TransferWise

Annual report and consolidated financial statements for the year ended 31 March 2018.

Registered number: 07209813

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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.transferwise.com/
Principal activity:	Online international money transfer services
Directors:	Kristo Käärmann Taavet Hinrikus Roger Ehrenberg Alastair Michael Rampell
Independent Auditors:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Strategic report for the year ended 31 March 2018

The directors present their strategic report for TransferWise Ltd and its subsidiaries (together, the "Group") for the year ended 31 March 2018. This report was prepared for the Group as a whole and gives greater emphasis to matters that are significant to the Group as a whole. The directors compiled this report in compliance with the requirements of the Companies Act 2006.

Principal activity

TransferWise Ltd (the "Parent Company") is a privately owned limited liability company. The principal activity of the Group is to give people and businesses new ways to manage money internationally. Most notably, it provides fast, simple, low-cost money transfers, and in the last financial year it launched the Borderless account – a multi-currency account with an international debit card.

Business environment

It's estimated that every year, people and small-to-medium businesses transfer $5-10 trillion internationally. But international transfers are expensive, slow and inconvenient. In addition, the market is extremely opaque, and people are often unaware of the hidden charges and exchange rate markups levied by traditional providers.

The cost of transfers to both individuals and businesses is extremely high. As of Q1 2018, the World Bank put the global average total cost of remittance at 7.13% of the transfer value. While that cost has decreased from 10% in 2009, it's still too high. In Q1 2009, the cost was under 5% in only 17% of corridors and now it's under 5% in roughly 50% of corridors, so some progress is being made.

TransferWise's pricing is well below even the World Bank's own targets. Typically it costs less than 1% of transfer value to move money with TransferWise and in some cases it's as little as 0.3%.

The World Bank attributes the positive downward trend to new entrants in the market, but the overwhelming majority of corridors are still unfairly overpriced, leaving hundreds of millions of people worldwide out of pocket and in the dark as to the true cost of moving their money.

The business model of traditional providers like banks, money transfer operators, and travel money firms results in overcharging and underserving of the consumer. In any transaction where money crosses borders, people and businesses are forced to pay exorbitant costs for an often poor service. For example, when a business pays a supplier overseas, or a person sends money to family in another country, the true cost of the transaction is often hidden from them behind an exchange rate that's been marked up without their knowledge.

In contrast, TransferWise's service is rooted in transparency and fairness, and making international payments as low-cost and easy as can be. Its mission is to lower the cost of money transfers to the theoretical minimum – and render the large, hidden margins of the incumbent players untenable. In fact, in the last year, the Group has made a number of price cuts across its largest routes, whilst maintaining its very positive year-on-year revenue growth.

General business review and key performance indicators (KPIs)

During the year, to fuel growth, the Group continued to invest in improving the TransferWise product in existing markets and in opening new markets around the world. The Group also invested in developing the TransferWise API (Application Programming Interface) – a platform that makes it cheaper for enterprises that need to process large batches of cross-border transactions.

The Group also launched the Borderless account, a new service for people and businesses who need to do more than just send money overseas. The account lets customers hold their money in more than 40 different currencies, gives them local bank details in many countries (e.g., an account number and sort code in the UK, and an IBAN in the Eurozone) and lets them avoid unfair fees when they spend money around the world using the TransferWise debit Mastercard.

The investment in growth is paying off. In the month of March 2018, around 1.4 million money transfer transactions were made with the product (March 2017: over 0.8 million). The year shows a turnover of £117,283 thousand (2017: £66,328 thousand) with a profit before tax of £7,855 thousand (2017: loss before tax £(801) thousand).

This is the first year the Group has posted a pre-tax profit, and this is testament to many years of prudent investments in growth, marketing and staff. The group has scaled its operation in a highly sustainable manner – but not at the expense of growth, transaction, or revenue trends.

In 2017, the Group received equity funding of £50m, and, combined with the profit for the year, and movement in assets and liabilities, the shareholders' funds of the Group was £107,447 thousand at 31 March 2018 – 58,788 thousand higher than at 31 March 2017 (£48,659 thousand). No further equity funding has been received since 31 March 2018.

Principal risks and uncertainties

The principal risks and uncertainties that the Group faces are generally related to foreign exchange rates (e.g., changes in currency or extreme fluctuations); systems interruptions (e.g, an interruption to a payment system); and partner activity (e.g,, if one of the Group's partners or service providers lose service).

The Group has put effective measures in place to protect TransferWise from such uncertainties. These include robust processes for managing exchange rate volatility to working with multiple partners and service providers in key operational areas.

The industry may also be affected by global political changes (for example, Brexit might change licence requirements and immigration policies might affect the Group's current and potential employees).

The Group is putting effective measures in place to keep these kinds of things from affecting the business, including exploring alternative licensing options.

The Group is committed to good governance and control so it can operate an innovative and successful business without exposing itself and its customers to unacceptable risk. The Group's risk appetite is set by its Board.

On behalf of the Board of directors:

Kristo Käärmann, Director

Date: 17 July 2018

Directors' Report for the year ended 31 March 2018

The directors present their Report and the audited consolidated financial statements for the year ended 31 March 2018.

The strategic report includes an analysis of the Group's financial risk management policies, general business review and key performance indicators.

Principal activity

The Group's principal activity is to give people new ways to manage money internationally, including sending and receiving it abroad.

Branches and subsidiaries outside the UK

TransferWise Ltd has branches in Estonia, Hungary, Australia, Hong Kong and New Zealand and subsidiaries in the US, Japan, Canada, Australia, India, Brazil, Malaysia and Singapore.

Dividends

The Group hasn't declared or paid out any dividends for the years ending 31 March 2018 and 2017.

Going concern

The directors believe that the Group has adequate resources to keep operating and meeting liabilities for the foreseeable future. So they continue to adopt the going concern basis in preparing the financial statements. Further information supporting the going concern basis may be found in Note 2 to the financial statements.

Research and development

During the year the Group capitalised £8,749 thousand (2017: £5,604 thousand) of software development costs.

Employees

As of March 2018, the number of employees in the Group was 1,011 in offices located around the world (March 2017: 652). The number of employees will continue to grow in line with global expansion and product development.

To grow the team, TransferWise continues to attract and keep the best talent that can build and deliver for customers. TransferWise does this by considering all applications equally and giving employees the support they need, independent of circumstance or background.

There is very open communication at TransferWise. The Group holds regular all-team meetings and takes full advantage of both email and instant messaging. The Group has a firm policy of non-discrimination on grounds of gender, race, disability or other irrelevant factors.

The Group is committed to the health, safety and welfare of its employees at work. The Group has continued its policy on the employment of disabled persons. Full and fair consideration is given to job applications made by disabled persons. Appropriate career training is arranged for disabled persons.

Risk management

In the course of its business, the Group faces a variety of financial risks: mainly liquidity risk, credit risk, and exchange rate risk. The Group's overall risk management policy seeks to minimise adverse effects on the Parent Company's financial performance.

Liquidity risk

Liquidity risk is the risk that the Group won't be able to meet its financial obligations when they're due.

The Group's policy for managing liquidity is to only pay-out funds to customers once the customer has sent the payment and to assure that there are sufficient capital resources to meet its operational liabilities (salaries, supplier invoices) when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's position.

As such, the Group sets a policy, reviewed with the Board to maintain sufficient cash reserves and debt facilities to support this activity in the context of the Group's growth. Cash flow forecasting is performed and Group finance monitors rolling forecasts of the Group's liquidity requirements to make sure it has enough cash to meet operational needs.

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 comes mainly from the Group's cash and the cash equivalents it holds in banks.

Credit risk is managed on the Group level and comes from cash and cash equivalents and deposits with banks and financial institutions. The Group has no credit exposure to customers. If a bank or financial partner has no independent credit rating, the Group evaluates its credit quality by inspecting its financial position, past experience, and other factors.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk from various currency exposures, mainly regarding the US dollar and Euros. Foreign exchange risk comes from future commercial transactions, recognised assets and liabilities. The Group manages foreign exchange risk by efficiently managing assets and liabilities in and avoiding significant exposure in a particular currency.

Group management is closely involved in compiling and updating the risk policies.

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

Roger Ehrenberg

Benjamin Abraham Horowitz (resigned 11th January 2018)

Alastair Michael Rampell (appointed 11th January 2018)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Parent Company and of the profit or loss of the Parent Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the director's report is approved:

1. so far as the director is aware, there is no relevant audit information of which the Parent Company and Group's auditors are unaware, and
2. 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 Parent Company and Group's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

On behalf of the board of directors:

Kristo Käärmann, Director

Date: 17 July 2018

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 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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 consolidated financial statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 March 2018; the Consolidated statement of comprehensive income for the year ended 31 March 2018; the Consolidated and Company statements of cash flows for the year ended 31 March 2018; the Consolidated and Company statements of changes in equity for the year ended 31 March 2018; and the notes to the 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 set out on pages 10 and 11, 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.

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 received 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
17 July 2018

All amounts are in £'000 unless otherwise stated

Consolidated statement of comprehensive income for the year ended 31 March 2018

Group	Year ended 31 March 2018	2017	Note
Revenue	117,283	66,328	4
Cost of sales	(39,782)	(20,265)	5
Gross profit	**77,501**	**46,063**	
Administrative expenses	(67,999)	(46,582)	5
Operating profit/(loss)	**9,502**	**(519)**	
Finance income	49	5	
Interest expenses	(1,696)	(287)	14
Profit/(Loss) before tax	**7,855**	**(801)**	
Income tax credit/(expense)	(1,611)	6,993	7
Net profit for the year	**6,244**	**6,192**	
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences	(254)	685	
Total other comprehensive income/(expense)	**(254)**	**685**	
Total comprehensive income for the year	**5,990**	**6,877**	

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

The Parent Company (hereinafter the "Company") has elected to take the exemption under section 408 of the Companies Act not to present the Parent Company income statement. The profit after tax of the Parent Company for the year ending 31 March 2018 was £5,209 thousand (31 March 2017: £6,382 thousand).

All amounts are in £'000 unless otherwise stated

Consolidated statement of financial position as at 31 March 2018

Group	As at 31 March 2018	As at 31 March 2017	Note
Non-current assets			
Property, plant and equipment	3,477	2,561	8
Intangible assets	14,029	8,102	9
Long term receivables	1,518	285	11
Deferred tax asset	5,563	6,770	7
Total non-current assets	**24,587**	**17,718**	
Current assets			
Trade and other receivables	52,576	39,324	11
Cash and cash equivalents	301,249	71,354	12
Total current assets	**353,825**	**110,678**	
Total assets	**378,412**	**128,396**	
Current liabilities			
Trade and other payables	250,078	68,736	13
Borrowings	20,226	11,001	14
Total current liabilities	**270,304**	**79,737**	
Non-current liabilities			
Trade and other payables	661	-	13
Total non-current liabilities	**661**	**-**	
Total liabilities	**270,965**	**79,737**	
Equity			
Ordinary and preferred shares	1	0	16
Share premium	120,645	70,645	16
Share-based payment reserves	4,893	2,096	18
Accumulated losses	(18,499)	(24,743)	
Currency translation differences	407	661	
Total equity	**107,447**	**48,659**	
Total liabilities and equity	**378,412**	**128,396**	

The financial statements on pages 15 to 46 were authorised for issue by the board of directors on 17 July 2018 and were signed on its behalf:

Kristo Käärmann, Director

All amounts are in £'000 unless otherwise stated

Statement of financial position of the Company as at 31 March 2018

Company	As at 31 March 2018	As at 31 March 2017	Note
Non-current assets			
Property, plant and equipment	2,215	2,473	8
Intangible assets	14,029	8,102	9
Investments in subsidiaries	4,959	1,781	10
Long term receivables	1,132	172	11
Deferred tax asset	5,596	6,770	7
Total non-current assets	**27,931**	**19,298**	
Current assets			
Trade and other receivables	63,698	39,209	11
Cash and cash equivalents	246,046	58,052	12
Total current assets	**309,744**	**97,261**	
Total assets	**337,675**	**116,559**	
Current liabilities			
Trade and other payables	210,332	57,001	13
Borrowings	20,226	11,001	14
Total current liabilities	**230,558**	**68,002**	
Non-current liabilities			
Trade and other payables	541	-	13
Total non-current liabilities	**541**	**-**	
Total liabilities	**231,099**	**68,002**	
Equity			
Ordinary and preferred shares	1	0	16
Share premium	120,645	70,645	16
Share-based payment reserves	4,893	2,096	18
Accumulated losses	(19,380)	(24,589)	
Currency translation differences	417	405	
Total equity	**106,576**	**48,557**	
Total liabilities and equity	**337,675**	**116,559**	

The financial statements on pages 15 to 46 were authorised for issue by the board of directors on 17 July 2018 and were signed on its behalf:

Kristo Käärmann, Director

All amounts are in £'000 unless otherwise stated

Consolidated statement of changes in equity for the year ended 31 March 2018

Group	Ordinary shares	Share premium	Share-based payment reserves	Accumulated losses	Currency translation differences	Total equity	Note
At 31 March 2016	**-**	**66,042**	**-**	**(30,935)**	**(24)**	**35,083**	
Profit for the year	-	-	-	6,192	-	6,192	
Share based employee compensation expense	-	-	2,096	-	-	2,096	18
Foreign currency translation differences	-	-	-	-	685	685	
Issue of share capital	-	4,603	-	-	-	4,603	16
At 31 March 2017	**-**	**70,645**	**2,096**	**(24,743)**	**661**	**48,659**	
Profit for the year	-	-	-	6,244	-	6,244	
Share based employee compensation expense	-	-	3,019	-	-	3,019	18
Foreign currency translation differences	-	-	-	-	(254)	(254)	
Issue of share capital	1	50,000	(222)	-	-	49,779	16
At 31 March 2018	**1**	**120,645**	**4,893**	**(18,499)**	**407**	**107,447**	

All amounts are in £'000 unless otherwise stated

Statement of changes in equity of the Company for the year ended 31 March 2018

Company	Ordinary shares	Share premium	Share-based payment reserves	Accumulated losses	Currency translation differences	Total equity	Note
At 31 March 2016	**-**	**66,042**	**-**	**(30,971)**	**(105)**	**34,966**	
Profit for the year	-	-	-	6,382	-	6,382	
Share based employee compensation expense	-	-	2,096	-	-	2,096	18
Foreign currency translation differences	-	-	-	-	510	510	
Issue of share capital	-	4,603	-	-	-	4,603	16
At 31 March 2017	**-**	**70,645**	**2,096**	**(24,589)**	**405**	**48,557**	
Profit for the year	-	-	-	5,209	-	5,209	
Share based employee compensation expense	-	-	3,019	-	-	3,019	18
Foreign currency translation differences	-	-	-	-	12	12	
Issue of share capital	1	50,000	(222)	-	-	49,779	16
At 31 March 2018	**1**	**120,645**	**4,893**	**(19,380)**	**417**	**106,576**	

All amounts are in £'000 unless otherwise stated

Consolidated statement of cash flows for the year ended 31 March 2018

Group	**Year ended 31 March**		
	2018	**2017**	**Note**
Cash flows from operating activities			
Cash generated from operating activities	192,554	16,689	15
Interest paid	(1,694)	(287)	
Income tax paid	(100)	(93)	7
Net cash generated from operating activities	**190,760**	**16,309**	
Cash flows from investing activities			
Purchases of property, plant and equipment	(2,316)	(1,857)	8
Payments for intangible assets development costs	(8,749)	(5,604)	9
Interest received	49	5	
Net cash used in investing activities	**(11,016)**	**(7,456)**	
Cash flows from financing activities			
Proceeds from issue of shares	49,782	4,603	16
Change in overdraft balance	9,226	6,328	14
Net cash generated from financing activities	**59,008**	**10,931**	
Net increase in cash and cash equivalents	**238,752**	**19,784**	
Cash and cash equivalents at beginning of year	**71,354**	**52,524**	**12**
Exchange (losses)/gains on cash and cash equivalents	(8,857)	(954)	
Cash and cash equivalents at end of year	**301,249**	**71,354**	**12**

All amounts are in £'000 unless otherwise stated

Statement of cash flows of the Company for the year ended 31 March 2018

Company	**Year ended 31 March 2018**	**2017**	**Note**
Cash flows from operating activities			
Cash generated from operating activities	152,448	4,163	15
Interest paid	(1,694)	(287)	
Income tax paid	(18)	(77)	7
Net cash generated from operating activities	**150,736**	**3,799**	
Cash flows from investing activities			
Purchases of property, plant and equipment	(654)	(1,761)	8
Payments for intangible assets development costs	(8,749)	(5,605)	9
Investments in subsidiaries	(1,603)	(395)	10
Loans granted to subsidiaries	(5,672)	-	19
Interest received	45	4	
Net cash used in investing activities	**(16,633)**	**(7,757)**	
Cash flows from financing activities			
Proceeds from issue of shares	49,782	4,603	16
Change in overdraft balance	9,226	6,328	14
Net cash generated from financing activities	**59,008**	**10,931**	
Net increase in cash and cash equivalents	**193,111**	**6,973**	
Cash and cash equivalents at beginning of year	**58,052**	**52,035**	**12**
Exchange (losses)/gains on cash and cash equivalents	(5,117)	(956)	
Cash and cash equivalents at end of year	**246,046**	**58,052**	**12**

Notes to the consolidated financial statements

(1) Summary of significant accounting policies

(a) Basis of preparation and accounting policies

The consolidated financial statements of TransferWise Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006. The financial statements are prepared on a going concern basis.

The Parent 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 financial statements are presented in thousands of pounds sterling (£'000) and have been prepared under the historical cost convention.

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 critical accounting estimates which have been laid out in note 2.

(b) Changes in accounting policy and disclosures

New and amended standards adopted by the Group

No IFRSs or IFRIC interpretations have been early adopted in the year ended 31 March 2018.

Applicable new standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2017 and not early adopted

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and modified in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is effective for annual periods on or after 1 January 2018. The Group is assessing the impact of IFRS 9 and will adopt the standard for the financial year beginning 1 April 2018. The impact is perceived to be not material.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting the nature, amount, timing and certainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised as or when promised services are transferred to customers. The standard applies to 'fees and commission income' but not to financial instruments or lease contracts. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15 and will adopt the standard for the financial year beginning 1 April 2018, but do not expect the standard to have a material impact on the Group's consolidated financial statements.

IFRS 16, 'Leases' requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard introduces a single lessee accounting model, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-to-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard is effective for annual periods on or after 1 January 2019 and earlier application is permitted if IFRS 15 'Revenue from Contracts with Customers', is also applied. The Group is assessing the impact of IFRS 16 and will adopt the standard for the financial year beginning 1 April 2018. It is not currently practical to quantify the impact of IFRS 16 on the financial statements. The Group will have a balance sheet increase in lease liabilities and right-to-use assets on IFRS 16 adoption.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries. All intra-group transactions and balances are eliminated.

(d) Foreign currency translation

Functional and presentation currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transaction. 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 generally 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

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and branches are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(f) Financial assets

Investments and other financial assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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.

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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Income recognition

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest

(g) 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. 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 written off, as short-lived equipment in the Group.

Computer hardware owned and operated by the Group is recorded into property, plant and equipment above a threshold, otherwise hardware is expensed in the profit and loss when purchased.

(h) Intangible assets – Internally generated software development costs

The Group develops software for providing currency exchange 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 include 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 lives of two to five years.

(i) Trade and other payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Customer deposits are non-derivative liabilities to individuals or corporate customers for payments that have not been processed by the reporting date and are carried at amortised cost.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of discounts, returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria for completion of performance obligation was met. The Group bases its estimates regarding the criteria listed above, on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group primarily generates revenue from money transfer services. Fees on services provided are recognised once the Group's performance obligation has been completed i.e. the transferred funds delivered to the recipient.

(k) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(l) 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 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.

(m) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick 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 as an expense. 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 about the number of options and awards that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified existing conditions are to be satisfied. At each balance sheet 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 equity reserves.

(2) Critical accounting estimates, judgements and errors

The estimates and management judgements that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Share-based payments

The Group uses the Black Scholes model to determine the fair value of options granted to employees. Information on such assumptions is disclosed in note 18. A change in these assumptions may affect charges to the income statement over the vesting period of the award.

(b) Impairment of intangible assets

The Group capitalises internally generated software costs, including direct development costs related to employee benefit expenses.

In accordance with the accounting policy, if there has been a triggering event, the Group tests whether internally generated software development costs have suffered any impairment. These calculations require the use of estimates. Actual outcomes could vary from these estimates. Additional information is disclosed in note 9.

All amounts are in £'000 unless otherwise stated

(c) Deferred tax asset

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

(d) Changes in classification of accounts in comparative periods

In March 2018 the management of the Group reviewed certain account balances and outstanding agreements and identified few classification and presentation inconsistencies in comparative information.

The classification has been adjusted by restating each of the affected financial statement line items for the prior periods. Material restatements of the accounts are listed in the summary below:

		Increase / (decrease) of the balances as of	
		31 March 2017	**1 April 2017**
1	**Reclassification of overdraft from cash to borrowings**		
	Cash and cash equivalents	11,001	4,731
	Borrowings	11,001	4,731

Other immaterial restatements of the comparative information are driven by the alignment of accounting policies (relating to the straight lining of rental contract incentives increasing operating expenses by £483 thousand) and unification of transaction and account classification (relating to Brazilian sales tax of £(682) thousand impacting Revenue and Cost of Sales equally).

(3) Financial risk and capital management

This note 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 a variety of financial risks: including, but not limited to, liquidity, credit, operational and exchange rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

All amounts are in £'000 unless otherwise stated

(a) Liquidity risk

Liquidity risk is the risk that the Group won't be able to meet its financial obligations as they're due. The Group's approach to managing liquidity 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 conditions, without incurring unacceptable losses or risking damage to the Group's position.

Liquidity risk comes from the dynamic business profile and growth of the business. Prudent liquidity management includes maintaining sufficient cash reserves and debt facilities to support this profile and growth. Cash flow forecasting is performed and Group finance monitors rolling forecasts of the Group's liquidity requirements to make sure it has enough cash to meet operational needs.

Total payables are due within 12 months and there are no longer term payables or long term external borrowings.

(b) 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. It comes mainly from the Group's cash and cash equivalents held in banks.

Credit risk is managed on the Group level and comes from cash and cash equivalents and deposits with banks and financial institutions. Since fees are received during the money transfer process, the Group has no material credit exposure to customers. If a bank or financial partner has no independent credit rating, the Group evaluates its credit quality by inspecting its financial position, past experience, and other factors.

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

Group	**As at 31 March**	
	2018	**2017**
Assets category:		
Cash and equivalents	301,249	71,354
Trade and other receivables	52,576	39,324
Assets subject to credit risk total	**353,825**	**110,678**

The fair value of cash and cash equivalents at 31 March 2018 and 31 March 2017 approximates the carrying value. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions.

All amounts are in £'000 unless otherwise stated

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

Group	**As at 31 March**	
	2018	**2017**
Credit rating (Moody's)		
Cash and equivalents		
Aa	31,573	3,245
A	137,906	17,379
Baa, Ba, B	6,179	2,439
Caa	203	104
No rating *	77,164	11,723
Cash in transit	48,224	36,464
Cash and equivalents total	**301,249**	**71,354**
Trade and other receivables		
A	10,392	9,093
Baa, Ba, B	3,311	1,101
No rating *	38,873	29,130
Trade and other receivables total	**52,576**	**39,324**

* *"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 mitigate potential risks. All partners are reputable companies with strong financial performance.

(c) Market risk

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing loans with variable interest rates, and cash is mostly held in on-demand deposits, the Group's income and operating cash flows are largely independent of changes in market interest rates.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk that comes from holding assets and liabilities in numerous currencies and guaranteeing customers an FX rate on their money transfers for a limited period of time. Asset and liability foreign exchange risks come mainly from the US dollar, Australian dollar and Euros. Foreign exchange risk comes from future commercial transactions and recognised assets and liabilities. Customer money transfer FX risk is actively monitored, and exposures are hedged.

All amounts are in £'000 unless otherwise stated

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

Group **Net exposure by currency**	**As at 31 March** **2018**	 **2017**
EUR	30,652	6,158
AUD	12,071	131
USD	6,104	2,686
JPY	1,707	1,044
SGD	1,510	487
DKK	1,298	(34)
MYR	848	(10)
Other	76	(1,692)
Total FX exposure	**54,266**	**8,770**

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

Group **Sensitivity to 1% exchange rate change**	**As at 31 March** **2018**	 **2017**
EUR	307	62
AUD	121	1
USD	61	27
JPY	17	10
SGD	15	5
DKK	13	0
MYR	8	0
Other	1	(17)

(d) Capital management

The Group's capital comprises ordinary share capital, share premium, reserves and accumulated losses.

The Group's objectives when managing capital are 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; and
- maintain an optimal capital structure to reduce the cost of capital.

Since it implemented the current capital management strategy, the Group has relied on equity financing and an overdraft facility. Thanks to the successful equity funding for the current and comparative financial years, the Group has enough liquidity for daily operations.

Information on the equity funding rounds is disclosed in note 16 to the financial statements.

All amounts are in £'000 unless otherwise stated

(4) Revenue

Total revenue consists of fees from money transfer services, including the Borderless product. During the financial year TransferWise continues to increase its currency routes, which has further diversified its revenue stream and reduced reliance on the European market. The European market represented 51% of revenue, the US 20% and the rest of world 28% (previous financial year: the European market 66%, the US 18% and the rest of world 16% of revenue)

(5) COGS and administrative expenses

Breakdown of expenses by nature:

Cost of sales, distribution and administrative expenses	**Year ended 31 March**	
Group	**2018**	**2017**
Bank and partner fees	34,797	11,577
Employee benefit expense	37,625	23,812
Outsourced services	16,773	15,505
Rental costs	4,624	2,791
IT-costs	4,526	2,956
Foreign exchange losses	4,585	7,957
Depreciation and amortisation	3,884	2,118
Product costs	3,622	1,649
Travel costs	3,193	2,283
Other administrative costs	2,900	1,761
Capitalisation of intangible assets	(8,748)	(5,562)
Total cost of sales, distribution and administrative expenses	**107,781**	**66,847**

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

	Year ended 31 March	
Group	**2018**	**2017**
Auditors' remuneration		
Fees payable for the audit of the Parent Company and the Consolidated financial statements	160	97
Audit of the subsidiaries	84	27
Audit related assurance services	-	26
Tax advisory services	158	218
Other advisory services	143	3
Total auditors' remuneration	**545**	**371**

All amounts are in £'000 unless otherwise stated

(6) Employee benefit expense

Group	Year ended 31 March 2018	2017
Salaries and wages	28,188	17,548
Share based payment compensation expense*	3,074	2,421
Social security costs	5,257	3,632
Unemployment insurance premium	398	137
Health insurance	708	74
Total employee benefit expense	**37,625**	**23,812**

* 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 2018 was 835 (2017: 598 employees).

The total remuneration of directors during the financial year (wages, salaries and social security contributions) was £394 thousand (2017: £278 thousand). The salary of the highest paid director was £197 thousand (2017: £139 thousand). There were no share based payment schemes for directors. Refer to note 19 for details of transactions with key management personnel.

(7) Income tax

(a) Income tax expense

Group	Year ended 31 March 2018	2017
UK corporation tax	-	-
UK corporation tax credit for the year	-	(1,049)
Foreign corporation tax	404	-
Deferred tax expense/(benefit) for the year	1,207	(5,944)
Total income tax expense/(benefit) for the year	**1,611**	**(6,993)**

All amounts are in £'000 unless otherwise stated

(7) Income tax (continued)

(b) Factors affecting income tax expense for the year

Group	Year ended 31 March	
	2018	2017
Profit/(loss) on ordinary activities before taxation	7,855	(801)
Profit/(loss) on ordinary activities multiplied by the Company's effective rate of 19%	1,492	(152)
Prior year adjustment	474	-
Effect of expenses not deductible	206	2
Employee option plan	59	124
Foreign tax rates	133	3
Foreign branch profits	(652)	(156)
R&D	-	(1,049)
Other	-	179
Deferred tax not recognised	-	-
Utilisation of previously unprovided tax losses	(101)	(5,944)
Total income tax expense/(benefit)	**1,611**	**(6,993)**

(c) Movement in deferred tax balances

Group and Company	Year ended 31 March	
	2018	2017
Opening deferred tax asset/(liability)	**6,770**	**0**
Carry forward tax losses in foreign subsidiaries	-	-
Carry forward tax losses in parent company	-	5,944
Other short-term temporary differences	(1,207)	826
Closing deferred tax asset/(liability)	**5,563**	**6,770**

The Group considers it 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 of 31 March 2018. There were no unrecognised deferred tax assets as of 31 March 2018 (2017: £3,201 thousand).

All amounts are in £'000 unless otherwise stated

(8) Property, plant and equipment

Group	**Leased office improvements**	**Office equipment**	**Prepayments for PP&E**	**Total**
At 1 April 2016				
Cost	1,280	596	-	1,876
Accumulated depreciation	(167)	(26)	-	(193)
Net book value	**1,113**	**570**	**-**	**1,683**
Additions	1,426	431	-	1,857
Disposals	(245)	-	-	(245)
Depreciation charge	(449)	(385)	-	(834)
Foreign currency translation differences	57	43	-	100
At 31 March 2017				
Cost	2,330	1,078	-	3,408
Accumulated depreciation	(428)	(419)	-	(847)
Net book value	**1,902**	**659**	**-**	**2,561**
Additions	1,208	783	33	2,024
Depreciation charge	(588)	(473)	-	(1,061)
Other reclassifications	(47)	47	-	-
Foreign currency translation differences	(28)	(18)	(1)	(47)
At 31 March 2018				
Cost	3,463	1,897	32	5,392
Accumulated depreciation	(1,016)	(899)	-	(1,915)
Net book value	**2,447**	**998**	**32**	**3,477**

No assets of Property, plant and equipment were pledged as of 31 March 2018 and 31 March 2017.

All amounts are in £'000 unless otherwise stated

(8) Property, plant and equipment (continued)

Company	**Leased office improvements**	**Office equipment**	**Total**
At 1 April 2016			
Cost	1,280	596	1,876
Accumulated depreciation	(167)	(26)	(193)
Net book value	**1,113**	**570**	**1,683**
Additions	1,393	368	1,761
Disposals	(245)	-	(245)
Depreciation charge	(447)	(378)	(825)
Foreign currency translation differences	57	42	99
At 31 March 2017			
Cost	2,297	1,015	3,312
Accumulated depreciation	(426)	(413)	(839)
Net book value	**1,871**	**602**	**2,473**
Additions	313	341	654
Depreciation charge	(505)	(429)	(934)
Other reclassifications	(47)	47	-
Foreign currency translation differences	14	8	22
At 31 March 2018			
Cost	2,581	1,420	4,001
Accumulated depreciation	(935)	(851)	(1,786)
Net book value	**1,646**	**569**	**2,215**

No assets of Property, plant and equipment were pledged as of 31 March 2018 or 31 March 2017.

All amounts are in £'000 unless otherwise stated

(9) Intangible assets

Group and Company	Software	Total
At 1 April 2016		
Cost	4,545	4,545
Accumulated amortisation	(757)	(757)
Net book value	**3,788**	**3,788**
Additions	5,604	5,604
Amortisation charge	(1,290)	(1,290)
At 31 March 2017		
Cost	10,149	10,149
Accumulated amortisation	(2,047)	(2,047)
Net book value	**8,102**	**8,102**
Additions	8,749	8,749
Amortisation charge	(2,823)	(2,823)
Foreign currency translation differences	1	1
At 31 March 2018		
Cost	18,900	18,900
Accumulated amortisation	(4,871)	(4,871)
Net book value	**14,029**	**14,029**

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

All amounts are in £'000 unless otherwise stated

(10) Investments in subsidiaries

The Company held the following investments in subsidiaries as of 31 March 2018:

Name	Nature of business	Effective holding	Country	Registered address
TransferWise Inc.	Online currency exchange service	100% of ordinary shares	USA	19 W 24th Street, Floor 9 New York, NY 10010
TransferWise Japan Kabushiki Gaisha	Online currency exchange service	100% of ordinary shares	Japan	4th Floor, Finolab, 1-6-1 Otemachi Chiyoda-ku, Tokyo, Japan 100-0004
TransferWise Canada Inc	Online currency exchange service	100% of ordinary shares	Canada	99 Bank Street, Suite 1420, Ottowa, ONK1P 1H4, Canada
TransferWise Singapore PTE Ltd	Online currency exchange service	100% of ordinary shares	Singapore	12 Kallang Avenue, #03-20, Aperia, Singapore, 339511
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
TransferWise Brasil Correspondente Cambial Ltda.	Online currency exchange service	100% of ordinary shares	Brazil	Av. Bernardino de Campos, 98, 7° andar, conjunto 37, Paraiso, na Cidade de Sao Paulo
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

All amounts are in £'000 unless otherwise stated

(10) Investments in subsidiaries (continued)

Company	**2018**	**2017**
Share in group undertakings		
Beginning of year	1,781	1,386
Additions in year	3,178	395
End of year	**4,959**	**1,781**

During the period, the Group increased share capital of TransferWise Inc. by £2,958 thousand, TransferWise Malaysia by £55 thousand and added a capital contribution by issuing share options to TransferWise Inc by £165 thousand.

(11) Trade and other receivables

	Group		**Company**	
	As at 31 March		**As at 31 March**	
	2018	**2017**	**2018**	**2017**
Short-term receivables:				
Receivables from payment processors	41,199	30,393	33,595	25,953
Collateral deposits	5,712	4,511	3,086	2,789
Prepayments	1,862	2,293	2,054	2,192
Margin accounts with brokers	2,689	906	2,689	906
Receivables from Group companies	-	-	21,498	6,147
Other receivables	1,114	1,221	776	1,222
Total short-term receivables:	**52,576**	**39,324**	**63,698**	**39,209**
Long-term receivables:				
Collateral deposits	1,293	109	912	-
Other receivables	225	176	220	172
Total long-term receivables:	**1,518**	**285**	**1,132**	**172**

During the financial years ended 31 March 2018 and 2017, the management didn't identify any doubtful trade or other receivables and the Group didn't recognise any impairment losses.

Amounts due from Group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

All amounts are in £'000 unless otherwise stated

(12) Cash and cash equivalents

	Group		Company	
	As at 31 March		As at 31 March	
	2018	2017	2018	2017
Cash and cash equivalents:				
Cash on hand and in banks	253,025	34,890	204,326	27,257
Cash in transit between Group bank accounts	18,638	5,422	17,795	5,029
Cash in transit to customers *	29,586	31,042	23,925	25,766
Total cash and cash equivalents:	**301,249**	**71,354**	**246,046**	**58,052**

* 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.

(13) Trade and other payables

	Group		Company	
	As at 31 March		As at 31 March	
	2018	2017	2018	2017
Trade and other payables:				
Outstanding money transmission liabilities	66,860	44,844	47,970	37,175
Borderless accounts	147,328	542	129,607	542
Deferred customer liability *	26,278	18,448	19,505	14,939
Accrued expenses	2,592	1,068	2,130	1,033
Accounts payable	2,147	2,019	1,806	1,775
Payables to employees	2,073	1,279	1,746	1,131
Tax payables	838	87	783	28
Deferred revenue	692	446	482	376
Payables to Group companies	-	-	5,110	-
Other payables	1,270	3	1,193	2
Total trade and other payables:	**250,078**	**68,736**	**210,332**	**57,001**
Non-current trade and other payables:				
Accrued expenses	661	-	541	-
Total non-current trade and other payables:	**661**	**-**	**541**	**-**

* Deferred customer liability represents amounts that have been debited from customers' credit/debit cards or bank accounts under the ACH payment system, but haven't been settled to the bank account of the Group, and which the Group hasn't fulfilled performance obligations for (e.g., completed the money transfer).

Amounts due to Group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

All amounts are in £'000 unless otherwise stated

(14) Borrowings

	Group		Company	
	As at 31 March		As at 31 March	
	2018	2017	2018	2017
Borrowings:				
Overdraft facility	20,226	11,001	20,226	11,001
Total borrowings	**20,226**	**11,001**	**20,226**	**11,001**

The unused overdraft as of 31 March 2018 was £4 thousand (31 March 2017: £2,693 thousand).

As of 31 March 2018 and 2017, the overdraft facility has a fixed interest rate of 5.45% on the balance used and 1% on the unused amount.

(15) Cash generated from/(used in) operations

	Group		Company		
	Year ended 31 March		Year ended 31 March		
	2018	2017	2018	2017	Note
Cash flows from operating activities					
Operating profit/(loss)	9,502	(519)	7,922	(405)	
Adjustments for non-cash income and expenses:					
Depreciation and amortisation	3,884	2,124	3,685	2,115	8, 9
Loss of disposals of assets	-	245	-	245	8, 9
Net impact of foreign exchange differences	5,740	1,601	4,642	1,377	
Share option expense (non-cash)	3,074	2,096	2,894	2,096	18
Changes in operating assets and liabilities:					
Change in trade and other receivables	(4,146)	(4,958)	(14,333)	(9,158)	11
Change in trade and other payables	4,735	2,398	9,165	818	13
Cash flow from operating activities (excluding change on customer accounts)	**22,789**	**2,987**	**13,975**	**(2,912)**	
Cash generated from change in customer related balances:					
Change in receivables from payment processors	(11,698)	(26,931)	(7,866)	(22,491)	11
Change in money transmission liability	32,645	40,633	16,293	29,566	13
Change in Borderless liability	148,818	-	130,046	-	13
Net cash inflow from customers:	**169,765**	**13,702**	**138,473**	**7,075**	
Cash flow from operating activities total	**192,554**	**16,689**	**152,448**	**4,163**	

All amounts are in £'000 unless otherwise stated

(16) Share capital and share premium

	As at 31 March					
	2018			2017		
Class	**Nominal value, £**	**Number of shares**	**Share capital, £**	**Nominal value, £**	**Number of shares**	**Share capital, £**
Ordinary	0.00001	15,417,925	154	0.00001	14,692,521	147
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	2,825,300	28	0.00001	2,825,300	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	-	-	-
Total		**34,950,216**	**349**		**32,689,755**	**327**

All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends. Each share is entitled to participate in a distribution where preferred share ranks in priority of any other classes of shares.

During the current financial year the following additional shares were issued:

- Additional 1,535,057 Series E preferred shares were issued for a total of £49,743 thousand;
- Share options were exercised; a total of 725,404 ordinary shares were issued for a total of £38 thousand.

(17) Commitments

The Group leases offices under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are:

	Group	
	As at 31 March	
	2018	**2017**
Office leases:		
No later then 1 year	3,452	2,542
Later than 1 year and no later than 5 years	6,208	9,762
Later than 5 years	470	3,454
Total	**10,130**	**15,758**

The Group does not have other material commitments, capital commitments or contingencies as of 31 March 2018 and 31 March 2017.

All amounts are in £'000 unless otherwise stated

(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 – either Initial Public Offering 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 2018		Year ended 31 March 2017	
Group	**Average exercise price per share option, £**	**Number of options**	**Average exercise price per share option, £**	**Number of options**
Beginning of year	£0.97	3,238,193	£0.00	0
Granted during the year	£2.50	698,270	£0.77	4,348,192
Exercised during the year	£0.05	(621,818)	£0.04	(301,644)
Forfeited during the year	£2.55	(168,810)	£0.21	(808,355)
End of year	**£1.43**	**3,145,835**	**£0.97**	**3,238,193**
Vested and exercisable as of end of year	£0.95	2,053,126	£0.61	2,279,633

The assessed fair value at grant date of options granted during the year ended 31 March 2018 was £13.37 per option on average. The fair value at grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the 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 option and the correlations and volatilities of the peer group companies. Share price at grant date is assessed by the independent external appraiser.

The model inputs for options granted during the year ended 31 March 2018 included:

a. Options are granted for no consideration and vest over the 4-year period according to the vesting conditions;

b. Average exercise price: £1.43;

c. No dividends are expected to be paid;

d. Expected price volatility of the Company's shares: 42.99%

e. Risk-free interest rate: 0.57%

f. 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.

(19) Transactions with related parties

The directors consider there to be no ultimate controlling party as of 31 March 2018 and 31 March 2017.

During the financial years ending 31 March 2018 and 31 March 2017 there were no material transactions with related parties of the Group.

The Parent Company has elected to take the exemption under section 33.1A of the Financial Reporting Council guidance not to present the transactions with wholly owned subsidiaries of the Group.

TransferWise Ltd

Registered number: 07209813

6th Floor Tea Building 56 Shoreditch High Street

London E1 6JJ, UK