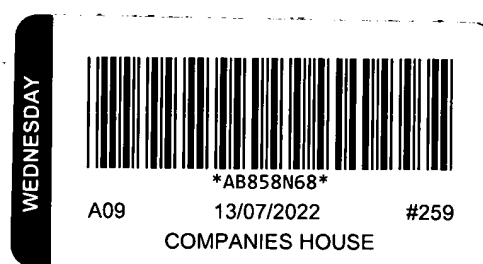


Wirex Limited

Annual report and financial statements

for the year ended 30 June 2021

Registered number: 09334596



Wirex Limited

Company Information

Directors	Pavel Matveev Dmitry Lazarichev Diana Carrasco Vime (appointed 15 November 2021)
Registered number	09334596
Registered office	107 Cheapside London EC2V 6DN
Independent auditor	Buzzacott LLP Statutory Auditor 130 Wood Street London EC2V 6DL

Wirex Limited

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Wirex Limited

Strategic report

for the year ended 30 June 2021

Principal activity

The company's principal activity is facilitating the exchange of fiat and digital currencies and allowing consumers to securely transact in digital currencies, such as Bitcoin, Ethereum, USDC and DAI, combined with the ease of using a debit card.

General confirmation of Directors' duties

Wirex's Board has a clear framework for determining the matters within the company. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval.

When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors recognise how our operations are viewed by different parts of society and before decisions are made they consult with various internal committees. Given the complexity of the industry we operate in, the Directors have taken the decisions they believe best support Wirex's strategic ambitions.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that Wirex employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and regulators. Wirex seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. The businesses continuously assess the priorities related to customers and those with whom we do business, and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

S172(1) (D) "The impact of the company's operations on the community and the environment"

This aspect is inherent in our strategic ambitions, most notably on our ambitions to thrive through the global digital currency transition. As such, the Board receives information on these topics to provide relevant information for specific Board decisions.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

The Board periodically reviews and approves clear frameworks, to ensure that its high standards are maintained both within the businesses and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and Wirex acts in ways that promote high standards of business conduct.

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly between the Company's members.

Wirex Limited

Strategic report (continued)

for the year ended 30 June 2021

Review of business

The company provides digital asset exchange services to consumers worldwide. These services include fulfillment of digital asset buy, sell and storage, fiat transfers using debit cards in addition to digital wallet services.

The period to 30 June 2021 is the seventh full year of operations for the company. The company derives revenue from exchange services fees assessed on each buy/sell transaction. During the period the company recognised total turnover of £572,855,589 and costs of sales of (£526,738,978) resulting in net revenue of £46,116,611.

Principal risks and uncertainties

The risk of regulatory changes adversely impacting the company's position and capacity to conduct business.

The company has proactively engaged regulators to gain clarity on the evolving regulatory landscape affecting the digital asset industry. The company will continue to deploy its resources to diligently monitor the market and regulatory environment for threats and opportunities.

The risk of loss resulting from inadequate or failed policies or controls, key people and knowledge, systems and external events in respect of new product implementations, entering new markets and sustainability of key agreements with banking partnerships.

The company actively monitors its operations and documents key business processes to facilitate knowledge transfers in the event of team member turnover. The company conducts regular third-party penetration testing.

The risk of loss resulting from data protection or privacy failures and incomplete, inaccurate or untimely reporting of financial and operating information leading to potential fines, penalties or sanctions.

The company has a robust and growing team of compliance professionals that ensure that all members of staff have sufficient training to ensure adherence to reporting and other regulatory requirements. Compliance, Legal and Finance teams across the company combine efforts to ensure timely and accurate reporting to regulatory bodies.

The risk of loss resulting from employee and third-party fraud risk as well as product and engineering risks.

The company employs strict protocols to ensure that customer data and assets are safeguarded. This includes ongoing monitoring of platform activity and reconciliation of transactions against platform data.

The risk that Wirex does not have sufficient financial resources to meet its commitments as they fall due.

Wirex maintains adequate levels of liquidity and will ensure that it continues to maintain sufficient levels of liquidity to meet foreseeable and unexpected needs. Daily monitoring and control processes are in place to address internal and regulatory liquidity requirements.

Other key performance indicators

The Board monitors the progress of the company by reference to the following KPIs:

	2021	2020
Turnover for the year (pro-rated)	£572,855,589	£311,511,402
Net assets	£12,632,384	£12,027,907

Wirex Limited

Strategic report (continued)

for the year ended 30 June 2021

Future developments

The Group expects international expansion, especially in the North American and APAC regions over the upcoming year. Key elements of the Group's business strategy include:

- Support and grow the Wirex brand through international expansion;
- Provide custodial services that enhance user experience;
- Support customer retention and growth; and
- Assist in risk management and compliance through enhanced transaction monitoring, anti-money laundering and know your customer policies and procedures

This report was approved by the Board on 7 July 2022 and signed on its behalf.

DocuSigned by:

Dmitry Lazarinchev

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Dmitry Lazarinchev

Director

Wirex Limited

Directors' report

for the year ended 30 June 2021

The directors present their report and the financial statements of Wirex Limited ('the company') for the year ended 30 June 2021.

Results and dividends

The loss for the year, after taxation, amounted to £2,022,795 (2020 -profit £446,079).

There were no dividends paid, recommended or declared during the year ended 30 June 2021 (period ended 30 June 2020: no dividends).

Directors

The directors who served during the year were:

Pavel Matveev
Dmitry Lazarichev

Research and development activities

During the period the Group partook in research and development activities which were then subsequently capitalised, further details can be found in Note 11.

Engagement with employees

The Directors recognise that Wirex employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

Branches outside the United Kingdom

The company continues to operate a branch outside of the United Kingdom, within Ukraine.

Matters covered in the strategic report

in accordance with s414C(11) of the Companies Act, the company has chosen to outline in the Strategic report information on the key risks and financial risk management policies to which the company is affected.

Wirex Limited

Directors' report (continued)

for the year ended 30 June 2021

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

The group headed by Wirex Holdings Limited ('the group'), of which Wirex Limited is a member, works with independent contractors previously based in Kyiv. Business continuity plans were invoked following the Russian invasion of Ukraine resulting in staff relocation that allowed the work performed by the contractors to continue. This together, with the fact the group does not have significant revenues from Russian or Ukrainian customers, has enabled the company's management to determine that the invasion of Ukraine has not created material uncertainty that may cast doubt upon Wirex Limited's ability to continue as a going concern.

In March 2022, Wirex Limited's directors made the decision to voluntarily withdraw from the FCA Temporary Permissions Regime and transitioned all of the company's cryptoasset services, intangible cryptoassets and inventory of cryptoassets to a new entity, Wirex Digital d.o.o, a company incorporated in Croatia and regulated by the Croatian authorities. Wirex Digital d.o.o, now provides cryptoasset services for the group's UK customers.

Wirex Limited

Directors' report (continued)

for the year ended 30 June 2021

This report was approved by the board on 7 July 2022 and signed on its behalf.

DocuSigned by:

Dmitry Lazarichev

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Dmitry Lazarichev

Director

Independent auditor's report to the members of Wirex Limited

for the year ended 30 June 2021

Opinion

We have audited the financial statements of Wirex Limited (the 'company') for the Year ended 30 June 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss for the Year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Wirex Limited (continued)

for the year ended 30 June 2021

Opinion on other matters 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Wirex Limited (continued)

for the year ended 30 June 2021

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the company through discussions with the directors and other management at the planning stage;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006 and taxation legislation.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal expenditure and correspondence throughout the period for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior period;
- reviewed journal entries to identify any unusual transactions;
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the company's management; and
- carried out substantive testing to check the occurrence and cut-off of expenditure.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those

Independent auditor's report to the members of Wirex Limited (continued) for the year ended 30 June 2021

leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Katherine White (Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

8 July 2022

Wirex Limited

Statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 £	2020 £
Turnover		572,855,589	311,511,402
Cost of sales		(526,738,978)	(303,419,287)
Gross profit		46,116,611	8,092,115
Administrative expenses		(18,414,060)	(7,228,247)
Loss on revaluation of cryptocurrency denominated balances		(28,088,503)	(806,791)
Operating (loss)/profit	5	(385,952)	57,077
Interest payable and similar expenses	9	(799,840)	(97,744)
Loss before tax		(1,185,792)	(40,667)
Tax on loss	10	(837,003)	486,746
(Loss)/profit for the financial Year		(2,022,795)	446,079

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 15 to 30 form part of these financial statements.

Wirex Limited - Registered number: 09334596

Statement of financial position

as at 30 June 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	11,214,005	6,802,680
Tangible assets	12	274,047	755,765
Investments	13	-	1,471,632
		<u>11,488,052</u>	<u>9,030,077</u>
Current assets			
Stocks	14	45,882,087	48,213,366
Debtors: amounts falling due within one year	15	12,802,195	8,014,616
Cash at bank and in hand	16	3,207,972	1,548,919
		<u>61,892,254</u>	<u>57,776,901</u>
Creditors: amounts falling due within one year	17	(58,972,369)	(51,545,878)
Net current assets		<u>2,919,885</u>	<u>6,231,023</u>
Total assets less current liabilities		<u>14,407,937</u>	<u>15,261,100</u>
Creditors: amounts falling due after more than one year	18	-	(2,271,920)
		<u>14,407,937</u>	<u>12,989,180</u>
Provisions for liabilities			
Deferred taxation	19	(1,798,276)	(961,273)
		<u>(1,798,276)</u>	<u>(961,273)</u>
Net assets		<u>12,609,661</u>	<u>12,027,907</u>
Capital and reserves			
Called up share capital	20	13,547	13,547
Share premium account	21	2,502,629	2,502,629
Other reserves	21	9,160,037	6,555,488
Profit and loss account	21	933,448	2,956,243
		<u>12,609,661</u>	<u>12,027,907</u>

Wirex Limited - Registered number: 09334596

Statement of financial position (continued)

as at 30 June 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 7 July 2022.

DocuSigned by:

Dmitry Lazarichev

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Dmitry Lazarichev

Director

The notes on pages 15 to 30 form part of these financial statements.

Wirex Limited

Statement of changes in equity

for the year ended 30 June 2021

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2019	13,547	2,538,954	5,730,396	2,533,093	10,815,990
Profit for the year	-	-	-	446,079	446,079
Share based payments	-	-	825,092	(22,929)	802,163
Other movements	-	(36,325)	-	-	(36,325)
Total transactions with owners	-	(36,325)	825,092	(22,929)	765,838
At 1 July 2020	13,547	2,502,629	6,555,488	2,956,243	12,027,907
Comprehensive income for the Year					
Loss for the Year	-	-	-	(2,022,795)	(2,022,795)
Share based payments	-	-	2,604,549	-	2,604,549
Total transactions with owners	-	-	2,604,549	-	2,604,549
At 30 June 2021	13,547	2,502,629	9,160,037	933,448	12,609,661

The notes on pages 15 to 30 form part of these financial statements.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

1. General information

Wirex Limited is a company limited by shares, incorporated and domiciled in England and Wales. Its registered office is 107 Cheapside, London, England, EC2V 6DN and its principal place of business is 8 Devonshire Square, Liverpool Street, London, England, EC2M 4PL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 1. paragraph 79(a)(iv) of IAS 1;
 2. paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 3. paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

2. Accounting policies (continued)

2.3 Going concern

The group headed by Wirex Holdings Limited ('the group'), of which Wirex Limited is a member, works with independent contractors previously based in Kyiv. Business continuity plans were invoked following the Russian invasion of Ukraine resulting in staff relocation that allowed the work performed by the contractors to continue. This together, with the fact the group does not have significant revenues from Russian or Ukrainian customers, has enabled the company's management to determine that the invasion of Ukraine has not created material uncertainty that may cast doubt upon Wirex Limited's ability to continue as a going concern.

In March 2022, Wirex Limited's directors made the decision to voluntarily withdraw from the FCA Temporary Permissions Regime and transitioned all of the company's cryptoasset services, intangible cryptoassets and inventory of cryptoassets to a new entity, Wirex Digital d.o.o, a company incorporated in Croatia and regulated by Croatian Financial Services Supervisory Agency ("HANFA") for Anti-Money Laundering ('AML') and Combatting the Financing of Terrorism ('CFT'). Wirex Digital d.o.o, now provides cryptoasset services for the group's UK customers.

As part of this reconstruction, staff of Wirex Limited were transferred to a new UK entity, Wirex International Limited, and the cost base of Wirex Limited has significantly reduced.

Prior to March 2022, the company directly operated in the cryptocurrency markets and, following the reconstruction of the group's activities, are indirectly exposed to these markets through the group's activities. The cryptocurrency markets are inherently volatile. The group's management continually manage the group's exposures in order to maintain liquidity levels, and have so far attracted net deposits since the latest period of volatility in the cryptocurrency markets.

During November 2021, Wirex Limited agreed with the Financial Conduct Authority (FCA) to place voluntary restrictions on certain regulated activities in relation to its Electronic Money Institution ('EMI') license authorisation. In June 2022, these restrictions were lifted and Wirex Limited have satisfied the FCA that all previous areas of recommended improvements have been completed. Wirex Limited continues to be regulated by the FCA as an Authorised EMI. Going forward, the company will be reliant on revenues from the group for licensing the software developed by the company as well as its services provided under the EMI license.

Following the reconstruction in March 2022, the directors have re-forecasted the cash flows of the company and have determined that there are sufficient resources for the company to meet its debts as they fall due for the foreseeable future, and therefore they have prepared the financial statements of the company on a going concern basis.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.5 Revenue

Revenue is derived from cryptocurrency transactional services, where a user of the company's services can buy and sell cryptocurrencies and exchange fiat currencies. The company charges fixed transaction fees to provide this service. Revenue is recognised at the point of trade and settlement is instantly transferred into the company bank account from the client account. When revenue is settled in cryptocurrency tokens, the company records the fair value of the cryptocurrency token at the date it is earned within revenue.

The company recognises the gross number of cryptocurrencies instantaneously sold on behalf of the company's client.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are 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.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

2. Accounting policies (continued)**2.10 Tangible fixed assets (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.

Depreciation is provided on the following basis:

Long-term leasehold property	- over the length of the lease
Fixtures and fittings	- over 3 years
Office equipment	- over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Inventories

Inventories relate to cryptocurrencies that are traded as part of the ordinary course of the company's business. They are carried at fair value less costs to sell through profit or loss. Inventories include WXT, a token issued by the group of which the company is a member. At the end of each reporting period, the Directors update their assessment of the quantity of WXT, taking into account the sales and volumes during the period and future plans.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

2. Accounting policies (continued)

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.17 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Notes to the financial statements

for the year ended 30 June 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates recoverable amount of the asset. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the statement of comprehensive income unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Inventories

Cryptocurrencies have been classified as inventory as they are similar to commodities, this is in accordance with IAS 2. Cryptocurrencies are valued at fair value less costs to sell on the basis that the company believes this is realisable and that they have access to the appropriate liquid markets. The company has the ability to trade client positions with their own holdings as their clients move in and out of fiat against cryptocurrencies with their liquidity provider. The company used an open market source to carry out their year-end valuations.

Capitalisation of intellectual property

The company capitalised costs in relation to its intellectual property, these costs were determined by a reputable 3rd party source. The company capitalised costs in accordance with IAS 38.

Revenue recognition Principal vs Agent

For transactions involving the sale of cryptocurrency, Wirex accounts for revenue as principal as it has the power to control the assets and exercises this power prior to the assets being transferred to customers. For transactions involving the sale of fiat currency, Wirex accounts for revenue as an agent, as it does not have the power to control this asset.

WXT token

Historically, the company created a crypto token – WXT. These have been recorded on the statement of financial position in one of two categories. The entity recognises tokens which are not held for sale in the normal course of the business as an intangible asset, while recognising all tokens which will be available for sale within the normal course of business as inventory. Due to the number of tokens held, compared to the volumes normally traded on the markets, the company has taken a discount of 12% (2020 24%) to the market price at the year end in calculating the fair value of WXT tokens held in inventory. At the year end the fair value of WXT tokens held in inventory amounted to £16,663,122 (2020 £21,000,000).

Share based payments

The entity has recognised the exercise price of the options at the contracted value. This is in accordance with IFRS 2.

Wirex Limited**Notes to the financial statements**

for the year ended 30 June 2021

4. Revenue

	2021 £	2020 £
Commission from sale of currency (as agent) and revenue from sale of cryptocurrency (as principal)	521,778,549	300,462,831
Sale of WXT	14,797,000	6,962,891
Revenue share income	2,381,081	2,422,229
Blockchain fees	33,898,959	1,573,807
Other revenue	-	89,644
	<u>572,855,589</u>	<u>311,511,402</u>

All revenue arose within the United Kingdom.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	639,256	269,395
Amortisation of intangible assets, including goodwill	746,358	476,649
Exchange differences	(5,139,859)	(4,442,581)
Defined contribution pension cost	76,659	67,640

6. Auditor's remuneration

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	2,368,512	1,790,552
Social security costs	236,651	202,100
Cost of defined contribution scheme	76,659	67,640
	<u>2,681,822</u>	<u>2,060,292</u>

The average monthly number of employees, including the directors, during the Year was as follows:

	2021 No.	2020 No.
Management	2	5
Compliance	11	4
Financial	6	4
HR	3	3
Legal	3	2
Marketing	15	9
Product	2	-
	<u>42</u>	<u>27</u>

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	<u>300,000</u>	<u>300,000</u>

The highest paid director received remuneration of £150,000 (2020 -£150,000).

9. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	288,638	46,750
Other loan interest payable	511,202	50,994
	<u>799,840</u>	<u>97,744</u>

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	-	(814,280)
Adjustments in respect of previous periods	-	(600,089)
	<u>-</u>	<u>(1,414,369)</u>
Total current tax	<u>-</u>	<u>(1,414,369)</u>
Deferred tax		
Origination and reversal of timing differences	533,443	1,228,322
Changes to tax rates	303,560	(28,110)
Adjustments in respect of prior periods	-	(272,589)
Total deferred tax	<u>837,003</u>	<u>927,623</u>
Taxation on profit/(loss) on ordinary activities	<u>837,003</u>	<u>(486,746)</u>

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

10. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020 -higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(1,185,792)	(40,667)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	(225,300)	(7,727)
Effects of:		
Fixed asset differences	(4,710)	515,349
Expenses not deductible for tax purposes	833,097	15,236
Adjustments to tax charge in respect of prior periods	-	(872,678)
Changes to tax rates on deferred tax	335,378	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	486,150	252,707
Additional deduction for R&D expenditure	(683,820)	(666,181)
Other differences leading to an increase (decrease) in the tax charge	-	(28,110)
Unrecognised deferred tax	96,208	304,658
Total tax charge for the Year/year	837,003	(486,746)

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

11. Intangible assets

	Intellectual property £	Trademarks £	Other intangible assets £	Total £
Cost				
At 1 July 2020	7,456,566	1,733	46,359	7,504,658
Additions - internal	2,871,818	-	-	2,871,818
Release of WXT	-	-	(46,359)	(46,359)
Reclassification from inventory	-	-	2,332,224	2,332,224
At 30 June 2021	10,328,384	1,733	2,332,224	12,662,341
Amortisation				
At 1 July 2020	701,978	-	-	701,978
Charge for the year	746,358	-	-	746,358
At 30 June 2021	1,448,336	-	-	1,448,336
Net book value				
At 30 June 2021	8,880,048	1,733	2,332,224	11,214,005
At 30 June 2020	6,754,588	1,733	46,359	6,802,680

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

12. Tangible fixed assets

	Right of use asset £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 July 2020	1,133,466	178,341	609,876	1,921,683
Additions	-	-	157,538	157,538
Disposals	-	(884)	-	(884)
At 30 June 2021	1,133,466	177,457	767,414	2,078,337
Depreciation				
At 1 July 2020	598,218	144,856	422,844	1,165,918
Charge for the year	440,792	27,860	170,604	639,256
Disposals	-	(884)	-	(884)
At 30 June 2021	1,039,010	171,832	593,448	1,804,290
Net book value				
At 30 June 2021	94,456	5,625	173,966	274,047
At 30 June 2020	535,248	33,485	187,032	755,765

13. Fixed asset investments

	Investments in subsidiary companies £
At 1 July 2020	1,471,632
Disposals	(1,471,632)
At 30 June 2021	-

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

14. Inventories

	2021 £	2020 £
Cryptocurrencies	29,218,965	27,213,366
WXT cryptocurrency tokens	16,663,122	21,000,000
	<u>45,882,087</u>	<u>48,213,366</u>

15. Debtors

	2021 £	2020 £
Trade debtors	-	675,761
Amounts owed by group undertakings	9,211,036	4,071,902
Other debtors	2,522,006	2,087,842
Prepayments and accrued income	254,873	364,831
Tax recoverable	814,280	814,280
	<u>12,802,195</u>	<u>8,014,616</u>

16. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	3,207,972	1,548,919
	<u>3,207,972</u>	<u>1,548,919</u>

This amount is net of £28,043,297 (2020: £17,97,319) of cash balances owned by the company and £24,835,325 (2020: £16,378,400) of cash held on behalf of clients.

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Other loans	5,159,428	-
Trade creditors	1,303,510	546,177
Amounts owed to group undertakings	22,630,920	-
Other creditors	29,830,648	50,966,093
Accruals and deferred income	47,863	33,608
	<u>58,972,369</u>	<u>51,545,878</u>

Within other loans is an interest-free loan of £1,162,688 which is repayable in \$1,600,000 worth of DAI tokens within 1 year. There is no security on this loan. Additionally there are 3 loans totaling £3,996,740 which attract interest at between 11% and 13% and are due within 1 year. These loans have required collateral of BTC 201.14 and Ltc 2,800 which equate in value to £5,388,853. This collateral is held within inventory.

18. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Other loans	-	2,271,920
	<u>-</u>	<u>2,271,920</u>

19. Deferred taxation

	2021 £
At beginning of year	(961,273)
Charged to profit or loss	(837,003)
At end of year	<u>(1,798,276)</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(1,798,276)	(961,273)
	<u>(1,798,276)</u>	<u>(961,273)</u>

Wirex Limited

Notes to the financial statements

for the year ended 30 June 2021

20. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
11,080 (2020 -11,080) Ordinary A shares of £1.00 each	11,080	11,080
209 (2020 -209) Ordinary B shares of £1.00 each	209	209
2,258 (2020 -2,258) A Preference shares of £1.00 each	2,258	2,258
	13,547	13,547

21. Reserves

During the period £2,604,549 (2020: £825,092) was recognised as the contribution from the parent undertaking for the issuance of share options in the parent undertaking to staff of Wirex Limited. This has also been recognised as an expense of Wirex Limited.

There were no dividends paid, recommended or declared during the current or previous financial periods.

22. Pension commitments

At 30 June 2021, the company owed £12,015 (2020 £Nil) to a defined contribution plan for its employees.

23. Controlling party

The parent undertaking of the company is Wirex Holdings Limited. In the opinion of the directors, there is no ultimate controlling party of Wirex Limited.

The largest and smallest group of undertakings for which consolidated group accounts, which include the company, have been drawn up is headed by Wirex Holdings Limited.

The registered office of Wirex Holdings Limited is the same as the company.