

28 June 2022

## Wise plc

# Preliminary results for the financial year ended 31 March 2022

"In our first year as a publicly listed company, we continued to push forward on our mission to make moving and managing money across borders faster, easier, cheaper and more transparent for everyone, everywhere.

Among our successes this year was the introduction of the Wise Account and Wise Card to Brazil and Malaysia, and the Wise Card to Canada as well. We launched Assets for Wise Account customers in the UK, increased the functionality of Wise Business and added new partners through Wise Platform. At the same time, we engineered away substantial points of friction in the payments process, enabling us to lower prices over time while continuing to invest in product and marketing.

We made sound progress on our mission this year, we saw volumes grow 40% yoy to £76 billion and we helped our 13 million customers save what we estimate to be over £1 billion in fees. But this remains just the beginning for Wise. Today, millions of people and businesses continue to be overcharged and poorly served by banks and other providers. We will continue to invest in our infrastructure, build features for a smooth and delightful international banking experience, and expand globally to bring Wise to more people and businesses around the world."

Kristo Käärmann, Co-founder and Chief Executive Officer

### Highlights for the twelve months ended 31 March 2022

We've made strong progress on our mission

- We managed to reduce the average price our customers pay for moving money across borders to 0.61% in Q4 FY22, down 8bps compared with Q4 FY21;
- Our payments continued to get faster too. 49% of all cross-border transfers were delivered instantly in Q4 FY22;
- We launched the Wise Account and debit card in Brazil and Malaysia, introduced the debit card in Canada and also enhanced the Wise Account with features including auto-conversion, scheduled transfers, and the launch of our Assets in the UK;
- We also expanded the features for businesses around the world who can now issue cards to their employees and manage their expenses using Wise;
- We've added new Platform partners in the year, taking the total number to over 50;
- Our customer base increased: in Q4 FY22 we served 4.6 million active customers, an increase of 29% on the same period last year; and
- This allowed us to grow volumes, in fact we transferred over £76 billion for our customers in FY22, 40% more than in FY21.

We've become a stronger business in FY22, as we continue to generate a sustainable and healthy gross margin whilst reducing prices for our customers and investing in our long term growth.

- While growing volume by 40%, we also engineered and optimised away marginal costs, passing savings back to customers;
- The Wise Account continued to gain traction, with fees associated to the account growing such that the take rate only reduced by 4 bps to 0.73% in the year, with revenue growing by 33% to £560 million;
- Gross profit grew by 43% to £372 million, with our gross profit margin increasing to 66% from 62%;
- Adjusted EBITDA margin\* reduced slightly to 22% from 26% as we invested as planned back into our teams, products and marketing; and
- Free Cash Flow\* remains healthy, increasing 9% to £113.3 million.

\*This measure is an alternative performance measure ("APM"); Wise uses a number of 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.

## Outlook

- We continue to invest and build for the future. In the medium term, we continue to expect to deliver revenue growth above 20% (CAGR), and an adjusted EBITDA margin at or above 20% as we continue to invest sustainably; and
- With some positive trends from FY22 carrying through to provide a strong start to the next financial year, we expect revenue to grow by between 30% to 35% in FY23.

## Financial information

### Selected financial Information:

	2022	2021	YoY Movements %
<b>Revenue (£ million)</b>	<b>559.9</b>	421.0	<b>33%</b>
<b>Gross profit (£ million)</b>	<b>371.9</b>	260.5	<b>43%</b>
<b>Gross profit margin</b>	<b>66.4%</b>	61.9%	<b>4.5 pps</b>
<b>Adjusted EBITDA (£ million)</b>	<b>121.4</b>	108.7	<b>12%</b>
<b>Adjusted EBITDA Margin<sup>1</sup></b>	<b>21.7%</b>	25.8%	<b>-4.1 pps</b>
<b>Free cash flow (FCF) (£ million)</b>	<b>113.3</b>	103.9	<b>9%</b>
<b>FCF conversion (FCF as a % of Adjusted EBITDA)</b>	<b>93.3%</b>	95.6%	<b>-2.3 pps</b>

<sup>1</sup>Adjusted EBITDA as a proportion of revenue.

### Growth metrics:

#### Annually

	2022	2021	YoY Movement %
<b>Customers (million)<sup>1</sup></b>	<b>7.4</b>	<b>6.0</b>	<b>24%</b>
Personal (million)	7.0	5.7	24%
Business (million)	0.4	0.3	34%
<b>Volume Per Customer<sup>2</sup> (£k)</b>	<b>10.3</b>	<b>9.1</b>	<b>13%</b>
Personal (£ thousand)	8.1	7.4	9%
Business (£ thousand)	47.7	40.4	18%
<b>Volume<sup>3</sup></b>	<b>76.4</b>	<b>54.4</b>	<b>40%</b>
Personal (£ billion)	56.9	42.1	35%
Business (£ billion)	19.5	12.3	59%
<b>Revenue</b>	<b>559.9</b>	<b>421.0</b>	<b>33%</b>
Personal (£ million)	433.2	341.3	27%
Business (£ million)	126.7	79.7	59%
<b>Cross-currency revenue take rate<sup>4</sup> (%)</b>	<b>0.63%</b>	<b>0.70%</b>	<b>-7 bps</b>
<b>Take rate<sup>5</sup> (%)</b>	<b>0.73%</b>	<b>0.77%</b>	<b>-4 bps</b>

## Quarterly

	Q4 FY21 £m	Q1 FY22 £m	Q2 FY22 £m	Q3 FY22 £m	Q4 FY22 £m	QoQ Mvmt %	YoY <sup>6</sup> Mvmt %
<b>Customers (million)<sup>1</sup></b>	<b>3.5</b>	<b>3.7</b>	<b>3.9</b>	<b>4.3</b>	<b>4.6</b>	<b>6%</b>	<b>29%</b>
Personal (million)	3.3	3.4	3.7	4.1	4.3	5%	29%
Business (million)	0.20	0.22	0.23	0.25	0.27	6%	36%
<b>Volume Per Customer<sup>2</sup> (£k)</b>	<b>4.4</b>	<b>4.5</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>	<b>-1%</b>	<b>7%</b>
Personal (£ thousand)	3.6	3.6	3.7	3.7	3.7	-1%	3%
Business (£ thousand)	18.1	18.6	19.4	21.6	20.8	-4%	15%
<b>Volume<sup>3</sup></b>	<b>15.6</b>	<b>16.4</b>	<b>18.0</b>	<b>20.6</b>	<b>21.4</b>	<b>4%</b>	<b>38%</b>
Personal (£ billion)	12.0	12.4	13.5	15.1	15.9	5%	32%
Business (£ billion)	3.6	4.0	4.5	5.5	5.5	0%	54%
<b>Revenue</b>	<b>116.9</b>	<b>123.5</b>	<b>132.8</b>	<b>149.8</b>	<b>153.8</b>	<b>3%</b>	<b>32%</b>
Personal (£ million)	93.7	96.9	103.4	114.7	118.3	3%	26%
Business (£ million)	23.2	26.6	29.4	35.1	35.5	1%	53%
<b>Take rate<sup>5</sup> (%)</b>	<b>0.75%</b>	<b>0.75%</b>	<b>0.74%</b>	<b>0.73%</b>	<b>0.72%</b>	<b>-1 bps</b>	<b>-3 bps</b>

<sup>1</sup> Total number of unique customers who have completed at least one cross currency transaction in a given period.

<sup>2</sup> Average volume per active customer, calculated as total volume divided by total active customers in the period.

<sup>3</sup> Total cross currency transactions converted by customers.

<sup>4</sup> Total fees on cross currency transactions as a proportion of volume.

<sup>5</sup> Total revenue as a proportion of volume.

<sup>6</sup> Q4 FY22 over Q4 FY21

### Results presentation

A presentation of the full year results will be held at 12.00pm GMT Tuesday 28 June at Wise's London offices in Shoreditch. Please contact Owner Relations if you wish to attend. A live webcast will be available via our website, [www.wise.com/owners](http://www.wise.com/owners), and a replay will be available on-demand shortly after the presentation concludes.

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## **About Wise**

Wise is a global technology company, building the best way to move money around the world. With the Wise account people and businesses can hold over 50 currencies, move money between countries and spend money abroad. Large companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Kristo Käärmann 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 13 million people and businesses use Wise. Today we process over £8 billion in cross-border transactions every month, saving customers over £1 billion a year.

## **Forward looking statements and other important information**

This report may include forward-looking statements, including within the meaning of the US Private Securities Litigation Reform Act of 1995, 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", "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. No representation or warranty is made or will be made that any forward-looking statement will come to pass.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Details of the potential risks and uncertainties affecting the Wise Group are described in the Group's filings with the London Stock Exchange, including in the TransferWise Ltd Annual Report and Accounts 2021.

The forward-looking statements in this report speak only as at the date of this report. 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.

## An update from Kristo, our Co-founder and CEO

In 2011 TransferWise was born. My co-founder Taavet and I set out to fix banking for international people. In fact, international banking didn't really exist.

We knew people deserved better than hidden charges, marked-up exchange rates and slow transfers when their money crossed borders. They didn't want trips to their bank branch and they didn't want anxiety about where their money was when in transit.

So we started building the infrastructure to move money instantly, conveniently, transparently and working towards getting it closer to free. Fast-forward 11 years and we're now moving 3.5% of all personal money that moves across borders. We're really pleased to get this far – but there's still 96.5% left to go. And the opportunity to support businesses is even greater.

We've come a long way, including some significant strides forward in the past year: we lowered costs and dropped prices (even faster than expected!), our payments got faster, we developed more features for businesses and initiated more platform partnerships.

Today the Wise Account lets you keep over 50 currencies in one place, and convert between them instantly. And in addition to sending and receiving money, you can spend anywhere with the Wise debit card. Last year we also launched 'Assets' in the UK, so customers can choose to invest their money, whilst retaining access to it — no matter the currency.

49% of our transfers are now instant, arriving in less than 20 seconds, compared with 36% just twelve months ago. And a lot of the time they're incredibly low cost, and we continue to find ways to reduce the cost for the customer. This means that now, over 13 million people and businesses are saving over a billion pounds a year compared to using their bank.

This financial year was also big for the company itself. We grew from around 2,400 Wisers to almost 3,400 in just 12 months — and opened a new office in Austin to power up our growth in North America. In July, Wise listed on the London Stock Exchange, and although the listing hasn't changed who we are or how we operate, we're hugely proud that our customers can now own a stake in Wise. Now every stakeholder can be more closely aligned with our mission and invest in the fight against archaic financial borders.

### ***Product enhancements and successes***

Throughout FY22 we continued to invest in our infrastructure, improving our service across our core products.

- Wise Account. This year we brought the Wise Account to people in Brazil and Malaysia and introduced the Wise Card in Canada. We also launched Assets in the UK, our new investment product.
- Wise Business. We've deepened our partnerships with QuickBooks so that paying bills is simple and quick. Money management has been made easier with the launch of expense cards.
- Wise Platform. In the USA we have integrated with Google Pay and linked up with other financial services providers like Sable, a US neo-bank. We also integrated Shinhan Bank, South Korea's second largest bank.

### ***We have so much more to do***

In an increasingly fractured world, the need for honest and borderless international banking has never been greater. We are driven by our mission to build money without borders and to make the lives of international people and businesses easier – from their very first transfer to giving their successful business a global reach.

International people and businesses are underserved. We grew our market share of personal transfers to 3.5%, and we will continue to grow our smaller share of business transfers.

We will continue to invest in infrastructure, build features for a smooth and delightful banking experience, and expand globally to bring Wise to more people and businesses around the world.

## A financial update from Matt, our CFO

Our mission is to create the best way to move and manage money around the world. We remain focused on our customers' needs and solving their problems, whilst building out a sustainable long-term business to achieve the mission. In bringing transparency and fairness in how we price our products, we've found a common ground of creating massive value for our customers and also our shareholders.

In FY22, we helped over 7 million active personal customers and 410,000 active business customers. Both segments are growing rapidly with personal customers growing at 24% and business customers growing at 34% over FY21.

We processed £76.4 billion in cross-border payments in FY22, which was a 40% increase over the prior year. We saw volume from personal customers grow by 35% YoY whilst Business customer volume grew by 59% YoY.

The volume growth was faster than the growth seen in the number of customers, driven by the average volume per customer. This was significantly lower in the first quarter of FY21 due to the impact of the COVID-19 pandemic on customer demand for international payments, but quickly rebounded in the second quarter of FY21. Furthermore, businesses typically send larger volumes compared to personal customers, and, as they represent a growing proportion of the total number of customers, the average volume per customer for Wise is gradually increasing, reaching £10,300 in FY22, a 13% increase over the prior year.

This volume growth has been partially hindered by changing FX rates causing a headwind. On a fixed FX basis, we saw VPCs grow 18% (vs 13% using floating rates) and therefore overall volume grew at 46% on a fixed FX basis (vs 40% using floating rates).

The volume growth has driven our revenue growth, which is a function of the volume our customers move and also of the prices we charge our customers. In FY22 we generated £559.9 million of revenue, a 33% increase versus £421.0 million in FY21. Revenue from personal customers grew 27% YoY and revenue from business customers grew 59% YoY.

We managed to reduce our cross-currency take rate by 7bps to 0.63% in FY22 as compared to 0.70% in the prior year. This was primarily driven by reductions in price that were enabled by reduced unit costs that we passed on to our customers. Specifically, this is enabled by lower foreign exchange losses and reduced spread costs thanks to better risk management and more favourable terms with our banking partners. With price reductions being funded in this way we are able to grow the business and strengthen our market position while generating a healthy level of gross profit to reinvest into our future.

Cross border payments and conversions make up the majority of our revenue. But as we serve customers more broadly, we've seen that our revenue from other products has been growing faster. We earn fees when customers move money in their local currencies, spend on their Wise debit card, and hold their money in our Assets product. Because of this the total take rate decreased by only 4bps to 0.73% in FY22 compared to 0.77% in the prior year, as the contribution to take-rate from other revenues grew from 0.07% in FY21 to 0.10% in FY22.

Whilst we dropped prices, we still generated £371.9 million of gross profit, a 43% increase on £260.5 million last year and equivalent to a 66% gross margin (FY21: 62%), thanks to the savings in our marginal unit costs mentioned above. This growth in gross profit, which is in line with our growth in volume, demonstrates that reductions in price can be made whilst sustaining our ability to invest.

Administrative costs increased 48% to £321.4 million, primarily due to an increase in employee costs, outsourced services, marketing and other administrative expenses.

Employee costs increased 31% to £184.8 million as we continued to build our teams to support growth. We increased the number of Wisers by c.950 to almost 3,400.

Consultancy and outsourced services increased by 55% to £42.3 million and other administrative expenses were almost four times higher at £22.9 million. This increase includes the one-off listing costs plus an increase in

consultancy services related to stricter compliance standards. The return of travel and office-based working has also driven an increase in related expenses.

Marketing costs increased 30% to £28.2 million as we have used additional targeted ways to drive customer growth, beyond our primary 'word-of-mouth' approach. We continue to operate a disciplined approach to return on investment for marketing.

Capitalisation of intangible assets in FY22 reduced versus the prior year by 76% to £4.7 million (vs £19.5M in FY21). This previously announced change does not impact our cash flows and we continue to expand and invest in our engineering team.

Our Adjusted EBITDA margin was 22% for the year (FY21: 26%) which corresponds to £121.4 million of Adjusted EBITDA (FY21: £108.7 million) and a 12% increase over the prior year reflecting our commitment to investment in future growth whilst maintaining sustainability.

Our profit before tax was £43.9 million in FY22 compared to £41.1 million in FY21 reflecting a 7% increase.

As at 31 March 2022, we held £7.2 billion of cash and highly liquid investment grade assets, up 76% from £4.1 billion held at the end of FY21. Specifically, this includes £6.8 billion of customer deposits (£3.7 billion at the end of FY2021).

This amount also includes £357.8 million of our "own cash" (£286.1 million at the end of FY21). We are seeing this cash balance increasing thanks to the cash generating qualities of the business we've built. Our FCF conversion remains high at 93.3% (% of Adjusted EBITDA) for the year.

We are well capitalised for the future and as at 31 March 2022, our group eligible capital of £242.5 million was significantly above our capital requirements.

## ***Outlook***

We are very much focused on the future. In the medium term, we continue to expect to deliver revenue growth above 20% (CAGR), and an adjusted EBITDA margin at or above 20% as we continue to invest sustainably.

For FY23, we expect revenue to grow by between 30% to 35% thanks to a continuation of some positive trends from FY22 carrying through to the beginning of the financial year.

We're growing fast at scale, and profitable. And our growth continues to be fueled today and tomorrow by the products we've been investing in over the past years, supported by the ability to grow our investments in marketing and underpinned by building products and features that customers love and continue to recommend. We're seeing faster growth from customers adopting more features, which helps to drive their activity, engagement and volumes they trust us with.

Last year was notable for our listing, but the work we do to continue to build our business cannot and will not stop. We have, as to be expected, work to do to continue to develop our controls, processes and operations so that we can move money around the world instantly, for everyone.

Our focus on our mission will not change as we continue to grow and scale, and neither will our focus on building a strong, sustainable and cash-generating business that is best placed to address the evolving needs of our customers. I'm therefore happy to keep saying that we've just got started, and that we have a long way to go. But it is working. Onwards.

# Consolidated statement of profit or loss and other comprehensive income (unaudited)

## For the year ended 31 March 2022

	Note	2022 £m	2021 £m
<b>Revenue</b>	6	<b>559.9</b>	<b>421.0</b>
Cost of sales	7	(185.8)	(151.7)
Net credit losses on financial assets	7	(2.2)	(8.8)
<b>Gross profit</b>		<b>371.9</b>	<b>260.5</b>
Administrative expenses	7	(321.4)	(217.5)
Interest income from investments and operating assets		3.9	1.9
Interest expense from operating assets		(6.7)	(3.8)
Other operating income		5.8	3.8
Other operating expenses		(4.8)	–
<b>Operating profit</b>		<b>48.7</b>	<b>44.9</b>
Finance expense		(4.8)	(3.8)
<b>Profit before tax</b>		<b>43.9</b>	<b>41.1</b>
Income tax expense	9	(11.0)	(10.2)
<b>Profit for the year</b>		<b>32.9</b>	<b>30.9</b>
Other comprehensive (loss)/income Items that may be reclassified to profit or loss:			
Fair value loss on investments, net		(17.2)	(3.0)
Currency translation differences		2.7	(3.8)
<b>Total other comprehensive loss</b>		<b>(14.5)</b>	<b>(6.8)</b>
<b>Total comprehensive income for the year</b>		<b>18.4</b>	<b>24.1</b>
<b>Earnings per share*</b>			
Basic, in pence	10	3.40	3.31
Diluted, in pence	10	3.18	3.04

\* See note 10 for further information on the weighted average number of shares included in the calculation of the comparable earnings per share.

All results are derived from continuing operations.



## Consolidated statement of financial position (unaudited)

As at 31 March 2022

	Note	2022 £m	2021 *Represented £m
<b>Non-current assets</b>			
Deferred tax assets	9	113.6	56.7
Property, plant and equipment	11	22.6	24.0
Intangible assets	12	20.3	27.5
Trade and other receivables	13	14.3	15.1
<b>Total non-current assets</b>		<b>170.8</b>	<b>123.3</b>
<b>Current assets</b>			
Current tax assets		7.3	1.1
Trade and other receivables	13	137.6	81.3
Short-term financial investments	14	1,192.4	737.5
Cash and cash equivalents	15	6,056.3	3,358.6
<b>Total current assets</b>		<b>7,393.6</b>	<b>4,178.5</b>
<b>Total assets</b>		<b>7,564.4</b>	<b>4,301.8</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	15.7	22.6
Provisions		2.2	–
Deferred tax liabilities	9	0.5	2.0
Borrowings	17	90.2	95.2
<b>Total non-current liabilities</b>		<b>108.6</b>	<b>119.8</b>
<b>Current liabilities</b>			
Trade and other payables	16	7,034.2	3,888.6
Provisions		1.6	2.6
Current tax liabilities		5.3	2.0
Borrowings	17	5.5	3.5
<b>Total current liabilities</b>		<b>7,046.6</b>	<b>3,896.7</b>
<b>Total liabilities</b>		<b>7,155.2</b>	<b>4,016.5</b>
<b>Equity</b>			
Share capital	18	10.2	9.4
Equity merger reserve	19	(8.0)	(8.0)
Share-based payment reserves		200.5	124.5
Own shares reserve		(0.4)	–
Other reserves		(17.8)	(0.7)
Currency translation reserve		0.2	(2.5)
Retained earnings		224.5	162.6
<b>Total equity</b>		<b>409.2</b>	<b>285.3</b>
<b>Total liabilities and equity</b>		<b>7,564.4</b>	<b>4,301.8</b>

\* Comparative balances have been represented to show the impact of reorganisation (refer to note 1.1) and to present the current provisions separately from the trade and other payables (refer to note 16).

## Consolidated statement of changes in equity (unaudited)

### For the year ended 31 March 2022

	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
<b>At 1 April 2020</b>		<b>9.4</b>	<b>111.1</b>	<b>63.8</b>	<b>–</b>	<b>2.3</b>	<b>1.3</b>	<b>8.9</b>	<b>196.8</b>
Profit for the year		–	–	–	–	–	–	30.9	30.9
Fair value loss on investments		–	–	–	–	(3.0)	–	–	(3.0)
Currency translation differences		–	–	–	–	–	(3.8)	–	(3.8)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(3.0)</b>	<b>(3.8)</b>	<b>30.9</b>	<b>24.1</b>
Share-based employee compensation expense		–	–	36.9	–	–	–	–	36.9
Deferred tax on share-based compensation		–	–	26.6	–	–	–	–	26.6
Issue of share capital		–	0.9	(2.8)	–	–	–	2.8	0.9
Reduction of share capital		–	(120.0)	–	–	–	–	120.0	0.0
<b>At 31 March 2021</b>		<b>9.4</b>	<b>(8.0)</b>	<b>124.5</b>	<b>–</b>	<b>(0.7)</b>	<b>(2.5)</b>	<b>162.6</b>	<b>285.3</b>
Profit for the year		–	–	–	–	–	–	<b>32.9</b>	<b>32.9</b>
Fair value loss on investments, net	19	–	–	–	–	(17.2)	–	–	(17.2)
Currency translation differences		–	–	–	–	–	<b>2.7</b>	–	<b>2.7</b>
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(17.2)</b>	<b>2.7</b>	<b>32.9</b>	<b>18.4</b>
Issue of share capital	18	<b>0.8</b>	–	–	(0.8)	–	–	–	–
Share-based compensation expense	20	–	–	<b>42.5</b>	–	–	–	<b>1.0</b>	<b>43.5</b>
Tax on share-based compensation	9	–	–	<b>58.7</b>	–	–	–	–	<b>58.7</b>
Employee share schemes	20	–	–	(25.2)	<b>0.4</b>	–	–	<b>28.1</b>	<b>3.3</b>
Redemption of preference shares		–	–	–	–	<b>0.1</b>	–	(0.1)	–
<b>At 31 March 2022</b>		<b>10.2</b>	<b>(8.0)</b>	<b>200.5</b>	<b>(0.4)</b>	<b>(17.8)</b>	<b>0.2</b>	<b>224.5</b>	<b>409.2</b>

\*The share capital presented reflects the share capital structure of Wise plc as if it had been the ultimate parent of the Group as of the comparative date. See note 18 for further details.

## Consolidated statement of cash flows (unaudited)

For the year ended 31 March 2022

	Note	2022 £m	2021 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	3,134.1	2,076.3
Interest received		21.1	7.6
Interest expense paid		(10.7)	(6.0)
Corporate income tax paid		(6.5)	(4.0)
<b>Net cash generated from operating activities</b>		<b>3,138.0</b>	<b>2,073.9</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4.6)	(2.3)
Payments for intangible assets		(7.3)	(20.9)
Payments for financial assets at FVOCI		(868.4)	(723.9)
Proceeds from sale and maturity of financial assets at FVOCI		389.8	75.3
Proceeds from sublease		0.1	0.0
<b>Net cash used in investing activities</b>		<b>(490.4)</b>	<b>(671.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity		3.4	0.9
Proceeds from borrowings	17	43.0	118.6
Repayments of borrowings	17	(43.0)	(90.0)
Principal elements of lease payments	17	(3.8)	(3.9)
Interest paid on leases	17	(0.9)	(0.8)
<b>Net cash (used in)/generated from financing activities</b>		<b>(1.3)</b>	<b>24.8</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,646.3</b>	<b>1,426.9</b>
<b>Cash and cash equivalents at beginning of the year</b>	15	<b>3,358.6</b>	<b>2,077.6</b>
Effects of exchange rate changes on cash and cash equivalents		51.4	(145.9)
<b>Cash and cash equivalents at end of the year</b>	15	<b>6,056.3</b>	<b>3,358.6</b>

# Notes to the Group consolidated financial statements

## For the year ended 31 March 2022

### 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 the United Kingdom. The Company was incorporated under the Companies Act 2006 on 18 February 2021 under the name “456 Newco plc” and changed its name to Wise plc on 17 June 2021. 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.

The Company became the parent company of the former Transferwise Limited group on 22 June 2021 as a consequence of the pre-listing reorganisation (see below). The parent of the group for the comparative period was Wise Payments Ltd (formerly Transferwise Ltd).

#### Group reorganisation and listing

The Class A Shares of the Company were admitted to trading on the London Stock Exchange on 7 July 2021. In relation to the listing of the Company on the London Stock Exchange on 7 July 2021, the following steps were completed on 22 June 2021:

- the existing preferred and Ordinary Shares in Wise Payments Ltd were re-designated as A Ordinary Shares and a share split was undertaken;
- the existing shareholders of Wise Payments Ltd were offered the opportunity to elect to receive the B Shares, in addition to their A Shares, to create a dual-class share structure comprising A Shares and B Shares. Such B Shares were issued by way of bonus issue to such electing, existing shareholders;
- the existing shareholders in Wise Payments Ltd entered into a share for share exchange with Wise plc, pursuant to which Wise plc acquired the entire issued share capital of Wise Payments Ltd in exchange for the issue of matching Class A Shares, Class B Shares and a non-voting redeemable preference share in Wise plc to the existing shareholders (and any unexercised options and unvested awards over shares in Wise Payments Ltd were exchanged for options over Class A Shares in Wise plc).

As a result of the reorganisation, Wise Payments Ltd transferred its share-based payment obligations to Wise plc, who will be responsible for the settlement of the share-based payment awards. At the same time the Company became the ultimate parent company of the entities comprising, at that point in time, the Group. This transfer did not impact the post-reorganisation consolidated results of the Group.

#### 1.2 Basis of preparation

The financial information set out in this document is unaudited and does not constitute statutory accounts for the Group for the year ended 31 March 2022, but is extracted from the 2022 Annual Report. The Annual Report for 2022 will be delivered to the Registrar of Companies in due course.

Statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies. The report of the auditor on those accounts (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

This is the first year of consolidated financial statements being prepared under Wise plc.

The consolidated financial statements of the Group have been prepared in accordance with the UK adopted international accounting standards in conformity with the applicable legal requirements of the Companies Act 2006.

The Group reorganisation undertaken on 22 June 2021, as disclosed in note 1.1, does not constitute a business combination under IFRS 3 Business Combinations. Therefore it was accounted for as a capital reorganisation. The set of consolidated financial statements included in this Annual Report have been prepared as a continuation of the consolidated financial statements of Wise Payments Ltd. As such, the comparative equity of the Group is adjusted to reflect the statutory share capital, equity merger reserve and own share reserve of the Company as if it had always been the ultimate parent of the Group, using the retrospective presentation method.

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, except for certain financial assets measured at fair value.

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 in which future costs are substantially higher than the forecast and future trading is less than forecasted. Management expects that sufficient liquidity and regulatory capital requirement headroom is 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.

### **1.3 Basis of consolidation**

The financial statements comprise the consolidated financial statements of Wise plc and its subsidiaries as at 31 March 2022.

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 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 – Covid-19 Related Rent Concessions beyond 30 June 2021

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 2021 that would be expected to have a material impact on the Group.

#### **New standards, amendments and interpretations not yet adopted**

The following amendments are effective for annual periods beginning on or after 1 January 2022. These amendments have not been early adopted by the Group. None of the amendments are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions:

- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Annual Improvements to IFRS (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- IFRS 17 Insurance Contracts
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendment to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practise 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
- Amendments to IFRS 4 Insurance contract – deferral of IFRS 9
- Annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

## 2.2 Current versus non-current classification

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

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

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

All other assets are classified as non-current.

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

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

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

## 2.3 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 operating 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 as follows:

assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

income and expenses are translated at average monthly exchange rates (unless exchange rates fluctuate significantly during the year, in which case the exchange rates at the transaction date are used), and

all resulting exchange differences are recognised in other comprehensive income.

## 2.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand deposits, Money Market Funds (MMF) and other short-term high quality liquid investments with original maturities of three 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 settle them simultaneously.

Principles to determine the point of delivery are the same as applied in revenue recognition; see note 2.10. Cash that has been paid out but has not yet been delivered to the beneficiary account is reflected as cash in transit to customers.

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

## 2.5 Financial assets

### Investments and other financial assets

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

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

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

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

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

### Recognition and derecognition

Purchases and sales of financial assets are recognised on the settlement date according to market conventions. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. 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 fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets at amortised costs are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

### Impairment

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

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

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

The Group's debt instruments held at FVOCI consisted solely of quoted bonds that are graded in the top investment category Aa2 and better 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 2.19 and 4.2 for further information on trade receivables and expected credit losses.

## 2.6 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. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

## 2.7 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.

## Note 2. Summary of significant accounting policies continued

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Right-of-use assets are depreciated over the lease term (2-7 years). Capitalised reconstruction and internal design costs of leased office space (shown as 'Leased office improvements' in the Notes to the 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 into property, plant and equipment but expensed, as low value short-lived equipment in the Group.

## 2.8 Intangible assets – Internally generated software development costs

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

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

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

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

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

Capitalised development costs, 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.

## 2.9 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.



## 2.10 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, it is at the time the card is made available for use and the customer is able to either make a payment or a withdrawal.

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 variable amount. The amount of both the fixed and the variable portion of the fee depends on a number of factors, including the currency route, the transfer size, the type of transaction being undertaken and the payment method used.

As there is typically a single performance obligation associated with each type of service provided to a customer, the revenue is recognised at the point in time when the performance obligation has been satisfied. For money transfers it is upon delivery of funds to the recipient. In 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

In FY2022 the Group launched a new investment product which allows customers to purchase investments using their Wise Account balance ("Assets"). The Group generates revenue from charging a fee on the value of the assets under management. The revenue, which is accrued on a daily basis, 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. Therefore, the Group does not recognise financial assets and liabilities for the Assets.

## 2.11 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.

## 2.12 Interest income and expense

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

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

## 2.13 Leases

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

## The Group as the lessee

### Initial measurement

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; 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. These are measured at an amount equal to the lease liability they are predominantly related to office space 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 adjusted for any remeasurement of the lease liability.

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

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 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 it 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.

## 2.14 Cost of sales

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

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

## Note 2. Summary of significant accounting policies continued

### 2.15 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 9 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.

### 2.16 Employee benefits

#### Short-term obligations

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

#### Long-term obligation

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

#### Share-based payments

The Company operates a scheme, under which the Group receives services from employees as consideration for equity instruments of the Company. 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. Non-market vesting conditions are included in assumptions of the number of options and awards that are expected to vest.

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

corresponding adjustment to the share-based payment reserves. Upon exercises of share options, the impact is recognised in retained earnings.

Refer to note 3.4 for the significant accounting estimate in relation to employee share-based payments.

### **2.17 Employee share trust**

The Group provides finance to the Employee Share Ownership Plan (ESOP) Trust 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 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.

### **2.18 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 'cross border payment services'. Refer to note 5.

### **2.19 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.

### **2.20 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.

### **2.21 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 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.

### **2.22 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.

### **2.23 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. The recognised specific allowance amount at the year ended 31 March 2022 is £7.4m (2021: £6.7m). This allowance for credit losses is related to all of our funds being improperly withheld by a Brazilian financial institution, MS Bank S.A. Banco de Câmbio and all of the accounts receivable from the same party. The change in the allowance amount within the year relates to FX movements.

### **2.24 Legal provisions and contingent liabilities**

The Group may become party to litigation proceedings from time to time and recognise 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 the 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.

The Group did not recognise any legal provision in relation to ongoing litigations for the year ended 31 March 2022 (2021:nil). In addition, the probability of the outflow of the economic benefit for any ongoing litigations is considered remote, thus the Group does not disclose any contingent liability for the year ended 31 March 2022 (2021:nil).

### **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 Deferred taxes**

Deferred tax judgement is not dependent on assumptions or other key sources of estimation uncertainty, at the end of the reporting period, that could have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next 12 months. However, it does require estimates that are subject to inherent uncertainty.

Deferred tax assets are recognised for unused tax losses, future share option tax deductions and other temporary differences to the extent that it is probable that sufficient taxable profit will be available against which these assets can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. A significant element of the deferred tax asset relates to share-based payments and as referred below, in note 3.4, the share price at the balance sheet date is used in determining the amount of deferred tax asset.

In assessing the probability and sufficiency of future taxable profit, the management takes into account long-term forecasts and whether future profit forecasts are considered 'more likely than not' as supporting evidence for deferred tax asset recognition. The deferred tax asset is recognised at £113.6m (2021: £56.7m).

##### **3.3 Net gains and losses from foreign exchange differences**

The Group classifies net foreign exchange gains and losses from customer transactions, including the costs related to the difference between the published mid-market rate offered to customers and the rate obtained by the Group in acquiring currency as required, as cost of sales. The Group considers these costs as directly related to and incurred as part of providing services to the customers. The total net foreign exchange differences recognised in the cost of sales for the year ended 31 March 2022 is £13.3m (2021: £18.3m).

#### **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.

##### **3.4 Share-based payments**

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate

inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them.

The cost of share options is determined by the fair value at the date when the grant is made using the Black Scholes model. Further details on the assumptions are disclosed in note 20.

If the average share price within the financial year was higher or lower by 5%, the annual share-based payment compensation expense would be higher or lower by up to £1.1m (2021: £0.8m).

Additionally, the Group uses the share price at the balance sheet date in determining the deferred tax asset. Refer to note 9.

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

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

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a £212.0m multi currency revolving facility and does not currently have debt maturing within 12 months.

The breakdowns of trade payables and borrowings into current and non-current are shown in notes 16 and 17. 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 7 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:**

	2022 £m	2021 £m
<b>Asset category</b>		
Cash and cash equivalents	6,056.3	3,358.6
Short-term financial investments	1,192.4	737.5
Trade and other receivables	130.1	76.3
<b>Total assets subject to credit risk</b>	<b>7,378.8</b>	<b>4,172.4</b>

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:**

	2022 £m	2021 £m
<b>Credit rating (Moody's)</b>		
<b>Cash and cash equivalents</b>		
Aa	4,249.5	2,316.9
A	1,519.0	710.6
Baa, Ba, B	62.4	73.3
Caa	0.8	–
No rating *	36.3	99.8
Cash in transit	188.3	158.0
<b>Total cash and cash equivalents subject to credit risk</b>	<b>6,056.3</b>	<b>3,358.60</b>
<b>Short-term financial investments</b>		
Aa	1,192.4	737.5
<b>Total short-term financial instruments subject to credit risk</b>	<b>1,192.4</b>	<b>737.5</b>
<b>Trade and other receivables</b>		
Aa	36.3	14.7
A	26.8	1.0
Baa, Ba, B	20.8	15.4
No rating *	46.2	45.2
<b>Total trade and other receivables subject to credit losses</b>	<b>130.1</b>	<b>76.3</b>

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

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

### 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 17) 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 (2021: £0.1m).

The Group is also exposed to interest rate risk from negative interest rates on safeguarded customer balances. This risk is deemed negligible for the Group, due to its business model, as interest rate costs can be passed onto the customer in due course as well as general macroeconomic trends can result in interest rate increases on deposits.

## 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.

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.

### Note 4. Financial risk and capital management continued

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

	2022 £m	2021 £m
<b>Net exposure by currency</b>		
AUD	17.3	4.7
INR	14.7	13.7
BRL	10.8	3.7
MYR	4.1	0.4
USD	(27.8)	(9.8)
EUR	(10.5)	(21.9)
CAD	(6.9)	(0.9)
IDR	(4.0)	(3.5)
VND	(3.6)	(2.9)
JPY	(3.4)	0.6
Other financial assets	12.9	25.2
Other financial liabilities	(17.7)	(18.2)

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

	2022 £m	2021 £m
<b>Sensitivity to 5% exchange rate change</b>		
AUD	0.9	0.2
INR	0.7	0.7
BRL	0.5	0.2
MYR	0.2	0.0
USD	(1.4)	(0.5)
EUR	(0.5)	(1.1)
CAD	(0.3)	0.0
IDR	(0.2)	(0.2)
VND	(0.2)	(0.1)
JPY	(0.2)	0.0
Other financial assets	0.6	1.3
Other financial liabilities	(0.9)	(0.9)

The Group's sensitivity analysis shows that a 5% strengthening or weakening of the functional currency against the non-functional currency of its subsidiaries would result in the total comprehensive income, excluding tax effect, being £0.7m lower (2021: £0.4m lower). A 5% weakening would have an equal but opposite effect on total comprehensive income for the year, excluding 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 Treasury and capital risk management

Treasury and capital risk mainly comprises:

##### Treasury risk:

The risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.



## Capital risk:

The risk that the Group has an insufficient level 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, 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; and
- adhere to regulatory requirements in each jurisdiction.

Since 1 January 2022 the Group is subject to prudential regulatory consolidation which is subject to prudential sourcebook for MIFID Investment Firms ("MIFIDPRU"). This is the case due to the existence of TINV Ltd, a group UK FCA-regulated investment firm subject to the same rules.

Up to 31 December 2021, the Group followed prudential consolidation subject to Capital Requirements Directive IV ("CRD IV") which set out the framework for UK Capital Requirements Regulation ("CRR") and the FCA Prudential sourcebook for investment firms ("IFPRU").

Both TINV Ltd (MIFID Investment Firm) and the Group (MIFID Investment Group) are classified as Non-small and Non-interconnected investment firms ("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's Internal Capital Adequacy Assessment ("ICARA") is a continuous risk assessment process which considers the business model implication on capital on an on-going basis pursuant to the guidance of MIFIDPRU 7 (similar to the Pillar 2 ICAAP process that was followed by the Group under CRR).

## 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:

	2022 £m	2021 £m
<b>Financial assets at amortised cost</b>		
Long-term receivables	0.9	1.0
Short-term trade and other receivables	129.2	76.3
Cash and cash equivalents	6,056.3	3,358.6
<b>Total financial assets at amortised cost</b>	<b>6,186.4</b>	<b>3,435.9</b>
<b>Financial liabilities at amortised cost</b>		
Non-current lease liabilities	(11.7)	(16.6)
Non-current borrowings	(78.5)	(78.6)
Non-current trade and other payables	(0.1)	
Current lease liabilities	(5.5)	(3.5)

Current trade and other payables	<b>(6,997.7)</b>	(3,859.3)
<b>Total financial liabilities at amortised cost</b>	<b>(7,093.5)</b>	(3,958.0)
<b>Financial assets at FVOCI</b>		
Short-term financial investments	<b>1,192.4</b>	737.5
<b>Total financial assets at FVOCI</b>	<b>1,192.4</b>	737.5

### 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 2022 and 31 March 2021 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

## Note 4. Financial risk and capital management continued

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:

	<b>2022</b>	2021
	<b>£m</b>	£m
<b>Measurement Level 1</b>		
<b>Financial assets</b>		
Short-term financial investments	<b>1,192.4</b>	737.5
<b>Level 1 financial assets total</b>	<b>1,192.4</b>	737.5

### 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 £11.9m (2021: £7.4m) 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 period, the Group had no financial instruments in level 2 and 3 consistent with prior year.

## Contractual maturity of financial liabilities based on undiscounted cash flows:

	2022 £m	2021 £m
<b>Less than 1 year</b>		
Current lease liabilities	(6.1)	(4.4)
Current borrowings	(3.3)	(2.4)
Current trade and other payables	(6,997.7)	(3,859.3)
<b>Total financial liabilities</b>	<b>(7,007.1)</b>	<b>(3,866.1)</b>
<b>Between 1 and 5 years</b>		
Non-current lease liabilities	(12.4)	(18.3)
Non-current borrowings	(83.3)	(84.8)
Non-current trade and other payables	(0.1)	–
<b>Total financial liabilities</b>	<b>(95.8)</b>	<b>(103.1)</b>

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

The Group's revenue, assets and liabilities for this one reportable segment can be determined by reference to the statement of comprehensive income and 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 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 asset, the following geographical breakdown on non-current assets is prepared:

	2022 £m	2021 £m
<b>Non-current assets by geographical region</b>		
United Kingdom	146.5	99.4
Rest of the world	24.3	23.9
<b>Total non-current assets</b>	<b>170.8</b>	<b>123.3</b>

## Note 6. Revenue

	Year ended 31 March	
	2022 £m	2021 £m
<b>Revenue by customer type</b>		
Personal	433.2	341.3
Business	126.7	79.7
<b>Total revenue</b>	<b>559.9</b>	<b>421.0</b>

### Disaggregation of revenues

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

	Year ended 31 March	
	2022	2021
	£m	£m
<b>Revenue by geographical regions</b>		
Europe (excluding UK)	185.7	136.3
United Kingdom	124.3	95.8
North America	117.0	89.8
Asia-Pacific	101.3	72.4
Rest of the world	31.6	26.7
<b>Total revenue</b>	<b>559.9</b>	<b>421.0</b>

Comparative figures for the North America and Asia-Pacific regions have been represented, as in the 2021 Annual Report and Accounts, a portion of revenue (£16.8m) for North America was presented as Asia-Pacific revenues and vice versa. This did not impact the total revenue or the split for any other geographical regions.

No individual customer contributed more than 10% to the total revenue in 2022 and 2021.

## Note 7. Cost of sales and administrative expenses

### Breakdown of expenses by nature:

	Year ended 31 March	
	2022	2021
	£m	£m
<b>Cost of sales</b>		
Bank and partner fees	146.4	117.8
Net foreign exchange loss and other product costs	39.4	33.9
<b>Total cost of sales</b>	<b>185.8</b>	<b>151.7</b>
<b>Net credit losses on financial assets</b>		
Amounts charged to credit losses on financial assets	2.2	8.8
<b>Total net credit losses</b>	<b>2.2</b>	<b>8.8</b>

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	
	2022	2021
	£m	£m
<b>Administrative expenses</b>		
Employee benefit expenses	184.8	141.6
Marketing	28.2	21.7
Technology and development	25.0	19.9
Consultancy and outsourced services	42.3	27.3
Other administrative expenses	22.9	4.8
Depreciation and amortisation	22.9	21.7
Less: Capitalisation of staff costs	(4.7)	(19.5)
<b>Total administrative expenses</b>	<b>321.4</b>	<b>217.5</b>

Refer to note 8 for details on employee benefit expenses.

## Note 7. Cost of sales and administrative expenses continued

Administrative expenses include £7.6m of exceptional items (2021: £4.0m) in relation to the one-off costs associated with the Group's direct listing on the London Stock Exchange on 7 July 2021. These exceptional items were reported as follows: £4.9m in Consultancy and outsourced services (2021: £3.9m), £0.2m in Marketing (2021: £0.1m) and £2.5m in Other administrative expenses (2021: nil). FY2022 exceptional items are net of £3.9m contribution received from the shareholders at the time of the listing (2021: nil).

These costs were treated as non-tax deductible in FY2022 and the corresponding impact in tax has resulted in an increase in expenses not deductible for tax purposes, as per note 9.

The cash flow in the year, associated with exceptional items, was £10.3m (FY2021: £1.3m).

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

	Year ended 31 March	
	2022 £m	2021 £m
<b>Audit fees</b>		
Fees payable to the Company's auditors and its associates for the audit of Company and consolidated financial statements	1.7	0.9
Audit of the financial statements of the Company's subsidiaries	0.8	0.2
<b>Total audit fees</b>	<b>2.5</b>	<b>1.1</b>
<b>Non-audit fees</b>		
Other services	0.5	1.3
<b>Total non-audit fees</b>	<b>0.5</b>	<b>1.3</b>

Other services include assurance fees, other regulatory and reporting services associated with the listing.

## Note 8. Employee benefit expenses

	Year ended 31 March	
	2022 £m	2021 £m
Salaries and wages	117.6	86.4
Share-based payment compensation expense	42.2	38.1
Social security costs	17.8	14.0
Pension costs	3.6	1.9
Other employment taxes and insurance cost	3.6	1.2
<b>Total employee benefit expense</b>	<b>184.8</b>	<b>141.6</b>

Refer to note 20 for details on share options granted to employees.

The monthly average number of employees during the year ended 31 March 2022 was 2,919 (2021: 2,243 employees). Remuneration of key management personnel is disclosed in note 23.

## Note 9. Tax

### Tax expense:

	Year ended 31 March	
	2022 £m	2021 £m
<b>Current income tax for the year</b>		
UK corporation tax	15.4	6.2
Foreign corporation tax	6.6	4.9
Adjustment in respect of prior years	(0.8)	(1.3)
<b>Total current tax expense for the year</b>	<b>21.2</b>	<b>9.8</b>
Deferred income tax for the year		
(Increase)/Decrease in deferred tax	(10.5)	1.3
Adjustment in respect of prior years	0.3	(0.9)
<b>Total deferred tax (credit)/expense for the year</b>	<b>(10.2)</b>	<b>0.4</b>

<b>Total tax expense for the year</b>	<b>11.0</b>	10.2
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**Factors affecting tax expense for the year:**

	Year ended 31 March	
	2022 £m	2021 £m
Profit before taxation	43.9	41.1
Profit multiplied by the UK tax rate of 19% (2021: 19%)	8.3	7.8
Adjustments in respect of prior periods	(0.5)	(2.2)
Effect of expenses not deductible	2.4	0.5
Movement in tax provisions	1.2	2.8
Employee option plan	1.8	0.5
Difference in overseas tax rates	2.2	1.0
Change in rate of recognition of deferred tax	(4.4)	–
Other adjustments	–	(0.2)
<b>Total tax expense for the year</b>	<b>11.0</b>	<b>10.2</b>

The Group's effective tax rate (ETR) before other comprehensive income (OCI) is a 25% charge (2021: 25% charge).

This equates to the applicable UK tax rate of 19%, adjusted for a number of factors such as disallowable listing costs, UK tax rate change, employee option plans and higher overseas tax rates.

On 24 May 2021, an increase in the UK corporation tax rate from 19% to 25% applicable from 1 April 2023 was substantively enacted. Therefore, the UK deferred tax assets and liabilities, which are expected to unwind after 1 April 2023, have been re-measured in the current reporting period based on the increased UK corporation tax rate and reflected in the statement of profit and loss and equity.

**Amounts recognised in other comprehensive income:**

	2022 £m	2021 £m
<b>Deferred tax</b>		
Recognition of deferred tax asset on listed bonds	5.4	–
<b>Total amounts recognised in other comprehensive income</b>	<b>5.4</b>	<b>–</b>

**Amounts recognised directly in equity:**

	2022 £m	2021 £m
<b>Current tax</b>		
Deduction for exercised options	16.0	3.1
<b>Deferred tax</b>		
Recognition of deferred tax asset on share-based payments	42.7	23.5
<b>Total amounts recognised directly in equity</b>	<b>58.7</b>	<b>26.6</b>

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 £4.95. Comparative figures have been updated to present more appropriately the equity movements between current tax: deduction for exercised options and deferred tax: recognition of deferred tax asset on share-based payments for the year ended 31 March 2021.

## Deferred tax assets and liabilities

### Movements during the year

#### 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
<b>Closing deferred tax asset</b>	<b>54.7</b>	<b>10.2</b>	<b>48.1</b>	<b>0.1</b>	<b>113.1</b>

#### Represented by:

Deferred tax assets	113.6
Deferred tax liabilities	(0.5)
<b>Total</b>	<b>113.1</b>

#### Year ended 31 March 2021

	1 April 2020 £m	Recognised in income £m	Recognised in equity/OCI £m	FX £m	31 March 2021 £m
Property, plant and equipment	(0.2)	0.4	–	–	0.2
Share-based payments	28.9	6.1	20.3	(0.3)	55.0
Intangibles	(1.3)	(1.4)	–	–	(2.7)
Provisions	1.0	0.9	–	–	1.9
Tax losses	4.8	(5.6)	3.2	–	2.4
Other	(1.2)	(0.8)	–	–	(2.0)
<b>Closing deferred tax asset</b>	<b>32.0</b>	<b>(0.4)</b>	<b>23.5</b>	<b>(0.3)</b>	<b>54.7</b>

#### Represented by:

Deferred tax assets	56.7
Deferred tax liabilities	(2.0)
<b>Total</b>	<b>54.7</b>

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 current year tax losses have arisen due to post-listing share option exercises.

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 has derived their forecasts from the approved group forecast used for the viability statements and going concern analysis. There is no time limit for utilisation of UK tax losses and the US losses can be carried forward for 20 years. Therefore, losses in the US generated in the current financial year will only expire at the end of FY2042. 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 (2021: £nil) and the asset has been recognised in full as at 31 March 2022.

## Note 10. Earnings per share

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

	2022	2021 *
Profit for the year (£m)	32.9	30.9
Weighted average number of Ordinary Shares for basic EPS (in millions of shares)	967.2	934.0
Plus the effect of dilution from Share options (in millions of shares)	66.8	83.6
Weighted average number of Ordinary Shares adjusted for the effect of dilution (in millions of shares)	1034.0	1,017.6
Basic EPS, in pence	3.40	3.31
Diluted EPS, in pence	3.18	3.04

\*For comparability and consistent presentation, the weighted average number of Ordinary Shares and share options for 2021 were determined on the same basis as the 2022 figures, i.e. as if all shares (common and preference) were redesignated into a single class of A Ordinary Shares, then each Class A shares split into 26 Class A Shares. Refer to note 18 for further details.

## Note 11. Property, plant and equipment

	Right-of-use assets £m	Leased office improvements £m	Office equipment £m	Assets under construction £m	Total £m
<b>At 31 March 2020</b>					
Cost	17.5	6.5	4.6	0.1	28.7
Accumulated depreciation	(4.0)	(3.4)	(2.2)	–	(9.6)
<b>Net book value</b>	13.5	3.1	2.4	0.1	19.1
Additions	10.2	1.7	0.5	0.4	12.8
Reclassifications	–	–	0.1	(0.1)	–
Depreciation charge	(4.4)	(1.8)	(0.8)	–	(7.0)
Foreign currency translation differences	(0.6)	(0.1)	(0.2)	–	(0.9)
<b>As at 31 March 2021</b>					
Cost	26.4	7.5	4.0	0.4	38.3
Accumulated depreciation	(7.7)	(4.6)	(2.0)	–	(14.3)
<b>Net book value</b>	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
<b>At 31 March 2022</b>					
Cost	25.8	10.5	4.9	0.2	41.4
Accumulated depreciation	(11.6)	(4.8)	(2.4)	–	(18.8)
<b>Net book value</b>	<b>14.2</b>	<b>5.7</b>	<b>2.5</b>	<b>0.2</b>	<b>22.6</b>



## Note 12. Intangible assets

	Software £m	Other intangible assets £m	Total £m
<b>At 31 March 2020</b>			
Cost	45.6	–	45.6
Accumulated amortisation	(24.3)	–	(24.3)
<b>Net book value</b>	<b>21.3</b>	<b>–</b>	<b>21.3</b>
Additions	19.3	1.6	20.9
Amortisation charge	(14.5)	(0.2)	(14.7)
<b>As at 31 March 2021</b>			
Cost	45.8	1.6	47.4
Accumulated amortisation	(19.7)	(0.2)	(19.9)
<b>Net book value</b>	<b>26.1</b>	<b>1.4</b>	<b>27.5</b>
Additions	4.7	3.3	8.0
Amortisation charge	(14.8)	(0.4)	(15.2)
Currency translation differences	–	0.1	0.1
<b>At 31 March 2022</b>			
Cost	39.0	4.9	43.9
Accumulated amortisation	(23.0)	(0.6)	(23.6)
<b>Net book value</b>	<b>16.0</b>	<b>4.3</b>	<b>20.3</b>

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

The Group's total product engineering costs for the year ended 31 March 2022 are £64.5m (2021: £49.8m), including £4.7m that was capitalised as Software intangible (2021: 19.5m). These costs directly relate to the development of the Group's product offerings and primarily comprise employee costs of the engineering and product teams.

## Note 13. Trade and other receivables

	2022 £m	2021 £m
<b>Non-current trade and other receivables</b>		
Office lease deposits	0.7	1.0
Other non-current receivables	13.6	14.1
<b>Total non-current trade and other receivables</b>	<b>14.3</b>	<b>15.1</b>
<b>Current trade and other receivables</b>		
Receivables from payment processors	69.5	44.3
Collateral deposits	33.6	26.0
Prepayments	8.3	6.0
Other receivables *	26.2	5.0
<b>Total current trade and other receivables</b>	<b>137.6</b>	<b>81.3</b>

\*Net of expected credit loss provision of £19.8m as at 31 March 2022 (2021: £14.2m). The movement in the year is predominantly related to increased activity and the related increase in customer balances, which resulted in the increase of customers' balances older than 60 days. Customer chargebacks increased by £1.5m to £2.9m at 31 March 2022 (31 March 2021: £1.4m) and overdrawn accounts increased by £3.4m to £9.5m (31 March 2021: £6.1m). The remaining £0.7m is attributable to exchange rate movements in the specific provision booked in FY2021 for the receivables with MS Bank S.A. Banco de Câmbio. The recognised specific provision amount at the year ended 31 March 2022 is £7.4m (2021: £6.7m).

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 14. 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:

	2022 £m	2021 £m
<b>Short-term financial investments – level 1</b>		
Listed bonds	1,192.4	737.5
<b>Total short-term financial investments</b>	<b>1,192.4</b>	<b>737.5</b>

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

	2022 £m	2021 £m
<b>Debt investments at FVOCI</b>		
Fair value losses recognised in other comprehensive income	(22.6)	(3.0)
Recognition of deferred tax asset on listed bonds	5.4	–
<b>Total fair value losses in other comprehensive income</b>	<b>(17.2)</b>	<b>(3.0)</b>

During the year, the Group sold £147.3m of financial assets at FVOCI before maturity. The net loss of £4.8m on disposal of the listed bond was transferred from the fair value reserves in equity to the consolidated income statement in other operating expenses.

#### Note 15. Cash and cash equivalents

	2022 £m	2021 £m
<b>Cash and cash equivalents</b>		
Cash at bank, in hand and in transit between Group bank accounts	5,618.8	3,018.0
Cash in transit to customers*	154.6	108.6
Investment into money market funds	282.9	232.0
<b>Total cash and cash equivalents</b>	<b>6,056.3</b>	<b>3,358.6</b>

\*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 £6,056.3m (2021: £3,358.6m) cash and cash equivalents at the period end, £357.8m (2021: £286.1m) is considered corporate cash balance, not related to customer funds, which is held on Wise Accounts or collected from customers as part of the money transfer settlement process. Refer to note 21 for further details.

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 2022, in addition to other highly liquid assets, such as money market funds and investment grade bonds, the Group held £4,930.2m (2021: £2,472.9m) of cash at bank in segregated, safeguarded bank accounts to secure customer deposits.

## Note 16. Trade and other payables

	2022 £m	2021 £m
<b>Non-current trade and other payables</b>		
Non-current accruals and provisions	15.7	22.6
<b>Total non-current trade and other payables</b>	<b>15.7</b>	<b>22.6</b>

### Current trade and other payables

Outstanding money transmission liabilities*	170.6	141.2
Wise Accounts	6,783.2	3,712.7
Accounts payable	10.4	3.1
Accrued expenses**	26.5	20.5
Deferred revenue	5.6	3.2
Other payables	37.9	7.9
<b>Total current trade and other payables</b>	<b>7,034.2</b>	<b>3,888.6</b>

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

\*\* In the comparative year, within accrued expenses were included £2.6m of other provisions that are now presented separately in the Consolidated statement of financial position.

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 17. Borrowings

	2022 £m	2021 £m
<b>Current</b>		
Lease liabilities	5.5	3.5
<b>Total current borrowings</b>	<b>5.5</b>	<b>3.5</b>
<b>Non-current</b>		
Revolving credit facility	78.5	78.6
Lease liabilities	11.7	16.6
<b>Total non-current borrowings</b>	<b>90.2</b>	<b>95.2</b>
<b>Total borrowings</b>	<b>95.7</b>	<b>98.7</b>

## Debt movement reconciliation:

	Revolving credit facility £m	Lease liabilities £m	Total £m
<b>As at 31 March 2020</b>	49.2	14.6	63.8
Cash flows:			
Proceeds	118.6	–	118.6
Repayments	(90.0)	(3.9)	(93.9)
Interest expense paid	(2.2)	(0.8)	(3.0)
Non-cash flows:			
New leases		10.2	10.2
Interest expense	3.0	0.8	3.8
Foreign currency translation differences	–	(0.8)	(0.8)
<b>As at 31 March 2021</b>	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)
<b>As at 31 March 2022</b>	<b>78.5</b>	<b>17.2</b>	<b>95.7</b>

The interest expense accrued is recognised within the finance expense in the Consolidated statement of profit and loss.

### Revolving credit facility (RCF)

In the year 31 March 2021, the Group entered into a Multi Currency Debt facility for £160.0m with Silicon Valley Bank, Citibank N.A., JP Morgan Chase Bank N.A. and National Westminster Bank plc with maturity date in March 2024. In August 2021, the Group exercised an accordion with Barclays Bank plc, Goldman Sachs Lending Partners LLC and Morgan Stanley Senior Funding Inc to increase the debt facility by an additional £52m.

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) is not less than a ratio of 4:1 in respect of any relevant period.

The undrawn amount of the facility as at 31 March 2022 was £132.0m (2021: £80.0m). During the year ended 31 March 2022, the effective interest rate on the relevant facility was between 2.8% and 3.7% (2021: 2.8-3.6%).

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 2022, the lease liabilities are £17.2m (2021: £20.1m) and relate to the expected terms remaining on UK, US, Estonia, Hungary and Singapore office space leases discounted at between 2.51% and 5.18%. The leases expire between 2023-2025.

The Group has extension options in a number of leases for office space, which have not been exercised as at 31 March 2022. The potential future lease payments, should the Group exercise the extension options, would result in an increase in the lease liability of £3.5m.

The Group has a termination option in an office lease, which has not been exercised as at 31 March 2022. The potential future lease payments, should the Group exercise the termination option, would result in a decrease in the lease liability of £0.9m.

## Note 18. Share capital

Class	As at 31 March 2022			As at 31 March 2021					
	Wise plc			Wise plc			Wise Payments Ltd		
	Nominal value, £	Number of shares	Share capital, £	Nominal value, £ *	Number of shares *	Share capital, £ *	Nominal value, £	Number of shares	Share capital, £
Class A Shares	0.01	1,024,589,856	10,245,899	–	–	–	–	–	–
Class B Shares	0.000 000 001	398,889,814	0.40	–	–	–	–	–	–
Ordinary	–	–	–	0.01	433,918,706	4,339,187	0.000 01	16,689,181	166
Seed preferred	–	–	–	0.01	130,364,000	1,303,640	0.000 01	5,014,000	50
Series A preferred	–	–	–	0.01	176,410,000	1,764,100	0.000 01	6,785,000	68
Series B preferred	–	–	–	0.01	73,553,350	735,534	0.000 01	2,828,975	28
Series C preferred	–	–	–	0.01	65,033,436	650,334	0.000 01	2,501,286	25
Series D preferred	–	–	–	0.01	22,662,848	226,628	0.000 01	871,648	9
Series E preferred	–	–	–	0.01	39,911,482	399,115	0.000 01	1,535,057	15
<b>Total</b>		<b>1,423,479,670</b>	<b>10,245,899</b>		<b>941,853,822</b>	<b>9,418,538</b>		<b>36,225,147</b>	<b>361</b>

The share capital presented reflects the share capital structure of Wise plc as if it had been the ultimate parent of the Group as of the comparative date.

On 22 June 2021, in relation to the preparation for the direct listing on the London Stock Exchange, Wise Payments Ltd undertook a share reorganisation in which all shares (ordinary and preference) were redesignated into a single class of A Ordinary Shares. Following which, each Class A Share was split into 26 Class A Shares. Wise Payments Ltd then undertook a bonus issue of B Ordinary Shares.

On the same day and following the above share reorganisation, Wise Payments Ltd shareholders entered into a share-for-share exchange agreement with the shareholder of Wise plc, acquiring Wise Payments Ltd's Class A and Class B Shares with nominal values of £0.000 01 and £0.000 000 001, in exchange for the issue of Wise plc Class A and Class B Shares with nominal values of £0.01 (i.e. 1,000 times greater than the nominal value of Wise Payments Ltd's Class A Shares) and £0.000 000 001, respectively. As a result, Wise plc became the ultimate parent company of the Group, with a 100% indirect investment in Wise Payments Ltd through Wise Financial Holdings Ltd.

During the financial year 2022 a total of 82,736,034 Ordinary Shares were issued for a total of £0.8m (2021:563,587 Ordinary Shares were issued for a total of £0.9m, classified as equity merger reserves post reorganisation).

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

## Note 19. Equity merger reserve and Other reserves

### Equity merger reserve

The merger reserve arises from the Group pre-listing reorganisation accounted for as 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. Refer to note 14 for further details.

## Note 20. Share-based employee compensation

After the reorganisation of the Group, as described in notes 1 and 18, share options for Wise Payments Ltd Ordinary Shares were replaced by share options for Wise plc Class A Shares. The same share-split ratio was applied as for the share capital reorganisation described in note 18.

As the result of the reorganisation, Wise Payments Ltd transferred its share-based payment reserves to retained earnings as the obligation to settle share-based payment awards would be with Wise plc. This transfer did not impact the consolidated results of the Group following the reorganisation and will be reflected in the standalone financial statements of Wise plc.

The employee share option plans are designed to provide long-term incentives for all employees to deliver long-term shareholder returns. Under the plans, participants are granted share options 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.

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

Class	As at 31 March 2022		As at 31 March 2021			
	Wise plc		Wise plc		Wise Payments Ltd	
	Average exercise price per share option, £	Number of options	Average exercise price per share option, £*	Number of options*	Average exercise price per share option, £	Number of options
Beginning of year	0.11	97,252,168	0.14	106,686,138	3.57	4,103,313
Granted during the year	0.01	8,373,106	0.32	13,282,230	8.32	510,855
Exercised during the year	0.08	42,170,404	0.06	14,653,262	1.54	563,587
Forfeited during the year	0.16	5,149,847	0.84	8,062,938	21.96	310,113
<b>End of year</b>	<b>0.11</b>	<b>58,305,023</b>	<b>0.11</b>	<b>97,252,168</b>	<b>2.86</b>	<b>3,740,468</b>
<b>Vested and exercisable as at end of year</b>	<b>0.15</b>	<b>36,294,247</b>	<b>0.13</b>	<b>63,899,550</b>	<b>3.28</b>	<b>2,457,675</b>

\* Following the Group reorganisation, in which each Class A Share was split into 26 Class A Shares, the number of share options for all of the periods prior to 2022 were determined with the same share-split ratio and the average share exercise price was adjusted accordingly. For further information on the reorganisation refer to note 1.

The share-based payment compensation expense for the year ended 31 March 2022 is £42.2m (2021: £36.5m) for employees directly employed by the Group and £0.3m (2021: £0.4m) for outsourced personnel.

During the year £25.2m (2021: £2.8m) 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:

<b>Grant date range 12 months ended 31 March</b>	<b>Expiry date range 12 months ended 31 March</b>	<b>Weighted average exercise price</b>	<b>Share options as at 31 March 2022</b>	<b>Share options as at 31 March 2021*</b>
2013	2023	0.00014	275,126	3,043,118
2014	2024	0.00014	232,310	3,149,822
2015	2025	0.00271	1,443,678	8,835,606
2016	2026	0.10578	2,031,776	7,660,588
2017	2027	0.17574	3,258,130	7,405,450
2018	2028	0.17981	4,988,593	12,387,830
2019	2029	0.12845	11,429,400	18,760,586
2020	2030	0.15303	15,262,193	19,932,172
2021	2031	0.10972	8,810,346	16,076,996
2022	2032	0.00012	10,573,471	-
<b>Total</b>			<b>58,305,023</b>	<b>97,252,168</b>
<b>Weighted average remaining contractual life of options outstanding at end of year</b>			<b>7.2 years</b>	<b>6.9 years</b>

\*For comparability and consistent presentation, the weighted average exercise price and the number of share options for all of the periods prior to 2022, were determined on the same basis as the 2022 figures; i.e. as if all share options split into 26, in accordance with the share-split ratio of Class A Shares during the Group reorganisation. Refer to note 1 for further details.

### Valuation of share awards

The assessed fair value at the grant date of share options granted during the year ended 31 March 2022 was £9.51 per option on average (2021: £3.52). The fair value of the share options granted after the listing 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.

For the year ended 31 March 2022 a total of 1,526,247 options were granted prior to listing and 6,846,859 options were granted post listing.

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 21. Cash generated from operating activities

	Note	2022 £m	2021 £m
<b>Cash generated from operations</b>			
Profit for the year		32.9	30.9
Adjustments for:			
Depreciation and amortisation	7,11,12	22.9	21.7
Non-cash share-based payments expense		42.2	38.5
Foreign currency exchange differences		18.3	17.1
Current tax expense	9	11.0	10.2
Effect of other non-monetary transactions		10.6	5.7
Changes in operating assets and liabilities:			
(Increase)/decrease in prepayments and receivables		(16.7)	6.1
Increase in trade and other payables		16.8	30.0
(Increase)/decrease in receivables from customers and payment processors		(34.0)	3.2
Increase in liabilities to customers, payment processors and deferred revenue		46.2	31.3
Increase in Wise Accounts		2,983.9	1,881.6
<b>Cash generated from operations</b>		<b>3,134.1</b>	<b>2,076.3</b>

The table 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:

	Note	2022 £m	2021 £m
<b>Breakdown of corporate and customer cash</b>			
Cash and cash equivalents and short-term financial investments	14, 15	7,248.7	4,096.1
Receivables from customers and payment processors		85.2	47.3
Adjustments for:			
Outstanding money transmission liabilities and other customer payables		(192.9)	(144.6)
Wise Accounts	16	(6,783.2)	(3,712.7)
<b>Corporate cash at end of the year</b>		<b>357.8</b>	<b>286.1</b>

Corporate cash includes the 'Receivables from payments processors' as disclosed in note 13, as well as receivables from customers and partners. Those balances are reported under 'Other receivables' in note 13, 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 16, which are not considered customer related balances.

## Note 22. Commitments and contingencies

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

	2022 £m	2021 £m
<b>Infrastructure subscriptions</b>		
No later than 1 year	1.4	2.5
Later than 1 year and no later than 5 years	0.7	2.0
<b>Total</b>	<b>2.1</b>	<b>4.5</b>



### Significant capital expenditure contracted

No later than 1 year	–	2.1
<b>Total</b>	<b>–</b>	<b>2.1</b>

The Group does not have any other material commitments, capital commitments or contingencies as at 31 March 2022 and 31 March 2021.

### Note 23. 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 interest in shares are disclosed in the 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.

	2022 £m	2021 £m
<b>Compensation of KMP of the Group</b>		
Short-term employee benefits	0.5	0.5
Share-based payment expense	3.1	1.7
<b>Total compensation paid to key management personnel</b>	<b>3.6</b>	<b>2.2</b>

Short-term employee benefits include salaries for the KMP.

Share-based payment expense is related to employee share option plan (more information about the plan is provided in note 20).

	2022 £m	2021 £m
<b>Transactions and balances with KMP of the Group</b>		
Balances in Wise accounts	1.8	0.3
Other transactions	0.7	–
<b>Total transactions and balances with KMP of the Group</b>	<b>2.5</b>	<b>2.2</b>

Other transactions referred to contributions received from related parties at the time of the listing.

No other material transactions with related parties of the Group incurred during the financial years ended 31 March 2022 and 31 March 2021.

### Note 24. Post balance sheet events

No post balance sheet events have occurred since 31 March 2022.

### Alternative performance measures

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

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

Adjusted EBITDA	Measure of profitability which is calculated as profit for the year excluding the impact 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)	Measure of cash flow which further takes into account the net cash flows from operating activities less the change in working capital (excluding the change in collateral and other 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 revenue	See definition for calculation method
FCF conversion	Free cash flow as a percentage of Adjusted EBITDA	See definition for calculation method
Exceptional items	Exceptional items are 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 include costs associated with the changes in the Group's organisational structure and direct listing	See note 7 for further information

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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 note 21 for further information

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

	<b>2022</b>	2021
	<b>£m</b>	£m
Profit for the year	<b>32.9</b>	30.9
Adjusted for:		
Income tax expense	<b>11.0</b>	10.2
Finance expense	<b>4.8</b>	3.8
Depreciation and amortisation	<b>22.9</b>	21.7
Share-based payment compensation expense	<b>42.2</b>	38.1
Exceptional items	<b>7.6</b>	4.0
Adjusted EBITDA	<b>121.4</b>	108.7
Revenue	<b>559.9</b>	421.0
Adjusted EBITDA* margin	<b>21.7%</b>	25.8%
Corporate cash working capital change excl. collaterals	<b>9.0</b>	23.1
Adjustment for exceptional and pass-through items in the working capital	<b>(0.5)</b>	–
Payments for lease liabilities	<b>(4.7)</b>	(4.7)
Capitalised expenditure – Property, plant and equipment	<b>(4.6)</b>	(2.3)
Capitalised expenditure – Intangible assets	<b>(7.3)</b>	(20.9)
<b>Free cash flow (FCF)</b>	<b>113.3</b>	<b>103.9</b>
<b>FCF conversion (FCF as a % of Adjusted EBITDA)</b>	<b>93.3%</b>	<b>95.6%</b>

## 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.

	2022 £m	2021 £m
<b>Cash flows from operating activities</b>		
Profit for the period	32.9	30.9
Adjustments for non-cash transactions	53.4	76.5
Change in corporate working capital	2.2	38.7
Receipt of interest	0.7	0.4
Payment of income tax and interest charges	(17.1)	(10.1)
Net cash generated from operating activities	72.1	136.4
Net cash used in investing activities	(11.6)	(23.2)
Net cash (used in)/generated from financing activities	(1.3)	24.8
<b>Total increase in corporate cash</b>	<b>59.2</b>	<b>138.0</b>
<b>Corporate cash at beginning of year</b>	<b>286.1</b>	<b>155.1</b>
Effect of exchange rate differences on corporate cash	12.5	(7.0)
<b>Corporate cash at end of the year</b>	<b>357.8</b>	<b>286.1</b>

	2022 £m	2021 £m
<b>Breakdown of corporate and customer cash</b>		
Cash and cash equivalents and short-term financial investments	<b>7,248.7</b>	4,096.1
Receivables from customers and payment processors	<b>85.2</b>	47.3
Adjustments for:		
Outstanding money transmission liabilities and other customer payables	<b>(192.9)</b>	(144.6)
Wise Accounts	<b>(6,783.2)</b>	(3,712.7)
<b>Corporate cash at end of the year</b>	<b>357.8</b>	286.1