Wise

TransferWise Ltd Annual Report and Accounts 2021

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General information.

Company name

TransferWise Ltd

Registered number

07209813

Registered office

6th Floor Tea Building 56 Shoreditch High Street London E1 6JJ, UK

Internet homepage	https://www.wise.com/
Principal activity	Online international money transfer services
Directors	Kristo Käärmann Taavet Hinrikus Matthew Briers* Roger Ehrenberg Clare Gilmartin* Tan Hooi Ling* Alastair Michael Rampell Ingo Uytdehaage David Wells
Company Secretary	Dean Nash
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

*Director designate. Approved by the Board on 2 February 2021 and expected to be formally appointed after regulatory clearances are obtained.

Strategic report for the year ended 31 March 2021.

wise

Moving the world's money, without borders.

Wise is a global technology company building the best way to move and manage money around the world.

Moving money across borders is expensive, slow and opaque for too many people and businesses.

Exchange rate mark-ups. Hidden fees. This is the norm for the international transfer industry.

As a result, people and businesses are paying more than £150 billion in unnecessary fees every year, and an enormous percentage of them don't even realise it.

In 2011, we set out on our mission to solve this. A mission to build money without borders: instant, convenient, transparent, and eventually free.

Today, more than 10 million people and businesses have stopped using banks and traditional exchange services and have chosen Wise because we're cheaper, faster and easier to use.

With Wise, customers can receive and hold money digitally in over 50 currencies; convert currency in an instant; send money within or between countries and spend around the globe with a debit card.

Banks and enterprises can also offer Wise products and services to their customers via our platform, which provides access to our modern infrastructure.

We've built an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere.

Wise today

31 March 2021

10 million
customers around the world

1.6 million
Wise debit cards issued

£3.7 billion
funds held in Wise Accounts

£1 billion+
is what Wise customers **save** themselves every year compared to using a bank for the same transaction

£54 billion
processed in international payments **volume**, in FY2021

£421 million
FY2021 **revenue**

£41 million
FY2021 **profit before tax**

2,400+
people work at Wise.

Our Wise Mission

Our mission is to build money without borders: instant, convenient, transparent and eventually free.

"To fulfill our mission we have to overcome long standing obstacles. Chief among them: banking infrastructure. It's clunky and entirely domestic."

Kristo Käärmann, CEO

Our Infrastructure

Traditionally, when someone wants to make an international transfer, their money has to pass through multiple correspondent banks, which slows the transaction down, and makes it more expensive and harder to track.

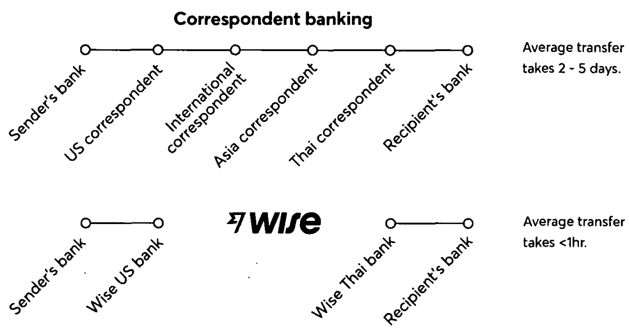
To replace this outdated correspondent banking system, we built our own global payments infrastructure by stitching together fast and efficient local payment systems.

By connecting directly to many central banks, local banks, and other local financial institutions, we eliminate countless intermediaries and manual processes, which brings down our costs and lets us move money faster and more transparently.

When a Wise customer makes an international transfer, we collect the money from them in their home currency and country, and almost immediately pay into their recipient's account from our operations in their country. Faster. Cheaper. More transparent.

We're doing a lot behind the scenes to accomplish this: in addition to developing technology to deliver payments instantly, we're maintaining relationships with regulators, and building a truly global operations and customer support organisation.

All of this helps us deliver on our mission pillars — price, speed, convenience, and transparency — across our four core products.



Price

We lower prices whenever we can

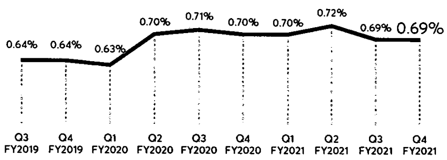
Our goal is to gradually move the cost of sending money abroad towards zero.

Our infrastructure lowers our unit costs, letting us charge eight times less than leading traditional banks and six times less than PayPal — saving our customers more than £1 billion in the last financial year ("FY2021"), with an average price at the end of the fiscal year of just 0.69%.

We proudly charge our customers a transparent fee for each of our services, without cross-subsidising between customers, products or routes. We calculate the precise costs of our offering, and we charge the customer that amount plus a small margin for a rainy day.

When our costs go down, we aim to lower our prices as soon as possible. During the year ended 31 March 2021, we lowered fees for currency routes used by 76% of our customers.

Average price*



*Price definition: average price based on a fixed basket of representative currencies to reduce the effect from route mix and other factors.

Speed

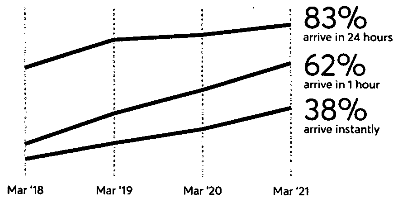
We move money at speeds previously thought impossible

As illustrated below, we've continuously increased the speed of our transfers, and by the end of the year ended 31 March 2021, 38% of our transfers were instant, 62% were delivered in under one hour, and 83% arrived in under 24 hours.

This compares to the two to five business days, on average, it takes a traditional bank to complete an international transfer.

We know it's important to give our customers realistic estimates of transfer times so they can plan their lives and businesses accordingly. We're proud to say that this year, our delivery estimates were over 90% accurate.

Speed

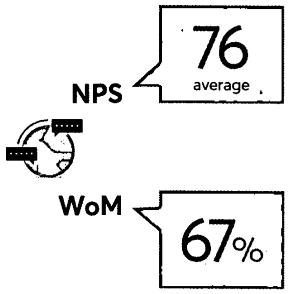


Convenience

We're committed to making Wise available to anyone, anywhere, anytime on any device.

Our infrastructure enables our customers to send, receive, hold, convert and spend money in a growing number of currencies, all in one place with only a few taps or clicks.

Our focus on customer satisfaction through our ongoing investment in product and technology really shows up in our metrics. During the year ended 31 March 2021, our net promoter score was 76 and approximately 67% of new customers came through "word-of-mouth", joining Wise on the recommendation of their friends and family. Wise is rated 4.6/5 on TrustPilot with over 100,000 reviews and has a 4.8/5 rating on the Apple App Store.



NPS: Net Promoter Score

WoM: customer sign ups from word-of-mouth

Transparency

Transparency - finally

People and businesses deserve to know how much they pay for cross-border transactions. But only 4% of bank customers know that the full cost of sending money abroad is composed of both an upfront fee and an exchange rate mark-up.

We're obsessed with showing our own fees and rates upfront. But we also believe it's critical to drive change beyond Wise, on a global scale. We're fighting for transparency around the world, both by working with regulators, and by empowering customers through educational content.

In 2020, following a call to action from the UN Secretary-General, the international community — led by the UN, IFAD, and World Bank — formed a Global Remittance Task Force and issued a landmark report with remittance policy recommendations for the G20 and other governments.

For the first time, they explicitly called for full transparency, recommending that "the total cost (e.g. fees at both ends, foreign exchange rate margins)" of a transfer should be "disclosed in a single upfront amount".

Our products

Our global payments infrastructure powers our four core products: Wise Transfer, Wise Account, Wise Business and Wise Platform.

Wise Transfer

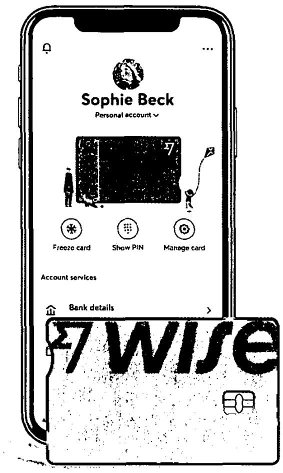
Wise Transfer is a cheap, fast and convenient way to send money abroad. With Wise Transfer, our customers can send money to more than 80 countries, covering over 85% of the world's bank accounts.

Our infrastructure lets us give customers the real, mid-market exchange rate on every transfer, for a low, upfront fee.

Wise Account

We're breaking barriers to build the world's most international account. The Wise Account defines a new category; it's designed to meet the needs of people leading multi-currency lives, whether they're expats or travellers.

The Wise Account lets people manage money around the world as if they're a local bank account holder in those regions. No more high foreign transaction fees, or rate mark-ups, or unnecessary delays. It's free to sign up and there are no subscription fees.



Send money

- **8x** cheaper than banks
- **38%** of transfers are instant
- Real FX rate

Receive payments

- Access to local bank account details
- Receive in **10** currencies

Hold & convert

- **56** Currencies
- Real FX rate

Spend anywhere

- Mobile wallet
- Withdraw cash anywhere
- Use in 176 countries

Wise Business

Wise Business provides all the benefits of Wise, tailored to freelancers, entrepreneurs and SMBs, allowing them to manage money "locally" for a small fee.

That includes invoicing; payment automation and accounting integration; team accounts; a smarter way to spend through the Wise Business debit card; batch payments; recurring (scheduled) payments; and Application Programming Interface-based ("API") payment workflow automation.

Wise Business has scaled fast with over 300,000 active business customers in the year ended 31 March 2021, up from 194,000 in the previous year.

Wise account holders (including Wise Account and Wise Business) held a total of £3.7 billion in deposits as at 31 March 2021, up from £2.0 billion as at 31 March 2020. To date, 1.6 million Wise customers have ordered a Wise debit card to spend the money they hold with us.

	wise	wisebusiness	
Wise Transfer	✓	✓	
50+ currency balances	✓	✓	
Debit card	✓	✓	Multiple cards
Local account details	✓	✓	
Direct debits	✓	✓	
Business on-boarding		✓	
Business verification		✓	
Batch payments		✓	
Multi-user access with roles & permissioning		✓	
Accounting syncs & reporting		✓	

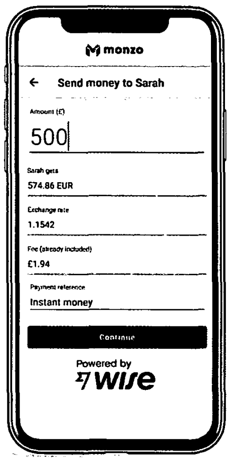
Wise Platform

Wise Platform lets banks, including credit unions and financial institutions, and our enterprise partners to integrate Wise's payments network into their own mobile applications or online banking. That way, they can provide their customers with faster, cheaper and more convenient international transfers, payments and disbursements.

With Wise Platform, banks and our enterprise partners cut their operational costs and obtain access to our 24/7 support and compliance infrastructure. The integrations are built using our open API, and are free for Wise Platform clients.

Wise Platform also allows distribution partners, such as core banking software and technology services providers, to enhance their own product offerings by pre-integrating Wise or facilitating easier integrations for Banks.

We've completed Wise Platform integrations with 14 banks in ten countries across four continents, partnering with both leading neobanks such as Monzo and N26, as well as traditional banks such as Stanford Federal Credit Union. We've also completed integrations with 7 enterprise partners, including with Xero, Emburse and Google Pay, and work with 11 distribution partners, including Tememos and Thought Machine.



A Wise year.

2020

Apr

We kicked the financial year off with a bang, dropping fees from JPY by up to 24%.

May

Paying bills got a whole lot less painful for Xero customers. Pay with Wise launched as a new, domestic bill payment solution, giving UK businesses a simple, fast, and secure way to pay and manage bills with Xero.

July

The FCA granted us a licence to offer a whole new product! We'll soon be letting people and businesses hold their money in different asset types on their Wise account.

Sept

We lowered prices for currency routes used for 76% of customers

In the same month, the Wise account landed in Japan, and we received direct access to Hungary's instant payment system, speeding up payments for our Hungarian customers.

Oct

We partnered up with the United Nations Foundation (UNF), Coalition for Epidemic Preparedness Innovations (CEPI), and Gavi, the Vaccine Alliance to waive fees on international donations towards the global rollout of the Covid 19 vaccine.

Emburse, a global leader in expense management, integrated the Wise Platform API, making it faster and cheaper for their customers to manage international expenses.

Nov

Wise landed in Indonesia, launching money transfer services to 80 countries.

In the same month, we also added savings Jars to the Wise account. They give customers the option to tuck money away for a rainy day, or a week on the beach.

Dec

Our partnership with inclusive neobank Pockit went live for their 500,000 customers.

Feb

TransferWise became Wise!

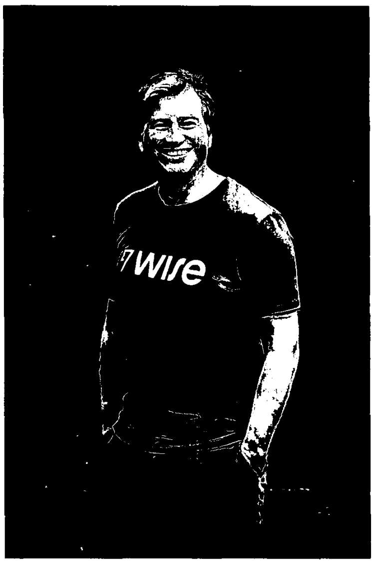
March

2021

We welcomed two new board members: Tan Hooi Ling*, co-founder of Grab, and Clare Gilmartin*, former CEO of Trainline.

*Director designate. Approved by the Board on 2 February 2021 and expected to be formally appointed after regulatory clearances are obtained.

Founder review



We started this mission a decade ago.

I'd just been ripped off while sending money from my UK bank to my Estonian account. The bank hid a mark-up in the exchange rate, and I lost a chunk of my savings.

The same thing had happened to my co-founder, Taavet, in reverse. We realised we could do better by helping each other and cutting out our banks. We then got together and started working on a new, better system that could do this for everyone. In 2011, that system became TransferWise.

Today, over 10 million people and businesses use Wise to move and manage their money around the world, saving more than a billion pounds a year, and supporting our fight against hidden fees.

In 2021, we changed our name to Wise, to catch up with our new features beyond transfers, and to suit the community we're building for: people who live multi-currency lives, or run multi-currency businesses, who want to be smart with their money.

In the last year, we made some incredible progress on this journey to build a cheaper, faster, fairer way of moving money.

Throughout this year we continued to invest in our infrastructure, which will make our service even better across our four core products.

That investment helped us drop prices for over three-quarters of our customers this year. Our average price per transfer is now 0.69%, which is a fraction of what the banks charge. And we're faster than ever, with 38% of all payments being made instantly.

Our original product, **Wise Transfer**, continues to grow into new territories, and we've improved the experience in existing countries.

On-boarding is now faster, with more efficient checks, and increasingly automated document verification. 57% of business customers are now up and running within 24 hours.

Our estimated transfer delivery times are now more accurate for senders, and we've built a new tool for recipients to track the arriving payment — even if they're not Wise customers themselves.

The **Wise Account** has become essential for millions of people and businesses managing money across borders, and in FY2021, we expanded what it can do for them.

Customers can now hold money in 56 different currencies, and get local account numbers for 5 additional currencies — Singapore, Canada, Hungary, Romania, and Turkey — to make a total of 10.

We also added jars, and scheduled transfers, and brought the Wise debit card to more countries. We set up new partnerships with Visa and Mastercard in 2021, which will let us launch Wise debit cards in more countries, adding to our existing 1.6 million card users.

Wise Business continues to be one of our fastest growing products. In FY2021, over 300,000 businesses used our services — from sole traders, to SMBs and larger companies. We've brought some of our most requested integrations and features to life, with the introduction of team access for business customers, and direct integrations with accountancy software providers Xero, QuickBooks, and FreeAgent.

Whilst it's early days, we've also seen increasing demand for our API, **Wise Platform**, from banks and big businesses. The platform lets businesses and banks give their own customers faster, cheaper, more efficient international payments with Wise infrastructure. Their customers get a smooth transfer experience in their native app, and they gain a competitive advantage.

Our customers' customers do their international banking on the Wise Platform via 14 bank integrations, and 7 enterprise partners. In FY2021 we expanded our platform offering into Switzerland and Singapore, via neobanks Neon and Aspire.

Covid-19 has impacted the way we all live and work, and Wise is no exception.

At the beginning of the pandemic, we saw a slight reduction in customer activity. But by the end of the fiscal year, we had processed £54 billion in cross-border volumes, and saw 39% revenue growth. It showed that even in a time of great uncertainty, people and businesses still need to send money abroad, and our customers continue to rely on Wise.

The pandemic kept most of our Wisers (employees) home for months, and our offices are still well under capacity, but we maintained our services with minimal disruption. We even successfully hired and on-boarded over 650 new people over the past year.

We have so much more to do

Banks, PayPal, Western Union and others continue to mark up exchange rates in foreign currency transactions with their hidden profit margins. Some advertise these as 'free', others charge a small wire fee, hoping customers won't notice the real cost from the tampered exchange rate.

The cost of transfers is still too high. In December 2020, the World Bank put the global average total cost of remittance at 6.51% of the transfer value. (Compared to the average Wise price at the end of the fiscal year of 0.69%).

Wise is currently moving around 2.5% of the money sent by people around the world, which is approximately only £1 in every £40.

This leaves 97.5% of the mission left to complete.

Here's to the next ten revolutionary years.

Kristo Käärmann, Director

CFO review

Cross-currency volume

£42 billion FY2020

£54 billion FY2021

Adjusted EBITDA*

£68 million FY2020

£109 million FY2021

Revenue

£303 million FY2020

£421 million FY2021

Profit before tax

£20 million FY2020

£41 million FY2021

General business review and Key Performance Indicators ("KPI")

Our mission is to create the best way to move and manage money around the world.

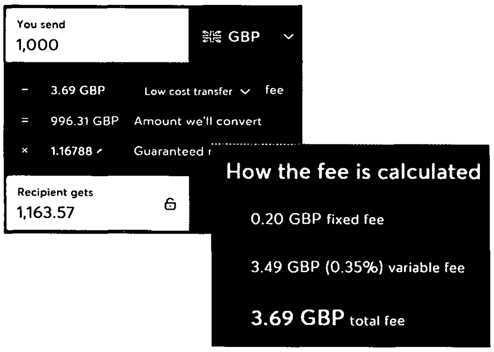
We have a relentless focus on solving the problems facing our customers whilst building a sustainable and profitable business to support this mission.

In doing this, and in particular, bringing transparency and fairness into how we price our products, we've found a common ground of creating massive value for our customers and also for our shareholders.

Today, the majority of customers come to us to make cross-border payments. So that's what customers pay us the most fees for, and hence from a finance perspective, how we earn the majority of our revenue.

*Adjusted EBITDA: Profit for the year excluding the impact of income taxes, finance expenses, depreciation and amortisation, share based payment compensation expense and exceptional items.

The fees we charge for a payment are always transparent. If you make a transfer on our platform for £1,000 to euros today, this is what you see:



We charge £3.69. That's broken up into a fixed fee of 20 pence and variable fee of £3.49. What you see is what you pay, and also the revenue that we recognise. There are no spreads or hidden fees in these payments.

We earn revenue from personal customers and business customers. Active customers are customers who've made a cross-border payment in the relevant period, whether that's via Wise Transfer or via their Wise Account. So our revenue is a function of the (1) number of active customers, (2) the volume per active customer, and (3) the fees we receive (or our "take-rate" as we call it).

In the year ended 31 March 2021, we had 5.7 million active personal customers and 305,000 active business customers. And both segments are growing rapidly vs prior year; with personal growing at 27% and business growing at 58%.

Whilst customers typically join us for our low and transparent prices, they continue using us as our price, speed, convenience and coverage is an order of magnitude better than alternatives. As a result, the average annual volume per active customer remained stable at around £9,100.

We processed £54.4 billion in cross-border payments in FY2021, which was a 30% increase vs FY2020.

This volume growth has driven our revenue growth, which as stated earlier is a function of the volume our customers move and also of the prices we charge our customers. If you were sending £1,000 to euros six years ago, it would have cost you £5. It costs £3.69 today. We've cut the price by more than a quarter. And at the same time, we've turned from a loss-making business into a profitable, cash generating business.

But so far we've only talked about the fees paid by our customers on cross-border payments. Overall we have seen our take rate increase in recent years. This is thanks to the launch of the Wise Account, which has seen customers also use Wise to make payments in their local currency, for which we charge a fee, and also spend on their Wise debit card, for which we earn some interchange income. In the year ended 31 March 2021 we saw this take rate increase from 0.73% of volume to 0.77%.

So in the last financial year, we generated £421.0 million in revenue, which was a 39% increase vs the previous financial year.

On that revenue of £421.0 million, we have a 62% gross margin. This means it turned into £260.5 million of gross profit in the last year. And that margin has been very steady over time.

This growth in gross profit, largely driven by volume growth, means we have more cash that we can invest back into our customers. And whenever we build better customer experiences, it drives more volume and more scale. This means we get to a lower unit cost and even more capacity to invest.

We have three ways of reinvesting those gross margins.

We invest in marketing. Although two-thirds of our customers join us through recommendations, we also invest in marketing to reach new customers, but only if this pays back sustainably. This drives more customers to our platform, which in turn drives more volume and scale, and lowers our unit costs.

We invest in our platform. We invest heavily in our engineering teams, and in launching new features and products. This drives a better customer experience, more word of mouth referrals, and also lowers our unit costs.

And of course, we also re-invest in sustainably lowering prices for our customers.

In the year ended 31 March 2021, administrative expenses increased 29% year over year to £217.5 million, but were in fact lower than planned due to cautious hiring in the face of initial uncertainty at the onset of the pandemic, combined with a reduction in spend on certain items (e.g. travel). This resulted in a higher than planned Adjusted EBITDA margin of 26% (2020: 23%) which corresponds to £108.7 million of Adjusted EBITDA (2020: £68.2 million). Our profit before tax for the year was £41.1 million (2020: £20.4 million). We're incredibly proud that this is our fifth consecutive year of profitability.

We've got over £4 billion of cash-type balances. Importantly this includes £3.7 billion of Wise Account customer deposits, which we keep safeguarded and readily available. But this also includes £286.1 million of our "own cash", and this cash balance is increasing thanks to the cash generating qualities of the business we've built.

We are well capitalised for the future and as at 31 March 2021, our group eligible capital of £170.2 million is significantly above the minimum requirements set by our regulators around the world.

In summary, our growth has been fuelled by building products and features that customers love and recommend. We re-invest our margins into improving our product and customer experience, marketing to help spread the word, and sustainably lowering prices.

Our focus on our mission will not change as we continue to grow and scale, and neither will our focus on building a strong, sustainable and cash-generating business that is best placed to address the evolving needs of our customers.

We've just got started, and have a long way to go.

Onwards.

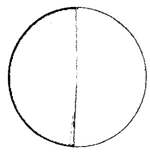
Matt Briers, CFO

Our people.

2,419
people

90+
nationalities

17
countries



We're a global tech company with a big mission and a start-up heart, and we strive to keep the magic of our culture alive as we scale.

As at 31st March 2021, we were 2,419 people, from 90+ nationalities, working in 17 countries around the world. By current legal definitions of gender, our employee population represents 51% male, 48% women, 1% not declared. We recognise that not everyone's gender identity fits within this binary, and not everyone is yet legally able to be defined as the gender that they would like to be, and we'd like to be more inclusive. In the near future, we're planning to allow employees to list the gender (if any) that they most identify with, and will report accordingly.

Hiring people who care deeply about our mission, and are guided by our values, is crucial to our success and growth as an organisation. Last financial year, we hired over 650 new Wisers who want to help us make a positive, important change in the world.

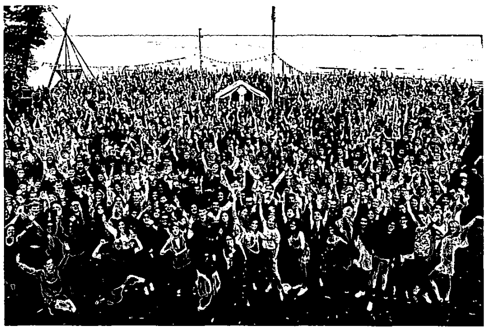
We also facilitated over 300 opportunities for existing employees to apply for and secure new roles to further their impact and growth in Wise.

At Wise, freedom, autonomy, and trust are baked into our culture. People grow and advance by stepping outside their comfort zone, and making a difference into our customers' lives.

We invest in our employees' growth from the point of on-boarding through to learning and development, knowledge sharing, and regular 360 degree feedback.

We continue to be proud of our Glassdoor rating, currently at 4.4.

We believe that when our people feel good this shows in the work they do.



Ongoing response to Covid-19.

Like most, we are still living with the COVID-19 pandemic in the communities we operate and work in. Our main priority continues to be offering a disruption-free service to our customers, whilst maintaining the well-being of our team. At the time of writing, the majority of our employees continue to primarily work from home whilst local restrictions remain in place, but where it has been safe and permitted to do so, we have been reopening our offices in line with respective government guidelines.

In September 2020, we announced that hybrid working was here to stay at Wise. Hybrid working offers employees the flexibility to work from offices, from home or occasionally, remotely for up to 90 days per year. The principles for making this work is grounded in our employees being:

- Safe
- Able to work from anywhere they need to be (compliant with any restrictions such as national lockdowns)
- Adhering to local tax and immigration laws
- Empowered to tap into the power of being together.

Looking after our communities & the environment.

In the last year, we started building out a more comprehensive and proactive approach to CSR. As part of our mission is to create a more open world, we continue to be committed to making an active contribution to the communities we live in, inside and outside of our main roles. Consistent with the way we work, we empower our employees to solve the problems they see a solution to.

To support this, we offer all employees 1 day of paid leave per year to volunteer their time and energy to causes they care about in their local communities. In addition to this, when we (normally) come together twice yearly for Wise Days, we take the time to help local grassroots initiatives by giving employee time to good causes. However, as the pandemic has meant that we could not be together, we have given time and resources in the following ways:

- Mentoring young people across educational outreach and community start-up events in the UK & Estonia
- Supporting young entrepreneurs across Europe with the annual 20 Under 20 Competition
- Input into the development of tech courses to be part of a future school curriculum and volunteering as substitute teachers at local schools in Estonia.

We have committed a portion of our revenue to the following environmental and social impact initiatives:

- We built and a donation platform and fully funded all donations to three organisations (GAVI, CEPI, and the UN Foundation) to deliver fair access to a COVID-19 vaccine
- In the wake of the murder of George Floyd we committed to a donation as well as supported our employees and demonstrated our commitment that Black Lives Matter
- We have provided international payments advice to international child maintenance agencies, and work closely with consumer organizations in numerous countries to drive improved consumer outcomes.

Emission Zero is our response to the climate crisis and our commitment to be carbon neutral remains.

A year into our journey we have taken actions moving us closer to as 'close to zero' as possible, including:

- Switching to clean power in our Tallinn office
- Acquiring Renewable Energy Certificates for our New York and Tampa offices and working towards the same for our other offices where clean power isn't available
- Using sustainable materials for our London office expansions — like our new phone booths, made from 1,088 recycled plastic bottles!
- Forming an internal guild of employees passionate about climate change initiatives and the work we are doing at Wise, represented by nearly 10% of the workforce
- Beginning carbon offsetting spending $130,000, this year we will meet our commitment of minimum $11 per tonne

The work doesn't stop there and our 3 principles '**Measure, Reduce, Offset**' will continue to support our efforts and we know the next focus area will be travel in a post pandemic world. We anticipate needing to further reduce our travel. This year, we invested in carbon removal projects in Reforestation, Biochar and Bio-oil sequestration resulting in offsetting 20% of our carbon footprint from where it was the year before. Our footprint calculation for 2021 will be reviewed later this year and we will be publicly sharing the steps and progress made on our website. We are also working towards complying with the Streamlined energy and carbon reporting requirements (SECR) in FY2022.

Diversity, Equity & Inclusion at Wise.

We're committed to building a product that leaves no one behind on our mission. Diversity will enable us to reflect and serve our customers and inclusion will ensure we retain, develop and promote the best people at Wise. Every Wiser should feel like they belong, that they're treated fairly and consistently so we all have the same opportunities.

We're proud of the progress we've made over the last year:

Some highlights of our work:

- Published external career maps and salary bands for Engineering, Analytics and Product to increase transparency
- Introduced 'values based interview training' to evaluate candidates fairly and consistently, with added structure that supports a more objective selection process when assessing candidates
- Launched our first sponsored cohort for a product management program through Product School, made up of female and non-binary students and Wise employees
- Worked with our communities to educate, inspire and drive action on topics of inclusion:
    - Running listening forums and creating a guide for Leads to support Wisers who were impacted during the Black Lives Matter protests
    - Providing a guide for Wisers to support colleagues who are fasting during Ramadan
    - Marking International Women's Day with an event for aspiring female and non-binary students looking to kick-start a career in Engineering
    - Celebrating Black History Month in February with a series of talks, film club discussions and historical "reflections"
    - Planning for a global LGBTQ+ Pride celebration this summer and publishing our transitioning at work guidance

But there is much more to do. We're focused on a global diversity and inclusion (D&I) strategy for Wise which will help us to build a product for our diverse customer base and ensure that inclusion is an essential, not an initiative.

Equal pay approach and Gender Pay Gap

In the UK, we publicly shared our Gender Pay Gap data for the second time and an update on our commitments towards progress. Our data from the latest published report (2020/21 reporting year) told us that while improvement across our median pay gap had been promising, it was clear we still had some issues to address to achieve further parity. As we embark on the next round of reporting of our employee population (2021/22), we feel confident that efforts of the past year and continued focus on our chosen initiatives this past year have moved us further in the right direction.

Globally, we are committed to fairness and equality in compensation. Wise uses a benchmarking and pay banding system to make sure everyone is paid fairly for the same role. We also make all our pay bands available for employees to view internally, to increase transparency and empower our people. Wise is fully compliant with the Equal Pay Act.

Code of conduct

Our Code of Conduct helps guide all our employees about what is expected of those working at Wise, and how we care about them. It's made up of 3 important pillars - how we look after each other, our customers and Wise overall. We strongly believe in empowering our employees to speak out about anything that makes them feel uncomfortable, so that they know how to raise any issues in a safe and confidential way.

Risk management

Our approach to Risk Management

We've developed a structured and comprehensive approach we refer to as our Enterprise Risk Management Framework (ERMF) to manage the risks in our business.. Embedding the ERMF has been an area of particular focus for Wise in the year ended 31 March 2021. The key elements of this framework are as follows:

- **Risk Strategy:** We take risks consciously, in an informed manner. We classify the risks that can harm us and our customers and we build mechanisms to manage and reduce these where necessary.
- **Risk Culture:** Embedding a culture of risk awareness and a sense of individual ownership for risk is essential as we trust our people to always do the right thing for our customers and for Wise. Key to this are the values we set for the organisation being personified by our leader and lived by all Wisers.
- **Risk Appetite:** Once risks are identified and understood, we set a clear structure of monitoring around our main risks and draw a clear line across which we'll not step. Our people can see how our risks perform and can use the information to inform how they take decisions in the continued growth of our business.
- **Risk Governance:** To ensure that decisions are made not only with the right information but in the right way and by the appropriate people, we have a clear infrastructure for governance. Risk management acts as a key cornerstone of how we take decisions and oversee how our business is performing and growing.
- **Risk Practice:** We have tools which help our people to identify and manage risks on a day to day basis. It is consistent and used by all Wisers to ensure we are speaking the same language when it comes to risk management.

Three Lines of Defence

Wise has a system of risk management and internal control based on the three lines of defence model. First line teams own and manage risk, second line risk and compliance teams provide oversight, the third line independent assurance is performed by internal audit.

1st Line
The business, including Leadership Team

Leadership Team
Sets the overall risk universe and risk appetite, driving the risk and compliance agenda as the ultimate body for risk, control and compliance.

Teams/ Tribes
Identify, assess and mitigate as well as set controls for risk within their areas, defining business-owned compliance policies and execute compliance activity.

Wisers
Embed risk and compliance requirements into decisions, with a conscious and deliberate approach to risk, compliance and actions for remediation.

Legal
Provides first-line legal advice to the teams to enable them to effectively manage their risks and remain compliant.

2nd Line
Standard setters, risk and compliance advisors/ SMEs and oversight/ monitoring providers

Risk and Compliance Teams

Risk Team
Defines company wide risk framework, and supports the Leadership Team in defining overall risk universe and risk appetite.

Oversees and monitors risk management across the business - challenging the business on risk management practices.

Compliance Team
Defines overall company compliance policy framework and assigns ownership for policy areas.

Provides assurance that the business is compliant to policies and procedures, and operates critical cross-team compliance policies.

3rd Line
Independent assurance providers

Internal Audit
Provides cross discipline independent audit services to cover all areas of the business.

1. Strategic risk

The risk that we don't successfully execute on our mission, or our business model is not sustainable over the long-term. We face a number of risks that may impact our growth.

Competition risk:
We welcome competition, and as a disruptor we cannot assume we will never ourselves become disrupted. There may be other companies who create better products and services for our customers in the future. Further, we've built products and services that customers recommend, powered by intuitive design and supported by a strong customer experience. If, as we scale, we can't sustain this level of customer service, strong brand, or reputation, we may lose existing customers to competitors or fail to gain new customers. We seek to mitigate this by obsessively focusing on solving the problems facing our customers, and continually measuring and improving the performance of our offering for our customers.

Macro-economic risk:
Global and economic changes can reduce the demand for our products and services. Both the world and its economy are becoming more global. Shocks to economies and how people and businesses operate can have either a short or longer term impact on our business. We have developed a globally diverse and economically sustainable business, with strong capital reserves. Further, and fortunately, our customer volumes have been resilient through the Covid pandemic thus far, although we take caution as the long term impact of this is still uncertain.

Expansion risk:
We have grown Wise through expanding our product and service offering into new markets. When we enter into new markets, we often require local approvals and/or licences or a local financial institution to operate. We may be unable to obtain or maintain the necessary approvals and licences, or local financial institutions to work with, restricting our ability to operate and grow our business. To manage this risk we have a dedicated team that opens new markets around the world.

Legal and regulatory:
Wise is dependent on the provision of licences and access to payments infrastructure. If changes were made to laws or regulations in any country we operated or sought to operate this would harm our strategic execution. For example, the imposition of barriers to non-banks directly accessing payments infrastructure, including central bank clearing systems, would impact on our ability to compete with banks.

2. Operational risk

The risk of loss resulting from inadequate or failed internal processes and systems, financial crime, people risks and risks from external events. We face a range of operational risks which can impact our profitability and our reputation with customers.

Information Security Risk
Wise complies with multiple industry standards for information security and is certified compliant with SOC 1 type 2, SOC 2 type 2, PCI-DSS and ISO 27001 standards. We continuously develop our information security framework to meet emerging threats and our expert security and privacy teams work closely with product delivery teams to ensure design meets the required standard, including conducting security reviews and data privacy risk assessments. We run cyber-incident simulations to test our incident response plans.

Data Privacy Risk
Protecting our customers' personal data and respecting their privacy rights is key to building and maintaining trust in the Wise brand. To achieve this, we ensure we have the right people, policies and processes, systems and controls to appropriately manage data privacy risk. We provide full details to our customers and other stakeholders on the personal data we collect, how and why we use that data, and how we manage and protect it. We fully support customer and stakeholder privacy rights in each jurisdiction and provide simple methods for customers to exercise those rights and raise concerns about their data privacy. Where we share data with third parties, we work closely with them to ensure appropriate privacy safeguards are in place as required by applicable data privacy laws.

IT Infrastructure Risk
We are dependent on the ability of our products and services to be compatible with and to integrate with a variety of operating systems, software and hardware as well as web browsers that we do not control, including the systems of our partners. Any changes in these systems that degrade the functionality of our products and services, impose additional costs or requirements on us, could materially and adversely affect usage of our products and services. To manage this risk we perform regular assessments on the technical availability of our products and services, completing thorough onboarding checks on partners, regular updates and repairs to software as needed, as well as checks on our physical hardware.

Key Third-party Risk
We are dependent upon certain third-party service providers in order to provide our products and services. So we monitor carefully any dependencies, carefully choose our providers and also put in place redundancy wherever possible.

Financial Control Risk
Our business relies on accurate and timely controls in relation to our finances. We have a low risk appetite for any failure of these internal controls as such failures could cause financial loss, but also reduce trust in our brand and harm our ability to attract and retain customers and partners. Such internal controls and procedures regulate customer and management information, financial reporting and accounting, credit exposure, foreign exchange risk, regulatory compliance and other aspects of our business. We will continue to monitor and develop these internal controls as our business expands.

Fraud Risk
Various third parties and internal parties may attempt to engage in variety of fraudulent activity using our products and services. For example, an employee could knowingly or unknowingly process changes to bank account details that are unauthorised by the customer which could result in a pay-out of funds to inappropriate persons. Third parties have in the past, and may in the future, impersonate financial service providers, including Wise, in order to fraudulently secure the transfer of funds from customers. The measures we take to detect, prevent and stop these types of fraudulent activities may not be effective against new and continually evolving forms of fraud. Any instances of fraud can lead to fines and impact our reputation.

People Risk
Our past performance is a function of the continued services and contributions of our founder-led team of employees. Recruiting and retaining the right skills may become more difficult or more costly if the people with the skills we require were to be in short supply.

3. Financial risk

The risk that we fail to have adequate financial resources, including solvency risks and our ability to meet our payment obligations. We face a range of financial risks which can impact our profitability, capital and liquidity position.

Market Risk
We are exposed to foreign exchange movements, and excessive volatility can impact our profitability. On most transfers, we guarantee our customers the mid-market exchange rate, which is the midpoint between the price the market is willing to pay for a currency and the price at which the market is willing to sell a currency. When a customer initiates a Wise Transfer, in most cases, this rate is guaranteed for a limited period of time to allow the customer to fund their transfer. This creates an exposure and hence a risk and is fundamental to our product operation. We actively accept these and so have measures in place to monitor and manage our risk of foreign exchange movement, including both natural and actively managed hedges.

Credit Risk
We are subject to credit risks in respect of counterparties, including other financial institutions where we hold significant sums of deposits. We have a low risk appetite for taking unnecessary risk as to the financial soundness and credit worthiness of these institutions. One institution appropriating funds, defaulting, failing a stress test or requiring bail-in by its shareholders, creditors and/or respective governments could lead to significant liquidity problems and losses, or defaults by other institutions. We have a policy to manage and monitor our exposures across institutions such that we don't cause undue harm to customers or our business and have a policy and monitoring processes.

Prudential Risk
We have focused on being sustainable as a business and making sure we have adequate financial resources to operate our business and provide capacity to sustain shocks and stresses. Some of the jurisdictions where we operate, like the UK, require us to comply with certain regulatory capital and liquidity requirements. The nature of our business as well as the requirements placed on payments companies are evolving so we will monitor to make sure our business model generates the capital and liquidity needed.

As at 31 March 2021, Group eligible capital of £170.2 million, which is significantly above the the minimum requirements set by our regulators around the world. Following the authorization from the FCA one of the Group's subsidiary (TINV Ltd.) is regulated under the UK CRR, hence the Group is now required to disclose regulatory capital information in its Pillar 3 disclosures and will do so by making the disclosures available in the Group's website.

Financing Risk
We are profitable and cash generating so we have not needed to raise capital to fund our business for many years. We have and will likely continue to use debt to fund elements of our working capital, which can bring operating, financial and other restrictions on the business. Our existing revolving credit facility contains operating and financial restrictions that could impact our ability to operate our business as freely as we would like. We seek to manage our business and funding lines such that we remain comfortably within these constraints.

Tax Risk
Wise acknowledges the critical role of tax revenues for society and our goal is to be compliant with all global taxes obligations which apply to us. Our global tax obligations are ever increasing as the business expands, including obligations to share information, including under the OECD CRS regulations and US FATCA. Despite our efforts to be compliant, from time to time, Tax authorities around the world may not agree with our historic determinations with respect to the application of tax law or those local financial institutions we work with and this might lead to an assessment for increased tax payments, interest and penalties. Via our specialist internal tax team and local tax advisers, we manage this risk.

4. Compliance risk

The risk of incorrect interpretation, implementation, and compliance with regulatory requirements applicable to Wise. We are subject to an evolving range of regulatory, legal and tax requirements. Our failure to meet these requirements, or significant changes in these regimes, can have an impact on our business.

Regulatory Compliance Risk
Whilst we are headquartered in the United Kingdom, we operate in many countries and hence, as part of our licences or authorisations, we are required to comply with a significant number of regulatory conditions. As a licenced payments and e-money business, we are required to comply with safeguarding requirements to protect customer funds received in connection with the provision of our services. Any failure by us to comply with these obligations could result in substantial monetary penalties and other sanctions and impact our ability to do business in certain jurisdictions.

As such we manage the risk that our controls, policies and procedures will not fully prevent failures to comply with all applicable regulatory requirements. Each licensed entity is monitored to ensure the entity's capital is sufficiently above the local regulatory capital requirements.

Financial Crime Risk
We are subject to laws aimed at preventing money laundering, corruption and the financing of terrorism. As such, we have policies and procedures in place to seek to prevent situations of money laundering, terrorist-financing, bribery or corruption or non-compliance with sanctions. However, should these controls and processes fail, such events may have severe consequences. A failure to adopt effective measures against fraud, money laundering, corruption and terrorism financing or non-compliance with sanctions may lead to regulatory proceedings and penalties by supervisory authorities.

Governance at Wise.

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company, under section 172. In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended by the Companies (Miscellaneous Reporting) Regulations 2018, this statement also provides details of how the Directors have engaged with and had regard to the interest of our key stakeholders - customers, employees, shareholders, the community and the environment.

1. Purpose and Leadership.

At Wise, we know that we can build the fastest, make the most progress on our mission when we work in independent, autonomous teams. Our Board and leaders make sure we have the resources, that everything we do is aligned to our mission, but it's up to our teams to set their own strategy and work together to achieve the impact in their domain. So while the Board does not set our strategy in the traditional way, it does oversee, review and challenge it, ensuring that it keeps us on track to achieve our mission.

2. Board Composition.

Our board was composed of nine directors as at 31 March 2021:

Kristo Käärmann

Chief Executive Officer
Age: 40

Kristo Käärmann is the Chief Executive Officer of Wise, which he co-founded in 2010. Prior to that he was a consultant at Deloitte and PwC. He holds a Bachelor's and Master's degree from University of Tartu.

Taavet Hinrikus

Executive Chairman
Age: 39

Taavet Hinrikus is the Chairman of the Company, which he co-founded in 2010. Prior to starting Wise, Taavet was Skype's director of strategy until 2008, starting as its first employee.

He's also an angel investor and advisor with investments including Tweetdeck, Mendeley, OMGPOP, Property Partner, Sunrise, Improbable and Mapillar. He holds an MBA from INSEAD and a Bachelor's degree from Tallinn University of Technology.

Matthew Briers*

Chief Financial Officer
Age: 44

Matthew is Chief Financial Officer of the Company. Matt joined the Wise team in 2015 from Google, where he was Head of Sales Finance for Google UK. Matt previously held the role of Head of Strategy for Asset Finance at Lloyds Banking Group, as well as managerial positions at Bain & Company and Capital One.

He has nearly twenty years' experience in the financial sector. He holds a Master of Engineering in Engineering, Economics and Management from Oxford University.

*Director designate. Approved by the Board on 2 February 2021 and expected to be formally appointed after regulatory clearances are obtained.

Roger Ehrenberg

Non-Executive Director
Age: 55

Roger Ehrenberg is the founder and Managing Partner of IA Ventures, an early-stage venture capital firm based in New York City, managing $475M across four funds. Earlier in his career, Roger served as CEO of DB Advisors, was Global co-head of Deutsche Bank's Strategic Equity Transactions Group, and was an investment banker at Citibank in derivatives, capital structuring and Mergers & Acquisitions. Roger currently sits on the Boards of Ethyca, Gospel Technology, Mighty, Octane and Wise. He is also a member of the External Advisory Board of the Ross School of Business at the University of Michigan and the Data & Society Council of the Data Science Institute at Columbia University. Roger holds an MBA in Finance, Accounting and Management from Columbia Business School and a BBA in Finance, Economics and Organizational Psychology from the University of Michigan.

Clare Gilmartin*

Independent Non-Executive Director
Age: 45

Clare joined the Board as Non-Executive Director in 2021. Clare has been a high growth technology leader for close to twenty years. After a stint in management consulting with BCG, Clare spent ten years growing eBay in Europe, latterly as VP eBay Europe. She then took over as CEO at Trainline in 2014, taking it from being a UK, rail only platform to being a pan European Technology leader. She led the business through a sale to KKR in 2015, and then through a successful IPO in 2019.

Clare is an advisor to Future Frontiers, a social enterprise that provides career guidance to pupils from low income backgrounds, and is also an advocate for women in technology. She holds a Bachelor of Commerce (Int) degree from University College of Dublin, and was their Business Alumni of the year in 2019.

Tan Hooi Ling*

Independent Non-Executive Director
Age: 37

Hooi Ling joined the Board as Non-Executive Director in 2021. Hooi Ling Tan is the Co-Founder of Grab, Southeast Asia's leading super app that offers users a wide range of on-demand services in the region. Based in Singapore, she oversees Grab's operations. Prior to joining Grab full-time in 2015, Hooi Ling led high priority strategic and operational projects at Salesforce, she specialised on Corporate Strategy, Corporate Operations, Pricing Intelligence & Monetization. Before joining Salesforce, Hooi Ling was a consultant at McKinsey & Company, advising global clients on corporate strategy and operations.

Hooi Ling is a member of the National University of Singapore (NUS) Board of Trustees, and sits on the board of the Economic Development Board (EDB). Hooi Ling has a Bachelor of Engineering (Mechanical) from the University of Bath, and a Master of Business Administration from Harvard Business School.

*Director designate. Approved by the Board on 2 February 2021 and expected to be formally appointed after regulatory clearances are obtained.

Alastair Rampell

Non-Executive Director
Age: 39

Alex Rampell joined the Board as Non-Executive Director in 2018. Alex is a General Partner at Andreessen Horowitz where he focuses on financial services. He serves on the board of Branch, Brightside, Descript, Divvy, Earnin, FlyHomes, Loft, Mercury, PeerStreet, Point, Propel, Sentilink, Super Evil Mega Corp, Wise, and Very Good Security. Alex additionally led Andreessen Horowitz's investments in OpenDoor ($OPEN), Plaid, Quantopian (acquired by Robinhood), and Rival (acquired by LiveNation).

Prior to joining Andreessen Horowitz, Alex co-founded multiple companies including Affirm ($AFRM), which he co-founded with Max Levchin, FraudEliminator (acquired by McAfee in 2006), Point, TrialPay (acquired by Visa in 2015), TXN (acquired by Envestnest in 2019), and Yub (acquired by Coupons.com in 2013). He holds a BA in Applied Mathematics and Computer Science from Harvard University.

Ingo Uytdehaage

Independent Non-Executive Director
Age: 47

Ingo joined the Board as Non-Executive Director in 2019. He is also currently the CFO of Adyen and a Board member of Foam Museum, Amsterdam. Before joining Adyen, he held the position of Finance Director at KPN in The Hague. He has also held various roles in the telecommunication and retail industries, including diverse management functions at VendexKBB/Maxeda.

He has earned degrees from Maastricht University (MBA in accounting and finance), Aarhus Business School in Denmark (MBA in supply chain management and organisational behaviour) and the Vrije Universiteit in Amsterdam (Post Graduate, CPA).

David Wells

Senior Independent Non-Executive Director
Age: 49

David Wells joined the Board as Non-Executive Director in 2019. Prior to this, he served as Netflix's CFO for 8 years, retiring in early 2019 after nearly 15 years with the company and having served as VP of Financial Planning and Analysis prior to CFO. Prior to joining Netflix, David served in various roles at Deloitte Consulting from 1998 to 2004 and in the non-profit sector before getting his MBA. He holds a joint MBA/MPP Magna Cum Laude from The University of Chicago and a Bachelor's Degree in Commerce from the University of Virginia.

3. Director Responsibilities.

Our Board, led by the Executive Chairman meets every quarter and on an adhoc basis when required to:

- be responsible for promoting the long-term sustainable success of Wise by helping us meet our obligations to customers, employees, shareholders and all of our other stakeholders;
- review progress against our mission;
- establish and monitor risk appetite and internal controls; and
- approve material transactions, capital and operating plans.

Board Decision Making and Stakeholder Engagement

The Directors recognise that they have a duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole., In doing so the directors have regard, amongst other matters, to the:

- likely consequences of any decision in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Board, when making decisions, considers amongst other matters, the likely consequences of any decisions for the long-term success of Wise as well as the impact on our stakeholders.

The Board takes into consideration the views and interests of our stakeholders, which remain our customers, employees, shareholders, community, the environment and regulators. We acknowledge that while not every decision made will have a desired outcome for all our stakeholders, we nonetheless take a consistent approach to decision making which factors in the priorities of each of our stakeholders.

The following are examples of principal discussions and decisions made by the Board during the year:

- Covid - 19 resilience planning - in discussing the potential scenarios that the Covid - 19 pandemic presented in March and April in 2020 the Board considered the resilience of our finances, our technology and operations and our employees.
    - We successfully transitioned the majority of our employees to home working and when making the decisions, the Board considered the continuation of normal high level of service to customers and protection of the safety of our employees.
    - Conducted emergency succession planning for our senior team.
    - Reached out to all critical banking partners and suppliers to ensure continuity of service for the benefit of our customers.
    - Ran financial scenarios and discussed the need to raise capital and in what form, factoring in the considerations of shareholders and the dilutive effect of equity capital.

- Secondary Sale - In making its decision to proceed with the secondary sale the Board considered the impact to the Company's stakeholders, in particular employees and shareholders. The Board agreed that the secondary sale would protect the interests of the shareholders while providing liquidity to employees and early shareholders which was an important decision-making factor in such an uncertain year.

The following summarises our key stakeholders; what's important to them, how we engaged with them and the results of that engagement, in particular in decision making:

Our Customers

Our customers (personal and business) are at the heart of our mission and our focus is on delivering products that are faster, cheaper, more convenient and more transparent for their benefit.

We engage with them through quarterly Mission Updates and through social media where we seek feedback to better understand customer needs.

Examples of how we have engaged and considered customers in Board decision making:

- At the start of Covid-19 the Board made the decision to rationalise our operating expenses. Ordinarily such cost savings would be passed on to customers in the form of price drops but during the year ended 31 March 2021, the Board took the difficult decision to hold our low prices steady in order to grow financial reserves and build our financial resilience as we faced an uncertain year.
- In order to continue innovating and solving customer problems beyond the send money use-case it was decided to invest heavily into building a B2B proposition that could leverage the power of the payments infrastructure that underpins our core product.

  This led to the bold decision to rebrand the company from TransferWise to Wise, to highlight that, alongside the growing capability to hold and spend money (as well as send) through our multi-currency card, we were about more than just transfers.

Our People

We recognise that People who have our values are crucial to our success and growth as an organisation and we strive to attract, invest in, engage and grow our people.

Our Board actively considers the interests of our people in decision making with the following being key examples:

- The board oversaw a secondary share sale during the year, giving employees liquidity opportunities.
- A remuneration committee was established to help ensure our remuneration policies and practices are fair and equitable, support our mission, and promote long-term sustainable success.
- We refactored our stock grants to be agnostic as to the location of a Wiser to remain competitive in the new remote-first environment and made the grant levels easier to understand for our team.
- In terms of engagement with employees: our employees receive regular updates at biweekly company-wide calls and at Mission Days, a twice-yearly event where we get together as a company to review our progress on achieving our mission.
- The Board seeks for Wise to maintain a reputation for high standards of business conduct. Our employees are expected to look out for each other, for our customers, and for Wise. A copy of our Code of Conduct is shared with all new joiners and our Whistleblowing Policy is operationalised and reviewed by our board on an annual basis.
- The Board maintains close relationships with management and other key personnel and has 1:1s across the organisation to check

in, hear the perspectives of the team and factor these into how they govern the organisation and in particular in understanding the progress of embedding the enterprise risk management framework.

Our Shareholders

The Board understands that it is accountable to shareholders and is committed to open engagement with all our shareholders, whether employees, institutional investors, venture capital firms or private investors.

Our Board actively considers the interests of shareholders in decision making with the following being key examples:

- The Board took the decision to recommend to shareholders to reduce the share premium account and convert into retained earnings to support financial resilience and further enhancing Wise's regulatory capital position.
- The Board decided against recommending taking on fresh equity capital due to the dilutive effect it may have on existing shareholders, and bolstered reserves through management actions instead, and instead created an opportunity for a return of capital to shareholders through the above mentioned secondary sale.

Our community and the environment

We're committed to making an active contribution to the co-mmunities we live in and the environment. For more information see the above section on "Looking after our communities & the environment".

4. Board Committees

We've made lots of progress on governance during the year, including further embedding the Remuneration and Nomination Committees in addition to the existing combined Audit and Risk Committee.

Board
of directors

Audit and Risk Committee	Remuneration Committee	Nomination Committee

Audit and risk committee

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing our annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of our internal audit, internal controls, whistleblowing and fraud systems. The audit and risk committee will meet as often as deemed necessary but at least twice a year.

The audit and risk committee is chaired by Ingo Uytdehaage and its other members are David Wells, Taavet Hinrikus and Roger Ehrenberg.

Nomination committee

The Nomination Committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for our Directors, including the Chair and the Chief Executive Officer and other senior executives. The nomination committee will meet as often as it deems necessary but at least twice a financial year.

The nomination committee is chaired by Roger Ehrenberg and its other members are Kristo Käärmann, David Wells and Taavet Hinrikus.

Remuneration committee

The Remuneration Committee develops our policy on executive remuneration (including bonuses, incentive payments and pension arrangements), determines the levels of remuneration for the Chair, Executive Directors and other senior executives of Wise. The committee is also responsible for motivating, retaining and incentivising our people and for attracting world-class talent. The remuneration committee will normally meet at least two times each financial year. The terms of reference of the remuneration committee provide that no Director will be involved in deciding his or her own remuneration outcome.

The remuneration committee is chaired by David Wells and its other members are Ingo Uytdehaage and Kristo Käärmann.

On behalf of the Board of directors:

Kristo Käärmann, Director

Date: 16 June 2021

Directors' report for the year ended 31 March 2021.

The directors present their Report and the audited consolidated financial statements for the year ended 31 March 2021.

Principal activity.

The Group's principal activity is provision of online international money transfer services.

Future developments.

The strategic report includes an analysis of the Group's financial risk management policies, general business review and key performance indicators. Also further information supporting the going concern basis may be found in Note 1.1 of the financial statements.

Dividends.

The Group has not declared or paid out any dividends for the years ended 31 March 2021 and 2020.

Financial instruments.

The overview of the Group's financial instruments including an assessment of credit risk, liquidity risk and cash flow risk is disclosed in the Note 3 to the financial statements.

Directors.

The Directors of the Company during the year and up to the date of approval of these financial statements were:

Kristo Käärmann
Taavet Hinrikus
Matthew Briers*
Roger Ehrenberg
Clare Gilmartin*
Tan Hooi Ling*
Alastair Michael Rampell
Ingo Uytdehaage
David Wells

Research and development.

During the year the Group capitalised £19.5 million (2020: £14.7 million) of software development costs. The Group expensed £49.8 million of product engineering costs for the period ended 31 March 2021 (2020: £35.8). These costs directly relate to the development of our product offerings and primarily comprise of employee costs of our engineering and product teams.

Employees.

The average number of employees during the financial year ended 31 March 2021 was 2,243 (2020: 1,881 employees) in offices located around the world. The number of employees is expected to continue to grow in line with global expansion and product development.

To grow the team, Wise continues to attract and keep the best talent that can build and deliver for customers. Wise does this by considering all applications equally and giving employees the support they need, independent of circumstance or background. For further information see section "People" and "Governance" sections in the Strategic Report.

*Director designate. Approved by the Board on 2 February 2021 and expected to be formally appointed after regulatory clearances are obtained.

Branches and overseas registered offices.

Information on TransferWise Ltd subsidiaries is disclosed in Note 4 to the Company financial statements. The Group has following branches outside of the UK during 2020 and 2021 financial years:

Name	Country	Registered address
TransferWise Ltd	Australia	Level 40, Gateway, 1 Macquarie Place, Sydney, NSW, Australia 2000
TransferWise Ltd	Hong Kong	Suite 1201, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong
TransferWise Ltd, Eesti Filiaal	Estonia	Veerenni tn 24, Tallinn city, Harju county, 10135, Estonia
TransferWise Ltd. Magyarországi Fióktelepe	Hungary	Current: 1133 Budapest, Váci út 80., Hungary Previous: 1093 Budapest, Vámház körút 13, Hungary
TransferWise Ltd	New Zealand	Suite 5455, 17b Farnham Street, Parnell, Auckland, 1052, NZ
TransferWise Ltd	Netherlands	Kingsfordweg 15 1043GR Amsterdam

Post balance sheet events

There have been no material post balance sheet events.

Going concern.

The directors believe that the Group has adequate resources to keep operating and meeting liabilities for the foreseeable future. The directors continue to adopt the going concern basis in preparing the financial statements. Further information supporting the going concern basis may be found in Note 1.1 of the financial statements.

Statement of directors' responsibilities in respect of the financial statements.

The directors are responsible for preparing the Annual Report and the Group and the parent Company financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing each of the Group and the parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with the IFRS and in conformity with the requirements of the Companies Act 2006;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditors are aware of that information.

On behalf of the Board of directors:

Kristo Käärmann, Director

Date: 16 June 2021

Independent auditors' report to the members of TransferWise Ltd

Independent auditors' report to the members of TransferWise Ltd

Report on the audit of the financial statements

Opinion

In our opinion:

- TransferWise Ltd's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 March 2021; the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the Consolidated and Company financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's ("FCA") regulations, Anti-Bribery and Corruption legislation, Anti-Money Laundering legislation, UK tax legislation, and equivalent regulations in each of the territories in which the Group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, creation of fictitious revenue transactions, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Review of correspondence with and reports to the regulators, including the FCA;

- Review of reporting to the Audit and Risk Committee in respect of compliance and legal matters;

- Enquiring of management and review of internal audit reports in so far as they related to the financial statements;

- Obtaining legal confirmations from legal advisors relating to material litigation;

- Obtaining confirmations from third parties to confirm the existence of cash balances and a sample of other balances;

- Challenging assumptions and judgements made by management, in particular in relation to the capitalisation of software development costs, fair value of share based payment awards, and recognition of deferred tax assets; and

- Identifying and testing journal entries, including those posted with double entries to unusual account combinations and those posted with unusual descriptions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Brian Henderson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 16 June 2021

Consolidated financial statements and notes

Consolidated statement of comprehensive income
for the year ended 31 March 2021.

	Note	Year ended 31 March 2021	2020 Restated *
Revenue	4	**421.0**	**302.6**
Cost of sales	5	(151.7)	(111.4)
Net credit losses on financial assets	5	(8.8)	(3.1)
Gross profit		**260.5**	**188.1**
Administrative expenses	5	(217.5)	(168.8)
Interest income from investments and operating assets		1.9	5.4
Interest expense from operating assets		(3.8)	(1.3)
Other income		3.8	0.2
Operating profit		**44.9**	**23.6**
Finance expense		(3.8)	(3.2)
Profit before tax		**41.1**	**20.4**
Income tax expense	7	(10.2)	(5.4)
Profit for the year		**30.9**	**15.0**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Fair value (loss)/gain on investments		(3.0)	1.1
Currency translation differences		(3.8)	0.5
Total other comprehensive (loss)/income		**(6.8)**	**1.6**
Total comprehensive income for the year		**24.1**	**16.6**
Earning per share			
Basic	10	1.88	0.95
Diluted	10	1.58	0.80

* See note 1.22 for the details regarding the restatement of comparative figures.

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing.

Consolidated statement of financial position as at 31 March 2021.

	Note	As at 31 March 2021	2020 Restated *
Non-current assets			
Deferred tax assets	7	56.7	32.0
Property, plant and equipment	8	24.0	19.1
Intangible assets	9	27.5	21.3
Trade and other receivables	11	15.1	7.6
Total non-current assets		**123.3**	**80.0**
Current assets			
Current tax assets		1.1	2.1
Trade and other receivables	11	81.3	102.6
Short-term financial investments	12	737.5	114.1
Cash and cash equivalents	13	3,358.6	2,077.6
Total current assets		**4,178.5**	**2,296.4**
Total assets		**4,301.8**	**2,376.4**
Non-current liabilities			
Deferred tax liabilities	7	2.0	-
Borrowings	15	95.2	59.6
Trade and other payables	14	22.6	7.4
Total non-current liabilities		**119.8**	**67.0**
Current liabilities			
Borrowings	15	3.5	4.2
Current tax liabilities		2.0	0.7
Trade and other payables	14	3,891.2	2,107.7
Total current liabilities		**3,896.7**	**2,112.6**
Total liabilities		**4,016.5**	**2,179.6**
Equity			
Share capital		-	-
Share premium		1.4	120.5
Share-based payment reserves		124.5	63.8
Other reserves		(0.7)	2.3
Retained earnings		162.6	8.9
Currency translation differences		(2.5)	1.3
Total equity		**285.3**	**196.8**
Total liabilities and equity		**4,301.8**	**2,376.4**

* See note 1.22 for the details regarding the restatement of comparative figures

The financial statements on pages 49 to 79 were authorised for issue by the board of directors on 16 June 2021 and were signed on its behalf:

Kristo Käärmann, Director

Consolidated statement of changes in equity
for the year ended 31 March 2021.

	Note	Share capital	Share premium	Share-based payment reserves	Other reserves	Retained earnings/ (accumulated losses)	Currency translation differences	Total equity
At 1 April 2019 as originally reported		-	120.8	11.8	1.2	(7.6)	0.8	127.0
Correction of error	1.22	-	(0.6)	-	-	0.6	-	-
At 1 April 2019 restated		-	120.2	11.8	1.2	(7.0)	0.8	127.0
Profit for the year - restated *		-	-	-	-	15.0	-	15.0
Share-based employee compensation expense		-	-	24.4	-	-	-	24.4
Deferred tax on share-based compensation - restated *	7	-	-	28.5	-	-	-	28.5
Fair value gain on investments	12	-	-	-	1.1	-	-	1.1
Foreign currency translation differences		-	-	-	-	-	0.5	0.5
Issue of share capital - restated *	17, 18		0.3	(0.9)	-	0.9	-	0.3
At 31 March 2020		-	120.5	63.8	2.3	8.9	1.3	196.8
At 31 March 2020 as originally reported			121.9	35.3	2.3	13.7	1.3	174.5
Correction of error	1.22	-	(1.4)	-	-	1.5	-	0.1
Correction of error (deferred tax on share-based compensation)	1.22	-	-	28.5	-	(6.3)	-	22.2
At 31 March 2020 restated *		-	120.5	63.8	2.3	8.9	1.3	196.8
Profit for the year		-	-	-	-	30.9	-	30.9
Share-based employee compensation expense		-	-	36.9	-	-	-	36.9
Deferred tax on share-based compensation	7	-	-	26.6	-	-	-	26.6
Fair value loss on investments	12	-	-	-	(3.0)	-	-	(3.0)
Foreign currency translation differences		-	-	-	-	-	(3.8)	(3.8)
Issue of share capital	17, 18	-	0.9	(2.8)	-	2.8	-	0.9
Reduction of share capital	17	-	(120.0)	-	-	120.0	-	-
At 31 March 2021		-	1.4	124.5	(0.7)	162.6	(2.5)	285.3

* See note 1.22 for the details regarding the restatement of comparative figures.

Consolidated statement of cash flows
for the year ended 31 March 2021.

	Note	Year ended 31 March 2021	2020 Restated *
Cash flows from operating activities			
Cash generated from operations	16	2,076.3	1,187.8
Interest received		7.6	6.4
Interest expense paid		(6.0)	(3.4)
Corporate income tax paid		(4.0)	(2.4)
Net cash generated from operating activities		**2,073.9**	**1,188.4**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2.3)	(3.1)
Payments for intangible assets	9	(20.9)	(15.0)
Payments for financial assets at FVOCI		(723.9)	(46.5)
Proceeds from sale and maturity of financial assets at FVOCI		75.3	43.7
Net cash used in investing activities		**(671.8)**	**(20.9)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity	17	0.9	0.3
Proceeds from borrowings		118.6	101.4
Repayments of borrowings		(90.0)	(66.4)
Payments for lease liabilities		(4.7)	(4.1)
Net cash generated from financing activities		**24.8**	**31.2**
Net increase in cash and cash equivalents		**1,426.9**	**1,198.7**
Cash and cash equivalents at beginning of year	13	**2,077.6**	**856.1**
Effects of exchange rate changes on cash and cash equivalents		(145.9)	22.8
Cash and cash equivalents at end of year	13	**3,358.6**	**2,077.6**

* See note 1.22 for the details regarding the restatement of comparative figures.

Notes to the consolidated financial statements
for the year ended 31 March 2021.

Note 1. Summary of significant accounting policies

1.1 Basis of preparation and accounting policies

TransferWise Ltd (the "Company") is limited by shares and is incorporated and domiciled in England. The address of its registered office is 6th Floor Tea Building, 56 Shoreditch High Street, London E1 6JJ. The principal activity of the Company and its subsidiaries (the "Group") is provision of cross-border money transfer services.

The consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006'. The financial statements are prepared on a going concern basis.

The financial statements are presented in millions of Pounds Sterling ("£"), which is the Group's presentation currency and has been prepared under the historical cost convention, except certain financial assets measured at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Preparation of financial statements requires signifciant accounting judgments and estimates which have been laid out in note 2.

Going concern assumption
The going concern assessment is based on the forecast for the first 12 months from the date of approval of these financial statements for the year ended 31 March 2021. For the forecast purposes, management has prepared the Base Case Scenario and Downside Case Scenario, which covered revenues, profitability, cash position and liquidity as well as the Group's ability to meet its regulatory capital requirements. The Group expects that sufficient liquidity and regulatory capital requirement headroom is maintained throughout the forecast period under both scenarios.

The going concern assessment also considers the Group's principal risks (Note 3) and is dependent on a number of factors, including but not limited to, financial performance, volume of transactions and its ability to meet financial covenants.

As the COVID-19 pandemic has had and continues to have a significant impact on the global economy and markets in which the Group operates, management has prepared the forecasts taking into account the uncertainties around the pandemic. Since the outbreak of the pandemic in early 2020, the Group's main priority has been offering a disruption-free service to its customers, whilst maintaining the wellbeing and productivity of its employees.

Based on forecasts, available market information and management's knowledge and experience of the Group's business activities, the Group is satisfied in its ability to continue as a going concern.

1.2 Changes in accounting policy and disclosures

Adoption of new or revised standards and interpretations
The following new or revised standards and interpretations became effective for the Group from 1 April 2020:

- IFRS 3 amendments Definition of a Business.
- IAS 1 and IAS 8 amendments Classification of Liabilities and Definition of Material.
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform.
- Amendments to IFRS 16 Covid-19-Related Rent Concessions.

The adoption of the above standards did not have a material impact on the Group. There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 April 2020 that would be expected to have a material impact to the Group.

New standards and interpretations not yet adopted
Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the period ended 31 March 2021 and have not been early adopted by the Group . None of these are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions:

- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Changes in presentation

Statement of comprehensive income

In preparing these financial statements, the Group has made certain presentational changes to better align the relevant IFRS financial statement captions and reflect the underlying nature of the transactions and the operations of Wise. Comparatives for the year ended 31 March 2020 have been re-presented to reflect this change in classification for all instances.

- £1.3 million Interest expense incurred on holding customer deposits on Wise Accounts as the result of negative interest rates, has been reclassified and presented separately as interest expense from operating assets. This change in classification was made as interest expense incurred on customer balances does not relate to borrowings and therefore the Directors considered that operating activities better reflected the nature of cost.
- £3.1 million Interest income earned on holding customer cash on Wise Accounts has been reclassified to the Interest income from investments and operating assets. This change in classification was made as interest income earned on customer balances does not relate to lending activity and therefore the Directors considered that operating activitities better reflected the nature of this income, similar to income the Group earns on investments in bonds.
- £2.3 million Investment income from bonds has been reclassified to the Interest income from investments and operating assets. Similar to interest earned on Wise Accounts, the Directors considered that operating activitities better reflected the nature of this income.

Change in accounting policies

Net foreign currency exchange gains and losses related to customer balances are classified as costs of sales as they direclty relate to provision of services to the customers. Previously, a portion of foreign exchange gains and losses related to customer balances in the amount of £3.1 million were classified as administrative expenses for the period ended 31 March 2020.

1.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it satisfies any of the following criteria:

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

All other assets are classified as non-current.

A liability is current when it satisfies any of the following criteria:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

1.5 Foreign currencies translation

The Group's consolidated financial statements are presented in Pounds Sterling. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction is recognised.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains or losses are recognised in either the income statement or shareholder's equity depending on the treatment of the gain or loss on the asset or liability.

Group companies
On consolidation, the results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) are translated into pounds as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- income and expenses are translated at average monthly exchange rates (unless exchange rates fluctuate significantly during the year, in which case the exchange rates at the transaction date are used), and;
- all resulting exchange differences are recognised in other comprehensive income.

When any borrowings forming part of the net investment in foreign entities are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand deposits and other short-term high quality liquid investments with original maturities of three months or less, except for Money Market Funds (MMF). Cash that has been paid out from the Group bank account but hasn't been delivered to the bank account of the beneficiary is classified as cash in transit. Cash collateral deposits the Group holds with its counterparties are recognised under Trade and other receivables in the statement of financial position.

Customer deposits
The Group recognises liability for customer funds held in Wise Accounts and funds collected from the customers for Wise Transfers that have not yet been processed. Liability is recognized upon receipt of cash or capture confirmation (depending on pay-in method), and is derecognised when cash is delivered to the beneficiary.

Principles to determine the point of delivery are the same as applied in revenue recognition, see section 1.11 below. Cash that has been paid out but has not yet been delivered to the beneficiary account is reflected as cash in transit to customers.

The Group is subject to various regulatory safeguarding compliance requirements with respect to customer funds. As safeguarding requirements may vary across the different jurisdictions in which the Group operates, the Group holds customer funds in segregated accounts and other high quality liquid assets such as MMFs and investment grade bonds.

1.7 Financial assets

Investments and other financial assets
The Group classifies its financial assets, at initial recognition, and subsequently measures them at amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not

SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how they are used in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held with the objective to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held with the objective of both holding to collect contractual cash flows and selling.

The Group classifies debt securities (e.g. bonds) as FVOCI pursuant with the above policy as the contractual cash flows are solely payments of principal and interest, and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

Recognition and derecognition
Purchases and sales of financial assets are recognised on the settlement date according to market conventions. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Cashflows in relation to purchase or sale of these instruments are classified as investing activities in the consolidated cash flow statement.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets at amortised costs are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Impairment
The Group recognises an allowance for Expected Credit Losses (ECL) for trade receivables and uses a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments held at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether or not the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments held at FVOCI comprised solely of quoted bonds that are graded in the top investment category Aa2 and better by Moodys Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Moody's both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Refer to note 1.18 and 3.2 for further information on trade receivables and expected credit losses.

1.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Right-of-use assets are depreciated over the lease term (2-7 years). Capitalised reconstruction and internal design costs of leased office space (shown as 'Leased office improvements' in the notes to the consolidated financial statements) are depreciated over the lease term and other office equipment over 2 years.

Computer equipment is not recorded into property, plant and equipment but expensed, as low value short-lived equipment in the Group.

1.9 Intangible assets – Internally generated software development costs

The Group develops software used in provisioning of its services. Development costs that are directly attributable to the design, development and testing of the software controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Costs associated with maintaining computer software are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product comprise the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised over their estimated useful economic lives. Intangible assets are assessed for impairment whenever there is an indicator that they might be impaired, for example when the assets are no longer in use and need to be decomissioned.

The Group amortises intangibles assets over 3 years, except for mobile applications which are amortised over 2 years.

1.10 Trade and other payables

Trade payables consist of obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers on the basis of normal credit terms and do not bear interest. Other payables, which relate to Wise Accounts and Wise Transfers that have not been processed by the Group at the reporting date, are non-derivative liabilities to individuals or business customers for money they hold with the Group and do not constitute borrowings.

Payables are initially recognised at fair value and subsequently measured at amortized cost.

1.11 Revenue recognition

The Group primarily generates revenue from Wise Transfers and Wise Account, including conversions and debit card services.

The Group recognises revenue according to the principles of IFRS 15 using the five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction to the performance obligations in the contract
5. Recognise the revenue when (or as) the entity satisfies the performance obligation

A customer enters into the contract with the Group at the time of opening a Wise Account or initiating a Wise Transfer. Generally, the customer agrees to the contractual terms by formally accepting, on the Groups' website, the terms and conditions of the respective service, which details the Groups' performance obligations and fees.

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In the case of debit card services, it is at the time the card is made available for use and the customer is able to either make a payment or withdraw money from an ATM.

The fees we charge customers are shown to them upfront prior to transaction being initiated. For international transfers, we charge a single upfront fee per transaction, consisting of a fixed and variable amount. The amount of both the fixed and the variable portion of the fee depends on a number of factors, including the currency route, the transfer size, the type of transaction being undertaken and the payment method used.

As there is typically a single performance obligation associated with each type of service provided to a customer, the revenue is recognised at the point in time the Group's performance obligation has been satisfied (e.g. upon delivery of funds to the recipient, in case of money transfers, when a customer balance is converted into a different currency or upon transaction capture for debit card services).

The timing required for the Group to process the payment to the recipient and, hence, to satisfy its performance obligations largely depends on its banking partners, specifically the processing time required to deliver funds to the recipient. Therefore, the revenue is deferred until the time it is delivered. In certain jurisdictions where the Group has settlement accounts with the central banks or in the case of transfers between Wise accounts or conversions within a Wise account, such transactions are fulfilled instantly.

1.12 Interest income and expense

Interest income from investments and interest earned on Wise Accounts is recognised as interest income from investments and operating assets using the effective interest rate method. Our investments are classified as financial assets at fair value through other comprehensive income, whilst Wise Accounts holding customer funds are financial assets measured at amortised cost.

Interest expense incurred on Wise Accounts primarily relate to negative interest rates on euro denominated balances.

1.13 Leases

A lease is a contract or part of a contract that conveys to the lessee the right to control the use of an identifiable asset for a period of time in exchange for consideration.

The Group as the lessee

Initial measurement

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use asset is recorded within the 'Property, plant and equipment' line in the statement of financial position.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined.

If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as SONIA) or payments that vary to reflect changes in market rental rates;

- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement
After the commencement date, a lessee measures the right-of-use asset estimated applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's estimated useful life and the lease term on a straight-line basis. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

If there are changes in lease payments, there may be a need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

The Group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT and office equipment.

The Group presents the payments of principal and interest on lease liabilities as part of financing cash flows.

1.14 Cost of sales

Cost of sales comprises the costs that are directly associated with the Group's principal revenue stream of money transfer services. This includes:

- bank and partner fees incurred in processing customer transfers;
- net foreign exchange costs generated due to customer transactions and costs related to the difference between the published mid-market rate offered to customers and the rate obtained by the Group in acquiring currency as required as well as product losses that are directly generated from consumer transactions, including chargeback losses.

1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are recognized for share options vested but not exercised at the balance sheet date. They are determined as at the balance sheet date based on the most recent valuation of share options. The impact of recognition is split between income tax expense and the share-based payment reserve in equity. Refer to note 7.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the 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 and there is an intention to settle the balances on a net basis.

1.16 Employee benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Long-term obligation
Employee entitlements for long term leave is recognised as a liability using probability of staff departures and leave utilisation.

Share-based payments
The Parent Company operates a scheme, under which the Group receives services from employees as consideration for equity instruments (options) of the Parent Company. The fair value of the employee services received in exchange for the grant of the options and awards is recognised in employee benefit expense together with a corresponding increase in equity (share-based payment reserves), over the period in which the service and the performance conditions are fulfilled (the vesting period).

The total amount to be expensed is determined by reference to the fair value of the options granted. Non-market vesting conditions are included in assumptions of the number of options and awards that are expected to vest.

The total amount of the grant expense is recognised over the vesting period. At each reporting date, the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of comprehensive income, with a corresponding adjustment to the share-based payment reserves. Upon exercises of share options, the impact is recognised in retained earnings.

Refer to Note 2.5 for Significant accounting estimate for employee share-based payments.

1.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), which is currently the Board of Directors of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of "Cross border payment services". Refer to Note 4 for Segment information.

1.18 Trade and other receivables

Trade and other receivables, primarily consist of amounts due from payment processors and collateral deposits the Group holds with is counterparts. Trade and other receivables are initially recognized at fair value and subsequently measured at amortised cost less impairment for expected credit losses. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognized from the initial recognition of the receivables. Refer to note 1.7 above for further information on expected credit losses.

1.19 Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the Group;
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

1.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost. Any difference between the proceeds (net cf transaction costs) and the redemption value is recognised in the income statement over the term of the borrowing using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred and treated as a transaction cost when the draw-down occurs. The Group presents the impact of transaction costs as part of financing cash flows.

1.21 Rounding of amounts

All amounts disclosed in the Consolidated Financial Statements and the notes have been rounded to the nearest hundred thousand (£0.1 million), unless otherwise stated.

1.22 Prior period restament

During the preparation of these financial statements, the financial results for the year ended 31 March 2020 have been restated. The restatements comprise:

- error correction in the valuation of deferred tax assets related to vested but not exercised options and an error in the split of the corporate tax deduction available in certain countries on exercise of options, between the income statement (income tax expense) and equity (share based payments reserve). The error has no material impact on the financial year ended 31 March 2019 and therefore no opening balance sheet adjustment is required;
- error correction in the recognition of the liability for the National Insurance on share options. Previously the liability was presented net of receivables from employees. Correction was made to present the liability and receivable gross in the statement of financial postion. The impact for the period for the period ended 31 March 2020 was £1.6 million.

Impact on statement of comprehensive income (extract) - decrease in profit

	31 March 2020	
	Group	**Company**
Income tax expense	(6.3)	(6.1)
Net impact on profit for the period	**(6.3)**	**(6.1)**

Impact on statement of financial position (extract) - increase/(decrease) in equity

	31 March 2020	
	Group	**Company**
Trade and other receivable	1.6	1.6
Deferred tax assets	22.2	20.4
Total assets	**23.8**	**22.0**
Trade and other payable	(1.6)	(1.6)
Total liabilities	**(1.6)**	**(1.6)**
Share-based payment reserves	28.5	26.5
Retained earnings	(6.3)	(6.1)
Net impact on Equity	**22.2**	**20.4**

In addition the Group corrected an an error in the classification of the impact of the share options exercises which were classified as share premium. As the result £1.4 million were reclassified from share premium into retatained earnings for the period ended 31 March 2020 (2019: £0.6 million) within the statement of changes in equity.

The error corrections did not have an impact on the OCI for the period or the Group's operating, investing or financing cash flows in the Consolidated Statement of Cash Flows for the period.

Note 2. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

2.1 Customer balances

The Group recognises financial assets and liabilities for the customer cash balances it holds on Wise Accounts and as part of Wise Transfer settlement process as it becomes party to a contract and has a right and an ability to control the economic benefit from the cash flows associated with these financial assets and liabilities required by IFRS9. Additionally, pursuant to IAS 32, the Group considers it does not have a legally enforceable right to set off the these financial assets and liabilities, or an intention to settle them on a net basis or settle them simultaneously.

2.2 Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

2.3 Net gains and losses from foreign exchange differences

The Group classifies net foreign exchange gains and losses from customer transactions, including the costs related to the difference between the published mid-market rate offered to customers and the rate obtained by the Group in acquiring currency as required, as cost of sales. The Group considers these costs as directly related to and incurred as part of providing services to the customers. The total of such net foreign exchange differences recognised in the cost of sales for the year ended 31 March 2021 is £18.3 million (2020: £12.3 million).

2.4 Intangible assets – capitalisation, useful lives and impairment

The Group capitalises internally generated software costs, including direct development costs related to employee benefit expenses. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.5 Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The cost of share options is determined by the fair value at the date when the grant is made using the Black Scholes model. Further details on the assumptions is disclosed in note 18.

If the average share price was higher or lower by 5%, the annual share-based payment compensation expense would be higher or lower by up to £0.8 million.

Additionaly the Group uses the most recent valuation to the balance sheet date in determining the deferred tax asset for the share options vested but not exercised. Refer to note 7.

2.6 **Specific provision for expected credit losses**

The Group may recognise specific provisions for individually material financial assets for which credit quality deteriorates significantly. The Group takes into account specific facts and circumstances that might indicate impairment, such as litigation risk, credit rating and financial results of the counterpart. The Group also uses the weighted probability method to assess the recoverability of the amounts. The Group monitors subsequent changes in the assumptions and estimates on a regular basis. Specific provision recognised for the period ended 31 March 2021 was £6.7 million (2020: £0), more information is disclosed in note 5.

Note 3. Financial risk and capital management

This note further explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add context.

In the course of its business, the Group is exposed to the main financial risks: liquidity, credit, and market risk. The Group's financial risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

3.1 **Liquidity risk**

The Group monitors its risk of shortage of funds using cash flow forecasting. Management monitors rolling forecasts of the Group's liquidity requirements to make sure it has sufficient cash to meet operational needs. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its revolving credit facility, share capital and lease contracts.

The Group's approach to managing liquidity risk is to make sure, as far as possible, that it always has enough liquidity to meet its liabilities when due, under both normal and stressed scenarios, without incurring unacceptable losses or risking damage to the Group's position

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to the sufficient source of funding and does not currently have debt maturing within 12 months.

The breakdowns of trade payables and borrowings into current and non-current are shown in notes 14 and 15. See also note 3.5 for the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

3.2 **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit Risk is managed at Group level and comes mainly from the Group's cash and cash equivalents held in banks and investments in bonds.

If a bank or other financial institution has no independent credit rating, the Group evaluates its credit quality by analysing its financial position, past experience, and other factors.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	As at 31 March	
	2021	2020
Assets category		
Cash and cash equivalents	3,358.6	2,077.6
Short-term financial investments	737.5	114.1
Trade and other receivables	76.3	104.7
Assets subject to credit risk total	**4,172.4**	**2,296.4**

Due to the short duration of the cash and cash equivalents (less than 3 months), the fair value approximates the carrying value at each reporting period.

Credit risk is mitigated as financial assets suibject to credit risk are held with reputable institutions.

The Group's financial assets breakdown by credit rating of institution is as follows:

	As at 31 March	
	2021	2020
Credit rating (Moody's)		
Cash and cash equivalents		
Aa	2,316.9	1,285.9
A	710.6	364.6
Baa, Ba, B	73.3	315.6
Caa	-	0.6
No rating *	99.8	23.6
Cash in transit	158.0	87.3
Cash and cash equivalents total	**3,358.6**	2,077.6
Short-term financial investments		
Aa	737.5	114.1
Short-term financial investments total	**737.5**	114.1
Trade and other receivables		
Aa	14.7	19.6
A	1.0	20.0
Baa, Ba, B	15.4	15.5
No rating *	45.2	49.6
Trade and other receivables total	**76.3**	104.7

* "No rating" includes payment providers and banks with no public credit rating.

Before deciding to onboard third parties, the Group undertakes due diligence measures to assess and mitigate potential risks.

3.3 Market risk

Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk from floating interest rate borrowings (Note 15) and manages the potential that financial expenses increase when interest rates increase. Sensitivity analysis is used to assess the interest rate risk.

In a stressed scenario a change of 10 basis points in the interest rates of interest-bearing liabilities at the reporting date would have changed profit and equity by £0.1 million.

The Group is also exposed to interest rate risk from fixed rate, predominantly, customer liabilities funded by floating rate assets. This risk is deemed negligible for the Group, due to the business model as interest rate changes can be passed onto the customer in due course.

Foreign exchange risk

The Group is exposed to foreign exchange rate movement from holding assets and liabilities in different currencies and guaranteeing customers a foreign exchange rate on their international transfers for a limited period of time. We actively monitor foreign exchange risk, and our exposures are managed through a combination of natural hedging and treasury products hedging. There were no material open treasury postions as the reporting date.

The table below presents the Group's net position (difference between financial assets and liabilities) across its main currencies and Group's exposure to foreign exchange risk at the end of each reporting period.

The Group's exposure to foreign exchange risk by currency is as follows:

	As at 31 March	
	2021	2020
Net exposure by currency (in £millions)		
PHP	14.2	1.0
INR	13.7	4.5
BRL	3.7	(0.1)
AUD	4.7	10.4
NZD	4.5	(1.0)
EUR	(21.9)	8.1
CHF	(8.9)	3.8
USD	(9.8)	10.6
IDR	(3.5)	(1.9)
Other financial assets	7.5	17.6
Other financial liabilities	(13.1)	(3.6)

The Group's sensitivity to foreign exchange fluctuations by currency is as follows:

	As at 31 March	
	2021	2020
Sensitivity to 5% exchange rate change (in £millions)		
PHP	0.7	0.1
INR	0.7	0.2
BRL	0.2	-
AUD	0.2	0.5
NZD	0.2	(0.1)
EUR	(1.1)	0.3
CHF	(0.4)	0.2
USD	(0.5)	0.5
IDR	(0.2)	(0.1)
Other financial assets	0.4	0.8
Other financial liabilities	(0.7)	(0.2)

3.4 Capital management

The Group's capital comprises ordinary share capital, share premium, reserves and retained earnings.

The Group's objectives when managing capital is to:

- safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders;
- maintain an optimal capital structure to reduce the cost of capital; and
- adhere to regulatory requirements in each jurisdiction.

3.5 Carrying Amounts and Fair Values of Financial Instruments

The Group's financial assets mainly consist of cash, short-term trade and other receivables and listed bonds. Its financial liabilities include trade liabilities and obligations towards financial institutions. All purchases and sales of financial assets are recognised on the settlement date according to market conventions.

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows.
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income (FVOCI) comprise investments into highly liquid bonds with the objective of both collecting contractual cash flows and selling financial assets.

Financial assets and liabilities by measurement basis:

	As at 31 March	
	2021	2020
Financial assets at amortised cost		
Long term receivables	1.0	6.0
Short term trade and other receivables	76.3	96.2
Cash and cash equivalents	3,358.6	2,077.6
Financial assets at amortised cost total	**3,435.9**	**2,179.8**
Financial liabilities at amortised cost		
Non-current lease liabilities	(16.6)	(10.6)
Non-current borrowings	(78.6)	(49.0)
Non-current trade and other payables	-	(5.8)
Current lease liabilities	(3.5)	(4.0)
Current borrowings	-	(0.2)
Current trade and other payables	(3,859.3)	(2,108.4)
Financial liabilities at amortised cost total	**(3,958.0)**	**(2,178.0)**
Financial assets at FVOCI		
Short-term financial investments	737.5	114.1
Financial assets at FVOCI total	**737.5**	**114.1**

Fair value hierarchy

The Group estimates that the fair values of assets and liabilities reported at amortised cost in the statement of financial position as at 31 March 2021 and 31 March 2020 do not materially differ from the carrying amounts reported in the consolidated financial statements.

The carrying amount of current accounts receivable and payable less impairments is estimated to be approximately equal to their fair value.

IFRS 13 has sought to make measurements at fair value more consistent and comparable by categorising fair value according to the hierarchy of the inputs used to measure them. These are categorised from Level 1 to Level 3 as follows.

Level 1 - Quoted prices in active markets for identical assets or liabilities which the Group can access at the date of measurement.

Level 2 - Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly.

Level 3 - Inputs that are not based on observable market data.

The following table present the Group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at 31 March 2021 and 31 March 2020:

	As at 31 March	
	2021	2020
Measurement Level 1		
Financial assets		
Short-term financial investments	737.5	114.1
Level 1 financial assets total	**737.5**	**114.1**

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Group is the current close price at the balance sheet date.

If the fair value of the short-term financial assets would change by 1% at the reporting date, that would result in a £7.4 million increase or decrease in the balances and the corresponding impact on the comprehensive income.

Financial instruments in level 2 and 3

At the end of reporting period the Group had no financial instruments in level 2 and 3.

Contractual maturity of financial liabilities based on undiscounted cash flows:

	As at 31 March	
	2021	2020
Less than 1 year		
Current lease liabilities	(4.4)	(4.6)
Current borrowings*	(2.4)	(2.2)
Current trade and other payables	(3,859.3)	(2,108.4)
Financial liabilities total	**(3,866.1)**	**(2,115.2)**
Between 1 and 5 years		
Non-current lease liabilities	(18.3)	(11.1)
Non-current borrowings*	(84.8)	(50.9)
Non-current trade and other payables	-	(5.8)
Financial liabilities total	**(103.1)**	**(67.8)**

* Current and non-current borrowings are including principal and interest, due to this correction comparative figures have been updated as following: Current borrowings increased by £2.0 million and Non-current borrowings by £1.0 million.

Note 4. Segment information

Description of segment

The information regularly reported to the Board of Directors, who are considered to be the CODM, for the purposes of resource allocation and the assessment of performance, is based wholly on the overall activities of the Group. Based on the Group's business model the Group has determined that it has only one reportable segment under IFRS 8, which is "Cross-border payment services provider".

The Group's revenue, assets and liabilities for this one reportable segment can be determined by reference to the Statement of Comprehensive Income and Statement of Financial Position. The analysis of revenue by type of customers and geographical regions, is set out in the note below.

The Group determines revenue accross the following major geographical regions based on the customer address:

	Year ended 31 March	
	2021	2020
Revenue by geographical regions		
Europe	136.3	94.5
United Kingdom	95.8	72.7
Asia-Pacific	89.2	47.4
North America	73.0	62.9
Rest of the world	26.7	25.1
Total	**421.0**	**302.6**

No individual customer contributed more than 10% to the total revenue.

	Year ended 31 March	
	2021	2020
Revenue by customer type		
Personal	341.3	251.7
Business	79.7	50.9
Total	**421.0**	**302.6**

At the end of each period the majority of the non-current assets were carried by TransferWise Ltd in the UK. Based on the location of the non-current asset the following geographical breakdown on non-current assets is prepared:

	Year ended 31 March	
	2021	2020
Non-current assets by geographical region		
United Kingdom	99.4	60.8
Rest of the world	23.9	19.2
Total non-current assets	**123.3**	**80.0**

Note 5. Cost of sales and administrative expenses

Breakdown of expenses and other operating income by nature:

	Year ended 31 March	
	2021	2020
Cost of sales		
Bank and partner fees	117.8	84.2
Net foreign exchange and other product costs	33.9	27.2
Total cost of sales	**151.7**	**111.4**
Net credit losses on financial assets		
Amounts charged to credit losses on financial assets	8.8	3.1
Total net credit losses	**8.8**	**3.1**

Expected credit losses are presented as net credit losses within gross profit operating profit and subsequent recoveries of amounts previously written off are credited against the same line item.

During the year ended 31 March 2021, the Group recorded a £6.7 million specific provision relating to all of our funds being improperly withheld by a Brazilian financial institution, MS Bank S.A. Banco de Câmbio and all of the accounts receivable from the same party. Wise has filed a lawsuit pending service of process in the High Court of Justice, Business and Property Courts of England and Wales, Commercial Court for the return of these funds.

	Year ended 31 March	
	2021	2020
Administrative expenses		
Employee benefit expense	141.6	102.7
Outsourced services and other administrative costs	73.7	60.2
Depreciation and amortisation	21.7	20.6
Less: Capitalisation of staff costs	(19.5)	(14.7)
Total administrative expenses	**217.5**	**168.8**

During the year the Group (including its overseas subsidiaries) obtained the following services from the company's auditors:

	Year ended 31 March	
	2021	2020
Audit fees		
Fees payable to the company's auditors and its associates for the audit of Company and Consolidated Financial Statements	0.9	0.4
Audit of the financial statements of the company's subsidiaries	0.2	0.1
Total audit fees	**1.1**	**0.5**
Assurance related fees		
Other assurance services	0.3	0.2
Total assurance related fees	**0.3**	**0.2**
Non-audit fees		
Reporting accountant fees	1.0	-
Total non-audit fees	**1.0**	-

Note 6. Employee benefit expense

	Year ended 31 March	
	2021	2020
Salaries and wages	86.4	64.1
Share based payment compensation expense*	38.1	24.0
Social security costs	14.0	11.3
Pension costs	1.9	1.4
Other employment taxes and insurance cost	1.2	1.9
Total employee benefit expense	**141.6**	**102.7**

* Refer to the note 18 for details on share options granted to employees

The average number of employees (including directors) during the financial year ended 31 March 2021 was 2,243 (2020: 1,881 employees). Remuneration of directors are diclosed in Note 20.

Note 7. Income tax expense

Income tax expense

	Year ended 31 March	
	2021	2020
Current income tax for the year		
UK corporation tax	6.2	6.3
Foreign corporation tax	4.9	1.8
Adjustment in respect of prior years	(1.3)	(1.2)
Total current tax expense for the year	**9.8**	**6.9**
Deferred income tax for the year		
(Increase)/decrease in deferred tax assets	0.6	(5.0)
Increase in deferred tax liabilities	0.7	2.5
Adjustment in respect of prior years	(0.9)	1.0
Total deferred tax expense / (benefit) for the year	**0.4**	**(1.5)**
Total income tax expense for the year	**10.2**	**5.4**

Factors affecting income tax expense for the year

	Year ended 31 March	
	2021	2020
Profit on ordinary activities before taxation	41.1	20.4
Profit on ordinary activities multiplied by the UK tax rate of 19%	7.8	3.9
Adjustments in respect of prior periods	(2.2)	(0.2)
Effect of expenses not deductible	0.5	1.3
Movement in tax provisions	2.8	1.5
Deferred tax on branch profits	0.8	1.3
Employee option plan	0.5	0.5
Difference in overseas tax rates	0.2	-
Deferred tax impact of rate change	0.0	(1.1)
Other adjustments	(0.2)	(1.8)
Total income tax expense	**10.2**	**5.4**

During the Chancellor's Budget on 3 March 2021, a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023 was announced. As this rate change was not substantively enacted as at 31 March 2021, deferred tax assets and liabilities within these financial statements continue to be measured at 19%, the substantively enacted rate at which they are expected to reverse.

If this rate change had been effective from the balance sheet date, the overall effect of the change would be to increase deferred tax by approximately £16.2 million and increase the income tax expense for the year by £3.9 million.

Amounts recognised directly in equity

	Year ended 31 March	
	2021	2020
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax: deduction for exercised options	6.4	5.9
Deferred tax: recognition of deferred tax asset on share based payments	20.2	22.6
Total amount recognised directly in equity	**26.6**	**28.5**

The deferred tax asset in relation to share based payments is recognised based on the accounting value per share closest to the balance sheet date which was 17 March 2021 and 31 December 2019 in years ended 31 March 2021 and 31 March 2020 respectively.

Movement in deferred tax balances

	Year ended 31 March	
	2021	2020
Opening deferred tax asset	**32.0**	8.2
Share options outstanding	26.3	26.6
Utilisation of tax losses in foreign subsidiaries	0.1	(2.1)
Utilisation of tax losses in parent company	(2.5)	(1.3)
Other short-term temporary differences	0.8	0.6
Closing deferred tax asset	**56.7**	**32.0**

The balance comprises temporary differences attributable to:

	Year ended 31 March	
	2021	2020
Utilisation of tax losses in parent company	2.2	4.7
Utilisation of tax losses in foreign subsidiaries	0.2	0.1
Stock options outstanding	54.9	28.9
Other short term temporary differences	1.9	1.0
IFRS16 initial adoption impact	-	1.9
Total deferred tax assets	**59.2**	**36.6**
Set-off of deferred tax liabilities pursuant to set-off provisions	(2.5)	(4.6)
Net deferred tax assets	**56.7**	**32.0**

Movement in deferred tax liability:

	Year ended 31 March	
	2021	2020
Opening deferred tax liability	-	**0.3**
Other short-term temporary differences	2.0	(0.3)
Closing deferred tax liability	**2.0**	**0.0**

The balance comprises temporary differences attributable to:

	Year ended 31 March	
	2021	2020
Deferred tax on branch profits	2.0	1.3
Prepaid Expenses	-	0.1
Property, plant and equipment (capital allowances)	2.5	1.5
IFRS16 initial adoption impact	-	1.7
Total deferred tax liabilities	**4.5**	**4.6**
Set-off of deferred tax asset pursuant to set-off provisions	(2.5)	(4.6)
Net deferred tax liabilities	**2.0**	-

The Group considers it is probable that there will be sufficient taxable profits in the future to realise the deferred tax asset. Consequently, the asset has been recognised in full as at 31 March 2021 and as at 31 March 2020.

Note 8. Property, plant and equipment

	Right-of-use assets	Leased office improvements	Office equipment	Assets under constuction	Total
At 1 April 2019					
Cost	15.7	3.8	2.6	1.1	**23.2**
Accumulated depreciation	-	(1.7)	(1.3)	-	**(3.0)**
Net book value	**15.7**	**2.1**	**1.3**	**1.1**	**20.2**
Additions	1.8	1.9	1.8	-	**5.5**
Reclassifications	-	0.8	0.2	(1.0)	**-**
Depreciation charge	(4.0)	(1.7)	(0.8)	-	**(6.5)**
Write-offs		-	(0.1)	-	**(0.1)**
At 31 March 2020					
Cost	17.5	6.5	4.6	0.1	**28.7**
Accumulated depreciation	(4.0)	(3.4)	(2.2)	-	**(9.6)**
Net book value	**13.5**	**3.1**	**2.4**	**0.1**	**19.1**
Additions	10.2	1.7	0.5	0.4	**12.8**
Reclassifications	-	-	0.1	(0.1)	**-**
Depreciation charge	(4.4)	(1.8)	(0.8)	-	**(7.0)**
Foreign currency translation differences	(0.6)	(0.1)	(0.2)	-	**(0.9)**
At 31 March 2021					
Cost	26.4	7.5	4.0	0.4	**38.3**
Accumulated depreciation	(7.7)	(4.6)	(2.0)	-	**(14.3)**
Net book value	**18.7**	**2.9**	**2.0**	**0.4**	**24.0**

Refer to note 15 for disclosure of security.

Note 9. Intangible assets

	Software	Other intangible assets	Intangible assets total
At 1 April 2019			
Cost	30.2	-	30.2
Accumulated amortisation	(9.8)	-	(9.8)
Net book value	**20.4**	**-**	**20.4**
Additions	15.4		15.4
Amortisation charge	(14.1)	-	(14.1)
Write-offs	(0.4)	-	(0.4)
At 31 March 2020			
Cost	45.6	-	45.6
Accumulated amortisation	(24.3)	-	(24.3)
Net book value	**21.3**	**-**	**21.3**
Additions	19.3	1.6	20.9
Amortisation charge	(14.5)	(0.2)	(14.7)
At 31 March 2021			
Cost	45.8	1.6	47.4
Accumulated amortisation	(19.7)	(0.2)	(19.9)
Net book value	**26.1**	**1.4**	**27.5**

Software is an internally generated intangible asset which consists of capitalised development costs.

Other intangible assets mainly comprise domain purchases.

In addition to capitalised amounts, the Group expensed £49.8 million of product engineering costs for the period ended 31 March 2021 (2020: £35.8 million). These costs directly relate to the development of our product offerings and primarily comprise of employee costs of our engineering and product teams.

Note 10. Earnings per share

The following table reflects the income and share data used in the basic and dilutes earnings per share (EPS) calculations:

	Year ended 31 March	
	2021	2020
Profit for the year	30.9	15.0
Weighted average number of ordinary shares for basic EPS (in millions of shares)	16.4	15.8
Plus the effect of dilution from		
Share options (in millions of shares)	3.2	3.0
Weighted average number of ordinary shares adjusted for the effect of dilution (in millions of shares)	**19.6**	**18.8**
Basic EPS, in £	1.88	0.95
Diluted EPS, in £	1.58	0.80

Note 11. Trade and other receivables

	Year ended 31 March	
	2021	2020
Non-current trade and other receivables		
Office lease deposits	1.0	1.9
Other non-current receivables	14.1	5.7
Total non-current trade and other receivables:	**15.1**	**7.6**
Current trade and other receivables:		
Receivables from payment processors	44.3	52.1
Collateral deposits	26.0	42.9
Prepayments	6.0	6.4
Other receivables *	5.0	1.2
Total current trade and other receivables:	**81.3**	**102.6**

* Net of ECL provision of £14.2 million as at 31 March 2021 (2020: £6.1 million).

Note 12. Financial assets at fair value through other comprehensive income

Short-term financial investments are recognised as debt investments at FVOCI and comprise the following investments in listed bonds:

	As at 31 March	
	2021	2020
Current assets		
Listed bonds	737.5	114.1
Total short-term financial investments:	**737.5**	**114.1**

During the year, the following gains (losses) were recognised in other comprehensive income:

	Year ended 31 March	
	2021	2020
Debt investments at FVOCI		
Fair value gains (losses) recognised in other comprehensive income	(3.0)	1.1
Total fair value gains (losses) recognised in other comprehensive income	**(3.0)**	**1.1**

Note 13. Cash and cash equivalents

	As at 31 March	
	2021	2020
Cash and cash equivalents		
Cash at banks and in hand	2,968.6	1,933.2
Cash in transit between Group bank accounts *	49.4	20.5
Cash in transit to customers **	108.6	66.8
Investments into money market funds	232.0	57.1
Total cash and cash equivalents:	**3,358.6**	**2,077.6**

* Cash in transit between Group banks accounts represents liquidity movements in the process of interbank clearing.

** Cash in transit to customers represents cash that has been paid out from the Group bank accounts but hasn't been delivered to the bank account of the beneficiary.

Of the £3,358.6 million (2020: £2,077.6 million) cash and cash equivalents at the year end £286.1 million (2020: £155.1 million) is considered corporate cash balance not related to customer funds which are held on Wise Accounts or collected from customers for Wise Transfers. Refer to Note 16 for further details.

All customer funds are restricted with respect of their use (only for the pupose of customer transactions) and are subject to various regulatory safeguarding compliance requirements. Such requirements may vary accross the different jurisdications in which the Group operates.

At 31 March 2021, in addition to other highly liquid assets such as money market funds and investment grade bonds, the Group was holding £2,472.9 million (2020: £1,599.1 million) worth of cash at bank in segregated, safeguarded bank accounts to secure customer deposits.

Note 14. Trade and other payables

	As at 31 March	
	2021	2020
Non-current trade and other payables		
Non-current accruals and provisions	22.6	7.4
Total non-current trade and other payables:	**22.6**	**7.4**
Current trade and other payables		
Outstanding money transmission liabilities *	141.2	118.0
Wise accounts	3,712.7	1,967.3
Accounts payable	3.1	5.5
Accrued expenses	23.1	11.0
Deferred revenue	3.2	1.0
Other payables	7.9	4.9
Total current trade and other payables	**3,891.2**	**2,107.7**

* Money transmission liabilities represents transfers that have not yet been paid out or delivered to a recipient.

Note 15. Borrowings

	As at 31 March	
	2021	2020
Current		
Revolving credit facility	-	0.2
Lease liabilities	3.5	4.0
Total current borrowings	**3.5**	**4.2**
Non-current		
Revolving credit facility	78.6	49.0
Lease liabilities	16.6	10.6
Total non- current borrowings	**95.2**	**59.6**
Total borrowings	**98.7**	**63.8**

The undrawn amount of the revolving credit facility as at 31 March 2021 was £80.0 million (2020: £25.0 million).

Debt movement reconciliation:

	Revolving credit facility	Lease liabilities	Total
As at 31 March 2019	**13.9**	-	**13.9**
Cash flows:			
Proceeds	101.4	-	**101.4**
Repayments	(66.4)	(3.3)	**(69.7)**
Interest expense paid	(2.1)	(0.8)	**(2.9)**
Non-cash:			
Adoption of IFRS 16	-	15.7	**15.7**
New leases	-	1.8	**1.8**
Interest expense accrued	2.4	0.8	**3.2**
Other	-	0.4	**0.4**
As at 31 March 2020	**49.2**	**14.6**	**63.8**
Cash flows:			
Proceeds	118.6	-	**118.6**
Repayments	(90.0)	(3.9)	**(93.9)**
Interest expense paid	(2.2)	(0.8)	**(3.0)**
Non-cash:			
New leases	-	10.2	**10.2**
Interest expense accrued	3.0	0.8	**3.8**
Other	-	(0.8)	**(0.8)**
As at 31 March 2021	**78.6**	**20.1**	**98.7**

In 2021 the Group entered into the new debt facility with the Silicon Valley Bank, Citibank N.A., JP Morgan Chase Bank N.A. and National Westminster Bank plc , the facility is denominated in Pounds Sterling with maturity date in March 2024. The Group also settled the previous debt facility maturing in August 2021 in March 2021. The facility bears interest at a rate per annum equal to SONIA or LIBOR as applicable (subject to a 'zero floor') plus a margin determined by reference to adjusted leverage (calculated as a ratio of debt to adjusted EBITDA). The agreement contains certain customary covenants, including to maintain a maximum total net leverage ratio not in excess of 3:1 and interest cover (calculated as a ratio of adjusted EBITDA to finance charges in accordance with the terms of the agreement) is not less than a ratio of 4:1 in respect of any relevant period. The Group has complied with the covenants throughout the reporting period.

During the period ended 31 March 2021 the interest rate on the relevant facility was between 2.8% and 3.6% (2020: 3.4-3.8%).

The facility is secured by certain customary security interests and pledges including over shares in certain of Group entitites (TransferWise Inc.,TransferWise Europe SA and Wise Australia Pty Ltd), and fixed and floating pledges over assets and undertakings of the TransferWise Ltd, excluding customer and partner funds, share capital or equity contributions maintained for regulatory purposes, cash paid into a bank or collateral account in connection with, and for the benefit of, relevant card scheme providers and assets held in safeguarded accounts or otherwise segregated for regulatory purposes.

Note 16. Cash generated from operating activities

		As at 31 March	
	Note	**2021**	2020
Cash generated from operations			
Profit for the year		30.9	15.0
Adjustments for			
Depreciation and amortisation	5, 8, 9	21.7	20.6
Net loss on disposal of non-current assets	8	0.0	0.1
Non-cash employee benefits expense – share-based payments		38.5	24.4
Foreign currency exchange differences		17.1	(3.9)
Accrued income taxes	7	10.2	5.4
Effect of other non-monetary transactions		5.7	(0.9)
Changes in operating assets and liabilities			
Decrease / (increase) in prepayments and receivables		6.1	(31.1)
Increase in trade and other payables		30.0	9.1
Decrease in receivables from customers and payment processors		3.2	35.5
Increase / (decrease) in liabilities to customers, payment processors and deferred revenue		31.3	(5.2)
Increase in Wise Accounts		1,881.6	1,118.8
Cash generated from operations		**2,076.3**	**1,187.8**

The Group has changed the presentation of foreign exchange differences to better align the relevant IFRS financial statement captions and reflect the underlying nature of the transactions and the operations of Wise. As the result the following comparative figures for the period ended 31 March 2020 were updated: Increase in Wise Accounts £(20.3) million, Increase in trade and other payables £(0.8) million, Increase / (decrease) in liabilities to customers, payment processors and deferred revenue £0.2 million and Foreign currency exchange differences £20.9 million.

Tables below give a non-IFRS view of the "Corporate cash" metric that is used by the Group management as a Key Performance Indicator in assessment of the Group ability to generate cash and maintain liquidity.

Information presented is based on the Group internal reporting principles and might differ from the similar information provided in IFRS disclosures.

	As at 31 March	
	2021	2020
Cash flows from operating activities		
Profit for the year	30.9	15.0
Adjustments for non-cash transactions	76.5	50.1
Change in corporate working capital	38.7	(22.2)
Payment of income tax and interest charges	(9.7)	(2.7)
Net cash generated from operating activities	**136.4**	**40.2**
Net cash used in investing activities	**(23.2)**	**(17.3)**
Net corporate cash generated from financing activities	**24.8**	**31.1**
Total increase in corporate cash	**138.0**	**54.0**
Corporate cash at beginning of year	**155.1**	**97.7**
Effect of exchange rate differences on corporate cash	(7.0)	3.4
Corporate cash at end of year	**286.1**	**155.1**

		As at 31 March	
	Note	**2021**	2020
Breakdown of corporate and customer cash			
Cash and cash equivalents and short-term financial investments	12, 13	4,096.1	2,191.7
Receivables from customers and payment processors		47.3	53.3
Adjustments for			
Outstanding money transmission liabilities and other customer payables		(144.6)	(122.6)
Wise Accounts	14	(3,712.7)	(1,967.3)
Net corporate cash at end of year		**286.1**	**155.1**

Note 17. Share capital and share premium

	As at 31 March					
		2021			2020	
Class	Nominal value, £	Number of shares	Share capital, £	Nominal value, £	Number of shares	Share capital, £
Ordinary	0.00001	16,689,181	166	0.00001	16,125,594	161
Seed preferred	0.00001	5,014,000	50	0.00001	5,014,000	50
Series A preferred	0.00001	6,785,000	68	0.00001	6,785,000	68
Series B preferred	0.00001	2,828,975	28	0.00001	2,828,975	28
Series C preferred	0.00001	2,501,286	25	0.00001	2,501,286	25
Series D preferred	0.00001	871,648	9	0.00001	871,648	9
Series E preferred	0.00001	1,535,057	15	0.00001	1,535,057	15
Total		**36,225,147**	**361**		**35,661,560**	**356**

During the financial year 2021 a total of 563,587 ordinary shares were issued for a total of £0.9 million (2020: 653,387 ordinary shares were issued for a total of £0.3 million).

All classes of shares give right to vote on proposed written resolutions of the Company. Any available profits which the Company may determine to distribute in respect of any financial year will be distributed among the holders of the shares (pari passu as if the shares constituted one class of share) pro rata to their respective holdings of shares. On a distribution of assets on a liquidation or a return of capital the surplus assets of the Company remaining after payment of its liabilities shall be applied:

- first in paying to each of the preferred shareholders;
- second in paying to Seedcamp;
- third the balance of the surplus assets (if any) shall be distributed among the holders of ordinary shares pro rata to the number of ordinary shares held.

On 24 December 2020, the shareholders of the Company passed a resolution that the amount of £120,000,000 standing to the credit of the Company's share premium account be cancelled, by way of capital reduction supported by a solvency statement, and that the resulting sum be credited to the distributable reserves of the Company.

Note 18. Share-based employee compensation

The employee share option plan is designed to provide long-term incentives for all employees to deliver long-term shareholder returns. Under the plan, participants are granted share options of the Parent Company, which vest gradually over a 4-year period. Once vested, the options can be exercised only upon Exercise Trigger, such as Initial Public Offering, secondary market sale or sale of the Parent Company.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted under the plan:

	Year ended 31 March 2021		Year ended 31 March 2020	
	Average exercise price per share option, £	Number of options	Average exercise price per share option, £	Number of options
Beginning of year	£3.57	4,103,313	£1.75	3,787,173
Granted during the year	£8.32	510,855	£7.77	1,222,870
Exercised during the year	£1.54	563,587	£0.39	653,387
Forfeited during the year	£21.96	310,113	£4.79	253,343
End of year	**£2.86**	**3,740,468**	**£3.57**	**4,103,313**
Vested and exercisable as at end of year	**£3.28**	**2,457,675**	**£2.27**	**2,375,539**

In January 2021 the Group converted 91,833 options with average exercise price £60.9 into 85,406 restricted stock units (RSU) with average exercise price £0.0001 (presented within forfeited and granted lines in the table above). The average incremental fair value of £52.37 per RSU will be recognised as an expense over the period from the modification date to the end of the RSU vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified. The fair value of the modified options was determined using the same models and principles as described below.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date range 12 months ended 31 March	Expiry date range 12 months ended 31 March	Weigted average exercise price	Share options as at 31 March 2021	Share options as at 31 March 2020
2013	2023	£0.0037	117,043	250,112
2014	2024	£0.0037	121,147	156,391
2015	2025	£0.05	339,831	454,254
2016	2026	£2.62	294,638	422,978
2017	2027	£3.88	284,825	347,699
2018	2028	£2.68	476,455	533,970
2019	2029	£2.95	721,561	834,367
2020	2030	£5.82	766,622	1,103,542
2021	2031	£2.14	618,346	-
Total			**3,740,468**	**4,103,313**
Weighted average remaining contractual life of options outstanding at end of period			**6.9 years**	**7.3 years**

The assessed fair value at the grant date of share options granted during the year ended 31 March 2021 was £102 per option on average (2020: £61) The fair value of share options at each grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the share option, the share price at grant date and expected price volatility of the underlying share, the risk-free interest rate for the term of the share option and the correlations and volatilities of the peer group companies. The share price at the grant date is based on the most recent assessment performed the independent external appraiser.

The model inputs for options granted during the year ended 31 March 2021 included:

- Options are granted for no consideration and vest over the 4-year period according to the vesting conditions;
- Average exercise price: £8.32;
- No dividends are expected to be paid;
- Expected price volatility of the Company's shares: 50%
- Risk-free interest rate: 0.13%
- Expected price volatility is based on the comparative information of the peer-group companies.

Risk-free interest rate is based on the UK 5-year government bond yield.

Note 19. Commitments

The Group's minimum future payments from non-cancellable agreements as at 31 March 2021 and as at 31 March 2020 are detailed below:

	Year ended 31 March	
	2021	2020
Infrastructure subscriptions		
No later than 1 year	2.5	1.1
Later than 1 year and no later than 5 years	2.0	2.9
Total	**4.5**	**4.0**
Significant capital expenditure contracted		
No later than 1 year	2.1	-
Total	**2.1**	-

The Group does not have any other material commitments, capital commitments or contingencies as at 31 March 2021 and 31 March 2020.

Note 20. Transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the financial years ended 31 March 2021 and 31 March 2020 there were no material transactions with related parties of the Group.

TransferWise identifies the Group Directors and Chief Financial Officer as the key management personnel.

	As at 31 March	
	2021	2020
Compensation of key management personnel of the Group		
Short-term employee benefits	0.5	0.7
Share-based payment expense	1.7	1.4
Total compensation paid to key management personnel	**2.2**	2.1

Short-term employee benefits include salaries for the key management personnel. The gross salary of the highest paid director was £233 thousand (2020: £233 thousand).

Share-based payment expense is related to employee share option plan (more information about the plan is provided in the Note 18).

Our co-founder and Director, Taavet Hinrikus, also serves on the board of directors of Veriff Inc. Although Veriff Inc. did not meet the definition of a related party as set out in IAS 24 for the period ended 31 March 2021 and 2020, the Group purchased approximately £0.3 million in services from Veriff Inc. in the ordinary course of business during current period (2020: £0 million).

Note 21. Ultimate parent company

TransferWise Ltd (the "Company") is the ultimate parent Company of the Group. The Company is a private company limited by shared, incorporated and domiciled in the United Kingdom and registered in England and Wales. In the opinion of the Directors, the Group does not have a single ultimate controlling party.

Note 22. Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") within its financial reporting. These measures are not defined under the requirements of IFRS and may not be comparable with the APMs of other companies.

The Group believes these APMs provide stakeholders with additional useful information in providing alternative interpretations of the underlying performance of the business and how it is managed and are used by the Directors and management for performance analysis and reporting. These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the financial statements which are prepared in accordance with IFRS.

Adjusted EBITDA: Measure of profitability which is calculated as profit for the year excluding the impact income taxes, finance expense, depreciation and amortisation, share-based payment compensation expense as well as exceptional items.

Adjusted EBITDA reconciles to profit for the year as follows:

	Year ended 31 March	
	2021	2020
Profit for the year ended 31 March	**30.9**	**15.0**
Adjusted for:		
Income tax expense	10.2	5.4
Finance expense	3.8	3.2
Depreciation and amortisation	21.7	20.6
Share-based payment compensation expense	38.1	24.0
Exceptional items	4.0	-
Adjusted EBITDA	**108.7**	**68.2**
Revenue	421.0	302.6
Adjusted EBITDA Margin	**25.8%**	**22.5%**

Exceptional items: Exceptional items are the items of income or expense that the Group considers to be material, one-off in nature and of such significance that they merit separate presentation in order to aid the reader's understanding of the Group's financial perfomance. Such items currently include costs associated with the changes in the Group's organisational structure.

Company financial statements and notes

Company statement of financial position as at 31 March 2021.

	Note	As at 31 March 2021	2020 Restated *
Non-current assets			
Deferred tax assets	9	51.9	29.4
Property, plant and equipment	2	16.2	13.7
Intangible assets		27.5	21.3
Investments in subsidiaries at cost	4	31.8	12.1
Trade and other receivables	5	14.4	6.9
Total non-current assets		**141.8**	**83.4**
Current assets			
Current tax assets		1.8	2.1
Trade and other receivables	5	159.2	125.5
Short-term financial investments	3	737.5	114.1
Cash and cash equivalents	7	1,235.3	1,656.8
Total current assets		**2,133.8**	**1,898.5**
Total assets		**2,275.6**	**1,981.9**
Non-current liabilities			
Deferred tax liabilities	9	2.0	-
Borrowings	10	90.7	55.9
Trade and other payables	6	18.1	7.1
Total non-current liabilities		**110.8**	**63.0**
Current liabilities			
Borrowings	10	2.0	3.4
Trade and other payables	6	1,891.7	1,731.4
Total current liabilities		**1,893.7**	**1,734.8**
Total liabilities		**2,004.5**	**1,797.8**
Equity			
Share capital		-	-
Share premium		1.4	120.5
Share-based payment reserves		120.1	61.8
Other reserves		(0.7)	2.3
Retained earnings		151.1	(0.7)
Currency translation differences		(0.8)	0.2
Total equity		**271.1**	**184.1**
Total liabilities and equity		**2,275.6**	**1,981.9**

* See Consolidated Financial Statement Note 1.22 for the details regarding the restatement of comparative figures for the Company.
The profit for the financial year dealt with in the financial statements of the Company is £29.0 million (2020: £12.6 million).

The financial statements on pages 80 to 91 were authorised for issue by the board of directors on 16 June 2021 and were signed on its behalf:

KKäärmann

Kristo Käärmann, Director

Company statement of changes in equity
for the year ended 31 March 2021.

	Share capital	Share premium	Share-based payment reserves	Other reserves	Retained earnings/ (accumulated losses)	Currency translation differences	**Total equity**
At 1 April 2019 as previously reported	-	120.8	11.8	1.2	(14.8)	0.1	119.1
Other adjustments	-	(0.6)	-	-	0.6	-	-
At 1 April 2019 restated *	-	120.2	11.8	1.2	(14.2)	0.1	119.1
Profit for the year - restated *	-	-	-	-	12.6	-	**12.6**
Share based employee compensation expense	-	-	24.4	-	-	-	**24.4**
Deferred tax on share-based compensation - restated *	-	-	26.5	-	-	-	**26.5**
Fair value gain on investments	-	-	-	1.1	-	-	**1.1**
Foreign currency translation differences	-	-	-	-	-	0.1	**0.1**
Issue of share capital - restated *	-	0.3	(0.9)	-	0.9	-	**0.3**
At 31 March 2020	-	**120.5**	**61.8**	**2.3**	**(0.7)**	**0.2**	**184.1**
At 31 March 2020 as originally reported	-	**121.9**	**35.3**	**2.3**	**3.9**	**0.4**	**163.8**
Other adjustments	-	(1.4)	-	-	1.5	(0.2)	**(0.1)**
Correction of error (deferred tax on share-based compensation) *	-	-	26.5	-	(6.1)	-	**20.4**
At 31 March 2020 restated *	-	**120.5**	**61.8**	**2.3**	**(0.7)**	**0.2**	**184.1**
Profit for the year	-	-	-	-	29.0	-	**29.0**
Share based employee compensation expense	-	-	36.9	-	-	-	**36.9**
Deferred tax on share-based compensation	-	-	24.2	-	-	-	**24.2**
Fair value gain / (loss) on investments	-	-	-	(3.0)	-	-	**(3.0)**
Foreign currency translation differences	-	-	-	-	-	(1.0)	**(1.0)**
Issue of share capital	-	0.9	(2.8)	-	2.8	-	**0.9**
Reduction of share capital	-	(120.0)	-	-	120.0	-	**-**
At 31 March 2021	-	**1.4**	**120.1**	**(0.7)**	**151.1**	**(0.8)**	**271.1**

* See Consolidated Financial Statement Note 1.22 for the details regarding the restatement of comparative figures for the Company.

Notes to the Company financial statements for the year ended 31 March 2021.

Note 1. Accounting policies for the company financial statements

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 – Reduced Disclosure Framework (FRS 101) as issued by the Financial Reporting Council. The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted by the company are set out below.

In preparing these financial statements, the company has taken advantage of certain exemptions permitted by FRS 101, as the equivalent disclosures are made in the group accounts.

Exemptions have been applied in respect of the following disclosures:

- The cash flow statement and related notes
- Standards not yet effective
- Share based payments
- Capital management disclosures
- The effects of new FRSs
- The disclosure of the remuneration of key management personnel
- Financial instrument disclosures
- A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement
- A reconciliation of shares outstanding at the beginning and end of the period

The financial statements have been prepared on the historical cost basis and on the going concern basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (refer below).

Significant Accounting Policies
The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 101 in these financial statements. Details of the transition to FRS 101 are disclosed in note 11.

Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Investments in subsidiaries
Investments in subsidiaries are stated at cost, less any provisions to reflect impairment in value.

Impairment of investments in subsidiaries
The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable.

If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Share-based payments

The Group operates a number of equity settled share based compensation plans for the employees of subsidiary undertakings using the Company's equity instruments. The fair value of the compensation given in respect of these share based compensation plans is recognised as a capital contribution to the Company's subsidiary undertakings over the vesting period. The capital contribution is reduced by any payments received from subsidiary undertakings in respect of these share-based payments.

Key sources of estimation uncertaintly

Preparation of the financial statements in conformity with FRS 101 requires that management make certain estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimate and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. For the key sources of estimation uncertainty please refer to Note 2 of the Group Financial Statements, as they are also applicable to the Company.

Note 2. Property, plant and equipment

	Right-of-use assets	Leased office improvements	Office equipment	Assets under constuction	Total
At 1 April 2019					
Cost	10.4	2.7	1.9	1.0	**16.0**
Accumulated depreciation	-	(1.3)	(1.1)	-	**(2.4)**
Net book value	**10.4**	**1.4**	**0.8**	**1.0**	**13.6**
Additions	1.8	1.8	1.7	-	**5.3**
Reclassifications	-	0.7	0.2	(0.9)	**-**
Depreciation charge	(3.0)	(1.3)	(0.6)	-	**(4.9)**
Write-offs	-	-	(0.1)	-	**(0.1)**
Foreign currency translation differences	-	(0.1)	(0.1)	-	**(0.2)**
At 31 March 2020					
Cost	12.2	5.2	3.8	0.1	**21.3**
Accumulated depreciation	(3.0)	(2.7)	(1.9)	-	**(7.6)**
Net book value	**9.2**	**2.5**	**1.9**	**0.1**	**13.7**
Additions	7.1	0.2	0.3	0.4	**8.0**
Reclassifications	-	-	0.1	(0.1)	**-**
Depreciation charge	(3.1)	(1.4)	(0.7)	-	**(5.2)**
Foreign currency translation differences	(0.3)	-	-	-	**(0.3)**
At 31 March 2021					
Cost	19.0	5.1	3.0	0.4	**27.5**
Accumulated depreciation	(6.1)	(3.8)	(1.4)	-	**(11.3)**
Net book value	**12.9**	**1.3**	**1.6**	**0.4**	**16.2**

Refer to note 15 of the Group Financial statements for disclosure of security.

All amounts are in £m unless otherwise stated

Note 3. Financial assets at fair value through other comprehensive income

Short-term financial investments are recognised as debt investments at FVOCI and comprise the following investments in listed bonds:

	Year ended 31 March	
	2021	2020
Current assets		
Listed bonds	737.5	114.1
Total short-term financial investments:	**737.5**	**114.1**

During the year, the following gains were recognised in other comprehensive income:

	Year ended 31 March	
	2021	2020
Debt investments at FVOCI		
Fair value gains recognised in other comprehensive income	(3.0)	1.1
Total fair value gains recognised in other comprehensive income	**(3.0)**	**1.1**

Note 4. Investments in subsidiaries

The Company held investments in the following subsidiaries as at 31 March 2021:

Name	Nature of business	Effective holding	Country	Registered address
TransferWise Inc.	Online currency exchange service	100% of ordinary shares	USA	108 West 13th Street, Wilmington, New Castel Delaware
TransferWise Japan Kabushiki Gaisha	Online currency exchange service	100% of ordinary shares	Japan	1-6-1, Otemachi, Chiyoda-ku, Tokyo, Japan 100-0004
Wise Payments Canada Inc.	Online currency exchange service	100% of ordinary shares	Canada	99 Bank Street, Suite 1420, Ottowa, ONK1P 1H4, Canada
Wise Asia-Pacific Pte. Ltd.	Online currency exchange service	100% of ordinary shares	Singapore	1 Paya Lebar Link #13-06 - #13-08, PLQ 2, Paya Lebar Quarter Singapore 408533
TransferWise Brasil Correspondente Cambial Ltda.	Online currency exchange service	100% of ordinary shares	Brazil	Avenida Paulista, nº 2537, 10º floor, Bela Vista,, São Paulo, 01310-100, Brasil
TransferWise Malaysia Sdn. BHd.	Online currency exchange service	100% of ordinary shares	Malaysia	Level 19-1, Menara Milenium, Jalan Damanela, Pusat Bandar Damansara 50490 Kuala Lumpur
Wise Australia Pty Ltd	Online currency exchange service	100% of ordinary shares	Australia	Gadens Lawyers Level 20, MLC Centre, 19 Martin Place, Sydney, NSW, Australia 2000
TransferWise Europe S.A.	Online currency exchange service	100% of ordinary shares	Belgium	Avenue Louise 54, room S52, 1050 Brussels, Belgium
PT TransferWise International Indonesia	Inactive	100% of ordinary shares	Indonesia	Jl. Mimosa Blok D 2 No. 22, RT 015 / RW 008, Kel. Sunter Jaya, Kec. Tanjung Priok, Jakarta Utara
TransferWise SpA	Inactive	100% of ordinary shares	Chile	Los Militares 5001, oficina 1101, Las Condes
TINV Ltd.	Inactive	100% of ordinary shares	UK	6th Floor, Tea Building, 56 Shoreditch High Street, London, England, E1 6JJ
TransferWise Mexico, S.A. de C.V.	Inactive	100% of ordinary shares	Mexico	Montecito 38, piso 37 oficina 30, Colonia Narvarte, WTC Mexico, Ciudad de México, C.P. 03810
TransferWise Brasil Corretora de Câmbio Ltda	Inactive	100% of ordinary shares	Brazil	Avenida Paulista 2537, ANDAR 10 CONJ 102, Bela Vista, Sao Paolo
Wise Nuqud Ltd	Online currency exchange service	100% of ordinary shares	United Arab Emirates	5-141, level 15, Al Khatem Tower, Adgm Square, Al Maryah Island, Abu Dhabi, United Arab Emirates
TransferWise Hong Kong Limited	Online currency exchange service	100% of ordinary shares	Hong Kong	46/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
TransferWise Switzerland AG	Inactive	100% of ordinary shares	Switzerland	Oberneuhofstrasse 6, 6340 Baar, Switzerland
TransferWise Borderless Limited	Inactive	100% of ordinary shares	Israel	7 Ribal Tel Aviv - Jaffa 6777840 Israel
TransferWise India Private Limited	Inactive	100% of ordinary shares	India	506, Midas Chambers Co-op. Premises Soc. Ltd. Off, Link Road, Near Fun Republic Multiplex, Andheri (W), Mumbai - 400053, Maharashtra, INDIA
Wise Brasil Pagamentos LTDA	Inactive	100% of ordinary shares	Brazil	Avenida Paulista 2537, ANDAR 10 CONJ 102, Bela Vista, Sao Paolo
Wise China Ltd	Inactive	100% of ordinary shares	China	Room 150, 4th Floor, Fuhui Building C, No. 16 Qixia Road, Pudong New Area, Shanghai, China, 200120

Note 4. Investments in subsidiaries (continued)

	Year ended 31 March	
	2021	2020
Share in group undertakings		
Beginning of year	12.1	9.7
Additions in year	19.7	2.4
End of year	**31.8**	**12.1**

During the period, TransferWise Ltd, the parent company of the Group, increased share capital of subsidiaries by £15.9 million (Wise Australia Pty Ltd by £12.8 million, TransferWise Brasil Corretora de Câmbio Ltda by £2.5 million, Wise Brasil Pagamentos Ltda by £0.3 million, TransferWise Borderless Limited by £0.2 million and TransferWise Switzerland AG by £0.1 million) and added a capital contribution by issuing share options to all subsidiaries in total by £3.8 million. (2020: TransferWise Ltd increased shared capital of TINV Ltd. by £0.2 million, TransferWise Nuqud LTD by £0.3 million and PT TransferWise International Indonesia by £0.1 million and added a capital contribution by issuing share options to all subsidiaries in total by £1.8 million).

Note 5. Trade and other receivables

	As at 31 March	
	2021	2020
Non-current receivables		
Lease deposits	0.4	1.2
Other non-current receivables	14.0	5.7
Total non-current receivables	**14.4**	**6.9**
Current receivables		
Receivables from payment processors	24.8	29.1
Collateral deposits	24.8	23.5
Prepayments	5.1	5.7
Receivables from Group companies	102.4	66.6
Other receivables	2.1	0.6
Total current receivables	**159.2**	**125.5**

Amounts due from Group companies are unsecured, interest free and are repayable on demand.

Note 6. Trade and other payables

	As at 31 March	
	2021	2020
Non-current trade and other payables		
Accrued expenses	18.1	7.1
Total non-current trade and other payables	**18.1**	**7.1**
Current trade and other payables		
Outstanding money transmission liabilities *	53.2	75.5
Wise Accounts	1,661.2	1,595.0
Accounts payable	3.0	5.0
Accrued expenses	17.6	8.3
Deferred revenue	2.4	0.6
Payables to Group companies	150.6	42.3
Other payables	3.7	4.7
Total current trade and other payables	**1,891.7**	**1,731.4**

* Money transmission liabilities represents transfers that have not yet been paid out or delivered to a recipient.

Amounts due to Group companies are unsecured, interest free and are usually paid within 30 days of recognition.

Note 7. Cash and cash equivalents

	As at 31 March	
	2021	2020
Cash and cash equivalents		
Cash at banks and in hand	1,133.2	1,607.8
Cash in transit between Group bank accounts *	46.8	17.9
Cash in transit to customers **	45.3	31.1
Investments into money market funds	10.0	-
Total cash and cash equivalents	**1,235.3**	**1,656.8**

* Cash in transit between Group banks accounts represents liquidity movements being processed by banks.

** Cash in transit to customers represents cash that has been paid out from the Company bank accounts but hasn't been delivered to the bank account of the beneficiary.

Balance for Cash in transit between Group accounts was incorrectly presented as Cash in transit to customers and vice versa as at 31 March 2020. They were re-presented as part of comparatives.

All amounts are in £ million unless otherwise stated

Note 8. Transactions with related parties

Transactions with related parties of the Company are detailed below:

	As at 31 March	
	2021	2020
Sales and purchases of services		
Sales of services to subsidiary undertakings	158.8	75.0
Purchase of services from subsidiary undertakings	(57.9)	(49.5)
Outstanding balances arising from sales/purchases of services		
Current receivables (sales of services)		
Subsidiary undertakings	101.8	51.8
Current payables (purchases of services)		
Subsidiary undertakings	150.6	42.4
Loans to subsidiary undertaking	**0.6**	14.8

Management services provided by the Company and received from subsidiary undertakings were made on normal commercial terms and conditions and at market rates.

The amounts due to subsidiary undertakings are unsecured and are repayable in cash.

All amounts are in £ million unless otherwise stated

Note 9. Deferred tax

	Year ended 31 March	
	2021	2020
Opening deferred tax asset	**29.4**	**8.1**
Share options outstanding	24.2	24.5
Utilisation of tax losses in foreign subsidiaries	-	-
Utilisation of tax losses in parent company	(2.5)	(1.3)
Other short-term temporary differences	0.8	(1.9)
Closing deferred tax asset	**51.9**	**29.4**

The balance comprises temporary differences attributable to:

	Year ended 31 March	
	2021	2020
Utilisation of tax losses in parent company	2.2	4.7
Utilisation of tax losses in foreign subsidiaries	-	-
Stock options outstanding	50.8	26.6
Other short term temporary differences	1.2	0.4
IFRS16 initial adoption impact	-	1.9
Total deferred tax assets	**54.2**	**33.6**
Set-off of deferred tax liabilities pursuant to set-off provisions	(2.3)	(4.2)
Net deferred tax assets	**51.9**	**29.4**

Movement in deferred tax liability:

	Year ended 31 March	
	2021	2020
Opening deferred tax liability	**-**	-
Other short-term temporary differences	2.0	-
Closing deferred tax liability	**2.0**	-

The balance comprises temporary differences attributable to:

	Year ended 31 March	
	2021	2020
Deferred tax on branch profits	2.0	1.3
Property, plant and equipment (Capital allowances)	2.3	1.2
IFRS16 initial adoption impact	-	1.7
Total deferred tax liabilities	**4.3**	**4.2**
		-
Set-off of deferred tax asset pursuant to set-off provisions	(2.3)	(4.2)
Net deferred tax liabilities	**2.0**	-

The Company considers it is probable that there will be sufficient taxable profits in the future to realise the deferred tax asset. Consequently, the asset has been recognised in full as at 31 March 2021 and as at 31 March 2020.

All amounts are in £ millions unless otherwise stated

Note 10. Borrowings

	As at 31 March	
	2021	**2020**
Current		
Revolving credit facility	-	0.2
Lease liabilities	2.0	3.2
Total current borrowings	**2.0**	**3.4**
Non-current		
Revolving credit facility	78.6	49.0
Lease liabilities	12.1	6.9
Total non- current borrowings	**90.7**	**55.9**
Total borrowings	**92.7**	**59.3**

The undrawn amount of the revolving credit facility as at 31 March 2021 was £80.0 million (2020: £25.0 million).

Debt movement reconciliation:

	Revolving credit facility	Lease liabilities	Total
As at 31 March 2019	**13.9**	**-**	**13.9**
Cash flows:			
Proceeds	101.4	-	**101.4**
Repayments	(66.4)	(2.5)	**(68.9)**
Interest expense paid	(2.1)	(0.5)	**(2.6)**
Non-cash:			
Adoption of IFRS 16	-	10.4	**10.4**
New leases	-	1.8	**1.8**
Interest expense accrued	2.4	0.5	**2.9**
Other	-	0.4	**0.4**
As at 31 March 2020	**49.2**	**10.1**	**59.3**
Cash flows:			
Proceeds	118.6	-	**118.6**
Repayments	(90.0)	(3.3)	**(93.3)**
Interest expense paid	(2.2)	(0.6)	**(2.8)**
Non-cash:			
New leases	-	7.1	**7.1**
Interest expense accrued	3.0	0.6	**3.6**
Other	-	0.2	**0.2**
As at 31 March 2021	**78.6**	**14.1**	**92.7**

For additional information related to Borrowings please refer to the Group Consolidated Financial Statements Note 15.

Note 11. Transition to FRS 101

This is the first year that the Company has presented its results under FRS 101. The date of transition to FRS 101 was 1 April 2020. There was no transitional effect on the Company statement of financial position and Company statement of changes in equity.

In the transition to FRS 101, the Company has applied IFRS 1; first-time adoption of International Financial Reporting Standards, whilst ensuring its assets and liabilities are measured in compliance with FRS 101.

TransferWise Ltd

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