real of $0.5071.

1.4. Going concern

These consolidated financial statements are prepared under the assumption the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company may incur losses and may not have the financial resources to sustain operations in the long-term. There is no assurance that financing will be available or be available on favorable terms to fund continued operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate continued profitable operations in the future.

For six years, Syspoints maintained a partnership with a data capture and processing company, under a service agreement, which includes an exclusivity clause to avoid the partner to provide the same or similar services for our customer over a period two year after the of customer contract end.

Syspoints understood that the partner company committed a breach of the exclusivity clause resulting in loss for Syspoints. There has been strong indications of differences between the payments due and those actually made.

Having this believe, Syspoints executed a suitin the Arbitrage Chamber as foreseen in the service agreement with partner.

An arbitration process is an appropriate means for settling disputes into which the parties define an impartial third party independent of the demand to analyze and adjudicate the dispute. The parties may further define an institution to promote procedure management through cost and document management.

The main Arbitrage method advantages are:

- Celerity in conflict resolution;
- Confidentiality;
- Economicity;
- Flexibility of procedure;
- Election of legislation, seat and language of procedure;
- Expertise of the chosen referees.

The Law that regulates Arbitrage in Brazil establishes that the parties are free in choosing the rules of law that will be applied, just as the process can be carried out based on the general principles of Law, customs and international trade rules.

The Arbitrage stated as an uncontroverted fact the partner breach the exclusivity clause. Syspoints, then is seeking:

(i) a declaration that the Exclusivity Clause is valid and effective;
(ii) the acknowledgement that the partner failed to comply with the exclusivity obligation;
(iii) that partner be ruled to pay damages arising from the default of the exclusivity duties;
(iv) that partner be ordered to keep all records and data related to the Syspoints agreement, so that an expert can inspect them and assess any differences in payments owed to Syspoints; and
(v) in case any credit, be verified by the expert that partner be ruled to pay the differences owed to Syspoints.

Syspoints demands loss and damage of about R$ 80 million.

Recently the parties presented their final allegations closing the instructions of the suit. The Arbitrage judges as have now the final deadline 2019, August to present their verdict.

2. Presentation of financial statements

2.1. Presentation of financial statements

a. Statement of compliance (related to the accounting practices adopted in IFRS)

These consolidated financial statements have been prepared and are presented in accordance with the “International Financial Reporting Standard – IFRS” and include the financial statements of the Company.

The financial statements were approved at the Board meeting performed in April 30, 2019.

b. Measurement basis

The preparation of the individual financial statements was based on historic cost, except for the financial instruments, which were measured at fair value.

c. Functional currency and presentation currency

These consolidated financial statements are presented in Canadian Dollars (CDN.$), which is the presentation currency of the parent. Each entity of FTC Cards Inc. determines its own functional currency, and those whose functional currencies are different from the Canadian Dollar, primarily Syspoints, use the functional currency of the Brazilian Reais (R$), and the financial statements are translated at the actual exchange rates as follows.

d. Transactions and balances

Transactions in foreign currencies are recorded in the functional currency and then they are converted at the end of the period to the Canadian dollar using the average rate for the period. The conversion of assets and liabilities are translated to Canadian dollars using the rate at the close of each period.

All differences are recorded in the consolidated statement of comprehensive income.

e. Critical accounting estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year.

There were no significant assumptions about the future and other sources of estimate on uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments

The preparation of the consolidated financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include:

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

The measurement of the deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Fixed assets useful life

Fixed and intangible assets are depreciated or amortized over their useful life. The useful life is based on the Company´s management estimates regarding the period in which the assets will generate income, which are periodically reviewed for continuous adequacy. Changes in the estimates may result in significant variances in the accounting value and the values are adjusted in the period according to the new estimates.

Provision for contingencies

According to the IFRS, the Company recognizes a provision when there is a present obligation arising from a past event, whenever a transfer of economic benefits is probable and the transfer cost value can be reliably estimated. In the cases when the criteria are not yet complied with, a contingent liability can be disclosed in the explanatory notes to the financial statements. The obligations arising from contingent liabilities that were disclosed or that are not actually recognized or disclosed in the financial statements, could have a material effect on the balance sheet of the Company.

The application of these accounting principles to litigation requires the Company's administration to make calculations. The Company revises the outstanding judicial processes, monitoring their evolution at every date the reports are prepared, in order to appraise the need for provisions and disclosure in the financial statements. Factors considered when making decisions on provisions Include: litigation nature, claim or additional tax assessment, the judicial process and the potential level of indemnity in the jurisdiction where the litigation, claim or additional tax assessment was made, the development of the process (including its progress after the financial statement date, but before they are issued), opinion from legal advisors, past experience in similar situations, and any decision of the Company about the way it will respond to the litigation, claim or additional tax assessment.

Loss on Impairment of non-financial assets

A loss due to impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The estimated fair value less cost of sales is based on information available from the sale of similar assets or market prices less additional costs to dispose of the asset. The calculation of value in use is based on a discounted cash flow model. Cash flows are derived from the budget for the next five years and do not include restructuring activities to which the Company is not yet committed and where significant future investments will improve the asset base of a cash-generating unit. The recoverable amount is sensitive to the discount rate used in the method of discounted cash flow, the cash receipts and expected future growth rate used for extrapolation and the principal assumptions used to determine the recoverable amount of the various cash-generating units, including sensitivity analysis.

2.2. Capital management

The Company seeks capital alternatives in order to meet its operational needs, aiming a capital structure that takes into consideration appropriate parameters for the financial costs, maturity terms of the funding and their guarantees.

The Company monitors its financial leverage level, which corresponds to net debt, including short and long-term loans, divided by the total capital. Information related to risks inherent to the Company's operation and the use of financial instruments to prevent those risks, as well as the policies and risks related to the financial instruments.

3. Significant accounting policies

The accounting policies were applied consistently to all periods presented in these financial statements, except where indicated otherwise.

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct 99.9 per cent-owned subsidiary, Syspoints Serviços de Informatica Ltda. All significant intercompany transactions and balances have been eliminated.

b) Statement of operations and comprehensive loss, and revenue recognition

The operating result (revenues, costs and expenses) is calculated in accordance with the accrual basis of accounting. Revenue from product sales is recognized when its value can be measured reliably, all the risks and benefits are transferred to the buyer, and all terms and conditions of the sale have been satisfied.

c) Financial instruments

Assets

Classification

At initial recognition, a financial asset is classified as measured at: (i) amortized cost ("CA"); (ii) fair value through other comprehensive income ("VJORA"); or (iii) fair value through income ("VJR").

A financial asset is measured at amortized cost if it meets both of the following conditions: (i) the asset is held in a business model in order to raise contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured in VJORA if it meets both conditions below: (i) the asset is held in a business model whose purpose is met by raised contractual cash flows or by the sale of financial assets; and (ii) the contractual terms of the financial asset give rise on specific dates to cash flows that represent payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through income.

Furthermore, upon initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, at VJORA or even VJR. This designation has the purpose of significantly eliminating or reducing a possible accounting mismatch arising from the result of the respective asset.

Recognition and measurement

Purchases and sales of financial assets are recognized on the negotiation date. Investments are firstly recognized at fair value, plus the transaction costs for all financial assets not classified at fair value recognized in income.

Financial assets at fair value through income are initially recognized at fair value, and transaction costs are charged to the statement of income for the period in which they occurred.

The fair value of investments with public listing is based on the current purchase price. If the market for a financial asset is not active, the Company establishes the fair value through valuation techniques. These techniques include recent third-party transactions, reference to other instruments that are substantially the same, the analysis of discounted cash flows and option pricing models, favoring information generated by the market and minimizing the use of information generated by the Company’s Management.

Impairment of financial assets – measured at amortized cost

At each reporting period end, the Company evaluates if there is objective evidence that a financial asset or a group of financial assets is impaired. The criteria used by the Company to determine if there is objective evidence of impairment include: (i) significant financial difficulties from the issuer or debtor; (ii) a breach of contract, such as default or late payments of interest or principal; (iii) possibility of the debtor going bankrupt or file for financial reorganization; and (iv) extinction of the active market of that financial asset due to financial problems.

Derecognition of financial assets

A financial asset (or, if applicable, a part of a financial asset or part of a group of similar financial assets) is mainly written off when: (i) the rights on cash flows from assets expire; and (ii) the Company transferred its rights on cash flows from assets or assumed an obligation to fully pay received cash flows, with no significant delay, to a third party by means of a transfer agreement; and (a) the Company has substantially transferred all the risks and benefits of the asset; or (b) the Company has not substantially transferred or retained all the risks and benefits related to the asset, but it has transferred the control over such asset.

When the Company assigns its rights to receive cash flows from an asset or executes an assignment agreement not having substantially transferred or retained all the risks and benefits related to the asset, the asset will be recognized to the extent of the continuous involvement of the Company with this asset.

Liabilities

Recognition and measurement:

A financial liability is classified as measured at fair value through income when it is designated as held for trading or designated as such at initial recognition. Transaction costs are recognized in income as incurred.

These financial liabilities are measured at fair value, and possible changes in fair value, including gains on interest and dividends, are recognized in income for the year.

The Company's financial liabilities, which are initially recognized at fair value, include trade accounts payable and other accounts payable, loans and financing and derivative financial instruments, plus the directly related transaction cost.

Subsequent measurement:

After initial recognition, loans and financing, trade accounts payable and accounts payable are subsequently measured at amortized cost using the effective interest rate method.

Borrowing costs

Loan costs attributed the acquisition, construction or production of an asset, necessarily requiring a significant amount of time to be ready for its intended use or sale, are capitalized as part of the cost of these assets. Loan costs refer to interest and other costs incurred by the Company that are related to the raising of funds.

Derecognition of financial liabilities:

A financial liability is written-off when the obligation is revoked, cancelled or expired. When an existing financial liability is replaced by another of the same lender with significantly different terms, or when the terms of an existing liability are significantly changed, this substitution or amendment is recorded as a write-off of the original liability and recognition of a new one, and the difference in their book values is recognized in the statement of income.

d) Cash and cash equivalents

These include balances of cash, bank deposits and financial investments redeemable within up to 90 days from the investment date, recorded at cost, plus the income earned to the balance sheet date which does not exceed the market value.

The financial investments are recognized and measured at fair value and the financial income earned in these transactions is directly stated in the statement of income.

e) Trade accounts receivable

Trade accounts receivable are initially stated at present value, less allowance for doubtful accounts. The allowance for doubtful accounts is recognized when conclusive evidence shows that the Company will not be able to recover all amounts due according to the original terms of accounts receivable. In case of losses, the allowance is the difference between their book and recoverable amounts.

f) Suppliers

These amounts substantially correspond to the amounts payable for services from the preparation and dissemination of events and advertising.

g) Property and equipment

Property and Equipment is recorded at cost. Depreciation is computed using the straight-line method and recognized in income in accordance with the rates disclosed in Note 07.

In accordance with the change of accounting practice for full adherence to international practice, the initial adoption of Accounting Pronouncements Committee (IAS 16) and (IAS 40), permits an option to make adjustments to the opening balances similar to that permitted by international accounting standards, using the concept of cost allocated (deemed cost) as provided in the Technical Pronouncements (IFRS 1).

The Company opted not to evaluate their fixed assets at fair value as assigned cost since: (i) the cost method, less provision for losses, is the best method to assess the fixed assets of the Company, (ii) the Company has effective controls over fixed assets that enable the identification of losses and changes in the estimated useful life of assets, and (iii) the depreciation rates used adequately represent the lifetime of property which shows that the asset value is close to its fair value. Consequently, the application of these pronouncements did not have a significant impact on the Company.

h) Intangible assets

Licenses for the use of computer software are capitalized and amortized according to their estimated useful lives at the rates described in Note 8.

Expenses associated with the development or maintenance of software are recognized as incurred. Costs by third parties to develop identifiable and discrete software for the Company, and which will probably generate economic benefits higher than costs for more than a year, are recognized as intangible assets.

Software development expenses recognized as assets are amortized using the straight-line method over their useful lives, at the rates described in Note 8.

Analysis of the recoverability of assets

The Administration reviews at least annually the net book value of assets (including, among other assets, goodwill and intangible) in order to evaluate events or changes in economic conditions, technological or operational, which may indicate deterioration or loss of its recoverable amount. When such evidence is identified, or annually for goodwill as required, the recoverable amount is estimated as the higher of fair value less costs to sell and value in use. To determine the value in use, the management considers the future cash flows generated through the use of the asset or its cash-generating unit, as appropriate and discounts the cash flow to present value using a discount rate before tax that reflects the current market conditions for the value of money over time and risks associated with the specific asset. When the net book value exceeds the recoverable amount, provision for impairment is made by adjusting the net value booked to the recoverable amount.

i) Other assets

These amounts are presented at cost or realizable value, including, where applicable, income and changes incurred.

j) Labor and tax liabilities

These amounts represent the values of taxes and contributions owed by the Company. This group also includes the amounts payable to employees arising from wages and benefits. The vacation pay, the proportional and their respective costs incurred through the balance sheet date are appropriate considering the vesting period of individual employees.

k) Other current liabilities

These amounts are made by known or estimated amounts plus, if applicable, the corresponding financial charges and monetary variations incurred.

l) Income and Social Contribution Taxes

When applicable, Income and Social Contribution Taxes are calculated and accounted for based on income adjusted according to the legislation in effect. Effects from Income and Social Contribution Taxes on temporary differences between the carrying value and the tax basis of assets and liabilities were recorded as assets or liabilities, depending on their nature.

Social contribution provision: This was calculated on the adjusted net income before provision for income taxes, being applied at the rate of 9%.

Income tax provision: This was established based on taxable income, using the rate of 15% plus an additional 10% on annual taxable income exceeding R$ 240 thousand.

m) Deferred taxes

Deferred income tax (deferred tax) is calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates enacted and expected to be applied when the deferred tax assets are realized or when the income tax liability is settled.

Deferred tax assets are recognized only in proportion to the expectation or likelihood that future taxable income will be available against which the temporary differences, tax losses and tax credits can be used.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

n) Assets and liabilities and legal obligations

Accounting practices for recording and disclosure of contingent assets and liabilities and legal obligations are as follows: (i) Contingent assets are recognized only when there are guarantees or favorable judicial decisions, final decisions. Contingent assets with probable successes are only disclosed in the notes (ii) Contingent liabilities are accrued when losses are assessed as probable and the amounts involved can be measured with sufficient reliability. Contingent liabilities assessed as possible losses are only disclosed in the notes and contingent liabilities assessed as remote losses are not provisioned, or, disclosed, and (iii) Legal obligations are recorded as required, independent assessment of the likelihood of successful process in which based on the Company challenged the constitutionality of taxes.

o) Earnings per share

Basic earnings per share are calculated by dividing the net income attributed to the Company's controlling and non-controlling shareholders by the weighted average number of outstanding common shares for the year. Diluted earnings per share is determined through the abovementioned outstanding share average, adjusted by instruments potentially convertible in shares with dilution effect for the presented years.

p) New accounting standards

(IFRS 9) Financial Instruments:

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard maintained the existing guidance on the recognition and derecognition of financial instruments of IAS 39.

After the enactment of the mentioned rule, the classification started to be based on a business model in which a financial asset is managed by its contractual cash flows.

The new standard-maintained part of the previous standard’s requirements for the classification of financial liabilities. The significant changes in the classification of fair value are presented below: (i) the portion of the change in fair value attributable to changes in credit risk of liabilities is recorded in other comprehensive income; and (ii) the remaining portion of fair value variation is recorded in income (loss) for the year.

The Company’s Management evaluated the impacts of adopting IFRS 9 in its operations and it did not identify any significant impacts.

IFRS 15 Revenue from Contract with Customers:

IFRS 15 established a comprehensive framework for determining whether and when a revenue is recognized, and for how much revenue is measured. IFRS 15 replaced the standards in effect for revenue recognition, including IAS 18 – Revenues, IAS 11 – Construction Contracts and the respective interpretations. The Company’s Management evaluated its operations based on the five-step model set by this new standard and it did not identify any significant impacts.

The Company’s revenue recognition depends on the type of contract entered into with the client, which follows the parameters defined by the International Commercial Terms (“Incoterms”). As the transfer of risks and benefits provided for by contract usually agrees with the transfer of control over the products, the moment of recognition of revenue from sales will not be affected by adopting this new standard.

(Expressed in thousands of Canadian dollars)

New standards, revisions and interpretations issued not yet in effect at December 31, 2018

IFRS 16 introduces a single model for accounting of leases in the statement of financial position for lessees. A lessee recognizes a right of use asset representing its right to use the leased asset and a lease liability representing its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor accounting remains similar to the current form, that is, lessors continue to classify leases as operating or finance.

IFRS 16 replaces the existing lease standards, including IAS 17 Leases and (IFRIC 4, SIC 15 and SIC 27) Complementary aspects of Lease Operations.

The standard is effective for annual periods beginning on or after January 01, 2019. Early adoption is only allowed for financial information issued according to the IFRS and only for entities applying IFRS 15 Revenue from Contracts with Customers at, or before, the initial date of adoption of IFRS 16.

The Company is assessing the effects that IFRS 16 will have on the financial information and on its disclosures.

4. Cash and cash equivalents

	2018	2017
Cash and balances in bank current accounts	220	40
Other investments (*)	473	2,700
	693	2,740

(*) Financial investments are considered to be cash equivalents because they can be redeemed at any time, with no impact on interest accrued. Their carrying amount approximates fair value.

5. Trade accounts receivable

	2018	2017
Domestic trade account receivable	368	603
	368	603

The main amount include in accounts receivable is CND$ 448 of the BR contract since 2016 and recognized CND$ 133 to provision the risk about this amount. Syspoints didn´t make a write off because there is an account payable to BR contract CND$ 779, so the balance is CND$ 198. The Company have a complaint against BR contract and needs maintain this provision until have a solution.

(Expressed in thousands of Canadian dollars)

6. Investments

In 2013 FTC Inc. made an investment in “Snipp Interactive Inc.” or “Snipp” to launch Snipp's mobile solutions into the Brazilian market. Snipp is an international provider of mobile marketing solutions listed on the TSX Venture Exchange (TSX VENTURE: SPN). The securities issued pursuant to the Private Placement were subject to a four-month hold period that expired on December 20, 2013.

- On November 3, 2014, FTC sold 700.000 Shares at CND 0,30 cost per shares and received CND$ 210.000;
- On December 31, 2015 the total common shares off Snipp Interactive Inc. was 1.300.000 and the price per share was CND 0,445;
- On December 31, 2016 the total common shares off Snipp Interactive Inc. was 1.300.000 and the price per share was CND 0,14;
- On December 31, 2017 the total common shares off Snipp Interactive Inc. was 1.300.000 and the price per share was CND 0,11;
- On March 29, 2018 the total common shares off Snipp Interactive Inc was sold for CND $ 193,062.

Expressed of Canadian Dollars:

12/31/2017	
Amount of shares	1.300.000
Price per share	0,11
	143,000
12/31/2018	
Amount of shares	-
Price per share	-
	-

7. Property and equipment

	% Rate (p.y)	2017	Additions	Disposal	Depreciation	Exchange	2018
Furniture and utensils	20%	46	-	(28)	(7)	(4)	7
Computer equipment	20%	34	-	(9)	(15)	(1)	9
		80	-	(37)	(22)	(2)	16

	% Rate (p.y)	2016	Additions	Disposal	Depreciation	Exchange	2017
Furniture and utensils	20%	62	-	(2)	(8)	(6)	46
Computer equipment	20%	57	-	(9)	(10)	(4)	34
		119	-	(11)	(18)	(10)	80

(Expressed in thousands of Canadian dollars)

8. Intangible assets

	% Rate (p.y)	2017	Additions	Disposal	Amortization	Exchange	2018
Software	20%	48	19	(29)	(15)	(3)	20
		48	19	(29)	(15)	(1)	20

	% Rate (p.y)	2016	Additions	Disposal	Amortization	Exchange	2017
Software	20%	70	-	-	(17)	(5)	48
		70	-	-	(17)	(5)	48

9. Trade accounts payable

	2018	2017
Domestic	1,079	1,022
	1,079	1,022

The main amount includes on accounts payable is CND$ 779 of BR Contract, see note 5.

10. Labor and social liabilities

	2018	2017
Provision (*)	-	334
	-	334

(*) The Company dosent´t have any more employees

11. Tax liabilities

	2018	2017
Social charges (INSS)	-	22
Social charges (FGTS)	-	3
Payroll tax (IRRF)	-	25
Income tax (IRPJ)	57	-
Income tax (CSLL)	20	2
	77	52

(Expressed in thousands of Canadian dollars)

12. Shareholders' equity

Authorized

Unlimited number of common shares without par value

Issued

The capital was subscribed and paid in the amount of $1 on March 9, 2012, consisting of 1 common share with no par value. On July 3, 2012 pursuant to the terms of the Arrangement Agreement, (note 1.3) the Company acquired all of the shares of Syspoint ("previously FTC Brazil") from its former parent, CTF Technologies Inc., in exchange for 58,351,052 common shares, and these shares were in turn dividend by CTF to its shareholders, at which time the Company became a reporting issuer in the Province of British Columbia.

There were no warrants or options issued during the period and there were no warrants or options outstanding at December 31, 2018 and December 31, 2017.

Earnings per share

Basic and diluted earnings

Basic earnings per share is calculated by dividing the earnings attributable to the Company's shareholders by the weighted average number of common shares issued during the year, excluding the common shares purchased by the Company and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, assuming the conversion of all possible common shares that would cause the dilution. The Company doesn't have a class of possible common shares that would cause dilution.

Basic and diluted	2018	2017
Net income attributable to the Company´s shareholders	(2,473)	(4,361)
Weighted average number of common shares issued	58,351	58,351
Weighted average number of treasure shares		-
Weighted average number of outstanding common shares	58,351	58,351
Basic income per share - C$	(0,0435)	(0,0747)

(Expressed in thousands of Canadian dollars)

13. Net sales

	2018	2017
Redering of services	383	606
Sales deduction		
Tax on services (ISS)	(8)	(9)
Tax on sales (PIS)	(6)	(10)
Tax on sales (COFINS)	(29)	(46)
Social charge (INSS)	-	-
	339	541
Revenues's composition		
Service	339	606
	339	606

14. Cost of sales and operating expenses

	2018	2017
Services costs personnel	(55)	(232)
Services costs operating	(797)	(2,170)
Amortization and depreciation	-	-
Rental	(33)	(18)
Expenses utilities and services	(179)	(253)
Professional services expenses	(878)	(552)
Amortization and depreciation	(35)	(35)
Tax expenses	(6)	(37)
Sales and marketing	(57)	(36)
Employee expenses	(532)	(1,014)
Impairment loss	-	(616)
Others	-	(183)
	(2.573)	(5,146)

	2018	2017
Cost of sales	(852)	(2,402)
Sales and marketing	(57)	(134)
Administration	(1.663)	(1,994)
Others expenses	-	(616)
	(2.573)	(5,146)

15. Income taxes - Nominal and effective rate reconciliation

Income taxes are assessed on taxable income, according to prevailing legislation and rates. Deferred income tax assets and liabilities are recognized on temporary differences.

(Expressed in thousands of Canadian dollars)

a. Composition of deferred income tax assets:

Description	2018 Income and Social Tax Contribution	2017 Income and Social Tax Contribution
Adjustment for competence	-	206
Basis	-	206
Fiscal rate	34%	34%
	-	70

b. Reconciliation of current income tax:

	2018 Income and Social Tax Contribution	2017 Income and Social Tax Contribution
Income (loss) before taxes	(2,473)	(4,355)
Additions (deductions)		
Provision for impairment loss	-	616
Provisions for receivables and cost adjustments	182	206
	(2,291)	(3,533)
Fiscal rate	34%	34%
Tax carrying loss	(779)	(1,203)
Provision carrying tax loss	779	1,203
Income tax and social contribution - current	-	-

16. Financial instruments

Identifying and valuing financial instruments

The Company holds various financial instruments, particularly cash and cash equivalents, including financial investments, trade receivables and trade payables.

Considering the nature of financial instruments, the fair value is basically calculated by applying the discounted cash flow method. The amounts recorded in current assets and current liabilities have immediate liquidity or maturity, mostly with terms less than three months. Considering the term and features of these financial instruments, which are systematically renegotiated, book values approximate their fair values.

(Expressed in thousands of Canadian dollars)

Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of accounts receivable. As the Company's operations are situated primarily in Brazil, the Company's operations are also subject to the economic risk associated with that country.

Foreign exchange risk

The Company's primary operation is in Brazil. A significant portion of the Company's operational transactions are originally or effectively denominated in Reais, the local currency. Accordingly, the carrying values of the Company's assets and liabilities and the results of its operations and comprehensive income as stated in Canadian dollars will be impacted by exchange rate fluctuations. The Company has not entered into foreign exchange contracts to hedge this risk.

Liquidity risk

Liquidity risk is the risk of the Company not having sufficient liquid funds to fulfill its financial obligations due to a mismatch between expected receipts and payments in terms of maturity and volume.

To manage cash liquidity in domestic and foreign currency, assumptions are made about future disbursements and receipts and monitored daily by the Treasury Department.

Concentrations of credit risk

The Company has adopted several measures to reduce its exposure to credit risk to acceptable levels, as sales in 2018 of Syspoints was made in full for a single operation with Raizen.

Financial instruments by category

Financial assets	Category		2018	2017
Cash and equivalents	Amortized cost	CND$	693	2,740
Investment	Assets at fair value through (gains/losses) recognized in result	CND$	-	143
Accounts receivable	Amortized cost	CND$	368	603
Related parties	Amortized cost	CND$	-	151
Trade accounts payable	Amortized cost	CND$	1,079	1,022

(Expressed in thousands of Canadian dollars)

Fair value hierarchy

	2018 Level 1
Investments "SNIPP"	-
	-

	2017 Level 1
Investments "SNIPP"	143
	143

17. Related-party transactions

Intercompany transactions basically refer to the services directly related to the Company's operating activities and are conducted in conditions similar to those stipulated in the market, whose realization deadlines of operations are within 30-180 days. This is the same deadline for commercial transactions with non-related parties. These transactions do not have special terms and conditions, fees or guarantees given or received, nor are there risks of doubtful accounts.

The concept of "related parties" was established by the IAS 24. Under this standard, it is understood that parties are related if one party is related to the entity: (a) directly or indirectly through one or more intermediaries, where the party: (i) controls, is controlled by, or is under common control of the entity, (ii) has an interest in the entity that gives it significant influence over the entity, or (iii) has joint control over the entity, (b) if the party is affiliated entity, (c) if party is a joint venture (joint venture) in which the entity is an investor, (d) if the party is a member of key management personnel of the entity or its parent, (e) if the party is a close family member or any person referred to in subparagraphs (a) or (d), (f) if the controlled entity, jointly controlled or significantly influenced by, or in which significant voting power in such entity resides with, directly or indirectly, any person referred to in (d) or (e) or (g) if the benefit plan for post-employment benefit of employees of the entity, or any entities related party of the Company

The Company considered as "key Management Personnel", the members of its executive board, composed of the chairman and financial director, and members of the board.

Transactions with related parties are recorded at the exchange amount to which is agreed by both parties, as follows:

Asset: On 2017, May, Syspoints made a loan with interest to the shareholder of FTC Cards in the amount of R$ 400,000, equivalent to CND 151. On 2018, Company provision as loss this amount of CND 141.

(Expressed in thousands of Canadian dollars)

Liabilities: At the request of the minority shareholder of Syspoint, the advance from the minority shareholder with interest to September 30, 2014, totaling R$ 1,847,479, (CDN.$ 845,605), was repaid on October 17, 2014, and concurrently the 1,750,000 quotas of Syspoint held by the shareholder were repurchased and cancelled at a cost of R$ 2,464,298 (CDN. $1,127,928), such that FTC Brazil became a wholly-owned subsidiary of FTC Cards Inc. with effect from October 1, 2014.

On December 31, 2016 the Syspoint has a liability in the amount of CND 871 to pay for Technis regarding repurchase of the shares. On April 11 2017, the Syspoint paid the last amount of Technis CND 1.141, including CND 248 to interest.

Loan receivable:

Arie Halpern	-	151
	-	151

Technis is the shareholder excluded in October 2014

Management compensation

The Company paid to its managers, through salary and variable remuneration, CND 407 in 2017 and paid CND 139 in 2018.

18. Provision for contingencies

In the ordinary course of conducting its business, the Company is involved in labor, civil, tax, social security, and environmental proceedings. Management, relying on its legal counsel's opinion or that of other specialists, when applicable, evaluates the possible outcome of ongoing lawsuits, and the need for setting up provisions for contingencies arising from them. As at December 31, 2018, the Company had no contingencies requiring provision or disclosure in the financial statements.

With explain at Going concern, note 1.4., Syspoints executed a suitin the Arbitrage Chamber demands loss and damage of about R$ 80 million. Although the responsible lawyers for the proceeding considered it as probable chance of winning the lawsuit, the company chose not to make provision for this gain.