

TransferWise Ltd

Annual report and consolidated financial statements for the year
ended 31 March 2017

Registered number: 07209813



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TransferWise Ltd Annual report for the year ended 31 March 2017
Registered number: 07209813

General information

Company name:	TransferWise Ltd
Registered number:	07209813
Registered office:	6th Floor TEA Building 56 Shoreditch High Street London E1 6JJ, UK
Internet homepage:	https://transferwise.com/
Principal activity:	Provision of online international money transfer services
Directors:	Kristo Käärmann Taavet Hinrikus Roger Ehrenberg Benjamin Abraham Horowitz
Independent Auditors:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Strategic Report for the year ended 31 March 2017

The Directors present their Strategic Report for TransferWise Ltd and its subsidiaries (together the "Group") for the year ended 31 March 2017. This report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to the Group when viewed as a whole. The Directors in compiling this report have complied with the requirements of the Companies Act 2006.

Principal activity

TransferWise Ltd (the "Parent Company") is a privately owned limited liability company. The principal activity of the Group is to provide new ways to manage money internationally including international money transfers.

Business environment

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

The cost of transfers to both individuals and businesses is extremely high. As of Q1 2017, the World Bank put the global average total cost of remittance at 7.45%. While that cost has reduced from 10% in 2009, it is still too high. In Q1 2009, the cost was under 5% in only 17% of corridors; that number of corridors has now grown to 26%. The World Bank attributes this positive downward trend to new entrants in the market. But still the overwhelming majority of corridors are unfairly and over-priced. Banks remain the most expensive Remittance Service Provider type, recorded at 11.18%.

The model of the traditional providers such as banks is based on overcharging and underserving the consumer. It is not just when transferring money that people and businesses are forced to pay extortionate costs for a poor service. It's in any transaction where money seemingly crosses borders - for example, when a business needs to pay a supplier overseas or simply move money between its own accounts; or when someone wants to pay a bill overseas or send money to their family.

In contrast, the Group's mission is to provide a service rooted in transparency and fairness that makes managing money internationally as low cost and easy as it can be.

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

Strategic Report for the year ended 31 March 2017 (continued)

General business review and key performance indicators

During the year, the Group continued to invest in growth by improving the money transfer product and making this available to customers in new markets around the world. The Group also developed a version of the money transfer product tailored for small to medium sized businesses. In addition, the Group developed a new service, a Borderless account for businesses and consumers what was launched during the May 2017.

The investment in growth is evidenced in our results. In the month of March 2017, around 800 000 transactions were made over the platform (March 2016: over 400 000). The results of the Group for the year show a turnover of £67 010 thousand (2016: £27 852 thousand) with a loss before tax of £338 thousand (2016: loss before tax £17 406 thousand).

In 2017, the Group received equity funding of £4 603 thousand, and, combined with the profit for the year, and movement in assets and liabilities, the shareholders' funds of the Group was £49 202 thousand at 31 March 2017, £14 119 thousand higher than at 31 March 2016 (£35 083 thousand). No further equity funding has been received since 31 March 2017.

Principal Risks and Uncertainties

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

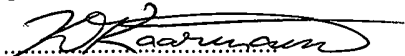
The Group has taken steps to ensure that effective measures are in place to prevent such uncertainties impacting the operations of the business from robust processes to manage exchange rate volatility to having multiple partners and service providers in key areas.

In addition there are uncertainties associated with global political changes that may affect the Group (for example, changes stemming from the UK's exit from the EU such as a change in licence requirements and the impact of immigration policies on the Group's current and potential employees).

The Group is undertaking activity to ensure effective measures are in place to prevent such uncertainties impacting the operations of the business, such as exploring different licensing options.

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

ON BEHALF OF THE BOARD OF DIRECTORS:



Kristo Käärmann, Director

Date: 19 June 2017

Directors' Report for the year ended 31 March 2017

The Directors present their Report and the audited consolidated financial statements for the year ended 31 March 2017.

An analysis of financial risk management policies, and an indication of likely future developments of the business of the Parent Company, are included in the Strategic Report.

Principal activity

The principal activity of the Group is to provide new ways to manage money internationally including money transfer.

Branches and subsidiaries outside the UK

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

Dividends

The Group has not declared or paid out any dividends for the years ending 31 March 2017 and 2016.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as and when they fall due for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further information supporting the going concern basis may be found in note 2 to the financial statements.

Research and development

During the year the Group capitalised £5 563 thousand (2016: £3 000 thousand) of software development costs.

Employees

As of March 2017, the number of employees in the Group was 652 in offices located around the world (March 2016: 550). The number of employees will continue to grow in line with global expansion and product development.

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

We have an open communication approach with our team using regular all-team meetings, as well as both email and instant messaging platforms. The Group has a firm policy of non-discrimination on grounds of gender, race, disability or other irrelevant factors.

The Group recognises its duties to make proper provision for the health, safety and welfare at work of its employees. The Group has continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons to promote their career development within the organisation.

Directors' Report for the year ended 31 March 2017 (continued)

Risk management

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents held in banks.

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

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. The Group manages foreign exchange risk by efficiently managing financial assets and liabilities in different currencies and avoiding significant exposure in a particular currency.

The Group management is tightly involved in compilation and updating of the policies.

Directors

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

Kristo Käärmann
Taavet Hinrikus
Roger Ehrenberg
Benjamin Abraham Horowitz

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Parent Company and Group for that period. In preparing these financial statements, the directors are required to:

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

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

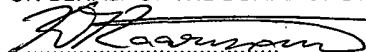
The Directors are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

ON BEHALF OF THE BOARD OF DIRECTORS:



Kristo Käärmann, Director

Date: 19 June 2017

Independent auditors' report to the members of TransferWise Ltd

Report on the financial statements

Our opinion

In our opinion:

- TransferWise Ltd's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's loss and the Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and Parent Company statements of financial position as at 31 March 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated and Parent Company statements of cash flows for the year then ended;
- the consolidated and Parent Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 June 2017

Consolidated statement of comprehensive income for the year ended 31 March 2017

	Note	Year ended 31 March	
		2017	2016
		£'000	£'000
Revenue	4	67 010	27 852
Cost of sales		(20 947)	(12 441)
Gross profit		46 063	15 411
Administrative expenses		(46 119)	(32 784)
Operating loss		(56)	(17 373)
Amortisation and depreciation		2 124	651
Adjusted operating profit/(loss) (EBITDA, non-GAAP)		2 068	(16 722)
Finance income		5	-
Finance costs		(287)	(33)
Loss before tax		(338)	(17 406)
Income tax credit/(expense)	7	6 993	(168)
Profit/(loss) for the year		6 655	(17 574)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Currency translation differences		765	260
Total other comprehensive income		765	260
Total comprehensive income/(expense) for the year		7 420	(17 314)

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

The Parent Company has elected to take the exemption under section 408 of the Companies Act not to present the Company income statement. The profit after tax of the Parent Company for the year was £3 078 thousand (2016: loss after tax of £17 614 thousand).

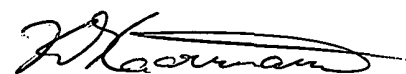
* EBITDA is shown for illustrative purposes and is not defined by IFRS. It is calculated as operating loss adjusted for interest, tax, depreciation and amortisation.

The notes on pages 19 to 50 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 March 2017

		As at 31 March	
	Note	2017	2016
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	2 561	1 683
Intangible assets	9	8 102	3 788
Long term receivables		285	-
Deferred tax asset	7	5 944	-
Total non-current assets		16 892	5 471
Current assets			
Trade and other receivables	11	40 208	7 612
Cash and cash equivalents	12	60 295	47 793
Total current assets		100 503	55 405
Total assets		117 395	60 876
Current liabilities			
Trade and other payables	13	68 193	25 793
Total current liabilities		68 193	25 793
Equity			
Ordinary shares	16	-	-
Preferred shares	16	-	-
Share premium		70 645	66 042
Share-based payment reserves	19	2 096	-
Accumulated losses		(24 564)	(31 219)
Currency translation differences		1 025	260
Total equity		49 202	35 083
Total liabilities and equity		117 395	60 876

The notes on pages 19 to 50 are an integral part of these consolidated financial statements.
The financial statements on pages 12 to 50 were authorised for issue by the Board of Directors and were signed on 19 June 2017 on its behalf by:
Kristo Käärmann, Director Registered number of the Company: 07209813



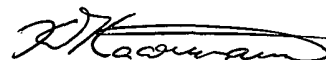
Statement of financial position of the Parent Company as at 31 March 2017

		As at 31 March	
	Note	2017	2016
		£'000	£'000
Non-current assets			
Property, plant and equipment	8	2 473	1 683
Intangible assets	9	8 102	3 788
Investments in subsidiaries	10	1 781	1 386
Long term receivables		172	-
Deferred tax asset	7	5 944	-
Total non-current assets		18 472	6 857
Current assets			
Trade and other receivables	11	40 093	7 562
Cash and cash equivalents	12	46 993	47 304
Total current assets		87 086	54 866
Total assets		105 558	61 723
Current liabilities			
Trade and other payables	13	56 508	26 757
Total current liabilities		56 508	26 757
Equity			
Ordinary shares	16	-	-
Preference shares	16	-	-
Share premium		70 645	66 042
Share-based payment reserves	19	2 096	-
Accumulated losses		(24 425)	(31 255)
Currency translation differences		734	179
Total equity		49 050	34 966
Total liabilities and equity		105 558	61 723

The notes on pages 19 to 50 are an integral part of these financial statements.

The financial statements on pages 12 to 50 were authorised for issue by the Board of Directors and were signed on 19 June 2017 on its behalf by: Kristo Käärmann, Director

Registered number of the Company: 07209813



Consolidated statement of changes in equity for the year ended 31 March 2017

	Ordinary shares £'000	Share premium £'000	Share- based payment reserves £'000	Currency translation differences £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2015	-	51 354	-	-	(13 645)	37 709
Loss for the year	-	-	-	-	(17 574)	(17 574)
Foreign currency translation differences	-	-	-	260	-	260
Issue of share capital (note 16)	-	14 688	-	-	-	14 688
At 31 March 2016	-	66 042	-	260	(31 219)	35 083
Profit for the year	-	-	-	-	6 655	6 655
Share based employee compensation reserve (note 19)	-	-	2 096	-	-	2 096
Foreign currency translation differences	-	-	-	765	-	765
Issue of share capital (note 16)	-	4 603	-	-	-	4 603
At 31 March 2017	-	70 645	2 096	1 025	(24 564)	49 202

The notes on pages 19 to 50 are an integral part of these consolidated financial statements.

Statement of changes in equity of the Parent Company for the year ended 31 March 2017

	Ordinary shares £'000	Share premium £'000	Share- based payment reserves £'000	Currency translation differences £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2015	-	51 355	-	-	(13 641)	37 714
Loss for the year	-	-	-	-	(17 614)	(17 614)
Foreign currency translation differences	-	-	-	179	-	179
Issue of share capital (note 16)	-	14 687	-	-	-	14 687
At 31 March 2016	-	66 042		179	(31 255)	34 966
Profit/(loss) for the year	-	-	-	-	6 830	6 830
Share based employee compensation reserve	-	-	2 096	-	-	2 096
Foreign currency translation differences	-	-	-	555	-	555
Issue of share capital (note 16)	-	4 603	-	-	-	4 603
At 31 March 2017	-	70 645	2 096	734	(24 425)	49 050

The notes on pages 19 to 50 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2017

	Note	Year ended 31 March	
		2017	2016
		£'000	£'000
Cash flows from operating activities			
Cash generated from/(used in) operating activities	14	16 745	(9 381)
Interest paid		(287)	(33)
Income tax paid		(148)	(27)
Net cash generated from/(used in) operating activities		16 311	(9 441)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1 857)	(1 439)
Purchases of intangible assets		(5 604)	(3 028)
Interest received		5	-
Net cash used in investing activities		(7 456)	(4 467)
Cash flows from financing activities			
Proceeds from issue of shares		4 603	14 688
Net cash generated from financing activities		4 603	14 688
Net increase in cash and cash equivalents		13 458	780
Cash and cash equivalents at beginning of year	12	47 793	46 491
Exchange (losses)/gains on cash and cash equivalents		(956)	522
Cash and cash equivalents at end of year	12	60 295	47 793

The notes on pages 19 to 50 are an integral part of these consolidated financial statements.

Statement of cash flows of the Parent Company for the year ended 31 March 2017

		Year ended 31 March	
		2017	2016
	Note	£'000	£'000
Cash flows from operating activities			
Cash generated from/(used in) operating activities	15	4 159	(8 490)
Interest paid		(287)	(33)
Income tax paid		(73)	-
Net cash generated from/(used in) operating activities		3 799	(8 523)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1 761)	(1 439)
Purchases of intangible assets		(5 604)	(3 028)
Interest received		4	-
Investment in subsidiaries		(395)	(721)
Net cash used in investing activities		(7 756)	(5 188)
Cash flows from financing activities			
Proceeds from issuance of shares		4 603	14 688
Net cash generated from financing activities		4 603	14 688
Net increase in cash and cash equivalents		646	977
Cash and cash equivalents at beginning of year	12	47 304	45 806
Exchange (losses)/gains on cash and cash equivalents		(957)	521
Cash and cash equivalents at end of year	12	46 993	47 304

The notes on pages 19 to 50 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. Summary of significant accounting policies

Basis of preparation and accounting policies

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

The Parent Company is limited by shares and is incorporated in England. The address of its registered office is 6th Floor TEA Building, 56 Shoreditch High Street, London E1 6JJ.

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

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

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

No IFRSs or IFRIC interpretations have been early adopted in the year ended 31 March 2017.

(b) Applicable new standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2016 and not early adopted

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and modified in October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is effective for annual periods on or after 1 January 2018. The Group is assessing the impact of IFRS 9.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard is effective for annual periods on or after 1 January 2019 and earlier application is permitted if IFRS 15 'Revenue from Contracts with Customers', is also applied. The Group is assessing the impact of IFRS 16.

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

Basis of consolidation

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Group companies

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

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

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

Cash and cash equivalents

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

Financial assets

Investments and other financial assets

The Group classifies its financial assets in the following categories:

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

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

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

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

Income recognition

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

Property, plant and equipment

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Capitalised reconstruction and internal design costs of leased office space (shown as 'Leased office improvements' in the notes to the consolidated financial statements) are depreciated over the lease term and other office equipment over 2 years. Computer equipment is not recorded into property, plant and equipment but written off, as short-lived equipment in the Group.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Intangible assets – Internally generated software development costs

The Group has developed software for providing currency exchange services. Development costs that are directly attributable to the design, development and testing of the software controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

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

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

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

Trade and other payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest.

Customer deposits are non-derivative liabilities to individuals or corporate customers for payments that have not been processed by the reporting date and are carried at amortised cost.

Revenue recognition

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

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

The Group sells money transfer services. Fees on services provided and foreign exchange gains are recognised when transactions have been delivered to the end customer.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Leases

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

Current and deferred tax

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

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

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

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

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference is the deferred tax liability not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Notes to the consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Employee benefits

Short-term obligations

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

Share based payments

The Parent Company operates a scheme, under which the Group receives services from employees as consideration for equity instruments (options) of the Parent Company. The fair value of the employee services received in exchange for the grant of the options and awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options and awards that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified existing conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of comprehensive income, with a corresponding adjustment to the equity reserves.

Notes to the consolidated financial statements (continued)

2. Critical accounting estimates

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

Share-based payments

The Group uses the Black Scholes model in determining the fair value of options granted to employees. Information on such assumptions is disclosed in note 19. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award.

Impairment of intangible assets

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

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

Deferred tax asset

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent 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.

Notes to the consolidated financial statements (continued)

3. Financial risk and capital management

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

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

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

The Group had unused overdraft facilities of £2 693 thousand at 31 March 2017 (as at 31 March 2016: £nil).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents held in banks.

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

Notes to the consolidated financial statements (continued)

3. Financial risk and capital management (continued)

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

		31 March 2017	31 March 2016
	Note	£'000	£'000
Trade and other receivables	11	40 208	7 612
Cash and cash equivalents		71 296	52 524
Overdrafts		(11 001)	(4 731)
Total		100 503	55 405

The fair value of cash and cash equivalents at 31 March 2017 and 31 March 2016 approximates the carrying value. Credit risk is mitigated as cash and cash equivalents are held with reputable institutions.

Financial assets by credit rating of institution

	As at 31 March	
	2017	2016
	£'000	£'000
A+, A, A-, AA-	18 068	18 589
B-BBB-	4 649	3 880
No rating	77 786	32 936
Total financial assets	100 503	55 405

No rating part includes payment providers, which have no ratings. Before deciding to on-board third parties, the Group undertakes due diligence measures to mitigate potential risks. For example, the Group review's the licensing status of the institution through regulator's websites to verify the partner's licence is up to date. The Group also assesses whether there is adverse media or previous regulatory enforcement actions against any prospective partner, which would need to be taken into consideration.

Market risk

a) Cash flow and fair value interest rate risk

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

Notes to the consolidated financial statements (continued)

3. Financial risk and capital management (continued)

Market risk (continued)

b) Foreign exchange risk

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

	As at 31 March	
	2017 £'000	2016 £'000
Cash balances by currencies		
GBP	35 705	25 756
EUR	21 313	14 584
EUR overdraft	(11 001)	(4 731)
AUD	4 394	1 593
USD	3 292	3 238
CAD	2 590	143
SGD	1 064	279
Other	2 938	6 931
Total	60 295	47 793

At 31 March 2017, if GBP had strengthened by 1% against foreign currencies with all other variables held constant, post-tax loss for the year would be lower mainly as a result of foreign exchange losses/gains on translation of non GBP denominated current assets to the amounts indicated below.

	As at 31 March	
	2017 £'000	2016 £'000
If £ were strengthened by 1%		
EUR	12	60
AUD	(25)	(4)
USD	(15)	25
CAD	2	0
SGD	(8)	0

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

Notes to the consolidated financial statements (continued)

3. Financial risk and capital management (continued)

Capital management

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

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

Following implementation of the current capital management strategy, the Group relies on equity financing and utilisation of its overdraft facility. Thanks to the successful equity funding for the current and comparative financial years, the Group maintains sufficient liquidity to support its daily operations.

In the financial year ended 31 March 2017, the Group received additional equity funding of £4 603 thousand.

The Group net equity balance as of 31 March 2017 amounted to £49 202 thousand (31 March 2016: £35 083 thousand). The overdraft balance as of 31 March 2017 amounted to £11 001 thousand (31 March 2016: £4 731 thousand).

Notes to the consolidated financial statements (continued)

4. Revenue

Total revenue consists of fees from online international money transfer services. During the financial year the European market represented 66% of revenue, US 18% of revenue and the rest of the world being 16% (previous financial year: European market 78% of revenue, US 15% of revenue and rest of the world being 7%).

5. Administrative expenses

The Profit before taxation is stated after charging:

	Group	
	Year ended 31 March	
	2017	2016
	£'000	£'000
Auditors' remuneration		
Fees payable for the audit of the Parent Company and the Consolidated financial statements	97	22
Audit of the subsidiaries	27	17
Audit related assurance services	26	-
Tax advisory services	218	-
Other advisory services	3	46
Total auditors' remuneration	371	85
Disposals, depreciation and amortisation		
Amortisation of intangible assets (note 9)	1 290	523
Depreciation of property, plant and equipment (note 8)	834	128
Loss on disposal of plant and equipment	245	-
Operating lease rentals		
Land and buildings	2 308	839
Other Expenses		
Exchange gains	7 689	1 416
Share-based employee compensation (note 19)	2 096	-

Notes to the consolidated financial statements (continued)

6. Employee benefit expense

	Group	
	Year ended 31 March	
	2017	2016
	£'000	£'000
Wages and salaries	12 511	8 435
Social security costs	2 799	1 963
Share options granted to employees (note 19)	2 096	-
Other	-	34
Total employee benefit expense	17 406	10 432

The average number of employees (including Directors) during the financial year ended 31 March 2017 was 598 (2016: 472 employees).

The total remuneration of Directors during the financial year (wages, salaries and social security contributions) was £278 thousand (2016: £216 thousand). The salary of highest paid Director was £139 thousand (2016: £108 thousand). There were no share based payment schemes for Directors. All key management members were also directors. Refer to note 18 for details of transactions with key management personnel.

7. Income tax

Income tax expense

	Group	
	Year ended 31 March	
	2017	2016
	£'000	£'000
UK corporation tax on loss for the year	-	-
UK corporation tax credit for the year	(1 049)	-
Foreign corporation tax expense	-	173
Deferred tax asset for the year	(5 944)	(5)
Total income tax (credit)/expense for the year	(6 993)	168

Notes to the consolidated financial statements (continued)
7. Income tax (continued)

Factors affecting income tax expense for the year

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

	Group	
	Year ended 31 March	
	2017	2016
	£'000	£'000
Loss on ordinary activities before taxation	(410)	(17 406)
Loss on ordinary activities multiplied by the Company's effective rate of 20% (2016: 20%)	(78)	(3 429)
Effect of expenses not deductible for tax purposes	2	47
Impact of foreign tax rates	3	(58)
Impact of foreign branch profits not taxed	(156)	(141)
Employee option plan (non-deductible)	124	-
Other	105	27
Research and development tax credit	(1 049)	-
Utilisation of previously unprovided tax losses	(5 944)	-
Unprovided tax losses	-	3 722
Tax charge/(credit) for the year	(6 993)	168

Notes to the consolidated financial statements (continued)

7. Income tax (continued)

Deferred tax asset

Taxable losses may be carried forward and offset future against future taxable profits from trading activities. As at May 2017 TransferWise Ltd can reliably estimate that there will be sufficient future taxable profits to utilise the deferred tax asset relating to carry forward losses. Brought forward losses will be utilised by June 2019. The total unrecognised deferred tax asset at 31 March 2017 that would reverse at 17% is £3201 thousand (2016: at 18% £5 937 thousand).

Movement in deferred tax balances

	Group	
	Year ended 31 March	
	2017	2016
	£'000	£'000
Opening deferred tax asset	5	-
Carried forward tax losses in foreign subsidiaries	-	19
Carried forward tax losses in the Parent Company	5 944	-
Other short-term temporary differences	(5)	(14)
Closing deferred tax asset	5 944	5

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment

		Group	
	Leased office improvements	Office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2015	437	-	437
Additions	843	596	1 439
At 31 March 2016	1 280	596	1 876
Accumulated depreciation			
At 1 April 2015	(65)	-	(65)
Depreciation charge	(102)	(26)	(128)
At 31 March 2016	(167)	(26)	(193)
Net book value			
At 31 March 2015	372	-	372
At 31 March 2016	1 113	570	1 683

The depreciation charge above is included within administrative expenses.

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment (continued)

		Group	
	Leased office improvements	Office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2016	1 280	596	1 876
Additions	1 426	431	1 857
Disposals	(437)	-	(437)
Foreign currency translation differences	61	51	112
At 31 March 2017	2 330	1 078	3 408
Accumulated depreciation			
At 1 April 2016	(167)	(26)	(193)
Depreciation charge	(449)	(385)	(834)
Disposals	192	-	192
Foreign currency translation differences	(4)	(8)	(12)
At 31 March 2017	(428)	(419)	(847)
Net book value			
At 31 March 2016	1 113	570	1 683
At 31 March 2017	1 902	659	2 561

The depreciation charge above is included within administrative expenses.

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment

	Parent Company		
	Leased office improvements	Office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2015	437	-	437
Additions	843	596	1 439
At 31 March 2016	1 280	596	1 876
Accumulated depreciation			
At 1 April 2015	(65)	-	(65)
Depreciation charge	(102)	(26)	(128)
At 31 March 2016	(167)	(26)	(193)
Net book value			
At 31 March 2015	372	-	372
At 31 March 2016	1 113	570	1 683

The depreciation charge above is included within administrative expenses.

Notes to the consolidated financial statements (continued)

8. Property, plant and equipment (continued)

	Parent Company		
	Leased office improvements	Office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2016	1 280	596	1 876
Additions	1 393	368	1 761
Disposals	(437)	-	(437)
Foreign currency translation differences	61	51	112
At 31 March 2017	2 297	1 015	3 312
Accumulated depreciation			
At 1 April 2016	(167)	(26)	(193)
Depreciation charge	(447)	(378)	(825)
Disposals	192	-	192
Foreign currency translation differences	(4)	(9)	(13)
At 31 March 2017	(426)	(413)	(839)
Net book value			
At 31 March 2016	1 113	570	1 683
At 31 March 2017	1 871	602	2 473

The depreciation charge above is included within administrative expenses.

Notes to the consolidated financial statements (continued)

9. Intangible assets

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

The amortisation charge above is included within administrative expenses.

Notes to the consolidated financial statements (continued)

9. Intangible assets (continued)

	Group and Parent Company	
	Software	Total
	£'000	£'000
Cost		
At 1 April 2016	4 545	4 545
Additions	5 604	5 604
At 31 March 2017	10 149	10 149
Accumulated amortisation		
At 1 April 2016	(757)	(757)
Amortisation charge	(1 290)	(1 290)
At 31 March 2017	(2 047)	(2 047)
Net book value		
At 31 March 2016	3 788	3 788
At 31 March 2017	8 102	8 102

The amortisation charge above is included within administrative expenses.

Notes to the consolidated financial statements (continued)

10. Investments in subsidiaries

Company

	2017	2016
Shares in Group undertakings:	£'000	£'000
As at 1 April	1 386	9
Additions	395	1 377
As at 31 March	1 781	1 386

During the period Group increased share capital of Singapore and India subsidiaries by £285 thousand and added capital contribution by issuing share options to US subsidiary by £110 thousand.

The Parent Company has invested in following subsidiary undertakings:

Name of undertaking	Nature of business	Effective holding	Country of incorporation	Registered address
TransferWise Inc.	Service provider to Group companies	100% of ordinary shares	USA	19 W 24th Street, Floor 9 New York, NY 10010
TransferWise Japan Kabushiki Gaisha	Online currency exchange service	100% of ordinary shares	Japan	4th Floor, Finolab, 1-6-1 Otemachi Chiyoda-ku, Tokyo, Japan 100-0004
TransferWise Canada Inc	Online currency exchange service	100% of ordinary shares	Canada	366 Adelaide Street West Unit LL01 Toronto ON M5V 1R9
TransferWise Singapore PTE Ltd	Online currency exchange service	100% of ordinary shares	Singapore	6 Raffles Quay, #16-01, Singapore 048580
TransferWise India Private Limited	Inactive	100% of ordinary shares	India	506, Midas Chambers Co-op. Premises Soc. Ltd. Off, Link Road, Near Fun Republic Multiplex, Andheri (W), Mumbai - 400053, Maharashtra, INDIA

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

Notes to the consolidated financial statements (continued)

11. Trade and other receivables

	Group		Parent Company	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Receivables from payment processors	30 393	3 463	25 953	3 462
Deposits paid	5 475	3 330	3 753	3 245
Prepayments	2 293	812	2 192	776
Income tax	-	1	-	-
Receivables from Group companies	-	-	6 147	79
Other short-term receivables	2 047	6	2 048	-
Total trade and other receivables	40 208	7 612	40 093	7 562

During the financial years ended 31 March 2017 and 2016 no doubtful trade or other receivables were identified and the Group did not recognise any impairment losses.

Notes to the consolidated financial statements (continued)

12. Cash and cash equivalents

	Group		Parent Company	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cash at bank	34 885	52 524	27 252	52 035
Cash in transit	36 411	-	30 742	-
Overdraft	(11 001)	(4 731)	(11 001)	(4 731)
Total cash and cash equivalents	60 295	47 793	46 993	47 304

The unused overdraft as of 31 March 2017 was £2 693 thousand (31 March 2016: £nil).

The overdraft facility has a fixed interest rate of 5.45% and expires within one year.

Notes to the consolidated financial statements (continued)

13. Trade and other payables

	Group		Parent Company	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Customer liabilities	45 389	23 204	37 719	23 092
Deferred customer liabilities	18 448	-	14 939	-
Deferred revenue	446	-	376	-
Payroll and other tax liabilities	764	934	740	927
Trade payables	2 013	787	1 775	753
Accrued expenses	1 133	706	958	584
Income tax	-	162	-	156
Payables to Group companies	-	-	1	1 245
Total trade and other payables	68 193	25 793	56 508	26 757

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

Notes to the consolidated financial statements (continued)

14. Cash generated from/(used in) operations - consolidated

	Year ended 31 March	
	2017	2016
	£'000	£'000
Cash flows from operating activities		
Operating loss	(56)	(17 373)
Adjustments for non-cash income and expenses:		
Depreciation and amortisation (note 8, 9)	2 124	651
Loss on disposals of assets	245	-
Share option reserve	2 096	-
Foreign currency revaluation	1 622	-
Changes in operating assets and liabilities (excluding unrealised foreign exchange differences):		
Increase in trade and other receivables	(31 833)	(5 967)
Increase in trade and other payables	42 547	13 308
Net cash generated from/(used in) in operating activities	16 745	(9 381)

Notes to the consolidated financial statements (continued)

15. Cash generated from/(used in) operations – Parent Company

	Year ended 31 March	
	2017	2016
	£'000	£'000
Cash flows from operating activities		
Operating profit/(-loss)	43	(17 439)
Adjustments for non-cash income and expenses:		
Depreciation and amortisation (note 8, 9)	2 115	651
Loss of disposals of assets	245	-
Share option reserve	2 096	-
Foreign currency revaluation	1 412	-
Changes in operating assets and liabilities (excluding unrealised foreign exchange differences):		
Increase in trade and other receivables	(31 653)	(5 898)
Increase in trade and other payables	29 901	14 196
Net cash generated from/(used in) operating activities	4 159	(8 490)

Notes to the consolidated financial statements (continued)

16. Share capital and share premium

Class	31 March 2017			31 March 2016		
	Nominal value	Number of shares	Share capital	Nominal value	Number of shares	Share capital
			£			£
Ordinary	0.00001	14 692 521	146	0.00001	14 580 505	146
Seed preferred	0.00001	5 014 000	50	0.00001	5 014 000	50
Series A preferred	0.00001	6 785 000	68	0.00001	6 785 000	68
Series B preferred	0.00001	2 825 300	28	0.00001	2 825 300	28
Series C preferred	0.00001	2 501 286	25	0.00001	2 501 286	25
Series D preferred	0.00001	871,648	9	0.00001	671 170	7
			326		32 377 261	324

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

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

- Additional 200,478 Series D preferred shares were issued for a total of £4 367 840;
- Share options were exercised; a total of 112,016 ordinary shares were issued for a total of £235 418.

Notes to the consolidated financial statements (continued)

17. Commitments

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

	Year ended 31 March	
	2017	2016
	£'000	£'000
Buildings		
No later than 1 year	2 542	1 390
Later than 1 year and no later than 5 years	9 762	8 052
Later than 5 years	3 454	233
Total	15 758	9 675

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

Notes to the consolidated financial statements (continued)

18 Related-party transactions

The Directors consider there to be no ultimate controlling party as at 31 March 2017 and 31 March 2016.

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

	Year ended 31 March	
	2017	2016
Sales of services	£'000	£'000
Key management personnel	-	1
Entities controlled by key management personnel outside the Group	1	2
TransferWise Canada Inc	361	-
TransferWise Japan Kabushiki Gaisha	119	-
TransferWise Singapore Pte Ltd	82	-
TransferWise Inc	599	-
Total sales	1 162	3
Purchases		
Support services performed by TransferWise Inc	4 882	3 639
Total purchases	4 882	3 639

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

Refer to note 6 for details of key management personnel compensation.

The Parent Company had the following receivables or payables with related parties as at 31 March 2017. Receivables or payables with Group companies are short-term, relating to trading activities therefore repayable on demand and are non-interest bearing.

	Year ended 31 March			
	2017		2016	
	Receivables	Payables	Receivables	Payables
	£'000	£'000	£'000	£'000
TransferWise Canada Inc	1 892	-	-	59
TransferWise Japan Kabushiki Gaisha	1 035	-	79	-
TransferWise Singapore Pte Ltd	350	-	-	-
TransferWise Inc	2 870	1	-	1 186
Total	6 147	1	79	1 245

Notes to the consolidated financial statements (continued)

19 Share-based employee compensation

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

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

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

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

	Year ended March 31, 2017	
	Average exercise price per share option, £	Number of options
As of 1 April	0	0
Granted during the year	0.77	4 348 192
Exercised during the year	0.04	(301 644)
Forfeited during the year	0.21	(808 355)
As of 31 March	0.97	3 238 193
Vested and exercisable as of 31 March	0.61	2 279 633

The assessed fair value at grant date of options granted during the year ended 31 March 2017 was £1.30 per option on average. The fair value at grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies. Share price at grant date is assessed by the independent external appraiser.

The model inputs for options granted during the year ended 31 March 2017 included:

- Options are granted for no consideration and vest over the 4 year period according to the vesting conditions;
- Average exercise price: £0.97;
- No dividends are expected to be paid;
- Expected price volatility of the Company's shares: 42.99%
- Risk-free interest rate: 0.57%

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.