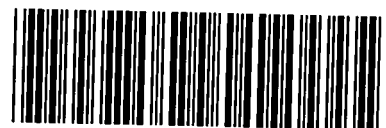


DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

Western Union Business Solutions (UK) Limited
Registered Number 02854737 Year Ended 31 December 2017

FRIDAY



A7EZKJE1

A20

21/09/2018

#54

COMPANIES HOUSE

Western Union Business Solutions (UK) Limited

Directors' Report and Financial Statements

Year Ended 31 December 2017

Contents

Company Information	1
Strategic Report.....	2
Directors' Report.....	5
Directors' Responsibilities Statement	7
Independent Auditor's Report to the Members of Western Union Business Solutions (UK) Limited	8
Financial Statements	
Statement of Financial Position	11
Statement of Comprehensive Income	12
Statement of Changes in Equity.....	13
Notes to Financial Statements	14

Company Information

Directors

Christopher Fischer (resigned 29 March 2018)
Anthony Crivelli (resigned 19 April 2018)
Tristan Van Der Vijver
Brad Windbigler
Andrew Summerill

Secretary

Louise Barrett (resigned 20 September 2017)
Laura O'Hare (appointed 20 September 2017; resigned 15 June 2018)

Registered Office

200 Hammersmith Road
London
W6 7DL

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 profit before tax for the year amounted to £8,506,000 at 31 December 2017 (2016: £6,445,000). Tax expense was £1,823,000 and £1,640,000 at 31 December 2017 and 2016, respectively, and a profit after taxation of £6,683,000 and £4,805,000 at 31 December 2017 and 2016, 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 decreased over 2016, primarily driven by a decrease in customer activity. Operating margin increased from 11% to 15% as a result of a decrease in expenses related to employee costs.
- The Company was in a net asset position of £53,430,000 and £46,575,000 at 31 December 2017 and 2016, respectively.

Political and Charitable Contributions

The Company made no political or charitable contributions during the year ended 31 December 2017 or 2016.

(B) Future Developments

Due to the requirements of the Markets in Financial Instruments Directive II, the Company has transferred its business, including certain employees, clients, assets and liabilities, to other Western Union Group entities during the first quarter of 2018. The Payment Institution license currently held by the Company was assessed as being insufficient to offer its derivative business going forward. To ensure continuity of the Company's operations, the same were transferred to the UK branch of Western Union International Bank GmbH ("WUIB"), as the banking license held by WUIB was considered sufficient to allow WUIB to continue the Company's operations going forward. It is intended to wind up the Company. Additionally, the Company has cancelled the license issued by the Financial Conduct Authority ("FCA").

(C) Principal Risks and Uncertainties

The industry in which the Company and its service partners participate 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.

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, which are on-demand in nature and subject to variable rates; therefore, interest rate risk is not considered significant.

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. The Company aggregates its foreign currency exposures and enters into foreign exchange contracts with established financial institution counterparties to hedge the foreign exchange risk on transactions affiliates enter into with customers (economic hedge contracts). The Company still has exposure to credit risk should one of its hedging partners become insolvent. The Company does not designate any derivative contracts as accounting hedges.

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 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 counterparties in various countries and by performing extensive due diligence procedures on major new counterparties. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our counterparties, possibly impacting their ability to honour their obligations to deliver currency to the Company or to maintain appropriate collateral with the Company. To mitigate the risk associated with potential counterparty defaults, the Company performs credit reviews of the counterparty on an ongoing basis, and, for its derivatives, the Company may require certain counterparties to post or increase collateral.

At the period-end, there were no significant concentrations of credit risk external to group undertakings.

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. As a treasury services provider for affiliated entities, the Company has access to a revolving line of credit with a related party providing the ability to fund its liquidity needs as required. The Company also has liquidity policies to manage cash flows and the resultant liquidity risk.

A handwritten signature in black ink, appearing to read 'Andrew Summerill', with a stylized flourish at the end.

Andrew Summerill
Registered Office:

200 Hammersmith Road
London
W6 7DL

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 2017, and the auditor's report thereon. Comparative financial statements are for the year ended 31 December 2016.

Directors

The Directors who served during the year were as follows:

Christopher Fischer (resigned 29 March 2018)
Anthony Crivelli (resigned 19 April 2018)
Tristan Van Der Vijver
Brad Windbigler
Andrew Summerill

Five Directors held share options or restricted stock units of The Western Union Company, the Company's ultimate parent, at the beginning of the year. All five were allocated additional units during the year. Five exercised share options or restricted stock units during 2017 (2016: four exercised share options or restricted stock units).

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

In 2017, the Directors did not approve or distribute any dividends (2016: £20,000,000).

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.

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

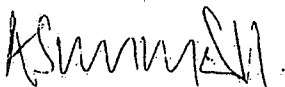
The Company has transferred its business, including certain employees, clients, assets and liabilities, to Western Union International Bank UK Branch ("WUIB UK") effective 1 January 2018. Subsequent to year end promissory notes were issued as part of the transfer consideration. Part of the consideration related

to this event was distributed as dividend to the Company's parent and the remainder was waived off via a deed of release post year end.

Going Concern

Due to the requirements of the Markets in Financial Instruments Directive II, the Payment Institution license currently held by the Company is not sufficient to offer its derivative business from going forward. As a result, the Company has transferred its business, including certain employees, clients, assets and liabilities, to Western Union International Bank UK Branch ("WUIB UK") effective 1 January 2018. It is intended to wind up the Company and as a result, the financial statements have been prepared on a Break-Up basis as the Company is no longer a Going Concern.

Approved and authorised for issue by the Board and signed on its behalf on 13 September 2018:

A handwritten signature in black ink, appearing to read 'ASummerill', with a stylized flourish at the end.

Andrew Summerill
Registered Office:

200 Hammersmith Road
London
W6 7DL

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK 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 financial statements in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101). 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 financial year and otherwise comply with Companies Act 2006.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and 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; 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.

Approved and authorised for issue by the Board and signed on its behalf on 13 September 2018:

Andrew Summerill



Registered Office:

200 Hammersmith Road
London
W6 7DL

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

Opinion

We have audited the financial statements of Western Union Business Solutions (UK) Limited for the year ended 31 December 2017 which comprise Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes¹ to 16, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared on a break-up basis.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 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 directors' report.

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

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

Responsibilities of directors

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

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

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Building a better
working world

Use of our report

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

A handwritten signature in black ink, appearing to read 'Helen Kerr'.

Helen Kerr (Senior Statutory auditor)
For and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor
Dublin, Ireland

Date:

18/9/2018

Western Union Business Solutions (UK) Limited

Statement of Comprehensive Income

Year ended 31 December

	Notes	2017 £'000	2016 £'000
Revenue from operations			
Sales revenue		55,295	55,927
Rebates		(2,805)	(2,182)
Fee		3,290	3,425
Revenue		55,780	57,170
Management fees, net		(21,829)	(10,825)
Employee expenses		(14,607)	(27,830)
Equipment and software costs		(2,231)	(2,749)
Professional service fees		(2,046)	(2,143)
Fx Losses		(1,671)	(1,141)
Bank fees		(1,263)	(1,307)
Rent and facility expense		(1,219)	(1,198)
Other expenses		(896)	(718)
Advertising expense		(756)	(552)
Bad debt expense	9	(553)	(2,092)
Depreciation and amortisation	4	(178)	(179)
		(47,249)	(50,734)
Operating profit		8,531	6,436
Other income/(expense)			
Interest expense		(26)	(2)
Interest income		1	11
		(25)	9
Profit before income tax		8,506	6,445
Income tax expense	3	(1,823)	(1,640)
Total comprehensive income for the year		6,683	4,805

The company has no recognised gains or losses other than those included in the statement of comprehensive income above, and therefore no separate statement of other comprehensive income has been prepared.

All relates to discontinued operations.

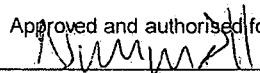
The financial statements should be read in conjunction with the accompanying notes.

Western Union Business Solutions (UK) Limited

Statement of Financial Position

		31 December	
		2017	2016
	Notes	£'000	£'000
Assets			
Current assets			
Cash and cash equivalents	13	56,229	74,869
Trade receivables, net		2,726	4,009
Foreign currency derivative assets	9	20,681	35,153
Receivables from related companies	10	65,254	97,783
Taxes receivable	3	417	633
Property and equipment, net	4	535	-
Prepaid expenses		207	73
Other current receivables		93	-
Deferred tax assets	3	55	-
		<u>146,197</u>	<u>212,520</u>
Noncurrent assets			
Deferred tax assets	3	-	105
Investment in subsidiary undertakings		-	10,000
Property and equipment, net	4	-	340
		<u>-</u>	<u>10,445</u>
Total assets		<u>146,197</u>	<u>222,965</u>
Liabilities			
Current liabilities			
Trade payables	6	62,728	49,135
Provisions	5	4,538	4,883
Foreign currency derivative liabilities	9	20,518	35,394
Payables to related companies, net	10	4,706	86,701
Asset retirement obligations		277	-
		<u>92,767</u>	<u>176,113</u>
Noncurrent liabilities			
Asset retirement obligations		-	277
Total liabilities		<u>92,767</u>	<u>176,390</u>
Total net assets		<u>53,430</u>	<u>46,575</u>
Equity			
Issued capital	7	1	1
Share premium	7	11,587	11,587
Capital contribution	7	-	679
Retained earnings	7	41,842	34,308
Total equity		<u>53,430</u>	<u>46,575</u>

Approved and authorised for issue by the board on 13 September 2018


Andrew Summerill

Director

The financial statements should be read in conjunction with the accompanying notes.

Western Union Business Solutions (UK) Limited

Statement of Changes in Equity

	Notes	Issued capital £'000	Share premium £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2016		1	11,587	509	49,503	61,600
Dividends paid		-	-	-	(20,000)	(20,000)
Total comprehensive income for the year		-	-	-	4,805	4,805
Share-based expense	8	-	-	170	-	170
Balance at 31 December 2016		1	11,587	679	34,308	46,575
Total comprehensive income for the year		-	-	-	6,683	6,683
Share-based expense reclassification	12	-	-	(851)	851	-
Share-based expense	8	-	-	172	-	172
Balance at 31 December 2017		1	11,587	-	41,842	53,430

The financial statements should be read in conjunction with the accompanying notes.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

1. Statement of Significant Accounting Policies

General Information

Western Union Business Solutions (UK) Limited (the "Company") is a company domiciled and incorporated in the United Kingdom. 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 have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") as issued by the Financial Reporting Council and UK Statute comprising the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 101. The Company intends to wind down its operations and hence the financial statements have been prepared under break-up basis. Accordingly, adjustments have been made to reflect the net realisable value of the assets and the liabilities are stated at settlement amounts.

The Company transitioned from previously extant full International Financial Reporting Standards as adopted in the European Union ("IFRS") to FRS 101 for all periods presented. The transition from previous IFRS to FRS 101 has had no effect on the Company's financial position and financial performance. There are no differences in the recognition and measurement criteria of the Company's financial statements under IFRS and FRS 101, thus, resulting in no adjustments to the beginning balances of the preceding period presented.

No reconciliations have been prepared between equity under IFRS and equity under FRS 101 because equity is the same under IFRS and FRS 101.

No reconciliations have been prepared of the total comprehensive income or statement of profit or loss as reported previously under IFRS to its total comprehensive income under FRS 101 because comprehensive income or statement of profit or loss as previously reported under IFRS is the same as total comprehensive income as per FRS 101.

The Company is included in the consolidated Financial Statements of its ultimate parent, TWUC which are publicly available and can be obtained at 12500 East Belford Avenue, Englewood, Colorado 80112, USA, and therefore the Company has taken advantage of the disclosure exemptions available under FRS 101 in relation to share-based payments, financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, and related party transactions.

Presentation Currency

The financial statements are presented in Great British Pounds Sterling in thousands (£'000), unless otherwise stated. GBP is also the functional currency of the Company.

Use of Estimates and Judgements

The preparation of financial statements in conformity with adopted FRS 101 requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from estimates.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

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.

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.

Sales Revenue

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 currency. This foreign exchange revenue is recorded at the time a customer initiates a transaction. As the Company hedges its foreign currency contracts with Custom House Financial (UK) LTD, ("CH UK") a related party, there is not a material exposure to unrealised gains or losses.

Fee Revenue

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

Foreign Currency

The Company's financial statements are presented in thousands of GBP (£'000). 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 CH UK, allowing to minimize foreign currency exposure arising from contracts with its customers. 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. 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 initial recognition, non-derivative financial instruments are recorded at amortised cost, which approximates their fair value.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

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.

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.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

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

Furniture and fixtures	3 to 8 years
Leasehold improvements	Lesser of lease term or 7 years
Computers and equipment	3 to 8 years

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.

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.

Trade Payables

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

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 pre-tax 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.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

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 pre-tax 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.

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 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. The corresponding credit is recognised directly in equity under retained earnings as there is no economic cost to the Company for these share awards.

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.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

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.

2. Auditor's Remuneration

	2017 £'000	2016 £'000
Audit services		
Statutory audit fees	57	62

3. Income Tax

(a) Income tax expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	2017 £'000	2016 £'000
<i>Current income tax:</i>		
Current income tax charge	1,840	993
Adjustments in respect of current income tax of previous year	(68)	-
<i>Deferred income tax:</i>		
Relating to origination and reversal of temporary differences	51	647
Income tax expense reported in the Statement of comprehensive income	1,823	1,640

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 December 2017 and 2016 was as follows:

	2017 £'000	2016 £'000
Profit before income tax	8,506	6,445
Tax at the applicable tax rate of 19.25% (2016: 20%)	1,637	1,289
Adjustments:		
Adjustments in respect of current income tax of previous year	(68)	-
Expenses not deductible for tax purposes	46	112
Tax charge on imputed interest on intercompany balances	195	202
Tax rate difference applicable to temporary differences	13	37
At the effective income tax rate of 21% (2016: 25%)	1,823	1,640

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

(b) Factors affecting current and future tax charges

The UK main corporation tax rate amounts to 19%, the rate will reduce from 19% to 17% from 1 April 2020, and as at the balance sheet date, both these future tax rate reductions had been "substantively enacted". Deferred tax assets and liabilities will be transferred to an affiliate at carrying value.

(c) Deferred tax assets/liabilities

The movement in deferred taxes during the financial years were as follows:

	2017 £'000	2016 £'000
Deferred tax asset:		
Opening balance at 1 January	(105)	(752)
Credited to expense	50	647
Closing balance at 31 December	(55)	(105)

4. Property and equipment

	Leasehold improvements £'000	Computers and equipment £'000	Furniture and fixtures £'000	Total £'000
Cost or valuation				
Balance at 1 January 2017	121	367	200	688
Additions	6	354	13	373
Balance at 31 December 2017	127	721	213	1,061
Depreciation and impairment				
Balance at 1 January 2017	(51)	(248)	(49)	(348)
Depreciation	(18)	(135)	(25)	(178)
Balance at 31 December 2017	(69)	(383)	(74)	(526)
Net book value				
Balance at 31 December 2017	58	338	139	535

5. Provisions

	2017 £'000	2016 £'000
Commissions payable	1,526	1,198
Employee wages and benefits	814	3,081
Legal and professional fees	679	423
Vacation leave entitlement	138	188
Other accruals	1,381	(7)
	4,538	4,883

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

6. Trade Payables

	2017 £'000	2016 £'000
Payable for amounts received not yet paid	59,087	46,922
Net payable for unsettled spot trades	528	936
Forward contract deposits	3,113	669
Other	-	608
	<u>62,728</u>	<u>49,135</u>

7. Issued Capital

	2017 £'000	2016 £'000
Authorised share capital:		
500 ordinary shares of £1 each	<u>1</u>	<u>1</u>
	2017 £'000	2016 £'000
Issued and paid-up share capital:		
500 ordinary shares, fully paid	1	1
Share premium	11,587	11,587
Total issued capital and share premium	<u>11,588</u>	<u>11,588</u>

8. Share Compensation Plan

Share-based compensation to eligible employees was £171,000 in 2017 (2016: £170,000). 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 Long-Term Incentive Plan, which provides for the granting of 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.

During the year, in addition to the above, certain senior executives of the Company were awarded Performance Based Restricted Stock Units (PSUs). The PSUs consist of two separate awards – (1) performance-based restricted stock units, which require the Company to meet certain financial objectives during 2017, 2018, and 2019 ("Financial PSUs"), and (2) performance-based restricted stock units with a market condition tied to the TWUC's total shareholder return in relation to the S&P 500 Index as calculated over a three-year performance period (2017 through 2019) ("TSR PSUs"). Both of these awards will vest 100% on the third anniversary of the grant date, contingent upon threshold market and financial performance metrics being met. The fair value of the Financial PSUs is measured similar to the restricted

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

stock units discussed above, while the fair value of the TSR PSUs is determined using the Monte-Carlo simulation model. Unlike the financial PSUs, compensation costs related to the TSR PSUs are recognized regardless of whether the market condition is satisfied, provided that the requisite service period has been completed.

9. Financial Risk Management Objectives and Policies

Foreign Currency Derivative Assets and Liabilities

The Company's derivative financial instruments, carried at fair value, are as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Balance at 31 December 2017				
Foreign currency derivative assets	-	20,681	-	20,681
Liabilities	-	20,518	-	20,518
Balance at 31 December 2016				
Foreign currency derivative assets	-	35,153	-	35,153
Liabilities	-	35,394	-	35,394

The Company is exposed to risk from derivative contracts written to its customers arising from its cross-currency, business-to-business payment operations. The Company uses derivatives to facilitate cross-currency, business-to-business payments by writing derivatives to customers and entering into offsetting derivatives with banks. Foreign currency forward contracts of varying maturities, generally less than one year, are used in these activities.

The derivatives written are part of a broader portfolio of foreign currency positions arising from the Company's cross-currency, business-to-business payments operation, which includes spot exchanges of currency in addition to foreign currency forward contracts. Foreign exchange revenues, which account for substantially all of the revenues of the Company, include income on this total portfolio of positions and are included in revenue in the accompanying Statement of comprehensive income. None of these contracts are designated as accounting hedges.

The Company executes derivatives mostly with small and medium size enterprises. The credit risk inherent to the agreements represents the possibility that losses may occur from the non-performance of the counterparties to the agreements. The Company performs a review of the credit risk of the counterparty at inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty.

The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements but takes action (including termination of contracts) when doubt arises about the counterparties' ability to perform. The Company's hedged foreign currency exposures are in liquid currencies; consequently, there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future. The aggregate equivalent British pound notional amounts of foreign currency derivative customer contracts held by the Company as of 31 December 2017 were approximately £747 million.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

10. Related Parties

Related-Party Transactions

Amounts due to or from related parties are unsecured, interest-free, and repayable on demand.

In common with other companies, which are members of a group of companies, the financial statements reflect the effect of such membership. The Company has availed of the exemption provided in FRS101: 8(k), "Related Party Disclosures", for subsidiary undertakings 100% of whose voting rights are controlled within the group, from the requirement to give details of transactions with entities that are part of the group or investees of the group qualifying as related parties.

Average Staff Numbers

	2017	2016
Average number by activity		
Sales	146	155
Client relationship management	11.5	21
Operations	61	122
Marketing	11	12
Finance	36	72
Legal & Compliance	14	16
HR	5.5	8
	<u>285</u>	<u>406</u>

11. Subsequent Events

The Company has transferred its business, including certain employees, clients, assets and liabilities, to Western Union International Bank UK Branch ("WUIB UK") effective 1 January 2018. Subsequent to year end promissory notes were issued as part of the transfer consideration. Part of the consideration related to this event was distributed as dividend to the Company's parent and the remainder was waived off via a deed of release post year end.

12. Reclassifications Between Equity Items for Share Compensation Expense

In prior years, the Company recognised the credit for share compensation expense borne by TWUC directly in the Capital Contribution account in Equity. In the current year, the Directors decided the more appropriate treatment is a credit directly to the Profit & Loss account in Equity. The reason for the change is that it is more appropriate that the credit is recognised where the offsetting charge in the income statement is recorded.

The cumulative share expense has been reclassified from Capital Contribution to the Profit & Loss account in 2017. Total Equity remained unchanged by this change in treatment.

Western Union Business Solutions (UK) Limited

Notes to Financial Statements

13. Cash and Cash Equivalents

	2017 £'000	2016 £'000
Safeguard deposit	47,993	51,025
Cash at bank	8,236	24,011
	<u>56,229</u>	<u>75,036</u>

The Company is required to safeguard all liabilities to customers that exist at the end of the business day following the transaction date. This is accomplished by depositing user funds into a separate designated client account at another financial institution to ensure the funds are insulated from the claims of other creditors of the Company. At 31 December 2017, the minimum requirement under the PSD was EUR €2,649,420 (2016: EUR €2,814,648).

14. Investment in Subsidiary Undertakings

£'000	2017	2016
Net book value	-	10,000

The Carrying value of the investment in subsidiary undertaking has been written down to Nil as the same is not expected to realise. In addition, the Company is no longer required to fulfil its obligation to repay an intercompany payable to its subsidiary amounting to £10 million, the net effect being nil in the statement of comprehensive income.

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

15. 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 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.

16. Approval of the Financial Statements

The board of Directors have authorised and approved these accounts on 13 September 2018.