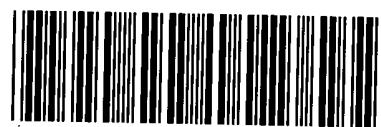


**DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

**Western Union Business Solutions (UK) Limited**  
**Registered Number 02854737 Year Ended 31 December 2015**

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COMPANIES HOUSE

Western Union Business Solutions (UK) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2015

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## Company Information

### **Directors**

Christopher Fischer  
Kenneth Timbers (Resigned 30 April 2015)  
Ian Jeffrey (Resigned 9 April 2016)  
Anthony Crivelli (Appointed 8 February 2015)  
Tristan Van Der Vijver (Appointed 2 October 2015)  
Brad Windbigler (Appointed 2 October 2015)

### **Secretary**

Louise Barrett (Appointed 12 February 2016)  
Karl Soden (Resigned 24 September 2015)

### **Registered Office**

12 Appold Street  
London  
EC2A 2AW

### **Company Registration Number**

02854737

### **Auditors**

Ernst & Young  
Ernst & Young Building, Harcourt Centre  
Harcourt Street  
Dublin 2, Ireland

## Strategic Report

### **(A) Review and Results of Operations**

The loss before tax for the year amounted to £(3,830,784) and £(238,398) at 31 December 2015 and 2014, respectively. The reason for the higher net loss in the current year is that in 2015, the Company absorbed certain accumulated costs incurred by an affiliate in conjunction with that affiliate's planned liquidation. Tax (benefit) / expense was £(413,815) and £248,040 at 31 December 2015 and 2014, respectively, and a loss after taxation of £(3,416,969) and £(486,438) at 31 December 2015 and 2014, respectively, was taken to reserves.

#### *Financial Performance*

The key indicators that the Company focuses on are revenue and operating margin, excluding interest, taxes, depreciation and amortisation.

Revenues for the year increased 10% over 2014, primarily driven by an increase in customer activity. The Company is in a net asset position of £61,600,181 and £64,839,879 at 31 December 2015 and 2014, respectively.

### **(B) Future Developments**

The Company plans to continue to operate its business throughout the UK.

#### *Political and Charitable Contributions*

The Company made no political or charitable contributions during the years ended 31 December 2015 or 2014.

### **(C) Principal Risks and Uncertainties**

The industry in which the Company participates is highly competitive. Key competitive considerations for keeping existing business and winning new business include the quality and effectiveness of the services the Company offers and its ability to efficiently serve clients. To the extent that the Company is not able to remain competitive, its revenue may be adversely affected, which could then affect its results of operations and financial condition.

In addition, the Company may lose or fail to attract and retain key personnel. The Company's employees are its most important assets. The Company's ability to retain key personnel is an important aspect of its competitiveness. The Company's continuing ability to attract and retain those employees is important to its business and if it is unable to do so, its ability to provide its services in the manner its customers have come to expect may be adversely affected, which could harm its reputation and result in a loss of clients, which could have a material adverse effect on its results of operations and financial condition.

## Strategic Report (continued)

The Company uses proprietary software of the group to serve customers. There can be no assurances that others will not independently develop products similar to those developed by the Company or duplicate any of the Company's products.

### *Interest Rate Risk*

The Company does not have any significant interest-bearing assets or liabilities, with the exception of cash balances; therefore, interest rate risk is not considered significant.

### *Foreign Exchange Risk*

The Company is exposed to foreign currency risk as a result of transactions that are denominated in currency other than the Company's functional currency. Transactions that typically expose the Company to foreign currency risk include providing spot foreign exchange transactions and forward foreign exchange contracts.

The Company enters into foreign exchange contracts with Western Union Business Solutions (USA), LLC (WUBS USA) to hedge its foreign exchange exposures. The Company does not have residual exposure to currency fluctuations on contracts, although a credit risk would occur if a client defaulted on a contract.

Foreign currency risk is the risk that the value of the Company's assets, liabilities, and future net earnings will fluctuate due to changes in foreign exchange rates. The Company aggregates its foreign exchange exposures, including the exposure generated by the derivative contracts it writes to its customers as part of its cross-currency payments business, and hedges the net exposure through offsetting contracts with WUBS USA. Therefore, the Company is not exposed to any significant foreign exchange risk.

### *Credit Risk*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk is minimised by monitoring exposures to any single counterparty and, if considered necessary, obtaining deposits from clients for major contracts. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, including derivative financial instruments, in the Statement of Financial Position.

The credit risk on financial assets of the Company that have been recognised on the Statement of Financial Position is the carrying amount, net of any allowance for impairment.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries and by performing extensive due diligence procedures on major new customers. Credit risk is minimised because, in most cases,

## Strategic Report (continued)

the Company requires a cash payment from the client before settlement of transactions. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honour their obligations to deliver currency to us or to maintain appropriate collateral with us. To mitigate the risk associated with potential customer defaults, we perform credit reviews of the customer on an ongoing basis, and, for our derivatives, we may require certain customers to post or increase collateral. At the year-end, there were no significant concentrations of credit risk external to group undertakings.

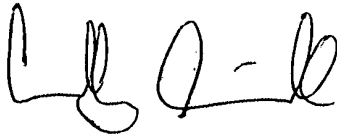
### *Fair Value of Financial Assets and Financial Liabilities*

The carrying amount of the financial assets and liabilities, other than foreign currency derivative assets and liabilities that are measured at fair value, approximates their fair values as they have maturities of less than three months.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will experience difficulty in raising funds at short notice to meet its financial commitments as they fall due. The settlement of spot and forward contract obligations requires adequate liquidity which is available to the Company through the intra-day settlement facilities of WUBS USA. Liquidity risk is minimised due to the fact that WUBS USA does not intend to call the intercompany balances.

Anthony Crivelli



Registered Office:

12 Appold Street  
London  
EC2A 2AW

## **Directors' Report**

The directors present their report together with the audited financial statements of Western Union Business Solutions (UK) Limited (the Company) for the year ended 31 December 2015, and the auditor's report thereon. Comparative financial statements are for the year ended 31 December 2014.

### **Directors**

The directors who served during the year were as follows:

Christopher Fischer  
Kenneth Timbers (Resigned 30 April 2015)  
Ian Jeffrey (Resigned 9 April 2016)  
Tristan Van Der Vijver (Appointed 2 October 2015)  
Brad Windbigler (Appointed 2 October 2015)  
Anthony Crivelli (Appointed 8 February 2015)

Three directors held share options or restricted stock units of The Western Union Company, the Company's ultimate parent, at the beginning of the year. Each of the three was allocated additional units during the year; another two directors were awarded restricted stock units of The Western Union Company. Three exercised share options or restricted stock units during 2015. None exercised share options or restricted stock units during 2014.

### **Principal Activity**

The principal activity of the Company during the course of the financial year was the provision of foreign currency services to third-party clients, primarily corporations.

There were no significant changes in the nature of the activities of the Company during the year.

### **Dividends**

No dividends were paid or declared by the Company in respect of the years ended 31 December 2015 or 2014.

### **Disclosure of Information to Auditors**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and all directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Directors' Report (continued)

### Qualifying Third Party Indemnity Provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by the Company throughout the financial year.

### *Subsequent Events*

On 14 April, 2016 the Directors approved and the company distributed a dividend of £20,000,000.

### Auditors

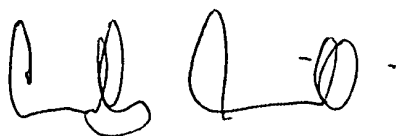
The auditors, Ernst & Young, Chartered Accountants, will be proposed for reappointment in accordance with Section 485 of the Companies Act, 2006.

### Going Concern

The Company is funded by an affiliate, The Western Union Company (TWUC), through intercompany activity. TWUC or its affiliates have no plans or intentions that would materially affect the operations of the Company or the carrying value or classification of its assets and liabilities at December 31, 2015. TWUC has the intent and ability to continue to provide adequate funding, as necessary, including ongoing operating funds, capital, or other assistance to the Company in the foreseeable future but at least for one year from the date these financial statements were available to be issued.

Approved and authorised for issue by the Board and signed on its behalf on 29 September, 2016:

Anthony Crivelli



Registered Office:

12 Appold Street  
London  
EC2A 2AW



## **Directors' Responsibilities Statement in Respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations and those International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

UK Law requires the directors to prepare financial statements for each financial year, which present fairly the financial position of the Company and financial performance and cash flows of the Company for that year.

Under the Companies Act 2006 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 year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Comply with applicable IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

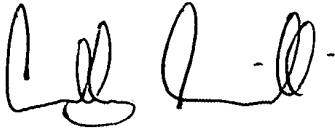
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from other jurisdictions.

**Directors' Responsibilities Statement in Respect of the Directors' Report and the Financial Statements (continued)**

Approved and authorised for issue by the Board and signed on its behalf on 29 September 2016:

Anthony Crivelli

A handwritten signature in black ink, appearing to be 'A. Crivelli', with a stylized, cursive script.

Registered Office:

12 Appold Street  
London  
EC2A 2AW

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN UNION BUSINESS SOLUTIONS (UK) LIMITED**

We have audited the financial statements of Western Union Business Solutions (UK) Limited for the year ended 31 December 2015 which comprise Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Directors' Responsibilities Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN UNION  
BUSINESS SOLUTIONS (UK) LIMITED (continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.



John McCormack (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Dublin

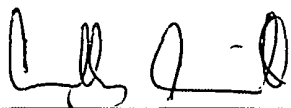
Date 30 September 2016

# Western Union Business Solutions (UK) Limited

## Statement of Financial Position

		31 December	
		2015	2014
	Note	£	£
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	10	63,042,852	28,762,965
Trade receivables	10	7,345,614	8,994,957
Foreign currency derivative assets	10	20,593,079	23,439,826
Receivables from related companies	13	56,708,227	70,954,283
Taxes receivable		151,277	3,054,522
Prepaid expenses		283,075	169,382
		148,124,124	135,375,935
<b>Noncurrent assets:</b>			
Deferred tax asset	4	752,061	221,390
Investment in subsidiary undertakings	11	10,000,000	10,000,000
Property and equipment	5	413,585	190,786
		11,165,646	10,412,176
<b>Total assets</b>		159,289,770	145,788,111
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade payables	1	49,515,456	37,145,328
Accrued expenses	6	4,139,177	4,065,882
Foreign currency derivative liabilities	10	20,779,776	23,361,254
Payables to related companies	13	23,022,243	16,152,122
		97,456,652	80,724,586
<b>Noncurrent liabilities:</b>			
Asset retirement obligations	15	232,937	223,646
<b>Total liabilities</b>		97,689,589	80,948,232
<b>Total net assets</b>		61,600,181	64,839,879
<b>Equity (attributable to the equity holders of the parent):</b>			
Issued capital	7,9	500	500
Share premium	7,9	11,587,000	107,999,600
Capital contribution	9	509,379	332,108
Profit and loss reserve (deficit)	9	49,503,302	(43,492,329)
<b>Total equity</b>		61,600,181	64,839,879

For and on behalf of the board who approve and authorise the issue of these financial statements.



Anthony Crivelli

The accompanying notes are an integral part of the financial statements.

# Western Union Business Solutions (UK) Limited

## Statement of Comprehensive Income

	Note	Year Ended 31 December	
		2015 £	2014 £
Revenue:			
Foreign exchange revenue	1	49,778,773	44,884,460
Fee	1	3,583,134	3,439,347
		<hr/>	<hr/>
		53,361,907	48,323,807
Expenses:			
Employee wages, commissions, and pension costs	2	23,686,238	21,706,948
Other operating expenses	2	9,324,981	7,927,575
Depreciation and amortisation expenses	2	96,516	337,110
Intercompany expenses	2, 13	24,084,956	18,590,572
		<hr/>	<hr/>
		57,192,691	48,562,205
Loss before taxation		(3,830,784)	(238,398)
Income tax (benefit)/expense	4	(413,815)	248,040
Loss after taxation		<hr/>	<hr/>
		(3,416,969)	(486,438)
Other comprehensive income		—	—
Total comprehensive loss		<hr/>	<hr/>
		(3,416,969)	(486,438)

*The accompanying notes are an integral part of the financial statements.*

Western Union Business Solutions (UK) Limited

Statement of Changes in Equity

	Issued Capital £	Share Premium £	Capital Contribution £	Profit and Loss (Deficit) Reserve £	Total Equity £
Balance at 1 January, 2014	500	107,999,600	89,179	(43,005,891)	65,083,388
Share-based compensation	–	–	242,929	–	242,929
Total comprehensive loss after tax	–	–	–	(486,438)	(486,438)
Balance at 31 December 2014	500	107,999,600	332,108	(43,492,329)	64,839,879
Re-establishment of profit and loss reserve (note 9)	–	(96,412,600)	–	96,412,600	–
Share-based compensation	–	–	177,271	–	177,271
Total comprehensive loss after tax	–	–	–	(3,416,969)	(3,416,969)
Balance at 31 December 2015	500	11,587,000	509,379	49,503,302	61,600,181

*The accompanying notes are an integral part of the financial statements.*

# Western Union Business Solutions (UK) Limited

## Statement of Cash Flows

	Note	Year Ended 31 December	
		2015 £	2014 £
<b>Operating activities</b>			
Cash receipts in the course of operations		55,011,250	48,691,212
Cash payments in the course of operations		(44,314,614)	(51,563,499)
Increase (decrease) in intercompany advances		21,116,177	(8,999,802)
Income taxes received		2,786,389	–
Net cash flows provided by (used in) operating activities		34,599,202	(11,872,089)
<b>Investing activities</b>			
Purchases of property and equipment		(319,315)	(77,899)
Net cash flows used in investing activities		(319,315)	(77,899)
Net increase (decrease) increase in cash and cash equivalents held		34,279,887	(11,949,988)
Cash and cash equivalents at the beginning of the financial period		28,762,965	40,712,953
Cash and cash equivalents at the end of the financial period		63,042,852	28,762,965

*The accompanying notes are an integral part of the financial statements.*



# Western Union Business Solutions (UK) Limited

## Notes to Financial Statements

### 1. Statement of Significant Accounting Policies

#### General Information

The Western Union Company (TWUC) is the Company's ultimate parent company. It is incorporated and domiciled in the United States of America. The registered office and principal place of business is at 12500 East Belford Avenue, Englewood, Colorado 80112.

#### Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on a historical cost basis except derivative financial instruments that have been measured at fair value. The financial report is presented in Great British Pounds Sterling (GBP).

The Company has availed of the exemption in Section 401 Companies Act 2006 from preparing and delivering consolidated accounts. The results of the Company and all of its subsidiaries are included in the consolidated accounts of TWUC. The consolidated financial statements of TWUC are available for public inspection and may be obtained from the United States Securities and Exchange Commission.

#### Use of Estimates and Judgments

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### New Accounting Pronouncements

The IFRS adopted by the EU applied by the Company in the preparation of its financial statements are those that were effective for accounting periods ending on or before 31 December 2015.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### Adoption of New and Amendment of Accounting Standards

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Company. Each new standard or amendment is listed below:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle
  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
  - IAS 24 Related Party Disclosures
- Annual Improvements 2011-2013 Cycle
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property

##### Standards Issued Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### Standards Issued Not Yet Effective

###### (a) Classification and measurement

The Company does not expect a significant impact on its Statement of Financial Position or equity on applying the classification and measurement requirements of IFRS 9.

###### (b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company does not expect a significant impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

###### (c) Hedge accounting

The Company does not expect a significant impact as a result of applying IFRS 9 as hedge accounting is not applied.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company will further evaluate the standard closer to the implementation date in order to determine which method of application is appropriate.

- **IFRS 16: Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### Standards Issued Not Yet Effective (continued)

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. The Company plans to adopt the new standard on the required effective date.

- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. These amendments are not expected to have any impact on the Company. They include:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 19 Employee Benefits*
- *Amendments to IAS 1 Disclosure Initiative*

The Company, however, expects no significant impact from the adoption of all the above amendments on its financial position or performance.

The Company has not adopted any other new standards or interpretations that are not mandatory.

#### Revenue Recognition

Revenues are recognised at fair value of the consideration received, net of the amount of goods and services tax (VAT) payable to the taxation authority. Revenues are presented in the Statement of Comprehensive Income net of rebates of £3.0 m in 2015 and £3.5 m in 2014.

##### *Revenue from Foreign Exchange Transactions*

The Company generates revenue based on the difference between the exchange rate set by the Company to the business and the rate at which the Company is able to acquire the currency. This foreign exchange revenue is recorded at the time a customer initiates a transaction. As the Company hedges its foreign currency contracts with Western Union Business Solutions (USA), LLC (WUBS USA), a related party, there is not a material exposure to unrealized gains or losses.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### Revenue Recognition (continued)

###### *Fee Revenue*

The Company charges certain fees to its customers. Fee revenue is recognised at the transaction date.

##### Foreign Currency

The Company's financial statements are presented in GBP. Transactions in foreign currencies are initially recorded at the spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

##### Financial Instruments

###### *Foreign Currency Derivatives*

The company enters into foreign currency derivative contracts with its customers in order to facilitate cross-currency payments. The company then enters into offsetting foreign currency derivative contracts with WUBS USA, allowing it to minimize foreign currency exposure arising from the contracts with its customers. The derivative contracts are measured at fair value and presented on a gross basis in the Statement of Financial Position. All foreign exchange derivative instruments are stated at fair value through profit or loss and are classified at fair value through profit and loss. Quoted market prices, when available, are used to determine the fair value of derivatives held for trading. Otherwise, fair value is estimated using pricing models that are based on current market quotations, wherever possible. Where appropriate, the estimates include a valuation adjustment to cover market, model, and credit risks, as well as administrative costs. Derivatives with positive fair value are reported as assets, while derivatives with negative fair value are reported as liabilities.

##### Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

initial recognition, Non-derivative financial instruments are recorded at amortised cost, which approximates their fair value.

#### **1. Statement of Significant Accounting Policies (continued)**

##### **Non-derivative Financial Instruments (continued)**

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

##### **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, which provides for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, to the extent that it is not probable they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

##### **Cash and Cash Equivalents**

Cash and cash equivalents comprise bank balances and bank overdrafts, including short-term, highly liquid investments with original maturities of three months or less, and are carried at face value of the amounts deposited or drawn.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### Trade Receivables

The collectability of debts is assessed at period-end, with appropriate allowances for impairment. The Company records an allowance for impairment when it is probable that the related receivable balance will not be collected, based on its history of collection experience, known collection issues, and other matters the Company identifies in its routine collection monitoring. Trade receivables are shown net of the allowance for impairment on the Statement of Financial Position.

##### Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. All fixed assets are depreciated or amortised using the straight-line method over their estimated useful lives or, in the case of leaseholds, over the term of the lease. Assets are depreciated or amortised from the date of acquisition. Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

The depreciation/amortisation rates used for each class of asset are as follows:

Furniture, fixtures, and equipment	3 to 8 years
Leasehold improvements	Lesser of lease term or 7 years
Leasehold improvements – ARO	Lease term

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income when the asset is derecognised.

##### Leased Plant and Equipment

Leases of plant and equipment are classified as operating leases, as the lessor retains substantially all of the risks and benefits of ownership. Lease rental payments are charged against profits in equal instalments over the accounting periods covered by the lease terms except where an alternative basis would be more representative of the pattern of benefits to be derived from the leased property.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### Leased Plant and Equipment (continued)

Operating leases sometimes require the Company to remove any personal property and leasehold improvements from leased premises upon termination of the lease. These contractual obligations give rise to recognition of asset retirement obligations (AROs). ARO assets and offsetting

liabilities are recorded at present value of estimated future cash outflows that are expected to be paid to remove personal property and leasehold improvements at the end of the lease.

ARO assets are recorded in the leasehold improvements section of property and equipment and are depreciated over the shorter of the life of the underlying leasehold improvement or the operating lease. ARO liabilities are accreted to the face value over the life of the lease. Accretion expense is recorded in the other operating expenses section of the Statement of Comprehensive Income.

##### Intangible Assets

Intangible assets consist of developed software. The Company develops software that is used in providing services. Software development costs are capitalised once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning and design activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features, and technical performance requirements. Capitalization of costs ceases when the product is available for general use. Capitalized software development costs are amortized over 3 years.

Intangible assets are amortised on a straight-line basis over the estimated period of benefit. Included in the accompanying Statement of Comprehensive Income is amortization expense for other intangible assets of £0 and £297,417 for the years ended 31 December, 2015 and 2014, respectively. The balance of intangible assets is £0 for the years ended 31 December, 2015 and 2014, respectively.

##### Trade Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

The trade payable balance presented in the Statement of Financial Position is inclusive of a consumer liability balance of £48,042,569 (2014: £35,239,442). Consumer Liability relates to the principal amounts in transit at the reporting date.



## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, risks specific to the liability.

##### **Employee Benefits**

###### *Wages, Salaries, and Annual Leave*

Liabilities for employee benefits for wages and salaries (including nonmonetary benefits) and annual leave representing present obligations resulting from employees' services provided up to the reporting date are calculated at undiscounted amounts based on remuneration rates that the Company expects to pay, including related costs.

###### *Superannuation Plan*

The Company contributes to a defined contribution employee superannuation plan. Contributions are charged against income as they accrue.

##### **Impairment**

The carrying amounts of the entity's assets, including the investment in subsidiary undertakings, are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised in the Statement of Comprehensive Income.

###### *Calculation of Recoverable Amount*

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### **1. Statement of Significant Accounting Policies (continued)**

##### **Impairment (continued)**

###### *Reversal of Impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **Share-Based Compensation**

The Company participates in the TWUC share-based compensation plans that grant TWUC share options, restricted share awards and restricted share units to employees and other key individuals who perform services for the Company.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. At each Statement of Financial Position date, the cumulative expense is calculated, representing the extent of the vesting period and management's best estimate of the achievement or otherwise of the vesting conditions.

The movement in cumulative expense since the previous date is recognised in the Statement of Comprehensive Income.

##### **Investment in Subsidiary Undertakings**

The Company's investment in its subsidiary is accounted for at cost. The Company determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises this in the Statement of Comprehensive Income.

# Western Union Business Solutions (UK) Limited

## Notes to Financial Statements (continued)

### 2. Loss before Taxation

Loss before taxation is calculated after considering the following expenses:

	31 December 2015 £	2014 £
<b>Employee wages, commissions, and pension costs</b>		
Wages and commissions	22,222,362	20,154,931
Benefits	765,727	969,951
Pension costs	698,149	582,066
	<u>23,686,238</u>	<u>21,706,948</u>
<b>Other operating expenses</b>		
Advertising and promotion	599,519	1,010,270
Travel and entertainment	971,405	1,080,723
Rent and utilities	624,137	563,590
Professional fees	1,589,258	1,684,109
Office, insurance, and other	3,519,039	2,724,600
Bank charges	2,723	43,059
Bad debts	2,018,900	821,224
	<u>9,324,981</u>	<u>7,927,575</u>
<b>Depreciation and amortisation expenses</b>		
Land and buildings	17,292	11,837
Fixtures and fittings	15,265	5,557
Telephone equipment	26,540	-
Computer hardware	37,419	22,299
Computer software	-	297,417
	<u>96,516</u>	<u>337,110</u>
<b>Intercompany expenses</b>	<u>24,084,956</u>	<u>18,590,572</u>
	<u>57,192,691</u>	<u>48,562,205</u>

Rent and utilities at 31 December 2015 and 2014, include amounts from operating leases of £624,137 and £563,590, respectively.

There were no pension contributions outstanding as of 31 December 2015 or 2014.

### 3. Auditor's Remuneration

	31 December 2015 £	2014 £
Fees payable to the Company's auditor for the audit of the Company's statutory accounts	<u>50,007</u>	<u>51,003</u>

# Western Union Business Solutions (UK) Limited

## Notes to Financial Statements (continued)

### 4. Income Tax

#### (A) Analysis of Profit and Loss Account Charge

	31 December	
	2015	2014
	£	£
<b>Current Tax</b>		
Current tax charge on current year loss	25,117	244,430
Total current tax	25,117	244,430
<b>Deferred Tax</b>		
Deferred tax (benefit) charge on current year profit	(438,932)	3,610
Total deferred tax (benefit) charge	(438,932)	3,610
Total tax (benefit) charge for year	(413,815)	248,040

#### (B) Reconciliation of the Expected Tax Charge at the Standard Tax Rate to the Actual Tax Charge at the Effective Rate

The tax charged for the year is higher than the standard tax rate compared to the actual tax charged at the effective rate.

	31 December	
	2015	2014
	£	£
Loss before taxation	(3,830,784)	(238,398)
Income tax (benefit) calculated at 20.25% and 21.5% on loss before tax	(775,734)	(51,255)
Increase in income tax expense due to:		
Expenses not deductible for tax purposes	51,216	76,535
Adjustments in respect of prior year	25,117	13,060
Rate change	84,565	–
Tax charged accrued on imputed interest on intercompany balance	201,021	209,700
Income tax (benefit) expense,	(413,815)	248,040

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 4. Income Tax (continued)

##### (C) Factors affecting current and future tax charges

The Finance Act 2013 reduced the main rate of corporation tax to 20% effective from 1 April 2015. The Finance Act 2015, which was substantively enacted in November 2015, will further reduce the main rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020.

The Budget 2016 announcements in March 2016 included the publication of the Business Tax Road Map setting out a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020 and measures relating to the OECD Base Erosion and Profit Shifting Actions. These include limiting the utilisation of brought forward losses and interest deductions, to be effective from 1 April 2017. Whilst a full analysis cannot be presently carried out until final legislation is published, it is expected that the potential impact of these measures would be to reduce the deferred tax asset at 31 December 2015 by approximately £42k.

##### (D) Deferred taxes

	2015 £	2014 £
Deferred tax assets		
Opening balance at 1 January	221,390	225,000
Credited (charged) to expense	438,932	(3,610)
Other deferred taxes	91,739	–
Closing balance at 31 December	752,061	221,390

Deferred tax assets and liabilities are recognised for the expected tax consequences of temporary differences between the book and tax bases of the Company's assets and liabilities, primarily property and equipment, reserves, accrued expenses, and employee-related items.

# Western Union Business Solutions (UK) Limited

## Notes to Financial Statements (continued)

### 5. Property and equipment

	Land and buildings	Fixtures and fittings	Computer hardware	Telephone equipment	Total
Cost					
At 1 January 2014	137,431	22,568	66,994	-	226,993
Additions	-	22,453	55,446	-	77,899
Disposals	(16,385)	-	(25,043)	-	(41,428)
At 31 December 2014	121,046	45,021	97,397	-	263,464
Additions	-	155,088	57,685	106,542	319,315
Disposals	-	-	-	-	-
At 31 December 2015	121,046	200,109	155,082	106,542	582,779
Depreciation					
At 1 January 2014	5,455	3,017	24,513	-	32,985
Charge for the year	11,837	5,557	22,299	-	39,693
Disposals	-	-	-	-	-
At 31 December 2014	17,292	8,574	46,812	-	72,678
Charge for the year	17,292	15,265	37,419	26,540	96,516
At 31 December 2015	34,584	23,839	84,231	26,540	169,194
Net book value					
At 31 December 2015	86,462	176,270	70,851	80,002	413,585
At 31 December 2014	103,754	36,447	50,585	-	190,786

### 6. Accrued Expenses

	31 December 2015 £	31 December 2014 £
Employee wages and benefits	3,254,815	2,661,489
Professional fees	684,558	1,404,393
Vacation	199,804	-
	<u>4,139,177</u>	<u>4,065,882</u>

# Western Union Business Solutions (UK) Limited

## Notes to Financial Statements (continued)

### 7. Issued Capital

	31 December 2015 £	31 December 2014 £
Authorised share capital:		
500 ordinary shares of £1 each	500	500
Issued and paid-up share capital:		
500 ordinary shares, fully paid	500	500
Share premium (Note 9)	11,587,000	107,999,600
Total issued capital and share premium	11,587,500	108,000,100

### 8. Share Compensation Plan

Share-based compensation to eligible employees was £177,271 in 2015 (2014: £242,929). The amount is recorded in "Employee wages, commissions, and pension costs" on the Statement of Comprehensive Income.

Certain employees of the Company participate in The Western Union Company 2006 and 2015 Long-Term Incentive Plans, which provide for the granting of stock options, restricted stock units, unrestricted stock awards and other equity-based awards to employees who perform services for the Company.

Restricted stock unit grants typically vest over four equal annual increments beginning 12 months after the date of grant. Restricted stock units granted prior to 2014 typically become 100% vested on the three-year anniversary of the grant date. Restricted stock units granted to retirement eligible employees generally vest on a prorated basis upon termination. The fair value of the awards granted is measured based on the fair value of the shares on the date of grant. Certain share unit grants do not provide for the payment of dividend equivalents. For those grants, the value of the grants is reduced by the net present value of the foregone dividend equivalent payments. The related compensation expense is recognised over the requisite service period, which is the same as the vesting period.

Options granted under the 2006 LTIP are issued with exercise prices equal to the fair market value of TWUC common share on the grant date, have 10-year terms, and vest over four equal annual increments beginning 12 months after the date of grant. Compensation expense related to share options is recognised over the requisite service year. The requisite service period for share options is the same as the vesting period, with the exception of retirement eligible employees, who have shorter requisite service periods ending when the employees become retirement eligible. No such options were granted to employees in 2014 or 2015.

The fair value of share options granted to employees of the company by TWUC, which is used to determine the amount of expense associated with those option grants, was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 8. Share Compensation Plan (continued)

	December 31 2015	December 31 2014
Stock options granted:		
Weighted-average risk-free interest rate	1.70%	1.90%
Weighted-average dividend yield	3.60%	3.10%
Volatility	28.2%	33.80%
Expected term (in years)	6.00	6.09
Weighted-average grant date fair value	\$3.58	\$3.95

*Expected volatility* – The Company used a blend of implied and historical volatility when calculating expected volatility. The Company's implied volatility was calculated using the

market price of traded options on Western Union's common stock and the historical volatility of Western Union stock data.

*Expected dividend yield* – TWUC's expected annual dividend yield is calculated based on TWUC's average share price on each respective grant date.

*Expected term* – TWUC's expected term of options was based upon, among other things, historical exercises, the vesting term of TWUC's options, and the options' contractual term of 10 years.

*Risk-free interest rate* – The risk-free rate for stock options granted during the period is determined by using a United States Treasury rate for the period that coincided with the expected terms listed above.

#### 9. Capital Management Strategy

The Company's policy is to manage its capital requirements and liquidity through a combination of share capital, retained earnings, and intercompany activity. Total capital is summarised as follows:

	31 December 2015 £	31 December 2014 £
Equity:		
Issued capital	500	500
Share premium	11,587,000	107,999,600
Capital contribution	509,379	332,108
Profit and loss reserve (deficit)	49,503,302	(43,492,329)
	<u>61,600,181</u>	<u>64,839,879</u>



## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### **9. Capital Management Strategy (continued)**

In 2015, the increase in capital contribution resulted from stock-based compensation of eligible employees of £177,271 allocated to the Company by TWUC. In 2013, the Company elected to apply the pooling of interests method for a common control business combination for which previously recognised goodwill is being reversed upon election. As a result of this election, the goodwill and amortisation expense recorded in prior periods were adjusted through the profit and loss reserve. During 2015, the company elected to reduce share premium by £96,412,600 and restore retained earnings for the amount of previously recognized goodwill.

#### **10. Financial Risk Management Objectives and Policies**

##### **Foreign Exchange Risk**

Foreign currency risk is the risk that the value of the Company's assets, liabilities, and future net earnings will fluctuate due to changes in foreign exchange rates. Transactions that typically create foreign currency risk include the provision of spot foreign exchange transactions and forward foreign exchange contracts. The Company hedges its foreign exchange exposures, including the exposure generated by the derivative contracts it writes to its customers as part of its cross-currency payments business with WUBS USA.

##### **Interest Rate Risk**

Interest rate risk is the risk that the value of the Company's assets and liabilities will fluctuate to changes in market interest rates.

Only an insignificant portion of the Company's cash accounts are exposed to risks in fluctuations in interest rates. Management determined that the lack of volatility in interest rates and the current low interest rates, the Company's exposure to fluctuations in interest rates was determined to be immaterial to the financial statements and consequently, disclosure of such has not been presented.

##### **Credit Risk Exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Credit risk is minimised by monitoring exposures to any single counterparty and obtaining deposits, if considered necessary, from clients for major contracts. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

The credit risk on financial assets of the Company that have been recognised on the Statement of Financial Position is the carrying amount, net of any allowance for impairment. The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries and by performing extensive due diligence procedures on major new customers. Credit risk is minimised because the Company, in most cases, requires cash payment from the clients before the settlement of transaction.

# Western Union Business Solutions (UK) Limited

## Notes to Financial Statements (continued)

### 10. Financial Risk Management Objectives and Policies (continued)

#### Credit Risk Exposures (continued)

The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honour their obligations to deliver currency to us or to maintain appropriate collateral with us. To mitigate the risk associated with potential customer defaults, we perform credit reviews of the customer on an ongoing basis, and, for our derivatives, we may require certain customers to post or increase collateral.

At the Statement of Financial Position date, there were no significant concentrations of credit risk external to Group undertakings. The duration of derivative contracts at inception, and the maturity of other receivables, including intercompany balances, is generally less than one year.

#### *Impairment Losses*

Trade receivables from customers are either not past due or are past due up to 30 days. Based on historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days. The Company has reserved

against potential exposure for aged balances in excess of 30 days and does not consider total customer balances past due in excess of 30 days which have not been reserved against to be material, and thus has not provided an aged analysis below. These receivables mainly arise from customers, who have a good record with the Company, and any risk is largely mitigated, as in most cases, the Company requires receipt of funds from customers before releasing the associated payment.

Credit quality of financial instruments is as follows:

	Equivalent S&P Rating (*) Investment Grade £	Closely Monitored Customers* £	No-Default Customers** £	Total £
<b>31 December 2015</b>				
Cash and cash equivalents	63,042,852	-	-	63,042,852
Trade receivables and other receivables	-	2,114,564	5,231,050	7,345,614
Derivative financial instruments	-	-	20,593,079	20,593,079
	<u>63,042,852</u>	<u>2,114,564</u>	<u>25,824,129</u>	<u>90,981,545</u>
<b>31 December 2014</b>				
Cash and cash equivalents	28,762,965	-	-	28,762,965
Trade receivables and other receivables	-	1,930,070	7,064,887	8,994,957
Derivative financial instruments	-	-	23,439,826	23,439,826
	<u>28,762,965</u>	<u>1,930,070</u>	<u>30,504,713</u>	<u>61,197,748</u>

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 10. Financial Risk Management Objectives and Policies (continued)

##### Credit Risk Exposures (continued)

(\*) The equivalent S&P rating of the financial assets represents the rating of the counterparty with whom the financial asset is held, rather than the rating of the financial asset itself. S&P investment-grade ratings are equal to or greater than BBB-.

(\*\*) No-default customers are customers with whom the Company has traded and have no history of default. Closely monitored customers are customers with whom the Company has traded for more than one year who do not qualify as no-default customers.

The following table summarises the allowance for bad debt at 31 December 2015 and 2014:

	31 December, 2015	31 December, 2014
Opening balance	2,579,710	1,324,289
Bad debt expense	2,018,900	821,224
Reserve for uncollectible forward contracts	37,322	860,670
Write-offs	(2,261,484)	(426,473)
Ending balance	2,374,448	2,579,710

##### Market Risk Exposures

The Company's capital requirements to support its international payments business are covered at a group level, as the cash management hedging, delivery, and risk for all transactions is offset with WUBS USA and facilitated through intercompany activity.

##### Fair Values

The Company uses various methods in estimating the fair value of its financial instruments. The methods comprise the following:

Level 1 – The fair value is calculated using quoted prices in active markets.

Level 2 – The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 10. Financial Risk Management Objectives and Policies (continued)

##### Fair values (continued)

The fair value of the financial instruments as well as the methods used to estimate the fair values are summarized in the table below:

	Level 1 £	Level 2 £	Level 3 £
<b>31 December 2015</b>			
<b>Assets</b>			
Foreign currency derivatives	–	20,593,079	–
<b>Liabilities</b>			
Foreign currency derivatives	–	(20,779,776)	–
<b>31 December 2014</b>			
<b>Assets</b>			
Foreign currency derivatives	–	23,439,826	–
<b>Liabilities</b>			
Foreign currency derivatives	–	(23,361,254)	–

No nonrecurring fair value adjustments were recorded during the year ended 31 December 2015 or 2014.

The carrying amounts for the Company's financial instruments, including cash, settlement cash, settlement receivables and settlement obligations, and other receivables, approximate fair value due to their short maturities.

The table below analyses the contract or underlying principal amounts of customer derivative financial instruments and their corresponding gross positive and negative fair values at the balance sheet date. As the Company hedges its derivative financial instruments entered into with its customers with WUBS USA, the below notional value represents customer derivative activity only.

	2015	2014
Notional value	1,201,211,664	725,979,781
Derivative financial assets	20,593,079	23,439,826
Derivative financial liabilities	(20,779,776)	(23,361,254)
Net (liabilities) assets	(186,697)	78,572

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 10. Financial Risk Management Objectives and Policies (continued)

##### Liquidity Risk

Liquidity risk is the risk that the Company will experience difficulty in raising funds at short notice to meet its financial commitments as they fall due. The Company is funded by TWUC through intercompany activity. TWUC has liquidity policies to manage cash flows and the resultant liquidity risk. Liquidity risk is minimised due to the fact that TWUC does not intend to call the intercompany balances (see Note 13).

##### Maturity Profile of Financial Assets

None of the Company's derivatives contracts are designated as accounting hedges, and the duration of such contracts is generally 12 months or less.

#### 11. Investment in Subsidiary Undertakings

£'000	2015	2014
Net book value	10,000	10,000

In the opinion of the directors, the fair value of the investment is at least the carrying value at the balance sheet date.

The subsidiary undertaking is wholly owned and is as follows:

Country of incorporation	Name of subsidiary	Voting rights held by Company	Activity
United Kingdom	WUBS Payments Limited	100%	Dormant

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 12. Commitments

##### Operating Lease Payable Commitments

Future noncancellable operating lease rentals of office space not provided for in the financial statements are payable as follows:

	31 December 2015	2014
	£	£
Within one year	578,674	471,330
One year or later and no later than five years	635,130	641,602
	<u>1,213,804</u>	<u>1,112,932</u>

##### Capital Commitments

The Company has no capital commitments as of 31 December 2015 or 2014.

#### 13. Related Parties

##### Related-Party Transactions

The Company is a subsidiary of Western Union Processing Ltd.

During the period, the Company entered into related-party transactions with the following companies:

Company	Relationship	Type of Transaction
Western Union Business Solutions (USA), LLC	Subsidiary of TWUC	Hedging transactions Advances for operations Management services Value-added services Payment services
Custom House Financial (UK) Ltd	Subsidiary of TWUC	Value-added services
WUBS Investments Ltd	Subsidiary of TWUC	Payroll services

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 13. Related Parties (continued)

Western Union Business Solutions (SA) Ltd	Subsidiary of TWUC	Transaction processing
MT Holdings Limited	Subsidiary of TWUC	Payroll services Value-added services
Western Union International Bank GmbH	Subsidiary of TWUC	Value-added services

Total expenses incurred for activities between the related parties during the years ended December 31, 2015 and 2014, were £24,084,956 and £18,590,572, respectively, the majority of which occurred in the normal course of operations for the settlement of client receivables and obligations, and the management of cash balances and foreign exchange exposure. In 2015, the Company absorbed certain accumulated costs incurred by an affiliate in conjunction with that affiliate's planned liquidation.

Related parties owed the Company £33,685,984, net, as of 31 December 2015 and £54,802,161, net, as of 31 December 2014. All intercompany balances are interest-free, unsecured, and repayable on demand. Management believes that it is impractical to disclose the volume of transactions between related parties; as such, activity comprises the entire operations of the business.

#### Key Management Personnel Disclosures

The key management personnel (directors of the Company that are also employed directly by the Company) compensation included in employee wages, commissions, and pension costs (see Note 2) is as follows:

	2015	2014
Aggregate emoluments	106,708	290,294
Share based employee remuneration	-	21,017
Pension contributions	4,292	25,563
	111,000	336,874

## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### 13. Related Parties (continued)

##### Average Staff Numbers

	<b>31 December</b>	
	<b>2015</b>	<b>2014</b>
<b>Average number by activity</b>		
Sales	100	89
Client relationship management	94	88
Operations	134	110
Marketing	26	27
Finance	20	24
Legal & Compliance	16	15
HR	11	14
	<b>401</b>	<b>367</b>

#### 14. Contingent Liabilities

The Company has no contingent liabilities as of 31 December 2015 (2014: £nil).

#### 15. Asset Retirement Obligations

The Company has asset retirement obligations (AROs) arising from requirements stipulated in operating lease agreements to return leased premises at the end of the lease to the original condition, including removal of personal property and leasehold improvements constructed by tenant as well as repairing any damages associated with removal of property and equipment. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and any changes in the amount or timing of the estimated cash flows as necessary. The corresponding asset retirement costs are capitalised as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life. The following table presents the activity for the AROs for the year ended December 31:

	<b>2015</b>	<b>2014</b>
Balance at beginning of year	223,646	175,716
Additional obligations incurred	–	–
Obligations settled in current period	–	(31,535)
Accretion expense	9,291	79,465
Balance at end of year	<b>232,937</b>	<b>223,646</b>



## Western Union Business Solutions (UK) Limited

### Notes to Financial Statements (continued)

#### **16. Subsequent Events**

The Company has evaluated events occurring subsequent to the reporting date through the date of this report. On 14 April, 2016 the Directors approved and the company distributed a dividend of £20,000,000.

#### **17. Parent Company and Controlling Party**

The Company's immediate parent undertaking and controlling party is Western Union Processing Ltd, an Irish company, with a registered office at Unit 9 Richview Business Park, Clonskeagh, Dublin 14, Ireland.

The Company's ultimate parent undertaking and controlling party is The Western Union Company (TWUC), incorporated in the United States of America with a registered office at 12500 E. Belford Avenue, Englewood, Colorado, USA 80112.

The parent undertaking of the smallest and the largest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is TWUC. Copies of the group financial statements are available to the public at its registered office.

#### **18. Approval of the Financial Statements**

The board of directors have authorised and approved these accounts on 29 September, 2016.