

Wise plc

Preliminary results for the financial year ended 31 March 2023

WE'RE BUILDING PRODUCTS THAT BRING EVANGELICAL CUSTOMERS TO OUR NETWORK

"At Wise we are laser focused on our mission of money without borders and building the products that our customers need. Over the past year, we continued to invest in our infrastructure and launched new features, such as Assets, to make moving and managing money faster, cheaper, easier, and more transparent for more people and businesses around the world. Today, 55% of our payments reach their recipient in less than 20 seconds and we save our customers an estimated £1.5bn¹ in fees annually.

"Our strong growth and continued profitability are a direct result of our focus on our mission and our customers. This year approximately 10 million people and businesses chose Wise to move and manage their money internationally, an increase of 34% YoY. And in total, we helped these customers move c.£105bn across borders, up 37% YoY. This growth drove a 51% increase in revenue and a 73% increase in income¹ for FY2023."

Kristo Käärmann, Co-founder and Chief Executive Officer

Highlights for the twelve months ended 31 March 2023

Strong volume growth is driven by active customer growth

- In FY2023 we served c.10 million active customers, an increase of 34% YoY; this is underpinned by 66% of customers joining through Word of Mouth and >100% volume retention as customers typically stay with us once they join;
- This customer growth led to a 37% YoY increase in volumes to £104.5 billion.

It's our proposition that turns customers evangelical, and it's getting stronger every year

- The Wise Account continued to gain traction, with 36% of personal users and 55% of businesses now using Wise for more than just sending money internationally;
- This year, we launched the Wise "Interest" Assets feature in the UK, SGP and certain countries in Europe, and started paying cashback to balance holders in Europe and the US;
- We expanded the features for businesses around the world, rolling out cards in more places, enabling businesses to issue cards to their employees; we also made it easier for businesses to accept card payments and manage their expenses using Wise;
- We continued to expand our Wise Platform coverage to over 60 partners, giving 25 million more people and businesses access to our network this year.

55% of payments are instant; powered by our global infrastructure

- Part of what customers love is instant payments, and 55% of all cross-border transfers were delivered instantly in Q4 FY2023;
- This is supported by the launch of instant payments from Singapore to Malaysia, instant payments to and from Brazil; and

¹ To supplement performance assessment, the Group uses alternative performance measures (APMs), which are not defined under IFRS. Definitions and further details are provided in the appendix.

- Integrating new partners, which improved speeds in other countries too, including in Japan, Chile and the US.

We're growing fast, investing efficiently, and profitable

- The growth in active customers and volumes, combined with increased adoption of the Wise account led to a 51% increase in revenue to £846.1 million;
- Higher customer balances and higher interest rates also supported a 73% increase in Income to £964.2 million;
- Gross profit grew by 73% to £638.2 million, creating more capacity to invest for growth;
- Adjusted EBITDA margin was 24.7%; higher than last year as our Wise Account features drive increased profitability from the higher interest rate environment.

Outlook

- We'll continue to invest in our product and marketing, and we'll also use interest income to offer further incentives, including interest payments, to drive our growth;
- We expect Income to grow by between 28-33% in FY2024, and for income to grow by more than 20% CAGR over the medium-term;
- We continue to expect our adjusted EBITDA margin to be at or above 20% over the medium term, but for it to remain higher than our target in FY2024 due to a higher proportion of interest income flowing to adjusted EBITDA.

Financial information

Selected financial Information:

	Annual ended 31 March		YoY
	2023	2022	Movements %
Revenue (£ million)	846.1	559.9	51%
Interest income net of customer benefits (£ million)	118.1	(2.8)	-
Income (£ million)¹	964.2	557.1	73%
Gross profit (£ million)	638.2	369.1	73%
Gross profit margin	66.2%	66.3%	0.2 pps
Profit before tax (£ million)	146.5	43.9	234%
Adjusted EBITDA (£ million)	238.6	121.4	97%
Adjusted EBITDA Margin²	24.7%	21.8%	2.9 pps
Free cash flow (FCF) (£ million)	213.3	113.3	88%
FCF conversion³	89.4%	93.3%	-3.9 pps

¹Was previously referred to as Total Income. Income is an alternative performance measure comprising revenue, interest income/expense on customer balances, and benefits paid on customer balances.

²Adjusted EBITDA as a proportion of total income.

³FCF as a proportion of Adjusted EBITDA.

Growth metrics:

	FY23	FY22	YoY Movement (%)
Customers (million)¹	10.0	7.4	34%
Personal (million)	9.4	7.0	35%
Business (million)	0.52	0.41	27%
Volume Per Customer (£ thousand)²	10.5	10.3	2%
Personal (£ thousand)	8.1	8.1	0%
Business (£ thousand)	53.7	47.7	13%
Volume (£ billion)³	104.5	76.4	37%
Personal (£ billion)	76.6	56.9	35%
Business (£ billion)	27.9	19.5	43%
Revenue (£ million)	846.1	559.9	51%
Personal (£ million)	656.3	433.4	51%
Business (£ million)	189.8	126.5	50%
Interest income net of customer benefits (£ million)	118.1	(2.8)	-
Personal (£ million)	62.5	(1.4)	-
Business (£ million)	55.6	(1.4)	-
Income (£ million)⁴	964.2	557.1	73%
Personal (£ million)	718.8	432.0	66%
Business (£ million)	245.4	125.1	96%
Cross-currency revenue take rate (%)⁵	0.65%	0.63%	2 bps
Revenue take rate (%)⁶	0.81%	0.73%	8 bps
Income take rate (%)⁷	0.92%	0.73%	19 bps

Note: Differences between 'total' rows and the sum of the constituent components of personal and business are due to rounding.

¹ Total number of unique customers who have completed at least one cross currency transaction in the given period.

² Average volume per each active customer, calculated as total volume divided by total active customers in the period.

³ Cross-border volume only.

⁴ Was previously referred to as Total Income. Income is an alternative performance measure comprising revenue, interest income/expense on customer balances, and benefits paid on customer balances.

⁵ Total fees on cross currency transfers as a % of volume.

⁶ Revenue as a % of volume.

⁷ Income as a % of volume.

An update from Kristo, our Co-founder and CEO

We're solving a massive problem

Our mission is to build money without borders by making the world's money faster, cheaper, more convenient and more transparent for people and businesses.

It was 2011 and I'd just been stung by markups hidden in my bank's exchange rates when sending a bonus home, resulting in a £500 loss on what was meant to be a £15 fee.

This is just one example of a huge problem that exists around the world for people and businesses. Hundreds of millions of people and small businesses move £11 trillion every year across currencies, and this is growing fast. They are effectively being held captive by their banks through mis-information, receiving a slow, expensive service reliant on an antiquated system, without being told the price they are actually paying. These people and small businesses lose around £180 billion in hidden fees each year. This is wrong.

Banking services for international people and businesses don't really exist, the traditional solutions disappoint customers. Banks do care and they try, but it's too hard to build on the existing infrastructure, which has not evolved in decades.

At Wise we are committed to solving international banking at the fundamental cross border infrastructure level. For our mission: to build money without borders by making the world's money faster, cheaper, more convenient and more transparent for people and businesses.

When we look back over the past 3 years, it's clear we've made great progress. In FY2023, we completed cross-border transfers for about 9.5 million people and 0.5 million businesses, this is our mission; delivered to twice as many people and 3x more businesses than in FY2020.

But this only represents c.5% of people and >1% of businesses moving money across borders. It's just the beginning and we have a huge underserved audience yet to bring onto our network.

We are building Wise to be a generational company. There are two specific ingredients which set us on a different trajectory to everyone else serving international customers. First we build products that turn customers evangelical, and second, we do the hard work to replace the very infrastructure needed to build the products customers expect; we are building a network for the world's money. Let me explain more on each, and our progress.

Our proposition turns customers evangelical, and it's getting stronger every year.

We made great progress on solving the problems facing customers - our payments are instant 55% of the time, we are radically cheaper than banks, our fees are transparent, and our products are a delight to use.

Our three core products, Wise Account; Wise Business; and Wise Platform, bring these solutions to people, small businesses and other corporations who want to use our network through our APIs.

I have shared product updates in my quarterly mission updates throughout the year, but below are some of the improvements we're especially proud to have shipped.

The **Wise Account** for individuals and **Wise Business** both offer one account for moving, holding, and spending any money, anywhere. One of the most exciting developments for these products has been the expansion of our Assets feature which allows customers to earn interest on the funds they hold at Wise whilst retaining instant access like a current account.

In Q3 FY2023 we introduced interest earning and government guaranteed assets and rolled out in the UK and a number of countries in Europe, with a non-government option in Singapore. In the US and Europe, we also started rewarding customers for the cash balances they hold with us as we believe offering our customers a fair return on their balances is the right thing to do, and supports our focus on building a high level of trust and loyalty with our customers. This is particularly relevant today, given how the interest rate environment has changed over the last year.

The focus on the customer and building great products turns up in the financial results and fuels our growth. We have consistently seen around two-thirds of new customers join as a result of someone having told them about Wise, and these customers tend to stay with us once they join; we see >100% volume retention. The new features we're adding are resonating with our customers. Over a third of all Personal customers and more than half of all Business customers are using our Account which means they are doing more than just sending money internationally. These adoption rates are growing quickly too; the majority of new customers already start with their international account. Where customers use the account beyond transfers to hold, spend and receive money, they tend to undertake 3x more transactions, and send 2x more volume cross-border.

This gives me confidence that as we keep offering customers fair, transparent pricing, and building products customers love, then this flywheel of growth will help us achieve our mission across the whole market.

But these products couldn't be built before. They need to be powered by the new infrastructure.

We're building the network for the world's money

Our global infrastructure powers the instant, convenient and low-cost transactions that our customers and partners rely on, and provides the foundation that enables us to grow at scale.

We believe that the further development of our infrastructure, together with the customers and partners it attracts, will create substantial network effects and scale advantages over time.

Our infrastructure is a unique combination of components that redefines what's possible. This includes:

- more than 70 banking partners around the world and direct connections to 4 domestic payment systems which significantly reduce our unit costs
- a global treasury management system purpose-built to be real-time, predictive and international by default
- an engine for running the checks and controls needed to ensure regulatory compliance and to avoid our service being used for criminal purposes
- powerful APIs for Wise Platform partners - one single, easy and quick integration
- 69 regulatory licences around the world

This infrastructure has been neither quick nor easy to build, and that's what makes it so hard to

replicate. We have the largest team of engineers in the world working to solve the problems of international banking. Over years, they have written more than 6 million lines of code enabling the integration of banking partners, card partners, payment systems, and platform partners. It also enables all of the functionality needed for our internal processes to be controlled, scalable and run in real-time.

Fast payments are core to why customers love us and use us repeatedly, and FY2023 was a milestone year for payment speeds, with more than 50 percent of all cross border payments completed instantly (under 20 seconds). To help us pass this milestone, we launched instant payments from Singapore to Malaysia and we launched instant payments to and from Brazil.

By integrating new partners we were also able to improve speeds in many countries, including in Japan and Chile. In the US we were able to significantly reduce the average transfer time from 25 hours to 6 hours.

In the coming year we will be focusing on increasing the number of payments that can be completed instantly, and we've started working on this for India and Poland. We will also keep working through the improvements we've started to speed up financial crime checks and reduce the number of transfers that get suspended.

Greater speed and efficiency, coupled with greater scale reduces our unit costs. This allows us to sustainably reduce prices over time while still achieving our targeted margins.

We believe that sharing economic benefits in this way has been fundamental in attracting customers to Wise, retaining them, and fueling the virality which brings even more customers to Wise.

A lower unit cost and price also presents any potential competitors or new entrants with a significant economic challenge to consider, even before they break ground in constructing their own infrastructure. We believe that operating in this way has been and will continue to be to the benefit of both customers and owners of Wise.

From time to time, unit costs may temporarily rise and to remain sustainably profitable, when unit costs rise, so do prices.

This year the average fee paid by customers rose slightly as a result of higher levels of costs including currency volatility, inflation, and investments to sustainably lower prices more in the future. While fees on average were higher, we were able to drop prices for some customers, including those in Brazil, Mexico, Chile and China. We also completely removed fees on same currency payments in GBP, EUR, SGD and HUF, and we removed fees associated with holding EUR balances.

Wise Platform is the power of Wise integrated into businesses and banks. I'm really excited about investing in the long-term potential for our Platform product, which is to serve many more millions of customers in the most efficient way, including through their own bank.

We took some more steps forward in FY2023, entering 19 new partnerships and expanding our relationship with a number of existing partners. These new partners have come from all over the world, and across a range of industries - which really shows the breadth of the potential here. For example, we onboarded a number of progressive, tech-first enterprises this year that

are revolutionising work-flow and financial management for small businesses - including Brex, Ramp and Bluevine. We also partnered with companies that are making it easier for businesses to employ people remotely all over the world, and manage their payroll globally - such as Onfolk, Firstbase and Globalisation Partners.

We have made continued early progress on solving the cross-border problem for more traditional financial services companies too. We integrated Bank Mandiri, Indonesia's largest bank by assets and Interactive Brokers, the global electronic trading platform. In total, around 25 million more people and businesses will now be able to access fast, fair and transparent cross-border payments through the Wise Platform partnerships completed this financial year.

Across all of our products there is still more work to be done. Our teams will be focused on making more of the features available to more customers around the world. This will support not just new customer growth but also active customer growth. And the better the product, the more we will continue to see our customers recommending Wise.

An exceptional year for financial performance

We've only been on this journey for 12 years, and there is a long way to go. Our commitment therefore is to remain focused on our long term mission, and on delivering the improvements that will help us solve the problem for more customers around the world.

In FY2023, more customers than ever joined and used Wise. The number of active customers increased to 10 million this year. This was 34 percent higher than last year, driven by 4.5 million new customers, of which 3 million came as a result of word of mouth recommendations.

These customers converted c.£105 billion with us in FY2023, 37% more than FY2022, and held almost £11 billion² of balances in their Wise accounts at the end of the financial year.

Our Income increased by 73% to £964.2 million, an exceptional level of growth partly due to £140.2 million of interest income received, which we didn't fully utilise in the year. Our adjusted EBITDA almost doubled, to £238.6 million.

This is an exceptional set of financials, continued momentum in customer growth combined with some specific tailwinds from interest. We expect this customer growth to lead our growth in the future.

You can read more about our financial performance in Matt's CFO review below.

Looking ahead to next year

The opportunity is greater than ever. We will continue to focus on making customers evangelical and building the network for the world's money and in doing so we'll continue to build out this generational company which over the long term will create massive value for customers and owners alike.

² £10.7 billion of customer balances (FY2022: £6.8 billion); excludes customer funds held in 'Assets' products.

I'm hugely proud and grateful for all the hard work of our Wisers this year, and for your continued support as owners in supporting us on this mission. Onwards.

Kristo Käärman

A financial update from Matt, our CFO

We're building a business with world class fundamentals. First, we have truly customer-led growth, and we're growing fast to capture more of a huge market. Second, we have hyper efficient economics on our growth investments and third, more recently, our Wise Account, is helping power this growth and higher levels of profitability, that affords us to build a really compelling proposition.

The increase in active customers is what drives our growth

We have tripled the number of active customers using Wise in just four years. This has been the primary driver behind an almost 4x increase in cross-border volumes and >5x increase in Income³ over that time.

Whilst in line with our ambition, I believe it's fair to say this was ahead of expectations; and a result of sustained investment in our infrastructure and products, notably the features and availability of the Wise Account. This customer growth is underpinned by the appeal and virality of Wise, with 66% of new customers consistently joining organically through recommendation, and on average >100% volume retention as customers stick with Wise once they join.

In FY2023 this continued, with active customers growing by 34%, from 7.4 million to c.10.0 million, supported by the addition of 4.5 million new customers in the year, driving a 37% increase in volumes to £104.5 billion. Active Personal customers grew 35% to 9.4 million, with Personal volumes growing by 35% to £76.6 billion. As at the end of FY2023, with an adoption⁴ rate of 36%, over a third of all Personal customers are now using the Wise Account, up from 24% a year ago. Active Business customers increased by 27% to 0.52 million, with business volumes increasing by 43% to £27.9 billion. Volume growth exceeded active customer growth as our business customers on average moved 13% more, as businesses tend to grow with us.

In aggregate, volume per customer (VPC) has been stable over the long-term but can be more volatile over shorter periods of time. Personal VPC was unchanged YoY, at £8.1k, but was higher in the first half of the year, as we saw more customers transacting with larger payments to take advantage of the strength in the USD. This dynamic weighed on VPC in the second half of the year, as did a softer macroeconomic environment in which international property purchases/sales and investment flows were lighter; two common use cases for some of our

³ Income is an alternative performance measure comprising revenue, interest income/expense on customer balances, and benefits paid on customer balances (see appendix for further information about our alternative performance measures).

⁴ Percentage of total active customers who have adopted more than one product in markets where Wise Account & Wise Business account and Card are available (EEA, UK, Australia, Brazil, Canada, Indonesia, Japan, Malaysia, New Zealand, Singapore, Switzerland, USA); where a Product is defined as one of (i) Send, (ii) Spend, (iii) Receive, (iv) Hold & Convert, and (v) Assets.

higher volume customers. This continued in recent months; as we observe the VPC to be very slightly lower on Q4FY2023 as we enter FY2024 and expect this trend to continue through FY2024. Following this, it is only natural that we may also see an uneven growth rate through FY2024, partly given the nature of the YoY comparisons we will see each quarter (see below for further detail).

The growth in customers and resulting volumes were the main driver behind the 42% increase in cross-border transaction revenue to £679.5 million. A 2bps higher cross take rate at 0.65% also contributed to this increase; with slightly higher prices needed to recover incrementally higher unit costs due to currency volatility, inflation, and continued investment back into future growth.

Use of the Wise Account is increasing; other revenue more than doubled to £166.6 million, and the impact on take rate from "other" revenue (which primarily consists of interchange income from cards and fees on the Wise Account) increased from 0.10% in FY2022 to 0.16% in FY2023.

In total, revenue increased 51% to £846.1 million in FY2023. This includes Personal and Business segments growing 51% and 50% respectively, and Wise Account adoption more than doubling other revenue. When we look at our different regions, we see the UK and Europe still growing fast, but now almost half of revenue is being generated beyond these markets, with APAC and North America growing 60% and 53% respectively.

And thanks to the Wise Account, we have seen a year of exceptional income growth. The higher interest rate environment benefited Wise through the interest income we generate on the cash our customers hold with us. These cash balances increased by 57% to £10.7 billion (this excludes the customer funds we hold in custody in our Assets product), with 47% being held by Personal customers and 53% by businesses.

Interest income from these assets increased significantly, from £3.9 million in FY2022 to £140.2 million in FY2023, representing a gross interest yield of 1.6% and of this, we returned £18.4m back to customers through balance cashback and other 'interest like' benefits. In Q4 FY2023, the gross interest yield was 2.8%, c.1% was used to contribute to the costs of running the Wise Account and of the remaining 1.8%, around 0.6% was returned to customers.

Combining all of this, Income increased by 73% to £964.2 million in FY2023.

Gross profit grew 73%, which we invest in product, marketing and scaling our operational capacity

Cost of sales increased by 66% to £308.2 million in FY2023 mostly reflecting the cost of serving more customers. With a larger customer base who are also increasingly adopting the Wise Account, we have also seen an increase in other costs more associated with providing an account, such as costs related to chargebacks and overdrawn balances.

As a result, gross profit increased 73% YoY to £638.2 million for FY2023, representing a gross profit margin of 66%, unchanged from last year.

Gross profit provides us with the capacity to cover our operating expenses, invest in building a better experience for our customers and of course provide a healthy and growing stream of profits to our shareholders. Through reinvestment, we deepen our competitive advantage with

infrastructure and products that continually improve, attracting more and more customers which leads to more gross profit to reinvest, and so the cycle continues.

Administrative expenses for the year increased by 54% to £494.5 million, reflecting increasing levels of investment as well as the improved onboarding and servicing of a fast growing active customer base using a more diverse set of features. The majority of this increase represents the growth in our team with employee benefit expenses increasing 60% to £294.8 million. We saw a big increase in new customers this year, and we onboarded 4.5 million people and businesses globally, c.40% more than in FY2022. We made significant improvements in the service our customers received this year, as such the size of our in-house servicing team increased by more than 1,200 people to achieve this.

And of course we continued to invest in our product development and marketing teams as we scale up for our next phase of growth. At 31 March 2023, we had more than 5,100 Wisers supporting the mission, up from around 3,400 at 31 March 2022.

We grew our investment in marketing by 33% to £37.4 million as we continue to look for ways to invest more whilst maintaining attractive returns. We continue to operate a disciplined approach to return on investment for marketing with our payback capped at 12 months for attracting personal customers and 18 months for businesses. Our blended payback remains low, and was less than 6 months for FY2023.

Technology and development costs increased by 71% to £42.7 million as we invested in improving the security and authentication of our products and systems. We've also been increasing our usage of cloud computing, for example through AWS, which gives us a more flexible way of supporting our growth. Where possible we have been replacing vendors, looking for better value across our suite of applications.

Expenses relating to consultancy and outsourced services increased by 66% to £70.4 million. We're using external vendors more for some operational activities, when we can ensure the same high quality service but at a lower unit cost. The increase also partly reflects the cost of advisory services relating to regulatory and compliance requirements as we continue to broaden our geographic coverage and broaden our products' features.

Profitable and well capitalised

We generated £238.6 million of adjusted EBITDA in FY2023, a 97% increase YoY. Our adjusted EBITDA margin for the year was 24.7% (FY2022: 21.8%). This margin increased due to high levels of interest income, and was 26.9% in H2 FY2023. Profit before tax increased significantly to £146.5 million, an increase of 234%. Our earnings per share increased by 239% to 11.53 pence.

As at 31 March 2023, we held £11.5 billion of cash and highly liquid investment grade assets, up 58% from £7.2 billion at the end of FY2022. This includes assets in respect of the £10.7 billion of customer balances which we hold in the form of various high quality assets. It also includes £671.1 million of our 'own cash' (£357.8 million at the end of FY2022), with the increase driven by the £213.3 million of free cash flow generated by the business (see definition in appendix). On this basis, our free cash flow conversion rate for FY2023 was 89.4% (93.3% in FY2022).

We are well capitalised for the future and as at 31 March 2023, our Group eligible capital of £337.8 million was significantly above the minimum capital requirements set by our regulators around the world. Our capital position, built through sustained profitability, enabled us to initiate a programme to reduce the dilutive impact on share count that arises through stock based compensation. £10 million of our capital was used in FY2023 by our Employee Benefit Trust to fund such share purchases. We intend to continue this programme into FY2024, using up to an additional £60 million of our capital for this purpose.

These financial results for the year show the value of the great work the teams are doing. However, scaling across multiple geographies and products is inevitably complex, and comes with expected challenges.

In August of 2022 the Abu Dhabi Global Market Financial Services Regulatory Authority found that our anti-money laundering controls did not meet their requirements and issued a penalty of US\$360,000. No instances of money laundering were identified, and we quickly amended our controls. This does, however, serve as a reminder of the need to maintain focus on constantly assessing what is a consistently evolving regulatory and compliance landscape.

During the year we also made significant progress in evolving our control environment, in particular around controls in our technology but we'll have more work to do in the coming years, and this will continue to be a focus as we scale, and requirements from regulators evolve.

Looking ahead, and our outlook for what's to come

We're building a business with world class fundamentals. The approach that has helped us get this far gives us confidence in doubling down on this approach for the future.

This means we'll keep investing in product development teams and marketing. We'll also continue to sustainably disrupt the cross border transfers market by dropping prices where we can to delight and build trust in our customers, whilst maintaining a ~20% margin on cross border volume, and in effect extend the competitive moat we are building around our product, in a profitable way.

What's new in the past year is interest income, which we will use to power further profitable growth through providing a better Wise Account proposition. We intend to invest c.80% of the interest income back into the Wise Account proposition by paying interest or offering account related incentives. The remaining c.20% will flow directly to adjusted EBITDA. We will not use interest to fund general operating expenses, or lower cross border prices; which means we are building a business which is not dependent on interest income. And as a result of this approach, adjusted EBITDA margins will be higher whilst we have higher interest rates, and at the same time, we will be investing significantly in building a more competitive product.

We will provide incentives related to the Wise Account as follows. First, we will use the first c. 1% of yield we earn on customer balances to contribute towards account feature costs, helping us avoid or reduce any account fees (e.g. subscription, domestic payout fees). This is a level we believe we can reasonably rely upon over time and through economic cycles. Second, we will reward customers with interest on their deposit balances: an approach that is live in Europe and the US. We will extend this to other countries but this will take time. Third, we will explore other incentives, such as cashback on cards and discretionary fee refunds, especially where

we cannot pay interest. Critically, where we cannot reward customers, it will flow to adjusted EBITDA, which we expect to be the case in the short term.

As for guidance, we expect active customer growth to be the primary driver of income growth in FY2024, which we anticipate to be between 28-33%. As stated above, we've seen the overall VPC move very slightly lower on Q4 FY2023, as we enter FY2024 and we expect this trend to continue through FY2024, mindful that there continues to be a soft and uncertain macroeconomic outlook. This range reflects that we expect to generate more interest income in FY2024 than in FY2023, and that we should be able to return more to customers.

As we pass through FY2024, it will be important to keep in view that we will be lapping some unusual trends from FY2023. This includes an exceptional level of volume growth in the first half of FY2023 and strong interest income growth in the second half.

Over the medium term, we continue to expect income growth of more than 20% (CAGR) and an adjusted EBITDA margin at or above 20%, and per the explanation above, the higher the interest rates, the higher our adjusted EBITDA margin is likely to be.

And so (nearly) finally

Our results in FY2023 are another proof point that we have truly customer-led growth, and we're growing fast to capture more of a huge market. They also demonstrate that the hyper efficient economics on our growth investments, which include investment into our Wise Account, are helping power growth and higher levels of profitability.

Finally, as you may know from my announcement in May 2023, I will be moving on from Wise in early 2024. I will be leaving behind a world class team. This team is building excellent products for customers as well as building a company, or a machine, with all the processes, principles and frameworks needed to invest and grow sustainably and profitably over many years to come.

Matt Briers

Results presentation

A presentation of the full year results will be held at 9.30am BST Tuesday, 27 June 2023 at Wise's London offices in Shoreditch. Participants can register for the event [here](#) or can view the webcast via this [link](#). A replay of the webcast will be made available after on the Wise website: <https://wise.com/owners/>

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About Wise

Wise is a global technology company, building the best way to move and manage the world's money. With Wise Account and Wise Business, people and businesses can hold over 40 currencies, move money between countries and spend money abroad. Large companies and banks use Wise technology too; an entirely new network for the world's money.

Co-founded by Kristo Käärman and Taavet Hinrikus, Wise launched in 2011 under its original name TransferWise. It is one of the world's fastest growing tech companies and is listed on the London Stock Exchange under the ticker WISE.

Over 16 million people and businesses use Wise. Today we process on average over £9 billion in cross-border transactions every month, saving customers around £1.5 billion a year.

FORWARD LOOKING DISCLOSURE DISCLAIMER

This report may include forward-looking statements, which are based on current expectations and projections about future events. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target", "believe", "expect", "aim", "intend", "may", "anticipate", "estimate", "forecast", "plan", "project", "will", "can have", "likely", "should", "would", "could" and any other words and terms of similar meaning or the negative thereof. These forward-looking statements are subject to risks, uncertainties and assumptions about Wise and its subsidiaries. In light of these risks, uncertainties and assumptions, the events in the forward-looking statements may not occur.

Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation that trends or activities underlying past performance will continue in the future, and the statements in this report speak only as at the date of this report. No representation or warranty is made or will be made that any forward-looking statement will come to pass and there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements.

Wise expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statements contained in this report and disclaims any obligation to update its view of any risks or uncertainties described herein or to publicly announce the results of any revisions to the forward-looking statements made in this report, whether as a result of new information, future developments or otherwise, except as required by law.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2023

	Note	2023 £m	2022 Re-presented* £m
Revenue	6	846.1	559.9
Interest income on customer balances	7	140.2	3.9
Interest expense on customer balances		(3.7)	(6.7)
Benefits paid relating to customer balances		(18.4)	–
Cost of sales	8	(308.2)	(185.8)
Net credit losses on financial assets	8	(17.8)	(2.2)
Gross profit		638.2	369.1
Administrative expenses	8	(494.5)	(321.4)
Net interest income from operating assets		2.8	–
Other operating income		10.7	5.8
Other operating expenses		–	(4.8)
Operating profit		157.2	48.7
Finance expense	10	(10.7)	(4.8)
Profit before tax		146.5	43.9
Income tax expense	11	(32.5)	(11.0)
Profit for the year		114.0	32.9
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Fair value loss on investments, net		(5.5)	(17.2)
Currency translation differences		3.0	2.7
Total other comprehensive loss		(2.5)	(14.5)
Total comprehensive income for the year		111.5	18.4
Earnings per share			
Basic, in pence	12	11.53	3.40
Diluted, in pence	12	10.94	3.18
Alternative performance measures			
Income ¹		964.2	557.1
Adjusted EBITDA ²		238.6	121.4

1. Income is defined as revenue plus interest income on customer balances, less interest expense on customer balances and benefits paid relating to customer balances.

2. Adjusted EBITDA is a non-IFRS measure comprising operating profit, adding back amortisation and depreciation, share-based payments and exceptional items. See page 45 for definition and calculation method.

* Comparative balances have been re-presented to show the impact of the change in presentation of the interest income and interest expense on customer balances, as described in note 2.2.

All results are derived from continuing operations.

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

Consolidated statement of financial position

As at 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Deferred tax assets	11	113.2	113.6
Property, plant and equipment	13	21.1	22.6
Intangible assets	14	11.4	20.3
Trade and other receivables	15	17.9	14.3
Total non-current assets		163.6	170.8
Current assets			
Current tax assets		6.7	7.3
Trade and other receivables	15	250.0	137.6
Short-term financial investments	16	3,804.5	1,192.4
Cash and cash equivalents	17	7,679.4	6,056.3
Total current assets		11,740.6	7,393.6
Total assets		11,904.2	7,564.4
Non-current liabilities			
Trade and other payables	18	29.7	15.7
Provisions		2.7	2.2
Deferred tax liabilities	11	1.1	0.5
Borrowings	19	7.8	90.2
Total non-current liabilities		41.3	108.6
Current liabilities			
Trade and other payables	18	11,022.9	7,034.2
Provisions		2.5	1.6
Current tax liabilities		4.0	5.3
Borrowings	19	256.6	5.5
Total current liabilities		11,286.0	7,046.6
Total liabilities		11,327.3	7,155.2
Equity			
Share capital	20	10.2	10.2
Equity merger reserve	21	(8.0)	(8.0)
Share-based payment reserves		247.4	200.5
Own shares reserve		(10.4)	(0.4)
Other reserves		(23.3)	(17.8)
Currency translation reserve		3.2	0.2
Retained earnings		357.8	224.5
Total equity		576.9	409.2
Total liabilities and equity		11,904.2	7,564.4

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

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Note	Share capital £m	Equity merger reserve £m	Share-based payment reserves £m	Own shares reserve £m	Other Reserves £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021		9.4	(8.0)	124.5	–	(0.7)	(2.5)	162.6	285.3
Profit for the year		–	–	–	–	–	–	32.9	32.9
Fair value loss on investments, net		–	–	–	–	(17.2)	–	–	(17.2)
Currency translation differences		–	–	–	–	–	2.7	–	2.7
Total comprehensive income for the year		–	–	–	–	(17.2)	2.7	32.9	18.4
Issue of share capital		0.8	–	–	(0.8)	–	–	–	–
Share-based compensation expense		–	–	42.5	–	–	–	1.0	43.5
Tax on share-based compensation		–	–	58.7	–	–	–	–	58.7
Employee share schemes		–	–	(25.2)	0.4	–	–	28.1	3.3
Redemption of preference shares		–	–	–	–	0.1	–	(0.1)	–
At 31 March 2022		10.2	(8.0)	200.5	(0.4)	(17.8)	0.2	224.5	409.2
Profit for the year		–	–	–	–	–	–	114.0	114.0
Fair value loss on investments, net	16	–	–	–	–	(5.5)	–	–	(5.5)
Currency translation differences		–	–	–	–	–	3.0	–	3.0
Total comprehensive income for the year		–	–	–	–	(5.5)	3.0	114.0	111.5
Shares acquired by ESOP Trust	22	–	–	–	(10.1)	–	–	–	(10.1)
Share-based compensation expense		–	–	58.0	–	–	–	(0.3)	57.7
Tax on share-based compensation	11	–	–	8.0	–	–	–	–	8.0
Employee share schemes	23	–	–	(19.1)	0.1	–	–	19.6	0.6
At 31 March 2023		10.2	(8.0)	247.4	(10.4)	(23.3)	3.2	357.8	576.9

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

Consolidated statement of cash flows

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Cash generated from operations	24	3,847.1	3,134.1
Interest received		103.9	21.1
Interest paid		(12.4)	(10.7)
Corporate income tax paid		(18.7)	(6.5)
Net cash generated from operating activities		3,919.9	3,138.0
Cash flows from investing activities			
Payments for property, plant and equipment		(3.6)	(4.6)
Payments for intangible assets		(5.2)	(7.3)
Payments for financial assets at FVOCI		(8,655.9)	(868.4)
Proceeds from sale and maturity of financial assets at FVOCI		6,077.2	389.8
Proceeds from sublease		0.2	0.1
Net cash used in investing activities		(2,587.3)	(490.4)
Cash flows from financing activities			
Funding relating to share purchases and employee share schemes		(10.1)	–
Proceeds from issues of shares and other equity		0.6	3.4
Proceeds from borrowings	19	529.0	43.0
Repayments of borrowings	19	(359.0)	(43.0)
Principal elements of lease payments	19	(5.9)	(3.8)
Interest paid on leases	19	(0.7)	(0.9)
Net cash generated from/(used in) financing activities		153.9	(1.3)
Net increase in cash and cash equivalents		1,486.5	2,646.3
Cash and cash equivalents at beginning of the year	17	6,056.3	3,358.6
Effects of exchange rate changes on cash and cash equivalents		136.6	51.4
Cash and cash equivalents at end of the year	17	7,679.4	6,056.3

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

Note 1. Presentation of the consolidated financial statements

1.1 General information

Wise plc (the 'Company') is a public limited company and is incorporated and domiciled in England. The address of its registered office is 6th Floor Tea Building, 56 Shoreditch High Street, London E1 6JJ. The principal activity of the Company and its subsidiaries (the 'Group') is the provision of cross-border money transfer services. Further information on the Group's operations and principal activities is presented in the Strategic Report of the 2023 Annual Report and Accounts.

1.2 Basis of preparation

The preliminary results for the year ended 31 March 2023 are an abridged statement of the full Annual Report which was approved by the Board of Directors on 27 June 2023. The consolidated financial statements in the full Annual Report are prepared in accordance with the UK-adopted International Accounting Standards in conformity with the applicable legal requirements of the Companies Act 2006

The auditor's report on those consolidated financial statements was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006.

The preliminary results do not comprise statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The Annual Report for the year ended 31 March 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 7 September 2023.

A separate announcement will be made in accordance with Disclosure and Transparency Rules (DTR) 6.3 when the annual report and audited financial statements for the year ended 31 March 2023 are made available on the Company's website in July 2023.

The financial statements are prepared on a going concern basis. All financial information is presented in millions of pounds sterling ('£'), which is the Group's presentation currency, rounded to the nearest £0.1m, unless otherwise stated. The financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 2. These policies have been consistently applied to all the years presented, unless otherwise stated.

Preparation of financial statements requires significant accounting judgements and estimates, which have been laid out in note 3.

Going concern

The Group's business activities together with the factors likely to affect its future development and position are set out in the Strategic report.

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has the available resources to continue in business for the foreseeable future.

The going concern assessment is based on the detailed forecast prepared by management and approved by the Board (base plan). As part of the going concern review, the Directors have considered severe, but plausible, downside scenarios to stress test the viability of the business. These downside scenarios covered reduction in revenues, profitability, cash position and liquidity as well as the Group's ability to meet its regulatory capital and liquidity requirements. Appropriate assumptions have been made in respect to revenue growth and profitability, based on the economic outlook over the forecast period. Appropriate sensitivities have been applied in order to stress test the base plan, considering situations with lower revenue growth and profitability compared to the base plan, where future trading is less than forecasted. Management expects that sufficient liquidity and regulatory capital requirement headroom are maintained throughout the forecast period.

The Directors have made inquiries of management and considered forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operations for the foreseeable future. Further details are contained in the Viability Statement of the Strategic Report.

1.3 Basis of consolidation

The financial statements comprise the consolidated financial statements of Wise plc and its subsidiaries as at 31 March 2023.

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

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

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Group accounting policies are consistently applied to all entities and transactions.

Note 2. Summary of significant accounting policies

2.1 Changes in accounting policies and disclosures

Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Group from 1 April 2022:

- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Annual Improvements to IFRS standards (2018-2020 cycle)

The adoption of the above amendments did not have a material impact on the Group. There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 April 2022 that would be expected to have a material impact on the Group.

New standards, amendments and interpretations not yet adopted

The following amendments have been published by the IASB and are effective for annual periods beginning on or after 1 January 2023; the amendments have not been early-adopted by the Group:

a. Amendment to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. The IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024.

It is anticipated that the application of this amendment may have an impact in the Group's consolidated financial statements in future periods.

b. Other amendments:

- IFRS 17 – Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Policies
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IFRS 10 and IAS 28 – Sale of contribution of assets between an investor and its associate or joint venture

None of these amendments are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

2.2 Changes in presentation

Interest income and expense on customer balances and benefits paid relating to customer balances

In preparing these financial statements, the Group has made certain presentational changes to better align the relevant IFRS financial statement captions and reflect the underlying nature of the transactions and operations of Wise.

During the financial year, the balances our customers hold with us have continued to increase. These increasing balances, coupled with the increase in interest rates globally, has meant that Wise has started generating material interest income on customer balances, whilst ensuring that they remain safeguarded and available to our customers. As a result of this increased income, Wise has begun to offer new benefits to its customers for holding their balances in Wise Accounts.

As the results associated with the interest income and the benefits paid relating to customer balances are now material, we have changed our presentation in the income statement to include within gross profit the revenue (as previously defined) and the results from customer balances, which includes the interest income and interest expense on customer balances along with benefits paid relating to customer balances. Benefits paid relating to customer balances was nil in the prior year and so are not included in the change in presentation table. The net interest income from operating assets will remain unchanged in terms of presentation, refer to note 2.13.

This change in presentation has been applied retrospectively. The comparative information has been re-presented to reflect this change in classification for all instances. This change in presentation has no overall impact on operating profit or profit before tax.

	Year ended 31 March 2022		
	As reported £m	Change in the presentation £m	Re-presented £m
Revenue	559.9	–	559.9
Interest income on customer balances	–	3.9	3.9
Interest expense on customer balances	–	(6.7)	(6.7)
Cost of sales	(185.8)	–	(185.8)
Net credit losses on financial assets	(2.2)	–	(2.2)
Gross profit	371.9	(2.8)	369.1
Administrative expenses	(321.4)	–	(321.4)
Interest income from investments and operating assets	3.9	(3.9)	–
Interest expense from operating assets	(6.7)	6.7	–
Other operating income	5.8	–	5.8
Other operating expenses	(4.8)	–	(4.8)
Operating profit	48.7	–	48.7
Finance expense	(4.8)	–	(4.8)
Profit before tax	43.9	–	43.9
Income tax expense	(11.0)	–	(11.0)
Profit for the year	32.9	–	32.9

The new accounting policies are as follows:

Interest income on customer balances is earned from holding customer funds (Wise Accounts) as cash and cash equivalents or investing them into permitted financial assets. These amounts are recognised in the income statement using the effective interest rate method.

Benefits paid relating to customer balances include incentives and other benefits provided to customers for holding their balances in Wise Accounts. These are recognised in the income statement in line with the balances held in Wise Accounts and apportioned over the same period of time.

Interest expense incurred from holding customer balances relate to negative interest rates on euro denominated balances for some Wise Accounts. Interest expense on customer balances is recognised in the income statement using the effective interest rate method.

2.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification.

An asset is current when it satisfies any of the following criteria:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting period;
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

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

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period;
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Foreign currencies translation

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

Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss (either as cost of sales or administrative expenses). 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 shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the reporting date;
- income and expenses are translated at average monthly exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand deposits, money market funds (MMFs) and other short-term high quality liquid investments with original maturities of 3 months or less, and e-money held with payment processing partners. Cash that has been paid out from the Group bank account but has not been delivered to the bank account of the beneficiary is classified as cash in transit. Cash collateral deposits the Group holds with its counterparties are recognised under Trade and other receivables in the statement of financial position.

Customer deposits

The Group recognises financial assets and liabilities for the funds customers hold on their accounts ('Wise Accounts') and the funds collected from customers, as part of the money transfer settlement process, that have not yet been processed. The liability is recognised upon receipt of cash or capture confirmation (depending on pay-in method), and is derecognised when cash is delivered to the beneficiary. Additionally, pursuant to IAS 32, the Group considers it does not have a legally enforceable right to set off these financial assets and liabilities, or an intention to settle them on a net basis, or to settle them simultaneously.

Principles to determine the point of delivery are the same as applied in revenue recognition, see note 2.11.

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

2.6 Financial assets

Investments and other financial assets

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

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

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

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

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

Recognition and derecognition

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

Measurement

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

Impairment

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

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

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

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

Refer to notes 2.20 and 4.2 for further information on trade receivables and ECLs.

2.7 Derivative financial instruments

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by the Group are foreign currency swaps, foreign exchange forwards and non-deliverable foreign exchange forwards. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value through profit and loss at each reporting date.

All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group does not hold or issue derivative financial instruments for trading or speculative purposes. The Group enters into derivatives that are due to be realised or settled within 12 months; consequently they are presented as current assets or current liabilities.

Fair value of a derivative financial instrument is determined by reference to a quoted market price for that instrument. When quoted prices are not available, valuation techniques, that utilise observable inputs, are used to estimate fair value. The key inputs in the valuation model are the relevant forward exchange rates for the currencies involved.

2.8 Property, plant and equipment

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Right-of-use assets are depreciated over the lease term (1-7 years). Capitalised reconstruction and internal design costs of leased office space (shown as 'Leased office improvements' in the notes to the Group consolidated financial statements) are depreciated over the lease term (typically 2-5 years), and other office equipment over 2 years.

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

2.9 Intangible assets

Intangible assets predominantly relate to internally generated software, licences and domain purchases.

Internally generated software

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

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

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

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

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

Amortisation

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

The Group amortises intangible assets on a straight-line basis over 3 years, except for mobile applications which are amortised over 2 years and licence purchases that are amortised over a period of 2-10 years.

2.10 Trade and other payables

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

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

2.11 Revenue recognition

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

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

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

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

In the case of debit card services, a customer enters into the contract with the Group at the time the card is made available for use and the customer is able to either make a payment or a withdrawal.

The transaction price is the amount of consideration expected to be received in exchange for providing services to a customer. The fees charged to customers are shown to them upfront prior to the transaction being initiated. For international transfers, a single upfront fee per transaction is charged, consisting of a fixed and a variable amount. The amount of both the fixed and the variable portion of the fee depends on a number of factors, including the currency route, the transfer size, the type of transaction being undertaken and the payment method used. Wise offers certain rebates in the form of a fee refund for eligible transactions. The refund liability is recognised for the expected future rebates at the time of the transaction and deducted from revenue in accordance with IFRS 15.

The transaction price is allocated to performance obligations of the different revenue streams on the basis of relative standalone selling prices. As there is typically a single performance obligation associated with each type of service provided to a customer, the revenue is recognised at the point in time when the performance obligation has been satisfied. For money

transfers it is upon delivery of funds to the recipient. In the case of money conversions it is when a customer balance is converted into a different currency and for debit card services it is upon transaction capture.

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

Other revenue

Wise Assets ('Assets'), an investment product, allows customers to purchase units in funds provided by fund managers using their Wise account balance. The Group generates revenue from charging a fee based on the value of the assets under management. The revenue is accrued on a daily basis and is recognised over time, in line with the period the Group provides its services to Assets customers.

The Group acts as a matched principal broker and does not retain control nor benefits from the Assets, thus it does not recognise the financial assets and the respective liabilities for the Assets, and derecognises customer funds on purchase.

As at 31 March the title for the units of three of the funds was held, on the behalf of customers, by a non-dormant Wise entity. Management performed an analysis to assess whether our accounting policy was therefore still appropriate and it was concluded that the policy continued to apply for these funds.

2.12 Other operating income

Other operating income relates, predominantly, to other income recognition from contracts with partners and government grants for qualifying research and development (R&D) activities.

Other income recognition from contracts with partners

Income from contracts with partners is recognised over their contractual terms as the relevant performance conditions are met. The contracts may contain certain performance conditions and milestones. The Group defers any cash consideration received up-front until it is probable that these conditions and milestones are met.

Government grants

Government grants recognised in other operating income relate to qualifying UK R&D under the research and development expenditure credit (RDEC) scheme for large companies. Such grants are taxable and are presented as other operating income in the consolidated income statement.

2.13 Interest income from operating assets

Interest income is recognised using the effective interest rate method on corporate 'cash and cash equivalents'.

2.14 Leases

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

The Group as lessee

Initial measurement

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

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

Right-of-use of assets are recorded within the 'Property, plant and equipment' line in the statement of financial position and are measured at an amount equal to the lease liability; they are predominantly related to office spaces leased in various locations. The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined.

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

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

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement

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

Right-of-use assets are generally depreciated over the shorter of the asset's estimated useful life and the lease term, on a straight-line basis.

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

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

The Group has elected not to apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and office equipment. The total expense, relating to short-term leases to which the lessee recognition and measurement requirement have not been applied, for the year ended 31 March 2023 is £1.4m (2022: £nil).

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

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the lessors.

At the reporting date, the Group is exposed to future cash outflows that are not reflected in the measurement of lease liabilities. These arise from extension options and a termination option available to the Group for a number of lease agreements for office spaces. The Group initially assesses at lease commencement whether it is reasonably certain it will exercise the options and subsequently reassesses if there is a significant event or significant changes in circumstances within its control. The Group has concluded it is not reasonably certain that the options will be exercised.

2.15 Cost of sales

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

- banking and customer related fees, including any applicable discounts, incurred in processing customer transfers, as well as the card production costs;
- net foreign exchange costs generated due to customer transactions and costs related to the difference between the published mid-market rate offered to customers and the rate obtained by the Group in acquiring currency as required. Net foreign exchange differences from the revaluation of customer balances at period end are also included. Other product costs include product losses that are directly generated from consumer transactions, including chargeback losses, as well as taxes directly attributable to customer activity.

2.16 Current and deferred tax

The tax expense for the year 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 on share-based payments are recognised for the share options not exercised at the balance sheet date. The deferred tax assets on share-based payments are determined based on the share price at the balance sheet date. The impact of recognition is split between income tax expense in profit or loss for the year, for the element up to the cumulative remuneration expense; and the share-based payment reserve, recognised directly in equity, for the element in excess of the related cumulative remuneration expense. Refer to note 11 for further details.

The impact of the recognition of deferred tax assets on losses is split between the share-based payment reserve, for the element of the tax deduction on exercise in excess of the related cumulative remuneration expense, and the income tax expense in profit or loss for the balance of the loss.

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.

2.17 Employee benefits

Short-term obligations

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

Long-term obligations

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

Share-based payments

The Group operates a number of employee equity-settled schemes as part of its reward strategy. The fair value of the employee services received in exchange for the grant of the options and awards is recognised in employee benefit expenses together with a corresponding increase in equity (share-based payment reserves), over the period in which the service and the performance conditions are fulfilled (the vesting period).

The total amount to be expensed is determined by reference to the fair value of the options granted and it is recognised over the vesting period. For non-market-based awards, vesting conditions are included in the assumptions of the number of options and awards that are expected to vest. At each reporting date, the entity revises its estimates of the number of options and awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to the share-based payment reserve. For awards subject to a market-based performance condition, no subsequent adjustments may be made. Upon exercise of share options, the impact is recognised in retained earnings.

2.18 Employee share trust

The Group provides finance to the Employee Share Ownership Plan (ESOP) Trust to either purchase Company's shares on the open market, or to subscribe for newly issued share capital, to meet the Group's obligation to provide shares when employees exercise their options or awards. Costs of running the ESOP Trust are charged to the consolidated income statement. Shares held by the ESOP Trust are deducted from reserves and presented in equity as own shares until such time that employees exercise their awards.

Where any Group company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity.

2.19 Segment reporting

The Group is managed on the basis of a single segment. This is consistent with the internal reporting provided to, and regularly reviewed by, the Chief Operating Decision Maker ('CODM'), which is currently the Board of Directors of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is the 'cross border payment services'. Refer to note 5.

2.20 Trade and other receivables

Trade and other receivables primarily consist of amounts due from payment processors and collateral deposits the Group holds with its counterparts. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less impairment for expected credit losses. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from the initial recognition of the receivables. Refer to note 2.5 above for further information on expected credit losses.

2.21 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Group by the weighted average number of ordinary shares outstanding during the financial year, after deducting shares held by the ESOP Trust.

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares. For the purposes of diluted earnings per share it is assumed that any performance conditions attached to the schemes have been met at the balance sheet date.

2.22 Borrowings

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

2.23 Provisions

Provisions are liabilities where the exact timing and amount of the obligation are uncertain. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when an outflow of resources is probable to settle the obligation and when an amount can be reliably estimated. Where the time value of money is material, provisions are discounted to current values using appropriate rates of interest. The unwinding of the discounts is recorded in net finance income or expense.

2.24 Specific allowance for expected credit losses

The Group may recognise specific allowance for individually material financial assets for which credit quality deteriorates significantly. The Group takes into account specific facts and circumstances that might indicate impairment, such as litigation risk, credit rating and financial results of the counterparty. The Group also uses the weighted probability method to assess the recoverability of the amounts and monitors subsequent changes in the assumptions and estimates on a regular basis.

2.25 Legal provisions and contingent liabilities

The Group may become party to litigation proceedings from time to time and recognises a legal provision when a) it has a present obligation as the result of a past event, b) it is probable the outflow of economic resources will be required to settle the obligation and c) a reliable estimate of such amount can be made. If these conditions are not met, the Group discloses contingent liabilities; unless the likelihood of the outflow of the economic benefit is remote.

Note 3. Significant accounting judgements, estimates and assumptions

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

Judgements

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

3.1 Customer balances

The Group recognises financial assets and corresponding liabilities for the funds customers hold on their Wise Accounts and the funds the Group receives as part of the money transfer settlement process. At the point that the cash is received from the customer, the Group becomes party to a contract and has a right and an ability to control the economic benefit from the cash flows associated with this balance. Additionally, pursuant to IAS 32, the Group considers it does not have a legally enforceable right to set off these financial assets and liabilities, or an intention to settle them on a net basis or settle them simultaneously. Therefore, Management has concluded that the recognition of the financial assets and their respective liabilities on the balance sheet is appropriate.

3.2 Net gains and losses from foreign exchange differences

The Group classifies net foreign exchange gains and losses from customer transactions, including the costs related to the difference between the published mid-market rate offered to customers and the rate obtained by the Group in acquiring currency as required, as cost of sales. The Group considers these costs as directly related to and incurred as part of providing services to customers. The total net foreign exchange differences recognised in cost of sales for the year ended 31 March 2023 is £24.5m (2022: £13.3m).

Estimates and assumptions

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

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

Management has concluded that there are no critical accounting areas of estimation.

Note 4. Financial risk and capital management

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

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

4.1 Liquidity risk

The Group actively monitors its liquidity risk using cash flow forecasting. Management monitors rolling forecasts of the Group's liquidity requirements to make sure it has sufficient cash to meet operational needs. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of external working capital funding and corporate funds.

The Group's approach to managing liquidity risk is to ensure, that it always has enough liquid resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position. The Group utilises an internal liquidity adequacy assessment process, incorporating micro- and macro-economic stress testing to ensure the Group maintains prudent levels of liquid resources at all times to meet both regulatory requirements and the internal liquidity risk appetite.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a £300.0m multi-currency revolving facility.

The breakdowns of trade payables and borrowings into current and non-current are shown in notes 18 and 19. See also note 4.5 for the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

4.2 Credit risk

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

Credit risk is managed at Group level and comes mainly from the Group's cash and cash equivalents held in banks and investments in bonds. The impairment provisions for financial assets disclosed in note 15 are based on assumptions about risk of default and expected loss rates.

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

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

	2023 £m	2022 £m
Asset category		
Cash and cash equivalents	7,679.4	6,056.3
Short-term financial investments	3,804.5	1,192.4
Trade and other receivables	233.1	130.1
Total assets subject to credit risk	11,717.0	7,378.8

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

Credit risk is mitigated as financial assets subject to credit risk are held with reputable institutions or in highly rated financial investments.

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

	2023 £m	2022 £m
External credit rating (Moody's)		
Cash and cash equivalents		
Aa	4,500.6	4,249.5
A	2,715.5	1,519.0
Baa, Ba, B	111.8	62.4
Caa	3.1	0.8
No rating *	76.0	36.3
Cash in transit	272.4	188.3
Total cash and cash equivalents subject to credit risk	7,679.4	6,056.30
Short-term financial investments		
Aa, A	3,804.5	1,192.4
Total short-term financial investments subject to credit risk	3,804.5	1,192.4
Trade and other receivables		
Aa	12.4	36.3
A	85.9	26.8
Baa, Ba, B	44.3	20.8
No rating *	90.5	46.2
Total trade and other receivables subject to credit risk	233.1	130.1

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

4.3 Market risk

Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk from floating interest rate borrowings (note 19) and manages the potential that financial expenses increase when interest rates increase. Sensitivity analysis is used to assess the interest rate risk.

In a stressed scenario a change of 10 basis points in the interest rates of interest-bearing liabilities at the reporting date would have changed profit and equity by £0.1m (2022: £0.1m).

Foreign exchange risk

The Group is exposed to foreign exchange rate movement from holding assets and liabilities in different currencies and guaranteeing customers a foreign exchange rate on their international transfers for a limited period of time. Wise actively monitors foreign exchange risk, and exposures are managed through a combination of natural hedging and treasury products hedging.

At the reporting date, there are open treasury positions of notional contract amounts of £366.2m (2022: £139.7m), with remaining maturity between 3 to 11 days. The total fair value of those derivative contracts, at the reporting date, is not materially different from their total fair value at the date those derivative contracts were entered into. Consequently, no derivative financial instrument is presented in the financial assets or liabilities as at 31 March 2023 (31 March 2022: no derivative financial instrument is presented in the financial assets or liabilities). The notional contract amounts of those derivatives held to manage the foreign exchange exposure indicate the nominal value of transactions outstanding at the balance sheet date. They do not represent amounts at risk. Post balance sheet date all open treasury positions have been realised or settled.

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

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

	2023 £m	2022 £m
Net exposure by currency		
EUR	(56.8)	(10.5)
CHF	(24.5)	(0.8)
BRL	22.6	10.8
USD	18.0	(27.8)
JPY	(17.0)	(3.4)
THB	17.0	2.1
PHP	16.9	3.0
PLN	(16.8)	0.2
SGD	13.6	(1.0)
INR	12.2	14.7
Other currencies	(19.9)	(1.4)

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

	2023 £m	2022 £m
Sensitivity to 5% exchange rate change		
EUR	(2.8)	(0.5)
CHF	(1.2)	–
BRL	1.1	0.5
USD	0.9	(1.4)
JPY	(0.9)	(0.2)
THB	0.9	0.1
PHP	0.8	0.2
PLN	(0.8)	–
SGD	0.7	(0.1)
INR	0.6	0.7
Other currencies	(1.0)	(0.1)

A 5% strengthening or weakening of GBP against all other currencies, with all other variables being constant, would result in a foreign exchange loss or gain of £1.7m (2022: £0.8m), excluding the tax effect.

The Group considers a 5% strengthening or weakening of the functional currency against the non-functional currency of its subsidiaries as a reasonably possible change in foreign exchange rates.

4.4 Capital risk

Capital risk is the risk that the Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements, both under normal operating environments and stressed conditions.

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

The Group's objectives when managing capital risk 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;
- maintain an optimal capital structure to reduce the cost of capital;
- adhere to regulatory requirements in each jurisdiction; and
- fund an orderly wind-down in an adverse reverse scenario.

Further information on the Group's policies and processes for managing capital along with the disclosure requirements under MIFIDPRU 8, can be found on our Owner relations website: <https://wise.com/owners/>.

The Group is subject to prudential regulatory consolidation which follows the rules in the sourcebook for MIFID investment firms ('MIFIDPRU'). This is due to the existence of TINV Ltd, a group UK FCA-regulated investment firm subject to these rules.

Both TINV Ltd (a MIFID investment firm) and the Group (a MIFID investment group) are classified as Non-small and Non-interconnected investment firms ('non-SNI').

Overall own funds requirement

The Group own funds requirement is subject to the variable own funds requirement that is the highest of :

1. its permanent minimum capital requirement (i.e. its initial capital requirement);
2. its fixed overheads requirement ('FOR'); and

3. its K-factor requirement ('KFR').

The Group also follows and adheres to the Overall Own Funds Threshold Requirement as this is derived by the Group's Internal Capital Adequacy Risk Assessment ('ICARA') and approved by the Board. ICARA is a continuous risk assessment process which considers the business model implication on capital and liquidity on an ongoing basis pursuant to the guidance of MIFIDPRU 7.

4.5 Carrying amounts and fair values of financial instruments

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

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

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

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

Financial assets and liabilities by measurement basis:

	2023 £m	2022 £m
Financial assets at amortised cost		
Long-term receivables	2.4	0.9
Short-term trade and other receivables	230.7	129.2
Cash and cash equivalents	7,679.4	6,056.3
Total financial assets at amortised cost	7,912.5	6,186.4
Financial liabilities at amortised cost		
Non-current lease liabilities	(7.8)	(11.7)
Non-current borrowings	–	(78.5)
Non-current trade and other payables	(0.1)	(0.1)
Current lease liabilities	(6.7)	(5.5)
Current borrowings	(249.9)	–
Current trade and other payables	(10,979.6)	(6,997.7)
Total financial liabilities at amortised cost	(11,244.1)	(7,093.5)
Financial assets at FVOCI		
Short-term financial investments	3,804.5	1,192.4
Total financial assets at FVOCI	3,804.5	1,192.4
Financial liabilities at FVPL total	–	–

Fair value hierarchy

The Group estimates that the fair values of assets and liabilities reported at amortised cost in the statement of financial position as at 31 March 2023 and 31 March 2022 do not materially differ from the carrying amounts reported in the consolidated financial statements.

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

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities which the Group can access at the date of measurement.
- Level 2 - Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

The following table presents the Group's assets and liabilities that are measured at fair value by the level in the fair value hierarchy as at the reporting date:

	2023 £m	2022 £m
Measurement Level 1		
Financial assets		
Short-term financial investments	3,804.5	1,192.4
Level 1 financial assets total	3,804.5	1,192.4

Financial instruments in level 1

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

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

If the fair value of the short-term financial assets would change by 1% at the reporting date, that would result in a £38.0m (2022: £11.9m) increase or decrease in the balances and the corresponding impact on the comprehensive income.

Financial instruments in level 2 and 3

Throughout and at the end of the reporting year, the Group had no financial instruments in level 2 and 3, consistent with the prior year.

Contractual maturity of financial liabilities based on undiscounted cash flows:

	2023 £m	2022 £m
Less than 1 year		
Current lease liabilities	(7.3)	(6.1)
Current borrowings	(256.6)	(3.3)
Current trade and other payables	(10,979.6)	(6,997.7)
Total financial liabilities	(11,243.5)	(7,007.1)
Between 1 and 5 years		
Non-current lease liabilities	(8.2)	(12.4)
Non-current borrowings	(2.9)	(83.3)
Non-current trade and other payables	(0.1)	(0.1)
Total financial liabilities	(11.2)	(95.8)

Current and non-current borrowings include principal and interest.

Note 5. Segment information

Description of segment

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

The Group's revenue, assets and liabilities for this one reportable segment can be determined by reference to the statement of comprehensive income and the statement of financial position. The analysis of revenue by type of customer and geographical region, is set out in note 6.

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

	2023 £m	2022 Restated* £m
Non-current assets by geographical region		
United Kingdom	34.8	41.8
Rest of the world	13.2	14.5
Total non-current assets	48.0	56.3

* Comparative figures have been restated to exclude financial instruments and deferred tax assets.

Note 6. Revenue

	Year ended 31 March	
	2023 £m	2022 £m
Revenue by customer type		
Personal	656.3	433.2
Business	189.8	126.7
Total revenue	846.1	559.9

The revenue split by customer type, personal or business, reflects the underlying users of Wise products. Wise Account is attributed to personal, Wise Business to business, and Wise Platform is attributed to either, depending on the customers of the business Wise is contracted with.

Disaggregation of revenues

In the following table revenue from contracts with customers is disaggregated by major geographical market based on customer address:

	Year ended 31 March	
	2023 £m	2022 £m
Revenue by geographical region		
Europe (excluding UK)	269.6	185.7
United Kingdom	170.1	124.3
North America	179.0	117.0
Asia-Pacific	161.6	101.3
Rest of the world	65.8	31.6
Total revenue	846.1	559.9

No individual customer contributed more than 10% to the total revenue in 2023 and 2022.

Note 7. Interest income on customer balances

	Year ended 31 March	
	2023 £m	2022 £m
Interest income		
Interest income from cash at banks	53.0	0.7
Interest income from investments into MMFs and listed bonds	87.2	3.2
Total interest income	140.2	3.9

Note 8. Cost of sales and administrative expenses

Breakdown of expenses by nature:

	Year ended 31 March	
	2023 £m	2022 £m
Cost of sales		
Banking and customer-related fees	225.5	146.4
Net foreign exchange loss and other product costs	82.7	39.4
Total cost of sales	308.2	185.8
Net credit losses on financial assets		
Amounts charged to credit losses on financial assets	17.8	2.2
Total net credit losses	17.8	2.2

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

Subsequent recoveries of amounts previously written off are negligible in both current and prior year.

	Year ended 31 March	
	2023 £m	2022 £m
Administrative expenses		
Employee benefit expenses	294.8	184.8
Marketing	37.4	28.2
Technology and development	42.7	25.0
Consultancy and outsourced services	70.4	42.3
Other administrative expenses	30.6	22.9
Depreciation and amortisation	23.2	22.9
Less: Capitalisation of staff costs	(4.6)	(4.7)
Total administrative expenses	494.5	321.4

Refer to note 9 for details on employee benefit expenses.

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

	Year ended 31 March	
	2023 £m	2022 £m
Audit fees		
Fees payable to the Company's auditors and its associates for the audit of Company and Group consolidated Financial Statements	2.8	1.7
Audit of the financial statements of the Company's subsidiaries	1.5	0.8
Total audit fees	4.3	2.5
Non-audit fees		
Other services*	0.5	0.5
Total non-audit fees	0.5	0.5

* Other services include assurance related fees and other regulatory services.

Note 9. Employee benefit expenses

	Year ended 31 March	
	2023 £m	2022 £m
Salaries and wages	194.6	117.6
Share-based payment compensation expense	58.2	42.2
Social security costs	29.6	17.8
Pension costs	6.3	3.6
Other employment taxes and insurance cost	6.1	3.6
Total employee benefit expense	294.8	184.8

Refer to note 23 for details on share options granted to employees.

Remuneration of key management personnel is disclosed in note 26.

The monthly average number of employees during the year ended 31 March 2023 was as follows:

	Year ended 31 March	
	2023 Number of employees	2022 Number of employees
Product development	1,170	879
Servicing	2,593	1,571
Other functions	648	469
Total average number of employees	4,411	2,919

Note 10. Finance expense

Finance expense	2023 £m	2022 £m
Interest expense related to revolving credit facility	9.3	3.5
Interest on lease liabilities	0.7	0.9
Other financial expenses	0.7	0.4
Total finance expense	10.7	4.8

Note 11. Tax

Tax expense:

	Year ended 31 March	
	2023 £m	2022 £m
Current income tax for the year		
UK corporation tax	17.7	15.4
Foreign corporation tax	9.0	6.6
Adjustment in respect of prior years	(1.3)	(0.8)
Total current tax expense for the year	25.4	21.2
Deferred income tax for the year		
Increase in deferred tax	6.9	(10.5)
Adjustment in respect of prior years	0.2	0.3
Total deferred tax credit for the year	7.1	(10.2)
Total tax expense for the year	32.5	11.0

Factors affecting tax expense for the year:

	Year ended 31 March	
	2023 £m	2022 £m
Profit before taxation	146.5	43.9
Profit multiplied by the UK tax rate of 19% (2022: 19%)	27.8	8.3
Adjustments in respect of prior periods	(1.1)	(0.5)
Effect of expenses not deductible	0.7	2.4
Movement in tax provisions	1.5	1.2
Employee option plan	1.2	1.8
Difference in overseas tax rates	3.7	2.2
Change in rate of recognition of deferred tax	(1.3)	(4.4)
Total tax expense for the year	32.5	11.0

The Group's effective tax rate (ETR) before other comprehensive income (OCI) is a 22% charge (2022: 25% charge).

This equates to the applicable UK corporation tax rate of 19%, adjusted for a number of factors such as the change in the rate of recognition of deferred tax as a result of the UK corporation tax rate change, non-deductible employee option plan costs, movement in tax provisions and higher overseas tax rates.

On 10 June 2021, an increase in the UK corporation tax rate from 19% to 25% applicable from 1 April 2023 was enacted. Therefore, the UK deferred tax assets and liabilities, which are expected to unwind after 1 April 2023, have been measured in the current reporting period based on the increased UK corporation tax rate (25%) and reflected accordingly in the statement of profit and loss and equity.

Amounts recognised in other comprehensive income:

	2023 £m	2022 £m
Current tax		
Recognition of current tax liability on listed bonds	(0.1)	–
Deferred tax	2.5	5.4
Recognition of deferred tax asset on listed bonds		
Total amounts recognised in other comprehensive income	2.4	5.4

Amounts recognised directly in equity:

	2023 £m	2022 £m
Current tax		
Deduction for exercised options	5.0	16.0
Deferred tax		
Recognition of deferred tax asset on share-based payments*	3.0	42.7
Total amounts recognised directly in equity	8.0	58.7

* Recognition of deferred tax on share-based payments consists of future share-based payments deductions and carry forward losses generated by share-based payments.

The deferred tax asset in relation to share-based payments was recognised based on the share price at the balance sheet date which was £5.4 (2022: £5.0).

Deferred tax assets and liabilities

Movements during the year

Year ended 31 March 2023

	1 April 2022 £m	Recognised in income £m	Recognised in equity/OCI £m	FX £m	31 March 2023 £m
Property, plant and equipment	0.1	0.4	–	(0.2)	0.3
Share-based payments	49.9	8.4	3.1	0.2	61.6
Intangibles	(2.2)	1.2	–	–	(1.0)
Provisions	2.7	0.3	–	–	3.0
Tax losses	57.2	(17.5)	–	0.5	40.2
Other	5.4	0.1	2.5	–	8.0
Closing deferred tax asset	113.1	(7.1)	5.6	0.5	112.1
Represented by:					
Deferred tax assets	113.6				113.2
Deferred tax liabilities	(0.5)				(1.1)
Total	113.1				112.1

Year ended 31 March 2022

	1 April 2021 £m	Recognised in income £m	Recognised in equity/OCI £m	FX £m	31 March 2022 £m
Property, plant and equipment	0.2	(0.2)	–	0.1	0.1
Share-based payments	54.9	7.1	(12.0)	(0.1)	49.9
Intangibles	(2.7)	0.5	–	–	(2.2)
Provisions	1.9	0.8	–	–	2.7
Tax losses	2.4	0.5	54.2	0.1	57.2
Other	(2.0)	1.5	5.9	–	5.4
Closing deferred tax asset	54.7	10.2	48.1	0.1	113.1
Represented by:					
Deferred tax assets					113.6
Deferred tax liabilities					(0.5)
Total					113.1

The deferred tax asset is predominantly generated in the UK and the US and mainly comprises unexercised share options and losses generated by share-based payment deductions. The deferred tax assets are reviewed at each reporting date to determine recoverability and to determine a reasonable time frame for utilisation. To determine this, the Group uses the approved Group forecast used for the Viability Statement and going concern analysis. There is no time limit for utilisation of UK or US tax losses. In addition, the UK and the US have sufficient taxable profits in FY2023 to commence utilisation of brought forward losses. In light of this analysis, the Group considers it is probable that there will be sufficient taxable profits in

the next 6 years to realise the deferred tax asset. Consequently, the Group has unrecognised deductible temporary differences of £nil (2022: £nil) and the asset has been recognised in full as at 31 March 2022 and 2023.

Note 12. Earnings per share

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

	2023	2022
Profit for the year (£m)	114.0	32.9
Weighted average number of Ordinary Shares for basic EPS (in millions of shares)	988.6	967.2
Plus the effect of dilution from share options (in millions of shares)	53.8	66.8
Weighted average number of Ordinary Shares adjusted for the effect of dilution (in millions of shares)	1042.4	1,034.0
Basic EPS, in pence	11.53	3.40
Diluted EPS, in pence	10.94	3.18

Note 13. Property, plant and equipment

	Right-of-use assets £m	Leased office improvements £m	Office equipment £m	Assets under construction £m	Total £m
At 31 March 2021					
Cost	26.4	7.5	4.0	0.4	38.3
Accumulated depreciation	(7.7)	(4.6)	(2.0)	–	(14.3)
Net book value	18.7	2.9	2.0	0.4	24.0
Additions	2.8	4.1	1.5	0.2	8.6
Reclassifications	–	0.4	–	(0.4)	–
Depreciation charge	(4.9)	(1.7)	(1.1)	–	(7.7)
Write-offs	(2.4)	–	–	–	(2.4)
Foreign currency translation differences	–	–	0.1	–	0.1
At 31 March 2022					
Cost	25.8	10.5	4.9	0.2	41.4
Accumulated depreciation	(11.6)	(4.8)	(2.4)	–	(18.8)
Net book value	14.2	5.7	2.5	0.2	22.6
Additions	3.3	0.9	1.5	1.7	7.4
Reclassifications	–	1.4	–	(1.4)	–
Depreciation charge	(5.7)	(2.3)	(1.6)	–	(9.6)
Write-offs	–	(0.1)	–	–	(0.1)
Foreign currency translation differences	0.1	0.2	0.5	–	0.8
At 31 March 2023					
Cost	29.4	13.0	6.6	0.5	49.5
Accumulated depreciation	(17.5)	(7.2)	(3.7)	–	(28.4)
Net book value	11.9	5.8	2.9	0.5	21.1

Refer to note 19 for disclosure of security.

Note 14. Intangible assets

	Software £m	Other intangible assets £m	Total £m
At 31 March 2021			
Cost	45.8	1.6	47.4
Accumulated amortisation	(19.7)	(0.2)	(19.9)
Net book value	26.1	1.4	27.5
Additions	4.7	3.3	8.0
Amortisation charge	(14.8)	(0.4)	(15.2)
Currency translation differences	–	0.1	0.1
At 31 March 2022			
Cost	39.0	4.9	43.9
Accumulated amortisation	(23.0)	(0.6)	(23.6)
Net book value	16.0	4.3	20.3
Additions	4.6	0.1	4.7
Amortisation charge	(11.4)	(2.2)	(13.6)
At 31 March 2023			
Cost	28.3	5.0	33.3
Accumulated amortisation	(19.1)	(2.8)	(21.9)
Net book value	9.2	2.2	11.4

Software is internally generated intangible asset which consists of capitalised development costs. Other intangible assets primarily include licences and domain purchases.

In addition to capitalised amounts as software intangible, the Group expensed £91.8m of product engineering costs for the year ended 31 March 2023 (2022: £59.8m). These costs directly relate to the development of the Group's product offerings and primarily comprise employee costs of the engineering and product teams, that do not meet the capitalisation criteria.

Note 15. Trade and other receivables

	2023 £m	2022 £m
Non-current trade and other receivables		
Office lease deposits	2.4	0.7
Other non-current receivables	15.5	13.6
Total non-current trade and other receivables	17.9	14.3
Current trade and other receivables		
Receivables from payment processors	86.8	69.5
Receivable from partners	41.0	9.6
Collateral deposits	44.8	33.6
Prepayments	19.4	8.3
Other receivables *	58.0	16.6
Total current trade and other receivables	250.0	137.6

* Net of expected credit loss provision of £31.5m as at 31 March 2023 (2022: £19.8m). The movement in the year is predominantly related to increased activity and the corresponding increase in customer balances; this resulted in the increase of overdrawn customer's balances older than 30 days. Customer chargebacks increased by £1.2m to £4.1m at 31 March 2023 (31 March 2022: £2.9m) and overdrawn accounts increased by £17.9m to £27.4m (31 March 2022: £9.5m). During the year, the recognised specific provision for the receivables with MS Bank S.A. Banco de Câmbio was utilised (2022: specific provision of £7.4m).

The carrying values of current trade receivables approximate their fair values because these balances are expected to be cash-settled in the near future unless a provision is made.

Note 16. Financial assets at fair value through other comprehensive income

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

	2023 £m	2022 £m
Short-term financial investments - level 1		
Listed bonds	3,804.5	1,192.4
Total short-term financial investments	3,804.5	1,192.4

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

	2023 £m	2022 £m
Debt investments at FVOCI		
Fair value losses recognised in other comprehensive income	(7.9)	(22.6)
Tax on listed bonds	2.4	5.4
Total fair value losses in other comprehensive income	(5.5)	(17.2)

Note 17. Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents		
Cash at banks, in hand and in transit between Group bank accounts	4,827.8	5,618.8
Cash in transit to customers*	182.0	154.6
Investment into money market funds	2,669.6	282.9
Total cash and cash equivalents	7,679.4	6,056.3

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

Of the £7,679.4m (2022: £6,056.3m) cash and cash equivalents at the year end, £671.1m (2022: £357.8m) is considered corporate cash balance, not related to customer funds, which is held in Wise Accounts or collected from customers as part of money the transfer settlement process.

Customer funds are subject to various regulatory safeguarding compliance requirements. Such requirements may vary across the different jurisdictions in which the Group operates.

As at 31 March 2023, the Group held £3,832.9m (2022: £4,930.2m) of customer funds as cash in segregated, safeguarding bank accounts at investment grade banking institutions. The remainder of safeguarded customer deposits were held across highly liquid global money market funds (MMFs), treasury bonds and investment grade corporate paper.

Note 18. Trade and other payables

	2023 £m	2022 £m
Non-current trade and other payables		
Accounts payable and accrued expenses	4.6	3.7
Other payables	25.1	12.0
Total non-current trade and other payables	29.7	15.7
Current trade and other payables		
Outstanding money transmission liabilities*	191.3	170.6
Wise Accounts	10,676.4	6,783.2
Accounts payable	8.2	10.4
Accrued expenses	52.2	26.5
Deferred revenue	8.0	5.6
Payables to payment processors	53.6	16.4
Other taxes	11.1	9.6
Other payables	22.1	11.9
Total current trade and other payables	11,022.9	7,034.2

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

Trade and other payables are unsecured unless otherwise indicated; due to the short-term nature of current payables, their carrying values approximate their fair value.

Note 19. Borrowings

	2023 £m	2022 £m
Current		
Revolving credit facility	249.9	–
Lease liabilities	6.7	5.5
Total current borrowings	256.6	5.5
Non-current		
Revolving credit facility	–	78.5
Lease liabilities	7.8	11.7
Total non-current borrowings	7.8	90.2
Total borrowings	264.4	95.7

Debt movement reconciliation:

	Revolving credit facility £m	Lease liabilities £m	Total £m
As at 31 March 2021	78.6	20.1	98.7
Cash flows:			
Proceeds	43.0	–	43.0
Transaction costs related to revolving credit facility	(0.8)	–	(0.8)
Repayments	(43.0)	(3.8)	(46.8)
Interest expense paid	(2.8)	(0.9)	(3.7)
Non-cash flows:			
New leases	–	2.8	2.8
Interest expense	3.5	0.9	4.4
Foreign currency translation differences	–	0.1	0.1
Other lease movements	–	(2.0)	(2.0)
As at 31 March 2022	78.5	17.2	95.7
Cash flows:			
Proceeds	529.0	–	529.0
Transaction costs related to revolving credit facility	(1.5)	–	(1.5)
Repayments	(359.0)	(5.9)	(364.9)
Interest expense paid	(6.4)	(0.7)	(7.1)
Non-cash flows:			
New leases	–	3.2	3.2
Interest expense	9.3	0.7	10.0
As at 31 March 2023	249.9	14.5	264.4

The interest expense accrued is recognised within finance expense in the consolidated statement of profit or loss.

Revolving credit facility (RCF)

The Group has access to a multi-currency debt facility of £300.0m with a maturity date in 2025 and two 1-year, extension options. The RCF is a multi-bank facility with Silicon Valley Bank UK Limited ('SVB UK'), Citibank N.A., JP Morgan Chase Bank N.A., National Westminster Bank plc, Barclays Bank plc, Goldman Sachs Lending Partners LLC and Morgan Stanley Senior Funding.

The facility bears interest at a rate per annum equal to SONIA plus a margin determined by reference to adjusted leverage (calculated as a ratio of debt to adjusted EBITDA). The agreement contains certain customary covenants, including to maintain a maximum total net leverage ratio not in excess of 3:1 and interest cover (calculated as a ratio of adjusted EBITDA to finance charges in accordance with the terms of the agreement) not less than a ratio of 4:1 in respect of any relevant period.

The Group monitors compliance with the covenants throughout the reporting period. On 31 March 2023, the Group was in breach of a representation in the RCF Agreement, which meant that further draw-downs and roll-overs of credit were temporarily suspended. This technical breach was waived by lenders before the date of signing these financial statements and the facility was fully resumed. As a result of this technical breach on 31 March and the future intention of the Group to use the facility primarily for short-term funding, the facility has been recorded as a current liability on the balance sheet. The Group has complied with all financial covenants for this and all reporting periods. The undrawn amount of the facility as at 31 March 2023 was £50.0m (2022: £132.0m).

The facility is secured by certain customary security interests and pledges including over shares in certain Group entities (Wise plc, Wise Financial Holdings Ltd, Wise Payments Limited, Wise US Inc., Wise Europe SA and Wise Australia Pty Ltd), and

fixed and floating pledges over assets and undertakings of Wise Payments Ltd, excluding customer and partner funds, share capital or equity contributions maintained for regulatory purposes, cash paid into a bank or collateral account in connection with, and for the benefit of, relevant card scheme providers and assets held in safeguarded accounts or otherwise segregated for regulatory purposes.

Lease liabilities

As at 31 March 2023, the lease liabilities are £14.5m (2022 £17.2m) and relate to the expected terms remaining on UK, US, Estonia, Hungary, Singapore, Belgium and Brazil office space leases discounted at between 2.21% and 15.75%. The leases expire between 2023-2029.

The Group has an extension option in an office lease, which has not been exercised as at 31 March 2023. The potential future lease payments, should the Group exercise the extension options, would result in an increase in the lease liability of £1.0m.

The Group has a termination option in an office lease, which has not been exercised as at 31 March 2023. The potential future lease payments, should the Group exercise the termination option, would result in a decrease in the lease liability of £1.4m.

Note 20. Share capital

Class	As at 31 March 2023			As at 31 March 2022		
	Nominal value, £	Number of shares	Share capital, £	Nominal value, £	Number of shares	Share capital, £
Class A Ordinary	0.01	1,024,677,252	10,246,773	0.01	1,024,589,856	10,245,899
Class B Ordinary	0.000 000 001	398,889,814	–	0.000 000 001	398,889,814	0.40
Total		1,423,567,066	10,246,773		1,423,479,670	10,245,899

During the year, the Group allotted 87,396 class A Ordinary Shares of £0.01 related to customer shareholder programme (2022: 82,736,034 class A Ordinary Shares of £0.01 related to employee share options awards).

Each Class A Ordinary shareholder is entitled to one vote for each Class A Ordinary Share held, subject to any restrictions on total voting rights as set out in the Company's Articles of Association. Class A Ordinary shareholders are entitled to interim or annual dividends to the extent declared and do not hold any preferential rights to dividends. Class A Ordinary Shares are non-redeemable.

Each Class B shareholder is entitled to nine votes for each Class B Share held, subject to any restrictions on total voting rights as set out in the Company's Articles of Association. Class B Shares carry no rights to distributions of dividends except on distribution of assets, up to their nominal value, on a liquidation or winding up. Class B Shares are strictly non-transferable, non-tradable and non-distributable to any person or entity whatsoever.

Note 21. Equity merger reserve and other reserves

Equity merger reserve

As disclosed in the 2022 Annual Report and Accounts, the Class A Shares of the Company were admitted to trading on the London Stock Exchange on 7 July 2021. The merger reserve arises from the Group pre-listing reorganisation accounted for as a capital reorganisation. Upon the reorganisation, the Group's Ordinary Shares have been represented as those of Wise plc. The difference between Wise Payments Ltd net assets and the nominal value of the shares in issue is recorded in the merger reserve.

Other reserves

Other reserves predominantly relate to investments into highly liquid bonds measured at FVOCI. For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss. Comparative figures include £4.8m net loss on disposal of a number of listed bonds, that was transferred from other reserves in equity to other operating expenses in the consolidated income statement. No debt investments were disposed during the year.

Note 22. Own share reserve

In January 2023, Wise announced the intention of the Employee Benefit Trust to acquire up to £10.0m of Wise shares in the market in order to reduce the impact of dilution from stock-based compensation. As of 31 March 2023, a total of 1,776,098 shares were purchased from the market at an average of £5.63 per share. Directly attributable costs of £0.1m have been expensed to equity.

Note 23. Share-based employee compensation

The employee share schemes are designed to provide long-term incentives for all employees to deliver long-term shareholder returns. Under the plans, participants are granted share awards of the Company, which vest gradually over a 4-year period and are equity settled for shares within Wise plc. The awards are subject to service conditions, i.e. the requirement for recipients of awards to remain in employment with the Group over the vesting period. During the year, an award was granted that its vesting is conditional on achievement of the relative total shareholder return (TSR) compared to the FTSE 250 and volume growth performance measures over the 3-year performance period.

Transactions on the share schemes for employees during the year were as follows:

	As at 31 March 2023		As at 31 March 2022	
	Weighted average exercise price per award, £	Number of awards	Weighted average exercise price per award, £	Number of awards
Beginning of year	0.11	58,305,023	0.1100	97,252,168
Granted during the year	0.00	19,229,526	0.0100	8,373,106
Exercised during the year	0.07	8,694,892	0.0800	42,170,404
Forfeited during the year	0.03	3,190,799	0.1600	5,149,847
End of year	0.08	65,648,858	0.1100	58,305,023
Vested and exercisable as at end of year	0.14	38,644,818	0.1500	36,294,247

The share-based payment compensation expense for the year ended 31 March 2023 is £58.2m (2022: £42.2m) for employees directly employed by the Group and £0.1m (2022: £0.3m) for outsourced personnel.

During the year £19.1m (2022: £25.2m) of share-based payments were exercised, forfeited or vested and were recycled to retained earnings.

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

Grant date range 12 months ended 31 March	Expiry date range 12 months ended 31 March	Weighted average exercise price	Number of awards as at 31 March 2023	Number of awards as at 31 March 2022
2013	2023	0.00	–	275,126
2014	2024	0.00	232,310	232,310
2015	2025	0.11	1,256,199	1,443,678
2016	2026	0.15	1,678,385	2,031,776
2017	2027	0.10	2,690,444	3,258,130
2018	2028	0.07	4,275,362	4,988,593
2019	2029	0.12	9,288,573	11,429,400
2020	2030	0.13	13,051,895	15,262,193
2021	2031	0.00	7,490,612	8,810,346
2022	2032	0.00	8,123,460	10,573,471
2023	2033	0.00	17,561,618	–
Total			65,648,858	58,305,023
Weighted average remaining contractual life of options outstanding at end of year			7.1 years	7.2 years

The weighted average share price at the date of exercise for share options exercised in 2023 was £4.98 (2022: £8.76).

Valuation of share awards

The assessed fair value at the grant date of share awards granted during the year ended 31 March 2023 was £5.12 per option on average (2022: £9.51). The fair value of the share awards granted is calculated using the closing share price at the grant date.

The fair value of the share options granted prior to the listing was independently determined using the Black-Scholes model that takes into account the exercise price, the term of the share option, the share price at grant date and expected price volatility of the underlying share, the risk-free interest rate for the term of the share option and the correlations and volatilities of the peer group companies.

The Black-Scholes model inputs included:

- Options are granted for no consideration and vest over the 4-year period according to the vesting conditions
- Average exercise price: £0.01

- No dividends are expected to be paid
- Expected price volatility of the Company's shares: 48%
- Risk-free interest rate: 1.44%
- 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.

Share trust

The Group consolidates one share trust. The Group's own share reserve represents the weighted average cost of shares in the Wise Group Employee Benefit Trust (Ocorian) which are held for the purposes of fulfilling obligations in respect of the Group's share awards.

Note 24. Cash generated from operating activities

	Note(s)	2023 £m	2022 £m
Cash generated from operations			
Profit for the year		114.0	32.9
Adjustments for:			
Depreciation and amortisation	8,13,14	23.2	22.9
Non-cash share-based payments expense		58.2	42.2
Foreign currency exchange differences		(61.5)	18.3
Current tax expense	11	32.5	11.0
Adjustment for interest income and expense		(129.4)	7.3
Fair value loss on financial assets at FVOCI		–	4.8
Effect of other non-monetary transactions		1.7	(1.5)
Changes in operating assets and liabilities:			
Increase in prepayments and receivables		(66.8)	(16.7)
Increase in trade and other payables		23.8	16.8
Increase in receivables from customers and payment processors		(29.1)	(34.0)
Increase in liabilities to customers, payment processors and deferred revenue		78.7	46.2
Increase in Wise Accounts		3,801.8	2,983.9
Cash generated from operations		3,847.1	3,134.1

Note 25. Commitments and contingencies

The Group's minimum future payments from non-cancellable agreements as at year end are detailed below:

	2023 £m	2022 £m
Infrastructure subscriptions		
No later than 1 year	1.7	1.4
Later than 1 year and no later than 5 years	0.3	0.7
Total	2.0	2.1
Significant capital expenditure contracted		
No later than 1 year	–	–
Later than 1 year and no later than 5 years	16.1	–
Later than 5 years	23.3	–
Total	39.4	–

During the financial year, the Group has entered into a contract to lease a new office facility with commencement date on 30th September 2024, for a specified term of 10 years. The lease liability and the right-of-use assets have not been recognised in the financial year to 31 March 2023.

The Group did not have any other material commitments, capital commitments or contingencies as at 31 March 2023 and 31 March 2022.

Note 26. Transactions with related parties

Related parties of the Group and Wise plc include subsidiaries, key management personnel ('KMP'), close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members. Wise identifies the Board of Directors as KMP.

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

Details of the Directors remuneration and interests in shares are disclosed in the Directors' Remuneration Report. Additional information for key management compensation and particulars of transactions with related parties are tabulated below, in accordance with IAS 24 Related party disclosures requirements.

	2023 £m	2022 £m
Compensation of KMP of the Group		
Short-term employee benefits	0.5	0.5
Share-based payment expense	2.1	3.1
Non-Executive Director's fees	0.3	–
Total compensation paid to key management personnel	2.9	3.6

Short-term employee benefits include salaries for KMP. Refer to the Directors' Remuneration report for the remuneration of each Director.

Share-based payment expense is related to employee share option plans (more information about the plans are provided in note 22).

	2023 £m	2022 £m
Transactions and balances with KMP of the Group		
Deposits	0.9	1.8
Other transactions	–	0.7
Total transactions and balances with KMP of the Group	0.9	2.5

No other material transactions with related parties of the Group incurred during the financial years ended 31 March 2023 and 31 March 2022.

In the comparative year, other transactions referred to contributions received from related parties at the time of the listing.

Note 27. Post balance sheet events

No other post balance sheet events have occurred since 31 March 2023.

Alternative performance measures

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

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

Income	Income is defined as revenue plus interest income on customer balances, less interest expense on customer balances and benefits paid relating to customer balances	See definition for calculation method
Adjusted EBITDA	A measure of profitability which is calculated as profit for the year excluding the impact of income taxes, finance income and expense, depreciation and amortisation, share-based payment compensation expense as well as exceptional items. The Group believes that Adjusted EBITDA is a useful measure for investors because it is a measure closely tracked by management to evaluate the Group's performance and make financial, strategic and operating decisions and because it may help investors to understand and evaluate, in the same manner as management, the underlying trends in the Group's performance on a comparable basis, period on period	See definition for calculation method
Free cash flow (FCF)	A measure of cash flow which takes into account the net cash flows from operating activities less the change in working capital (excluding timing differences for receipts of interest income, income tax payments, the change in collateral and pass-through items), the costs of purchasing property, plant and equipment, intangible assets capitalisation and payments for leases. It is a non-statutory measure used by the Board and the senior management team to measure the ability of the Group to support future business expansion, distributions or financing	See definition for calculation method
Adjusted EBITDA Margin	Adjusted EBITDA as a percentage of total income	See definition for calculation method
FCF conversion	Free cash flow as a percentage of Adjusted EBITDA	See definition for calculation method
Corporate Cash	Corporate cash represents cash and cash equivalents that are not considered customer related balances. Measure of the Group's ability to generate cash and maintain liquidity	See section below for further information
Cross border fees saved	Fees saved by our personal customers when using Wise for cross-currency transfers versus other providers. This measure is used by the Group to demonstrate the value proposition to stakeholders.	See definition for calculation method

Income

	2023 £m	2022 £m
Revenue	846.1	559.9
Interest income on customer balances	140.2	3.9
Interest expense on customer balances	(3.7)	(6.7)
Benefits paid relating to customer balances	(18.4)	–
Income	964.2	557.1

Adjusted EBITDA and FCF reconciles to profit for the year as follows:

	2023 £m	2022 £m
Profit for the period	114.0	32.9
Adjusted for:		
Income tax expense	32.5	11.0
Finance expense	10.7	4.8
Depreciation and amortisation	23.2	22.9
Share-based payment compensation expense	58.2	42.2
Exceptional items*	–	7.6
Adjusted EBITDA	238.6	121.4
Income	964.2	557.1
Adjusted EBITDA margin	24.7%	21.8%
Corporate cash working capital change excl. collaterals	(7.9)	9.0
Adjustment for exceptional and pass-through items in the working capital	(2.0)	(0.5)
Payments for lease liabilities	(6.6)	(4.7)
Capitalised expenditure - Property, plant and equipment	(3.6)	(4.6)
Capitalised expenditure - Intangible assets	(5.2)	(7.3)
Free cash flow (FCF)	213.3	113.3
FCF conversion (FCF as % of Adjusted EBITDA)	89.4%	93.3%

* Exceptional items are the items of income or expense that the Group considers to be material, one-off in nature and of such significance that they merit separate presentation in order to aid with understanding of the Group's financial performance. Such items in the comparative year included costs associated with the changes in the Group's organisational structure and direct listing, that did not re-occur in the current financial year.

Corporate cash

The tables below show a non-IFRS view of the 'Corporate cash' metric that is used by the Group management as a key performance indicator in assessment of the Group's ability to generate cash and maintain liquidity. Corporate cash represents cash and cash equivalents that are not considered customer related balances.

Information presented in the table below is based on the Group's internal reporting principles and might differ from the similar information provided in IFRS disclosures:

	2023 £m	2022 £m
Cash flows from operating activities		
Profit for the year	114.0	32.9
Adjustments for non-cash transactions	(5.8)	53.4
Change in corporate working capital	(20.4)	2.2
Receipt of interest	103.9	0.7
Payment of income tax and interest charges	(31.0)	(17.1)
Net cash generated from operating activities	160.7	72.1
Net cash used in investing activities	(8.6)	(11.6)
Net cash generated from/(used in) financing activities	153.9	(1.3)
Total increase in corporate cash	306.0	59.2
Corporate cash at beginning of year	357.8	286.1
Effect of exchange rate differences on corporate cash	7.3	12.5
Corporate cash at end of the year	671.1	357.8

	2023 £m	2022 £m
Breakdown of corporate and customer cash		
Cash and cash equivalents and short-term financial investments	11,483.9	7,248.7
Receivables from customers and payment processors	129.7	85.2
Adjustments for:		
Outstanding money transmission liabilities and other customer payables	(266.1)	(192.9)
Wise Accounts	(10,676.4)	(6,783.2)
Corporate cash at end of the year	671.1	357.8

Corporate cash includes the 'Receivables from payments processors' as disclosed in note 15, as well as receivables from customers and partners. Those balances are reported under 'Other receivables' in note 15, but exclude those elements which are considered customer related balances.

Similarly, corporate cash includes the 'Outstanding money transmission liabilities' and the payables reported under 'Deferred revenue' and 'Other payables' in note 18, which are not considered customer related balances.