

Wirex Limited

Annual report and financial statements

for the year ended 30 June 2020

Registered number: 09334596

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Company Information

Directors	Pavel Matveev Dmitry Lazarichev
Registered number	09334596
Registered office	107 Cheapside London EC2V 6DN
Independent auditor	Buzzacott LLP Statutory Auditor 130 Wood Street London EC2V 6DL

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Strategic report

for the year ended 30 June 2020

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 and Ripple.

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 that before decisions are made they are consulted with various different 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 act 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.

Strategic report (continued)

for the year ended 30 June 2020

Review of business

The company provides digital asset exchange services to consumers worldwide. These services include fulfilment of digital asset buy and sell, in addition to physical wallet services.

The period ended 30 June 2020 is the fourth 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 £311,511,402 and cost of (£303,419,287) resulting in net income of £8,092,115.

Principal risks and uncertainties

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

As set out in Note 2.1, the company is currently permitted to carry out cryptoasset activities in the UK under the FCA's Temporary Registration Regime. The company is reliant on obtaining full registration to continue to carry out cryptoasset activities after 31 March 2022 (unless this deadline is moved back again). The directors acknowledge that this approval rests with the FCA and therefore there is risk that the company will not be able to continue as a going concern after 31 March 2022 until such time as this registration is approved by the FCA.

While the registration is in progress, the FCA have suggested voluntary restrictions on onboarding new customers and accepting new e-money and cryptoassets which the company has adopted in full cooperation with the FCA.

In managing the regulatory risks, 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 and the directors are optimistic that the voluntary restrictions on activities will be relaxed in the near future, prior to the registration being approved.

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 transaction 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:

	2020	2019
Turnover for the year (pro-rated)	£311,511,402	£127,690,922
Net assets	£12,027,907	£8,953,418

Strategic report (continued)
for the year ended 30 June 2020

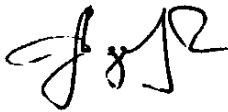
Future developments

Wirex expects local expansion. This will be achieved through:

- 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 30 June 2021 and signed on its behalf.

Dmitry Lazarichev
Director



Directors' report

for the year ended 30 June 2020

The directors present their report and the financial statements of Wirex Limited ('the company') for the year ended 30 June 2020.

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.

Results and dividends

The profit for the year, after taxation, amounted to £446,079 (2019 - £3,112,285).

There were no dividends paid, recommended or declared during the year ended 30 June 2020 (period ended 30 June 2019: no dividends).

Directors

The directors who served during the year were:

Pavel Matveev
Dmitry Lazarichev

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.

Directors' report (continued)

for the year ended 30 June 2020

Engagement with suppliers, customers and others

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.

Disclosure of information to auditor

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

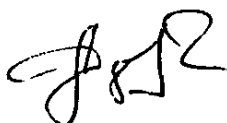
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor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

Post balance sheet events

There have been no significant events affecting the company since the year end.

This report was approved by the board on 30 June 2021 and signed on its behalf.

Dmitry Lazarichev
Director



Independent auditor's report to the members of Wirex Limited

Opinion

We have audited the financial statements of Wirex Limited (the 'company') for the year ended 30 June 2020, 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'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 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.

Material uncertainty related to going concern

We draw attention to note 2.1 in the financial statements, which indicates that the company is reliant on obtaining full registration with the FCA to carry out cryptoasset activities after 31 March 2022. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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)

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 on page 4, 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.

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.

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.

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

Use of our report

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.



Katherine White (Senior statutory auditor)

for and on behalf of

Buzzacott LLP

Statutory Auditor

130 Wood Street

London

EC2V 6DL

30 June 2021

Statement of comprehensive income

for the year ended 30 June 2020

		30 June 2020 £	18-month period ended 30 June 2019 £
	Note		
Turnover		311,511,402	191,184,235
Cost of sales		(303,419,287)	(180,329,538)
Gross profit		8,092,115	10,854,697
Administrative expenses		(7,228,247)	(24,383,792)
Gain on revaluation of inventory		(806,791)	17,314,928
Operating profit	5	57,077	3,785,833
Interest payable and expenses	8	(97,744)	-
(Loss)/profit before tax		(40,667)	3,785,833
Tax on (loss)/profit	9	486,746	(673,548)
Profit for the financial year		446,079	3,112,285

There was no other comprehensive income for 2020 (2019: £NIL).

The notes on pages 14 to 29 form part of these financial statements.

Statement of financial position

as at 30 June 2020

	Note	2020 £	As restated 2019 £
Fixed assets			
Intangible assets	10	6,802,680	4,604,343
Tangible assets	11	755,765	431,860
Investments	12	1,471,632	703,202
		<u>9,030,077</u>	<u>5,739,405</u>
Current assets			
Inventories	13	48,213,366	30,773,401
Debtors	14	8,014,616	7,715,668
Cash at bank and in hand	15	1,548,919	2,263,251
		<u>57,776,901</u>	<u>40,752,320</u>
Creditors: amounts falling due within one year	16	(51,545,878)	(33,281,496)
Net current assets		<u>6,231,023</u>	<u>7,470,824</u>
Total assets less current liabilities		<u>15,261,100</u>	<u>13,210,229</u>
Creditors: amounts falling due after more than one year		(2,271,920)	(2,360,589)
		<u>12,989,180</u>	<u>10,849,640</u>
Provisions for liabilities			
Deferred taxation	18	(961,273)	(33,650)
		<u>(961,273)</u>	<u>(33,650)</u>
Net assets		<u>12,027,907</u>	<u>10,815,990</u>
Capital and reserves			
Called up share capital	19	13,547	13,547
Share premium account	20	2,502,629	2,538,954
Other reserves	20	6,555,488	5,730,396
Profit and loss account	20	2,956,243	2,533,093
		<u>12,027,907</u>	<u>10,815,990</u>

Statement of financial position (continued)

as at 30 June 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 June 2021.

Dmitry Lazarichev
Director

A handwritten signature in black ink, appearing to be 'D. Lazarichev', written over a horizontal line.

The notes on pages 14 to 29 form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2020

	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
Comprehensive income for the year					
Profit for the year	-	-	-	446,079	446,079
Share based payments	-	-	825,092	(22,929)	802,163
Profit after income tax benefit for the year	-	(36,325)	-	-	(36,325)
Total transactions with owners	-	(36,325)	825,092	(22,929)	765,838
At 30 June 2020	13,547	2,502,629	6,555,488	2,956,243	12,027,907

The notes on pages 14 to 29 form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	12,947	2,502,630	-	(579,192)	1,936,385
Profit for the period	-	-	-	3,112,285	3,112,285
Issued share capital	600	-	-	-	600
Shareholder contributions	-	-	5,554,462	-	5,554,462
Issue of share options	-	-	175,934	-	175,934
Profit after income tax benefit for the year	-	36,324	-	-	36,324
Total transactions with owners	600	36,324	5,730,396	-	5,767,320
At 30 June 2019	13,547	2,538,954	5,730,396	2,533,093	10,815,990

The notes on pages 14 to 29 form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2020

1. General information

Wirex Limited is a company limited by shares, incorporated and domiciled in England and Wales. Its registered office and principal place of business is 34-37 Liverpool Street, London, England, EC2M 7PP.

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 company is itself a subsidiary company and is exempt from the requirement to prepare consolidated financial statements by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Going Concern

Wirex Limited is currently permitted to carry out cryptoasset activities in the UK under the FCA's Temporary Registration Regime. The company is reliant on obtaining full registration to continue to carry out cryptoasset activities after 31 March 2022 (unless this deadline is moved back again). The directors are in discussions with the FCA to obtain approval of full registration and, in the opinion of the directors, the company is taking all of the necessary steps for Wirex Limited to receive this approval. However the directors acknowledge that this approval rests with the FCA and therefore there is a material uncertainty in relation to the ability of the company to continue as a going concern after 31 March 2022 until such time as this registration is approved by the FCA.

The following principal accounting policies have been applied:

2.2 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.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. All differences are taken to the profit and loss.

Notes to the financial statements

for the year ended 30 June 2020

2. Accounting policies (continued)

2.3 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.

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.

2.4 Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

2.5 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 Statement of financial position 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.

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.

Notes to the financial statements

for the year ended 30 June 2020

2. Accounting policies (continued)

2.6 Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible spend is reviewed on an annual basis and amortisation begins after the review. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation cost is recognised within administrative expenses. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property

Intellectual property comprises internally generated software development costs. Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

2.7 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.

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 the Statement of comprehensive income.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the financial statements

for the year ended 30 June 2020

2. Accounting policies (continued)

2.9 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. 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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 the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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.

2.14 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

Notes to the financial statements

for the year ended 30 June 2020

2. Accounting policies (continued)

2.14 Financial instruments (continued)

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 recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Notes to the financial statements

for the year ended 30 June 2020

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.

Fixed asset investments

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. At the period end the carrying value amounted to Nil.

Inventories

Cryptocurrency have been classified as stock as they are similar to commodities, this is in accordance with IAS 2. Cryptocurrencies are valued at market value 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

In the prior period, 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 will be held in the long term as an intangible asset, while recognising all tokens which will be available for sale within one year as inventory. At the period end the carrying value amounted to £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.

Notes to the financial statements

for the year ended 30 June 2020

4. Turnover

	2020 £	2019 £
Commission from sale of currency (as agent) and revenue from sale of cryptocurrency (as principal)	300,462,831	184,372,718
Sale of WXT	6,962,891	2,642,399
Revenue share income	2,422,229	1,823,770
Blockchain fees	898,046	799,417
Set-up fees	-	530,000
Other revenue	765,405	321,259
Card sales	-	60,151
	311,511,402	190,549,714

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	30 June 2020 £	18-month period ended 30 June 2019 £
Depreciation of tangible fixed assets	269,395	291,031
Amortisation of intangible assets	476,649	225,329
Exchange differences	(4,442,581)	10,145,055

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.

The company incurred expenditure of £26,000 (2019: £25,000) in respect of the statutory audit for the year ended 30 June 2020.

Notes to the financial statements

for the year ended 30 June 2020

7. Employees

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

	30 June 2020 No.	18-month period ended 30 June 2019 No.
Management	5	3
Compliance	4	3
Financial	4	3
HR	3	2
Legal	2	1
Marketing	9	11
Product	-	2
	<u>27</u>	<u>25</u>

8. Interest payable and similar expenses

	30 June 2020 £	18-month period ended 30 June 2019 £
Interest payable	97,744	-
	<u>97,744</u>	<u>-</u>

Notes to the financial statements

for the year ended 30 June 2020

9. Taxation

	30 June 2020 £	18-month period ended 30 June 2019 £
Corporation tax		
Current tax on profits for the year	(814,280)	673,548
Adjustments in respect of previous periods	(600,089)	-
	<u>(1,414,369)</u>	<u>673,548</u>
Total current tax	<u>(1,414,369)</u>	<u>673,548</u>
Deferred tax		
Origination and reversal of timing differences	1,228,322	-
Adjustments in respect of prior periods	(272,589)	-
Changes in tax rates	(28,110)	-
Total deferred tax	<u>927,623</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(486,746)</u>	<u>673,548</u>

Notes to the financial statements

for the year ended 30 June 2020

9. Taxation (continued)

Factors affecting tax charge for the year

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

	30 June 2020 £	18-month period ended 30 June 2019 £
(Loss)/profit on ordinary activities before tax	(40,667)	3,785,833
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(7,727)	719,308
Effects of:		
Fixed asset differences	515,349	34
Expenses not deductible for tax purposes	15,236	30,805
Additional deduction for R&D expenditure	(666,181)	-
Adjust opening deferred tax to average rate of 19.00%	-	2,634
Adjust closing deferred tax to average rate of 19.00%	-	(3,959)
Adjustments to tax charge in respect of previous periods - deferred tax	(272,589)	(3,288)
Changes in tax rates - deferred tax	(28,110)	-
Surrender of tax losses for R&D tax credit refund	252,707	-
Adjustments in respect of prior periods	(600,089)	(71,986)
Unrecognised deferred tax assets	304,658	-
Total tax charge for the year	(486,746)	673,548

Notes to the financial statements

for the year ended 30 June 2020

10. Intangible assets

	Intellectual property £	Trademarks £	Other intangible assets £	Total £
Cost				
At 1 July 2019	4,766,488	1,733	61,451	4,829,672
Additions	2,690,078	-	-	2,690,078
Release of WXT	-	-	(15,092)	(15,092)
At 30 June 2020	7,456,566	1,733	46,359	7,504,658
Amortisation				
At 1 July 2019	225,329	-	-	225,329
Charge for the year	476,649	-	-	476,649
At 30 June 2020	701,978	-	-	701,978
Net book value				
At 30 June 2020	6,754,588	1,733	46,359	6,802,680
At 30 June 2019	4,541,159	1,733	61,451	4,604,343

Notes to the financial statements

for the year ended 30 June 2020

11. Tangible fixed assets

	Right of use asset £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 July 2019	-	167,570	572,435	740,005
Additions	1,133,466	10,771	49,942	1,194,179
Disposals	-	-	(12,502)	(12,502)
At 30 June 2020	1,133,466	178,341	609,875	1,921,682
Depreciation				
At 1 July 2019	-	75,583	232,562	308,145
Charge for the year	598,218	69,273	200,122	867,613
Disposals	-	-	(9,841)	(9,841)
At 30 June 2020	598,218	144,856	422,843	1,165,917
Net book value				
At 30 June 2020	535,248	33,485	187,032	755,765
At 30 June 2019	-	91,987	339,873	431,860

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2019	703,202
Additions	768,430
At 30 June 2020	1,471,632

Notes to the financial statements

for the year ended 30 June 2020

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding
Wirex Japan Ltd	Japan	Ordinary	100%
Wirex Pte. Ltd	Singapore	Ordinary	100%
Wirex USA Inc.	USA	Ordinary	100%
Wirex Canada	Canada	Ordinary	100%
Wirex Gibraltar Ltd	Gibraltar	Ordinary	100%

Wirex Japan Limited does not have a coterminous year end with all other entities, as filings were made to the respective registered bodies before the other entities had been filed.

13. Inventories

	2020 £	2019 £
Cryptocurrencies	48,213,366	30,773,401

14. Debtors

	2020 £	2019 £
Trade debtors	675,761	237,102
Amounts owed by group undertakings	4,071,902	1,331,413
Other debtors	2,902,122	5,674,696
Prepayments and accrued income	364,831	472,457
	8,014,616	7,715,668

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	1,548,919	2,263,251

This amount is net of £17,97,319 (2019: £9,987,701) of cash balances owned by the company and £16,378,400 (2019: £7,676,052) of cash held on behalf of clients.

Notes to the financial statements

for the year ended 30 June 2020

16. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	546,177	1,261,075
Corporation tax	-	719,212
Other taxation and social security	-	11,154
Other creditors	50,966,093	31,028,326
Accruals and deferred income	33,608	261,729
	<u>51,545,878</u>	<u>33,281,496</u>

Of the total amount of liabilities, £44,756,889 relates to amounts due in cryptocurrency in this period (2019: £30,610,163). This figure is made up of various cryptocurrencies. This amount has been grossed up and should be read in conjunction with note 13. Once this set against the respective stock amount, the total current liability figure would fall to £9,499.

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

	2020 £	As restated 2019 £
Other loans	2,271,920	2,360,589
	<u>2,271,920</u>	<u>2,360,589</u>

This amount relates to an interest-free loan made to the company, of which £2,271,920 (2019: £2,360,589), represented by Dai cryptocurrency tokens, is repayable in later than 12 months following the year end.

18. Deferred taxation

	2020 £
At beginning of year	(33,650)
Charged to profit or loss	(927,623)
At end of year	<u>(961,273)</u>

Notes to the financial statements

for the year ended 30 June 2020

18. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(961,273)	(33,650)
	<u>(961,273)</u>	<u>(33,650)</u>

19. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
11,080 (2019 - 11,080) Ordinary A shares of £1.00 each	11,080	11,080
209 (2019 - 209) Ordinary B shares of £1.00 each	209	209
2,258 (2019 - 2,258) A Preference shares of £1.00 each	2,258	2,258
	<u>13,547</u>	<u>13,547</u>

20. Reserves

During the year the co-founders of the company injected £nil (2019: £5,554,462) as a contribution of capital. This is a capital contribution treated as equity under IAS 32 because it is not repayable.

During the period £827,829 (2019: £175,934) was recognised as the movement of fair value of share options.

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

21. Commitments under operating leases

At 30 June 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	141,766	721,137
Later than 1 year and not later than 5 years	-	765,883
	<u>141,766</u>	<u>1,487,020</u>

Notes to the financial statements

for the year ended 30 June 2020

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

Consolidated accounts can be obtained from Companies House

23. Post balance sheet events

During the year ended 30 June 2020, the company entered into a settlement agreement as a result of a dispute over use of a trademark with a competitor. At 30 June 2020, the flow of economic benefits to the company was not virtually certain, therefore no asset was recognised in the financial statements for the year ended 30 June 2020.

In March 2021, the company received £61,750 in relation to the settlement agreement.