

TransferWise Ltd

Annual report and consolidated financial statements for the year  
ended 31 March 2016

Registered number: 07209813

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## General information

Company name:	TransferWise Ltd
Registered number:	07209813
Registered office:	2nd floor, 186-188 City Road, London, EC1V 2NT, UK
Internet homepage:	<a href="https://transferwise.com/">https://transferwise.com/</a>
Principal activity:	Provision of online international money transfer service
Directors:	Kristo Käärmann Taavet Hinrikus Roger Ehrenberg Benjamin Abraham Horowitz
Independent Auditors:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

## Strategic Report for the year ended 31 March 2016

The Directors present their Strategic Report for TransferWise Limited and its subsidiaries (together the "Group") for the year ended 31 March 2016. This report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group when viewed as a whole. The Directors in compiling this report have complied with the requirements of the Companies Act 2006.

### Principal activity

TransferWise Ltd (the "Company") is a privately owned limited liability company and the principal activity of the Group is to provide online international money transfer services.

### Business environment

The amount of money that is transferred internationally every year is estimated at \$5-10 trillion globally. Yet the act of transferring money internationally is expensive, slow and inconvenient. In addition, the market is extremely opaque. People are often unaware of the hidden charges and exchange rate mark-ups levied by traditional providers.

The cost of transfers to both individuals and businesses is extremely high. As of December 2015, the World Bank put the average cost of remittance at 7.37%. In 80% of country corridors, it's possible to send money for the average cost of 10% or less. At the end of 2009, only half of the corridors had the cost of 10% or less. The World Bank attributes this positive downward trend to new entrants in the market.

This cost is still too high. For decades, the consumer has had no alternative available. The traditional providers have taken advantage of this and their model is based on overcharging and underserving the consumer. In contrast, the Group's mission is to provide a service rooted in transparency and fairness that makes transferring money internationally as low cost, fast and easy as it can be.

Therefore, the Directors believe there is significant potential for alternative methods of transferring money internationally.

### General business review and key performance indicators

During the year the Group continued to successfully invest in growth by improving the money transfer product and making this available to customers in new markets around the world. We will continue to invest to grow our business both on existing currency routes as well as adding new routes in the coming years.

The investment in growth is evidenced in our results. In the month of March 2016, over 400 000 transactions were made over the platform. The results of the Group for the year show a turnover of £27 852 thousand (2015: £9 717 thousand) with a loss on ordinary activities before tax of £17 406 thousand (2015: £11 146 thousand).

In 2016, the Group received equity funding of £14 688 thousand, and, combined with the loss for the year, and movement in assets and liabilities, the shareholders' funds of the Group total £35 083 thousand at the end March 2016, £2 626 thousand lower than in March 2015 (£37 709 thousand). Further equity funding of £1 710 thousand has been received since 31 March 2016.

## Strategic Report for the year ended 31 March 2016 (continued)


### Principal Risks and Uncertainties

The principal risks and uncertainties that the Group faces include those associated with foreign exchange rates (for example, changes in currency or extreme fluctuations); systems interruptions (for example, if there's an interruption to a payment system); and, partner activity (for example, if one of the Group's partners or service providers experience a loss in service).

The Group has taken steps to ensure that effective measures are in place to prevent such uncertainties impacting the operations of the business from robust processes to manage exchange rate volatility to having multiple partners and service providers in key areas.

The Group is committed to good governance appropriate for a group of its size and control in order to run its business effectively and ensure that it can manage risk appropriately. The Group is further committed to operating an innovative and successful business without exposing itself and its customers to unacceptable risk. The Group's risk appetite is set by its Board in agreement with senior management.

ON BEHALF OF THE BOARD OF DIRECTORS:

A handwritten signature in black ink, appearing to read 'Taavet Hinrikus', is written over a horizontal dotted line.

Taavet Hinrikus, Director

Date: 10 June 2016

## Directors' Report for the year ended 31 March 2016

The Directors present their Report and the audited consolidated financial statements for the year ended 31 March 2016.

Details of significant events since the balance sheet date are contained in note 21 of the financial statements. An analysis of financial risk management policies, and an indication of likely future developments of the business of the company, are included in the Strategic Report.

### **Principal activity**

The principal activity of the Group is to provide online international money transfer services.

### **Branches outside the UK**

TransferWise has branches in Estonia, Hungary, Australia, Canada, Hong Kong and New Zealand.

### **Going concern**

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as and when they fall due for the foreseeable future. Thus 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 £ 3,000 thousand (2015: £1,076 thousand) of software development costs.

### **Employees**

As of March 2016, the number of employees in the Group was 550 in offices located around the world. The number of employees will continue to grow in line with global expansion and to continue developing the product.

To grow our team we will continue to attract and retain the best talent that can help build and deliver the products for our customers. We'll do this by considering all applications equally and providing the support that our employees need, independent of circumstance

### **Directors**

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

Kristo Käärman  
Taavet Hinrikus  
Roger Ehrenberg  
Benjamin Abraham Horowitz

## Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the 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 Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

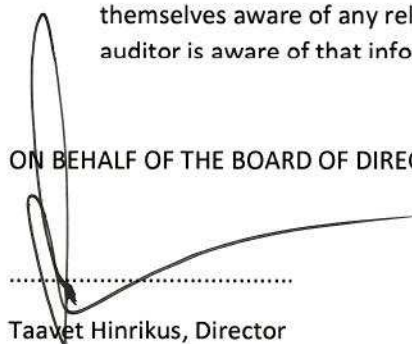
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the Company confirm that at the time the report is approved:

1. so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
2. they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

ON BEHALF OF THE BOARD OF DIRECTORS:



.....

Taavet Hinrikus, Director

Date: 10 June 2016

## Independent auditors' report to the members of TransferWise Ltd

### Report on the financial statements

#### Our opinion

In our opinion, TransferWise Ltd's consolidated financial statements and parent 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 2016 and of the group's loss and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated and parent Company statement of financial position as at 31 March 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated and parent Company statement of changes in equity for the year then ended;
- the consolidated and parent Company statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Independent auditors' report to the members of TransferWise Ltd (continued)

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

## Independent auditors' report to the members of TransferWise Ltd (continued)

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
10 June 2016

## Consolidated statement of comprehensive income for the year ended 31 March 2016

	Note	Year ended 31 March	
		2016	2015
		£'000	£'000
Revenue	4	27 852	9 717
Cost of sales	5	(12 441)	(4 538)
<b>Gross profit</b>		<b>15 411</b>	<b>5 179</b>
Administrative expenses	5	(32 784)	(16 325)
<b>Operating loss</b>		<b>(17 373)</b>	<b>(11 146)</b>
Finance income /(expenses) net		(33)	-
<b>Loss before tax</b>		<b>(17 406)</b>	<b>(11 146)</b>
Income tax expense	7	(168)	-
<b>Loss for the year</b>		<b>(17 574)</b>	<b>(11 146)</b>
<b>Other comprehensive losses:</b>			
Items that will not be reclassified to profit or loss:			
Currency translation differences		260	-
<b>Total comprehensive loss for the year</b>		<b>(17 314)</b>	<b>(11 146)</b>

The income statement has been prepared on the basis that all operations are continuing operations. There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

The Company has elected to take the exemption under section 408 of the Companies Act not to present the Company income statement. The loss of the Company for the year was £ 17 614 thousand (2015: £ 11 141 thousand).

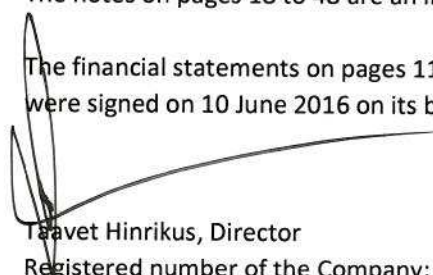
The notes on pages 18 to 48 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position as at 31 March 2016

		As at 31 March		
	Note	2016	2015	2014
		£'000	£'000	£'000
<b>Non-current assets</b>				
Property, plant and equipment	8	1 683	372	149
Intangible assets	9	3 788	1 283	375
		<b>5 471</b>	<b>1 655</b>	<b>524</b>
<b>Current assets</b>				
Trade and other receivables	11	7 612	1 645	258
Cash and cash equivalents	12	47 793	46 491	5 327
		<b>55 405</b>	<b>48 136</b>	<b>5 585</b>
<b>Total assets</b>		<b>60 876</b>	<b>49 791</b>	<b>6 109</b>
<b>Current liabilities</b>				
Trade and other payables	13	25 793	12 082	3 940
		<b>25 793</b>	<b>12 082</b>	<b>3 940</b>
<b>Equity</b>				
Ordinary shares	16	-	-	-
Preferred shares	16	-	-	-
Share premium		66 042	51 354	4 668
Accumulated losses		(31 219)	(13 645)	(2 499)
Currency translation differences		260	-	-
		<b>35 083</b>	<b>37 709</b>	<b>2 169</b>
<b>Total liabilities and equity</b>		<b>60 876</b>	<b>49 791</b>	<b>6 109</b>

The notes on pages 18 to 48 are an integral part of these consolidated financial statements.

The financial statements on pages 11 to 48 were authorised for issue by the Board of Directors and were signed on 10 June 2016 on its behalf by:



Tsvet Hinrikus, Director

Registered number of the Company: 07209813

Statement of financial position of the parent Company as at 31 March 2016

		As at 31 March		
	Note	2016	2015	2014
		£'000	£'000	£'000
<b>Non-current assets</b>				
Property, plant and equipment	8	1 683	372	149
Intangible assets	9	3 788	1 283	375
Investments in subsidiaries	10	1 386	9	-
		<b>6 857</b>	<b>1 664</b>	<b>524</b>
<b>Current assets</b>				
Trade and other receivables	11	7 562	2 321	258
Cash and cash equivalents	12	47 304	45 806	5 327
		<b>54 866</b>	<b>48 127</b>	<b>5 585</b>
<b>Total assets</b>		<b>61 723</b>	<b>49 791</b>	<b>6 109</b>
<b>Current liabilities</b>				
Trade and other payables	13	26 757	12 077	3 940
		<b>26 757</b>	<b>12 077</b>	<b>3 940</b>
<b>Equity</b>				
Ordinary shares	16	-	-	-
Preference shares	16	-	-	-
Share premium		66 042	51 355	4 669
Accumulated losses		(31 255)	(13 641)	(2 500)
Currency translation differences		179	-	-
<b>Total equity</b>		<b>34 966</b>	<b>37 714</b>	<b>2 169</b>
<b>Total liabilities and equity</b>		<b>61 723</b>	<b>49 791</b>	<b>6 109</b>

The notes on pages 18 to 48 are an integral part of these financial statements.

The financial statements on pages 11 to 48 were authorised for issue by the Board of Directors and were signed on 10 June 2016 on its behalf by:

Taavet Hinrikus, Director

Registered number of the Company: 07209813

## Consolidated statement of changes in equity for the year ended 31 March 2016

	Note	Share capital £'000	Share premium £'000	Foreign currency translation differences £'000	Accumulated losses £'000	Total equity £'000
<b>At 1 April 2014</b>		-	4 668	-	(2 499)	2 169
Loss for the year		-	-	-	(11 146)	(11 146)
Issue of share capital		-	46 686	-	-	46 686
<b>At 31 March 2015</b>		-	51 354	-	(13 645)	37 709
Loss for the year		-	-	-	(17 574)	(17 574)
Foreign currency translation differences		-	-	260	-	260
Issue of share capital		-	14 688	-	-	14 688
<b>At 31 March 2016</b>		-	66 042	260	(31 219)	35 083

The notes on pages 18 to 48 are an integral part of these consolidated financial statements.

## Statement of changes in equity of the parent Company for the year ended 31 March 2016

	Note	Share capital £'000	Share premium £'000	Foreign currency translation differences £'000	Accumulated losses £'000	Total equity £'000
<b>At 1 April 2014</b>		-	4 669	-	(2 500)	2 169
Loss for the year		-	-	-	(11 141)	(11 141)
Issue of share capital		-	46 686	-	-	46 686
<b>At 31 March 2015</b>		-	51 355	-	(13 641)	37 714
Loss for the year		-	-	-	(17 614)	(17 614)
Foreign currency translation differences		-	-	179	-	179
Issue of share capital		-	14 687	-	-	14 687
<b>At 31 March 2016</b>		-	66 042	179	(31 255)	34 966

The notes on pages 18 to 48 are an integral part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 March 2016

		Year ended 31 March	
		2016	2015
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash used in operating activities	14	(9 381)	(3 695)
Interest paid		(33)	-
Income tax paid		(27)	-
<b>Net cash used in operating activities</b>		<b>(9 441)</b>	<b>(3 695)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1 439)	(288)
Purchases of intangible assets		(3 028)	(1 077)
<b>Net cash used in investing activities</b>		<b>(4 467)</b>	<b>(1 365)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		14 688	46 686
<b>Net cash generated from financing activities</b>		<b>14 688</b>	<b>46 686</b>
<b>Net increase in cash and cash equivalents</b>		<b>780</b>	<b>41 627</b>
Cash and cash equivalents at beginning of year	12	46 491	5 327
Exchange gains/(losses) on cash and cash equivalents		522	(463)
<b>Cash and cash equivalents at end of year</b>	12	<b>47 793</b>	<b>46 491</b>

The notes on pages 18 to 48 are an integral part of these consolidated financial statements.

## Statement of cash flows of the parent Company for the year ended 31 March 2016

		Year ended 31 March	
		2016	2015
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Cash used in operating activities	15	(8 490)	(4 370)
Interest paid		(33)	-
<b>Net cash used in operating activities</b>		<b>(8 523)</b>	<b>(4 370)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1 439)	(288)
Purchases of intangible assets		(3 028)	(1 077)
Investment in subsidiaries		(721)	(9)
<b>Net cash used in investing activities</b>		<b>(5 188)</b>	<b>(1 374)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		14 688	46 686
<b>Net cash generated from financing activities</b>		<b>14 688</b>	<b>46 686</b>
<b>Net increase in cash and cash equivalents</b>		<b>977</b>	<b>40 942</b>
Cash and cash equivalents at beginning of year	12	45 806	5 327
Exchange gains/(losses) on cash and cash equivalents		521	(463)
<b>Cash and cash equivalents at end of year</b>	12	<b>47 304</b>	<b>45 806</b>

The notes on pages 18 to 48 are an integral part of these financial statements.

## Notes to the consolidated financial statements

### 1. Summary of significant accounting policies

#### *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 applicable to companies reporting under IFRS for the first time during the year.

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.

#### *Changes in accounting policy and disclosures*

##### *(a) Transition to IFRS as adopted by the European Union*

The financial statements have been prepared in accordance with IFRS for the first time. Refer to note 19 for more information.

##### *(b) New and amended standards adopted by the Group*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2015 that would have had a material impact on the Group. No IFRSs or IFRIC interpretations have been early adopted in the year ended 31 March 2016.

##### *(c) Applicable new standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2015 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.

## Notes to the consolidated financial statements (continued)

### 1. Summary of significant accounting policies (continued)

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. 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 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- 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 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.

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.

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. All intragroup transactions, balances, income and expenses are eliminated.

#### *Foreign currency translation*

##### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling, is the Company's functional currency and the Group's presentation currency.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. 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.

## Notes to the consolidated financial statements (continued)

### 1. Summary of significant accounting policies (continued)

#### 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 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.

#### 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.

#### 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

Regular way 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.

## Notes to the consolidated financial statements (continued)

### 1. Summary of significant accounting policies (continued)

#### **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

#### *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. Capitalized 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 (5 years) 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.

## Notes to the consolidated financial statements (continued)

### 1. Summary of significant accounting policies (continued)

#### *Intangible assets – Internally generated software development costs*

The Group has developed 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 and use
- 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.

Capitalised development costs are recorded as intangible assets and amortised over their estimated useful lives of five years.

#### *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.

#### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Revenue from the provision of online foreign exchange services is recognised when the payment is transferred to the recipient.

## Notes to the consolidated financial statements (continued)

### 1. Summary of significant accounting policies (continued)

#### *Leases*

The Group leases office premises in the United Kingdom, Estonia and the United States of America.

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.

#### *Current and deferred tax*

The tax expense for the period considers current and deferred tax. Current tax is provided and amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted.

Deferred tax assets are recognised to the extent that sufficient and reliably estimated future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted.

#### *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.

##### **Share based payments**

The Company operates a scheme, under which the Group receives services from employees as consideration for equity instruments (options) of the 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, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). 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.

The social security costs are carried by employees.

## Notes to the consolidated financial statements (continued)

### 2. Critical accounting estimates

#### *Share-based payments*

The Group expenses material vested share options with a corresponding entry in the equity reserve.

#### *Intangible assets*

The Group capitalises internally generated software costs, including direct development related part from employees benefit expenses.

The Group tests whether internally generated software development costs have suffered any impairment if there has been a triggering event, in accordance with the accounting policy. These calculations require the use of estimates.

#### *Deferred tax asset*

The Group measures deferred tax assets where sufficient future taxable profits are reliably estimated.

## Notes to the consolidated financial statements (continued)

### 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 further context.

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

#### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient 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 arises from the dynamic business profile and growth of the business. Prudent liquidity management includes maintaining sufficient cash reserves and debt facilities to facilitate this profile and growth. Cash flow forecasting is performed and Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Surplus cash held by the Group over and above balance required for working capital management are invested in interest bearing current accounts and fixed-term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

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

The Group had no unused overdraft at 31 March 2016 (as of 31 March 2015: the Group had unused overdraft £ 2 100 thousand).

#### *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, and arises principally from the Group's cash and cash equivalents held in banks.

Credit risk is managed on Group level and arises from cash and cash equivalents and deposits with banks and financial institutions. The Group has no credit exposure to customers. For banks and financial institutions, if there is no independent credit rating, the Group assesses the credit quality of the partner, by taking into account its financial position, past experience and other factors.

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

		31 March 2016	31 March 2015
	Note	£'000	£'000
Trade and other receivables	11	7 618	1 645
Cash and cash equivalents	12	52 523	46 491
<b>Total</b>		<b>60 141</b>	<b>48 136</b>

## Notes to the consolidated financial statements (continued)

### 3. Financial risk and capital management (continued)

The fair value of cash and cash equivalents at 31 March 2016 and 31 March 2015 approximates the carrying value. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions.

Cash and cash equivalents by credit rating of institution

	As at 31 March		
	2016	2015	2014
	£'000	£'000	£'000
A+,A,A-,AA-	18 589	10 114	2 467
B-..BBB-	3 880	5 721	416
No rating	25 324	30 656	2 444
<b>Total cash and cash equivalents</b>	<b>47 793</b>	<b>46 491</b>	<b>5 327</b>

No rating part includes payment providers, which have no ratings. Before deciding to onboard third parties, we undertake due diligence measures to mitigate potential risks. For example, we review the licensing status of the institution through regulator's websites to verify the partner's licence is up to date. We also assess whether there is adverse media or previous regulatory enforcement actions against our partner, which we would need to take into consideration.

#### Market risk

##### a) Cash flow and fair value interest rate risk

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

##### b) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

## Notes to the consolidated financial statements (continued)

### 3. Financial risk and capital management (continued)

	As at 31 March	
	2016	2015
Cash balances by currencies	£'000	£'000
GBP	25 756	12 553
EUR	9 853	14 037
USD	3 238	11 156
AUD	1 593	6
CHF	1 491	811
INR	1 404	2 199
SEK	1 318	583
Other	3 140	5 146
<b>Total</b>	<b>47 793</b>	<b>46 491</b>

At 31 March 2016 if GBP had strengthened by 1% against foreign currencies with all other variables held constant, post-tax loss for the year would be higher/lower mainly as a result of foreign exchange losses/gains on translation of non GBP denominated current assets to the amounts indicated below.

	As at 31 March	
	2016	2015
If £ were strengthened by 1%	£'000	£'000
EUR	60	121
USD	25	89
AUD	-4	0
CHF	14	3
INR	14	19
SEK	9	1

Had GBP weakened by 1% the impact would be equal and opposite to the strengthening of GBP detailed above.

## Notes to the consolidated financial statements (continued)

### 3. Financial risk and capital management (continued)

#### *Capital management*

The Group considers its capital to comprise of its ordinary share capital and share premium less its accumulated retained losses.

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern in order to provide benefits to stakeholders.

## Notes to the consolidated financial statements (continued)

### 4. Revenue

Total revenue consists of fees from online international money transfer services. During the financial year the European market represented 78% of revenue with the rest of the world being 22% (previous financial year: European market 86% of revenue with rest of the world being 16%).

### 5. Expenses by nature

	Note	Group	
		Year ended 31 March	
		2016	2015
		£'000	£'000
Marketing expenses		12 322	9 371
Employee benefit expense	6	10 432	3 630
Bank and partner fees		7 623	2 854
Foreign exchange gain/(loss)		1 416	39
Depreciation charge		128	65
Amortisation charge		523	168
Travel costs		1 330	457
Rental fees		839	295
Other expenses		10 612	3 984
<b>Total expenses by nature</b>		<b>45 225</b>	<b>20 863</b>

Audit fees for the company and consolidated financial statements for the year was £ 22 thousand (2015: £ 28 thousand).

Other services:

- Audit of other subsidiaries £ 17 thousand (2015: nil)
- Tax advisory services – nil (2015: nil)
- Other services - to £ 46 thousand (2015: £ 30 thousand).

## Notes to the consolidated financial statements (continued)

### 6. Employee benefit expense

	Group Year ended 31 March	
	2016	2015
	£'000	£'000
Wages and salaries	8 435	2 930
Social security costs	1 963	700
Other	34	-
<b>Total employee benefit expense</b>	<b>10 432</b>	<b>3 630</b>

The average number of employees during the financial year ended 31 March 2016 was 472 (2015: 172 employees). The total remuneration of directors and other members of key management during the financial year (wages, salaries and social security contributions) was £ 216 thousand (2015: £191 thousand). Salary of highest paid director was £108 thousand (2015: £96 thousand). All key management members were also directors.

### 7. Income tax

#### *Income tax expense*

	Group Year ended 31 March	
	2016	2015
	£'000	£'000
UK corporation tax on loss for the year	-	-
Foreign corporation tax	173	-
Deferred tax expense for the year	(5)	-
<b>Total income tax expense for the year</b>	<b>168</b>	<b>-</b>

## Notes to the consolidated financial statements (continued)

### 7. Income tax (continued)

#### *Factors affecting income tax expense for the year*

The differences between the income tax expense/(benefit) and applying the standard rate of UK corporation tax are summarised as follows:

	<b>Group</b>	
	<b>Year ended 31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before taxation	(17 406)	(11 146)
Loss on ordinary activities multiplied by the Company's effective rate of 20% (2015: 21%)	(3 429)	(2 341)
Effect of expenses not deductible for tax purposes	47	-
Impact of foreign tax rates	(58)	-
Impact of Foreign branch profits not taxed	(141)	-
Other	27	-
Deferred tax not recognised	3 722	2 341
<b>Tax charge for the year</b>	<b>168</b>	<b>-</b>

#### *Deferred tax asset*

Taxable losses may be carried forward and offset future against future taxable profits from trading activities. A deferred tax asset has not been recognised in respect of taxable losses brought forward at 1 April 2015 and incurred during the year owing to sufficient future taxable profits being reliably estimated. The total unrecognised deferred tax asset at 31 March 2016 that would reverse at 18% is £5 937 thousand (2015: £2 698 thousand).

#### *Movement in deferred tax balances*

	<b>Group</b>	
	<b>Year ended 31 March</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening deferred tax assets/(liability)	-	-
Carry forward tax losses in foreign subsidiaries	19	-
Other short-term temporary differences	(14)	-
<b>Closing deferred tax asset/(liability)</b>	<b>5</b>	<b>-</b>

## Notes to the consolidated financial statements (continued)

### 8. Property, plant and equipment

	Group and Company		
	Leased office improvements	Office equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 April 2013	-	-	-
Additions	149	-	149
<b>At 31 March 2014</b>	<b>149</b>	<b>-</b>	<b>149</b>
<b>Accumulated depreciation</b>			
At 1 April 2013	-	-	-
Depreciation charge	-	-	-
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
At 1 April 2013	-	-	-
<b>At 31 March 2014</b>	<b>149</b>	<b>-</b>	<b>149</b>

The depreciation charge above is included within administrative expenses.

## Notes to the consolidated financial statements (continued)

### 8. Property, plant and equipment (continued)

<b>Group and Company</b>			
	<b>Leased office improvements</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 April 2014	149	-	149
Additions	288	-	288
<b>At 31 March 2015</b>	<b>437</b>	<b>-</b>	<b>437</b>
<b>Accumulated depreciation</b>			
At 1 April 2014	-	-	-
Depreciation charge	(65)	-	(65)
<b>At 31 March 2015</b>	<b>(65)</b>	<b>-</b>	<b>(65)</b>
<b>Net book value</b>			
<b>At 1 April 2014</b>	<b>149</b>	<b>-</b>	<b>149</b>
<b>At 31 March 2015</b>	<b>372</b>	<b>-</b>	<b>372</b>

The depreciation charge above is included within administrative expenses.

## Notes to the consolidated financial statements (continued)

### 8. Property, plant and equipment (continued)

<b>Group and Company</b>			
	<b>Leased office improvements</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 April 2015	437	-	437
Additions	842	596	1 439
<b>At 31 March 2016</b>	<b>1 280</b>	<b>596</b>	<b>1 876</b>
<b>Accumulated depreciation</b>			
At 1 April 2015	(65)	-	(65)
Depreciation charge	(102)	(26)	(128)
<b>At 31 March 2016</b>	<b>(167)</b>	<b>(26)</b>	<b>(193)</b>
<b>Net book value</b>			
At 1 April 2015	372	-	372
<b>At 31 March 2016</b>	<b>1 112</b>	<b>570</b>	<b>1 683</b>

The depreciation charge above is included within administrative expenses.

## Notes to the consolidated financial statements (continued)

### 9. Intangible assets

	Group and Company	
	Software	Total
	£'000	£'000
<b>Cost</b>		
At 1 April 2013	-	-
Additions	440	440
<b>At 31 March 2014</b>	<b>440</b>	<b>440</b>
<b>Accumulated amortisation</b>		
At 1 April 2013		
Amortisation charge	(65)	(65)
<b>At 31 March 2014</b>	<b>(65)</b>	<b>(65)</b>
<b>Net book value</b>		
<b>At 1 April 2013</b>	<b>-</b>	<b>-</b>
<b>At 31 March 2014</b>	<b>375</b>	<b>375</b>

The amortisation charge above is included within administrative expenses.

## Notes to the consolidated financial statements (continued)

### 9. Intangible assets (continued)

	<b>Group and Company</b>	
	<b>Software</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 April 2014	440	440
Additions	1 077	1 077
<b>At 31 March 2015</b>	<b>1 517</b>	<b>1 517</b>
<b>Accumulated amortisation</b>		
At 1 April 2014	(65)	(65)
Amortisation charge	(169)	(169)
<b>At 31 March 2015</b>	<b>(234)</b>	<b>(234)</b>
<b>Net book value</b>		
<b>At 1 April 2014</b>	<b>375</b>	<b>375</b>
<b>At 31 March 2015</b>	<b>1 283</b>	<b>1 283</b>

The amortisation charge above is included within administrative expenses.

## Notes to the consolidated financial statements (continued)

### 9. Intangible assets (continued)

	<b>Group and Company</b>	
	<b>Software</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 April 2015	1 517	1 517
Additions	3 028	3 028
<b>At 31 March 2016</b>	<b>4 545</b>	<b>4 545</b>
<b>Accumulated amortisation</b>		
At 1 April 2015	(234)	(234)
Amortisation charge	(523)	(523)
<b>At 31 March 2016</b>	<b>(757)</b>	<b>(757)</b>
<b>Net book value</b>		
<b>At 1 April 2015</b>	<b>1 283</b>	<b>1 283</b>
<b>At 31 March 2016</b>	<b>3 788</b>	<b>3 788</b>

The amortisation charge above is included within administrative expenses.

## Notes to the consolidated financial statements (continued)

### 10. Investments in subsidiaries

#### Company

	2016	2015	2014
	£'000	£'000	£'000
<b>Shares in Group undertakings:</b>			
As at 1 April	9	2	2
Liquidation of subsidiary	-	(2)	-
Additions	1 377	9	-
<b>As at 31 March</b>	<b>1 386</b>	<b>9</b>	<b>2</b>

The Company has invested in following subsidiary undertakings:

Name of undertaking	Nature of business	Effective holding	Country of incorporation
TransferWise Inc	Service provider to Group companies	100% of ordinary shares	USA
TransferWise Japan Kabushiki Gaisha	Online currency exchange service	100% of ordinary shares	Japan
TransferWise Canada Inc	Online currency exchange service	100% of ordinary shares	Canada
TransferWise Singapore PTE Ltd	Inactive	100% of ordinary shares	Singapore
TransferWise India Private Limited	Inactive	100% of ordinary shares	India

The directors believe that the carrying value of the investments is supported by their underlying net assets.

## Notes to the consolidated financial statements (continued)

## 11. Trade and other receivables

	Group As at 31 March			Company As at 31 March		
	2016	2015	2014	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables from payment processors	3 463	-	-	3 462	-	-
Deposits paid	3 330	1 075	90	3 245	1 075	90
Prepayments	812	558	164	776	558	164
Deferred tax asset (note 7)	5	-	-	-	-	-
Income tax	1	-	-	-	-	-
Receivables from Group companies	-	-	-	79	676	-
Other short-term receivables	1	12	3	-	12	3
<b>Total trade and other receivables</b>	<b>7 612</b>	<b>1 645</b>	<b>258</b>	<b>7 562</b>	<b>2 321</b>	<b>258</b>

## Notes to the consolidated financial statements (continued)

### 12. Cash and cash equivalents

	Group As at 31 March			Company As at 31 March		
	2016	2015	2014	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank	52 524	38 493	5 327	52 035	37 808	5 327
Term deposits	-	7 998	-	-	7 998	-
Overdraft	(4 731)	-	-	(4 731)	-	-
<b>Total cash and cash equivalents</b>	<b>47 793</b>	<b>46 491</b>	<b>5 327</b>	<b>47 304</b>	<b>45 806</b>	<b>5 327</b>

Unused overdraft as of 31 March 2016 was nil (31 March 2015: £2 100 thousand).

Overdraft has fixed interest rate 5.45% and is expiring within one year.

## Notes to the consolidated financial statements (continued)

### 13. Trade and other payables

	Group As at 31 March			Company As at 31 March		
	2016	2015	2014	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
Customer deposits	23 204	10 022	3 566	23 092	10 022	3 566
Payroll and other tax liabilities	934	432	44	927	432	44
Trade payables	787	1 453	62	753	1 448	62
Accrued expenses	706	175	268	584	175	268
Income tax	162	-	-	156	-	-
Payables to Group companies	-	-	-	1 245	-	-
<b>Total trade and other payables</b>	<b>25 793</b>	<b>12 082</b>	<b>3 540</b>	<b>26 757</b>	<b>12 077</b>	<b>3 540</b>

Customer deposits relates to cash amounts held on behalf of customers with an equal amount held in cash and cash equivalents. The Group safeguards customer funds based on Payment Service Regulations (2009) 19(5) keeping these on segregated accounts and using separate safeguarding accounts for overnight deposits.

## Notes to the consolidated financial statements (continued)

### 14. Cash used in operations - consolidated

	Year ended 31 March	
	2016	2015
	£'000	£'000
<b>Cash flows from operating activities</b>		
Operating loss	(17 373)	(11 146)
Adjustments for non-cash income and expenses:		
Depreciation and amortisation	651	233
Changes in operating assets and liabilities (excluding unrealised foreign exchange differences):		
Increase in trade and other receivables	(5 967)	(1 387)
Increase in trade and other payables	13 308	8 605
<b>Net cash used in operating activities</b>	<b>(9 381)</b>	<b>(3 695)</b>

### 15. Cash used in operations – parent Company

	Year ended 31 March	
	2016	2015
	£'000	£'000
<b>Cash flows from operating activities</b>		
Operating loss	(17 439)	(11 141)
Adjustments for non-cash income and expenses:		
Depreciation and amortisation	651	233
Changes in operating assets and liabilities (excluding unrealised foreign exchange differences):		
Increase in trade and other receivables	(5 898)	(2 063)
Increase in trade and other payables	14 196	8 601
<b>Net cash used in operating activities</b>	<b>(8 490)</b>	<b>(4 370)</b>

## Notes to the consolidated financial statements (continued)

### 16. Share capital and share premium

Class	31.03.2016			31.03.2015		
	Nominal value	Number of shares	Share capital	Nominal value	Number of shares	Share capital
			£			£
Ordinary	0,00001	14 580 505	146	0,00001	14 450 071	145
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	2 484 182	25
Series D preferred	0,00001	671 170	7		-	-
		<b>32 377 261</b>	<b>324</b>		<b>31 558 553</b>	<b>316</b>

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 financial year the following additional shares were issued:

- On May 19, 2015 additional 17,104 Series C preferred were issued for total of £ 257 721.
- On February 29, 2016 another equity investment round was executed and 671,170 Series D preferred shares were issued for total of £ 14 428 978.
- During the year 2016 share options and one warranty were exercised; total of 130,434 ordinary shares were issued for total of £ 943.

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

- On 2 April, 2014 another equity investment round was executed and 2 839 937 Series B preferred shares were issued for total of £9 190 235. On 8 July 2014 additional 15 363 Series B preferred shares were issued for £48 801.
- On 6 October, 2014, 27 271 and on 2 December 2014 another 7 800 ordinary shares were issued.
- On 23 December, 2014 another equity investment round was completed and 2 484 182 Series C preferred shares were issued for £37 446 748.

On 2 April, 2014, a share split of 1 000 shares to 1 share was executed for the existing 26 184 shares with a par value of £0,01. This increased the number of issued shares to 26 184 000, each with a nominal value of £0,00001.

## Notes to the consolidated financial statements (continued)

### 17. Commitments

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

	Year ended 31 March	
	2016	2015
<b>Buildings</b>	<b>£'000</b>	<b>£'000</b>
No later than 1 year	1 390	478
Later than 1 year and no later than 5 years	8 052	2 313
Later than 5 years	233	-
<b>Total</b>	<b>9 675</b>	<b>2 791</b>

The Group and Company has no other material commitments, capital commitments or contingencies.

## Notes to the consolidated financial statements (continued)

### 18 Related-party transactions

The Directors consider there to be no ultimate controlling party as at 31 March 2016. In previous years the ultimate controlling parties were considered to be K.Käärmann and T.Hinrikus by virtue of their shareholding and directorship.

During the year the Company carried out the following transactions with related parties:

	Year ended 31 March	
	2016	2015
	£'000	£'000
<b>Sales of services</b>		
Key management personnel	1	1
Entities controlled by key management personnel outside the Group	2	-
<b>Total sales</b>	<b>3</b>	<b>1</b>
<b>Purchases</b>		
Support services performed by TransferWise Inc	3 639	-
<b>Total purchases</b>	<b>3 639</b>	<b>-</b>

The transactions between the Company and its subsidiaries have been eliminated on consolidation.

The Company had the following receivables or payables with related parties as at 31 March 2016 or 31 March 2015. Receivable or payables with Group companies are short-term relating to trading activities and non-interest bearing.

	Year ended 31 March		
	2016		2015
	Receivables	Payables	Receivables
	£'000	£'000	£'000
TransferWise Inc	-	1 186	676
TransferWise Japan Kabushiki Gaisha	79	-	-
TransferWise Canada Inc	-	59	-
<b>Total</b>	<b>79</b>	<b>1 245</b>	<b>676</b>

## Notes to the consolidated financial statements (continued)

### 19. First-time adoption of IFRS

These financial statements, for the year ended 31 March 2016, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 March 2015, the Group prepared abbreviated accounts in accordance with the Financial Reporting Standard for Smaller Entities effective April 2008 (the 'FRSSE'). The Group has prepared financial statements which comply with IFRS for the year ended 31 March 2016, presented together with the comparative period data as at and for the year ended 31 March 2015, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its abbreviated balance sheet as at 1 April 2014 and its previously published abbreviated accounts, prepared under the FRSSE, as at and for the year ended 31 March 2015.

#### *Changes to basis of preparation*

The following are the most significant changes to the basis of preparation of these financial statements that have arisen as a result of this transition. The Group has taken advantage of none of the exemptions available to companies transitioning to a basis of preparation under IFRS.

#### *Share based payments*

Share based payments are not required to be recognised under the FRSSE. The accounting policy for such items has been introduced upon transition, but has had no effect on the financial statements in this year as the effect would be immaterial.

#### *Financial instruments*

An accounting policy has been introduced to dictate the treatment of financial instruments under IFRS. This has had no material impact on these financial statements.

#### *Employee benefits*

Under IFRS an accrual is required in respect of accrued but unused annual leave allowance as at the balance sheet date. This has been adopted as an accounting policy, but has had no material impact on the Group's financial statements.

#### *Estimates*

The estimates as at 1 April 2014 and 31 March 2015 are consistent across both accounting frameworks apart from in respect of share based payments where an estimate was not required under the FRSSE.

#### *Consolidation*

Under the FRSSE, the Group was not required to present consolidated financial statements. IFRS has no such exemption and so consolidated financial statements have been prepared.

## Notes to the consolidated financial statements (continued)

### 19. First-time adoption of IFRS (continued)

#### Reconciliation of equity

		31 March 2015			31 March 2014		
		UK	Effect of		UK	Effect of	
Company	Note	GAAP	restatement	IFRS	GAAP	restatement to	IFRS
		£'000	to IFRS	£'000	£'000	IFRS	£'000
			£'000			£'000	
<b>ASSETS</b>							
<b>Fixed assets</b>							
Intangible assets		1 283	-	1 283	375	-	375
Tangible assets		372	-	372	149	-	149
Investments		9	-	9	2	-2	-
		<b>1 664</b>	<b>-</b>	<b>1 664</b>	<b>526</b>	<b>-2</b>	<b>524</b>
<b>Current assets</b>							
Debtors	A	1 267	496	1 763	100	-7	93
Prepayments and accrued income		558	-	558	155	10	165
Cash at bank	A	45 520	286	45 806	5 258	69	5 327
		<b>47 345</b>	<b>782</b>	<b>48 127</b>	<b>5 513</b>	<b>72</b>	<b>5 585</b>
<b>Total assets</b>		<b>49 009</b>	<b>782</b>	<b>49 791</b>	<b>6 039</b>	<b>70</b>	<b>6 109</b>
<b>LIABILITIES</b>							
<b>Capital and reserves</b>							
Called up share capital		-	-	-	-	-	-
Share premium		51 355	-	51 355	4 669	-	4 669
Accumulated losses	A	(13 988)	347	(13 641)	(2 582)	82	(2 500)
Foreign translation reserve		-	-	-	-	-	-
		<b>37 366</b>	<b>347</b>	<b>37 714</b>	<b>2 087</b>	<b>82</b>	<b>2 169</b>
<b>Creditors:</b>							
amounts falling due in one year		11 643	434	12 077	3 952	-12	3 940
		<b>11 643</b>	<b>434</b>	<b>12 077</b>	<b>3 952</b>	<b>-12</b>	<b>3 940</b>
<b>Total liabilities</b>		<b>49 009</b>	<b>782</b>	<b>49 791</b>	<b>6 039</b>	<b>70</b>	<b>6 109</b>

## Notes to the consolidated financial statements (continued)

### 19. Transition note – UK GAAP to IFRS (continued)

#### **Notes to the reconciliation of equity**

##### *A Incorporation of results and position of branches*

For the year ended 31 March 2015, the Company had not incorporated the position or results of its branches into its abbreviated accounts, prepared under the FRSSE. The Company's financial statements have been amended in the reconciliation in order to incorporate the position and results of those branches. This has no effect on the Group's results in any period.

No reconciling items were identified in respect of the Group. No Statement of comprehensive income was presented in the abbreviated accounts for previous years, and so no reconciliation has been prepared for that statement.

### 20. Events after the end of the reporting date

The Group received additional funding of £1 710 thousand after 31 March 2016.

## Sidevahendid

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