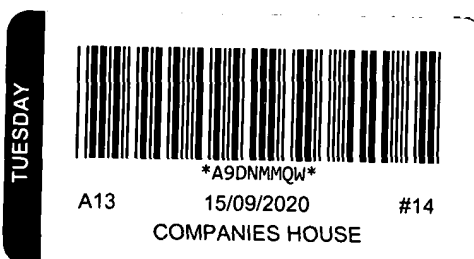


HIFX EUROPE LIMITED

Report and Financial Statements

Year ended 31 December 2019



HiFX EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

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HiFX EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

Directors

J Bianchi
M Gonzalez
A Sparks

Registered Office

Maxis 1
Western Road
Bracknell
Berkshire
RG12 1RT

Banker

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Auditor

KPMG LLP (UK)
Chartered Accountants and Statutory Auditors
66 Queen Square
Bristol
BS1 4BE

HiFX EUROPE LIMITED

STRATEGIC REPORT

For the year ended 31 December 2019

The strategic report is prepared in accordance with the Companies Act 2006.

Review of the business

The company is a provider of foreign currency exchange and international payment services to private and corporate clients trading as XE money transfer.

Revenue declined by 10% in 2019 to £30.6m with transaction numbers flat year on year but at lower average transaction values. Operating profit from continuing operations declined from £6.9m to £3.4m principally due to the revenue decline.

Key performance indicators

The key performance indicators used by the Board were as follows:

	2019 £'000	2018 £'000	Change
Gross profit	30,584	33,703	-9%
Operating profit	3,365	6,872	-51%
Operating profit per employee	17	34	-48%
<hr/>			
Number of client foreign exchange trades	504,000	499,000	+1%

Principal risks and uncertainties

Operational risk

This is the risk of a direct or indirect loss resulting from the inadequacies or failures in projects, processes or controls due to technology, staff, organisation or external factors. To monitor and control operational risk, the company maintains a system of comprehensive policies and a control framework which are designed to provide a sound and well-controlled operational environment. Key information regarding governance and the management of risk are reported to the Board. This enables management to monitor operational risk at appropriate levels.

Foreign currency risk

This is the risk of losses being incurred through inadequate or incorrect foreign currency exchange hedging. The company has a treasury risk management function and a treasury policy to manage this risk. The policy limits the aggregate exposure the treasury function can run in any currency and stipulates a daily loss limit above which positions must be closed.

Business risk

The company's principal traded currency pair is GBP/EUR. Any significant change in trading volume of this pair due to Brexit or other economic or political events would have an adverse impact on the business. Approximately 10% of the company's revenue is derived from EU registered clients the servicing of which is reliant on existing regulatory passporting rights. The company has incorporated a fellow subsidiary undertaking in an EU jurisdiction which has regulatory approval to service such clients. The company intends to transfer these clients to that entity during 2020.

HiFX EUROPE LIMITED

STRATEGIC REPORT

For the year ended 31 December 2018

Credit risk

This is the risk of losses being incurred through a client or other third party being unable to meet their obligations to the company. The company has robust policies in place to review substantial credit exposures prior to entering into a transaction with a client, to receive initial and/or variation margin deposits and to monitor open exposures.

Liquidity risk

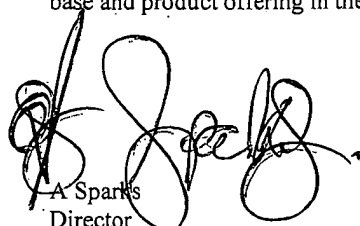
This is the risk of insufficient liquid funds being available to meet the company's working capital requirements. HiFX Europe Limited monitors its liquidity levels and has mitigating controls in place to reduce risk of a liquidity event.

Financial risk management

The Board of Directors is responsible for setting financial risk management policy and objectives, and approves the parameters within which the various aspects of financial risk management are operated. The key financial risk for the company is foreign currency risk which arises through the provision of foreign exchange services. The company seeks to reduce its foreign exchange exposure arising in various currencies by putting in place a robust hedging programme.

Future developments

The Board looks to build further on the progress achieved by the company and will look to increase its client base and product offering in the year ahead.



A. Sparks
Director
31 July 2020

Maxis 1
Western Road
Bracknell
Berkshire
RG12 1RT

HiFX EUROPE LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2019

The directors present their annual report and financial statements of HiFX Europe Limited for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a dedicated provider of foreign exchange payment services to private clients and corporations. HiFX Europe Limited is authorised by the Financial Conduct Authority under the Payment Services Regulations 2017 for the provision of payment services. The company operates in the United Kingdom.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 to the financial statements.

DIVIDENDS

Dividends have been declared and paid amounting to £nil (2018 – £15,000,000).

POLITICAL DONATIONS

The company made no political donations or incurred any political expenditure during the year.

DIRECTORS

The directors of the company who served during the period and to the date of this report were:

J Bianchi
M Gonzalez
R Hodgson (resigned 28 February 2020)
A Sparks

AUDITOR

Each director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

HiFX EUROPE LIMITED

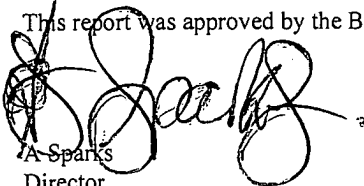
DIRECTORS' REPORT

For the year ended 31 December 2019

AUDITOR (continued)

KPMG LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the Board of Directors and signed its behalf by:

A handwritten signature in black ink, appearing to read 'A. Sparks', is written over the printed name.

A Sparks
Director
31 July 2020

Maxis 1
Western Road
Bracknell
Berkshire
RG12 1RT

HiFX EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, 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 law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIFX EUROPE LIMITED

Opinion

We have audited the financial statements of HiFX Europe Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIFX EUROPE LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

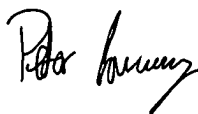
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Peter Lomax (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square, Bristol, BS1 4BE, United Kingdom
31 July 2020

HiFX EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER	2	30,584	33,768
Cost of sales		(22)	(65)
GROSS PROFIT		30,562	33,703
Administrative expenses		(27,197)	(26,831)
OPERATING PROFIT		3,365	6,872
Loss on disposal of fixed assets		-	(1)
Interest receivable and similar income	6	21	26
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	3,386	6,897
Tax on profit on ordinary activities	8	(833)	(1,007)
PROFIT FOR THE FINANCIAL PERIOD AND TOTAL COMPREHENSIVE INCOME		2,553	5,890

The accompanying notes form an integral part of these financial statements.

HiFX EUROPE LIMITED

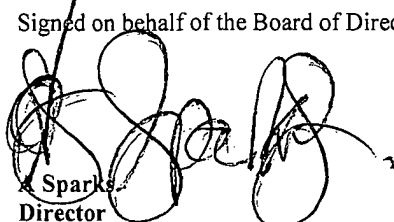
BALANCE SHEET 31 December 2019

	Note	31 Dec 2019 £'000	31 Dec 2018 £'000
FIXED ASSETS			
Intangible fixed assets	9	2,072	1,453
Tangible fixed assets	10	503	796
		<u>2,575</u>	<u>2,249</u>
CURRENT ASSETS			
Debtors	11	17,200	16,120
Cash at bank and in hand		12,679	14,098
		<u>29,879</u>	<u>30,218</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(22,094)</u>	<u>(23,813)</u>
NET CURRENT ASSETS		<u>7,785</u>	<u>6,405</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,360	8,654
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	<u>(543)</u>	<u>(795)</u>
NET ASSETS		<u>9,817</u>	<u>7,859</u>
CAPITAL AND RESERVES			
Called up share capital	16	72	72
Share premium account		1	1
Capital redemption reserve		814	814
Profit and loss account		8,930	6,972
SHAREHOLDERS' FUNDS		<u>9,817</u>	<u>7,859</u>

The accompanying notes form an integral part of these financial statements.

The financial statements of HiFX Europe Limited (registered number 03517451) were approved by the Board of Directors and authorised for issue on 31 July 2020.

Signed on behalf of the Board of Directors by:


A. Sparks
Director

HIFX EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY 31 December 2019

	Called up share capital £'000	Share premium account	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
As at 1 January 2018	72	1	814	16,429	17,316
Profit for the period	-	-	-	5,890	5,890
Equity settled share awards	-	-	-	(347)	(347)
Dividends paid	-	-	-	(15,000)	(15,000)
As at 31 December 2018	72	1	814	6,972	7,859
Profit for the period	-	-	-	2,553	2,553
Equity settled share awards	-	-	-	(595)	(595)
Dividends paid	-	-	-	-	-
As at 31 December 2019	72	1	814	8,930	9,817

The accompanying notes form an integral part of these financial statements.

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

1. ACCOUNTING POLICIES

The following are the principal accounting policies which have been applied consistently throughout the current and the preceding year in preparing these financial statements.

General information and basis of accounting

HiFX Europe Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of HiFX Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

HiFX Europe Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the exemptions available in relation to share-based payments, presentation of a cash flow statement and remuneration of key management personnel.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant such as the fair value of financial instruments and credit risk.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in the preparation of these financial statements are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

Going concern

The company's business activities, key risks and financial performance are set out in the directors' report on page 4.

The company has good financial resources, with net current assets of £7.8m, equity of £9.8m and a sizeable established client base across a range of markets and sectors, generating repeatable revenues.

The company is closely monitoring the situation with regard to COVID-19, the Coronavirus. The company activated its Business Continuity Plan on 17 March instructing all staff to work from home. The company's products and services are predominantly operated on-line and continuity of service has been maintained without increase in reported incidents or disruption. Currency volatility in March led to a strong increase in demand but consumer activity dropped around 25% in April and May before recovering to more normal levels in June.

The company has reviewed its rolling operational forecasts in the light of recent trends. Key assumptions in the forecast are the timing of return of demand for its services (especially those associated with global mobility), the impact of product development designed to improve the conversion of clients from registration to transaction and the expansion of currency offering and deliverability and we have considered scenarios around these factors. The company has also considered mitigations principally associated with cost reductions and group transfer pricing arrangements.

Whilst there remains a degree of uncertainty the Directors are confident any detrimental impacts can be covered by the available liquidity throughout the company. As a result, the Directors are satisfied that the company has adequate resources to continue in business for a period of at least 12 months from the signing of these accounts. For this reason, the accounts are prepared on a going concern basis.

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

Intangible assets

Expenditure on internally generated or purchased software is capitalised and is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over an estimated useful life of 4-5 years from the date the software is available for use.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any impairment in value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	20% - 100% straight line
Fixtures and fittings	20% - 33% straight line
Motor vehicles	25% straight line

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), and 'loans and receivables'.

The company's only FVTPL financial assets comprise forward foreign currency exchange contracts with clients and banking counterparties. Such contracts are stated at fair value, with any gains or losses arising on remeasurement recognised in the profit and loss account. These contracts are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

HIFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The company's only financial liabilities at FVTPL are forward foreign currency exchange contracts which are stated at fair value, with any gains or losses arising on remeasurement recognised in the profit and loss account.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit and loss account immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Impairment of assets

Assets, other than financial assets, are reviewed for impairment whenever circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount calculations are performed using cash flow projections discounted at a rate which reflects the time value of money.

Amounts payable to clients

Amounts payable to clients comprise amounts received in advance from clients in respect of foreign exchange transactions prior to the maturity date of a trade and currency owed to clients after maturity date awaiting disbursement.

Amounts held on deposit with financial institutions

Amounts held on deposit with financial institutions comprise amounts paid in advance in respect of foreign exchange transactions prior to the maturity date of a trade and currency owed by financial institutions after maturity date awaiting disbursement.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or the right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and is recognised as follows:

Foreign exchange transactions - turnover consists of the margin generated from foreign currency spreads net of the benefit or cost of the company's foreign currency hedging policy. The benefit or cost of the company's hedging policy is the result of changes in exchange rates between the time a customer rate is contractually agreed and a matching hedge transaction is entered. The hedging policy allows for aggregation and netting of customer transactions and therefore turnover includes both realised and unrealised income earned from the sale of foreign currency contracts to customers. Turnover also includes payment or administration fees where applicable.

Interest income - interest earned on cash held for the execution of foreign exchange transactions is included in turnover.

Other commissions – commissions are earned on the introduction of insurance and money market products and are accounted for on an accruals basis.

Employee benefits

The company operates a defined contribution pension scheme for all employees. The amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Share based payments

The ultimate parent company provides benefits to the company's employees in the form of share based payments whereby employees render services in exchange for shares or rights over shares. The fair value of such awards is estimated at grant date using a Black Scholes pricing model and discounted for the probability of employee retention and any performance criteria. The cost is recognised, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled ending on the date that employees become fully entitled to the award. The company is required to reimburse the ultimate parent company for the market value of any vested shares or exercised share options with expense charged to equity. A liability is also recognised for such amounts payable to the parent over the vesting period.

There are a number of share based payments schemes in operation which generally consist of non-qualifying share options which vest in equal annual instalments over periods ranging from 3 to 5 years, provided the employee remains within the group's employ. The schemes are settled in equity by the parent.

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

2. TURNOVER

	2019 £'000	2018 £'000
Turnover comprises:		
Interest earned on operating cash balances	53	43
Foreign exchange transactions	30,445	33,626
Insurance & money market commissions	86	99
	<u>30,584</u>	<u>33,768</u>

All turnover arises in the United Kingdom.

3. EMPLOYEE INFORMATION

	2019 No.	2018 No.
Average monthly number of employees including directors during the period:		
Sales and operations	86	105
Administration	108	99
	<u>194</u>	<u>204</u>

	2019 £'000	2018 £'000
Their aggregate remuneration comprised:		
Wages and salaries	11,538	11,846
Social security costs	1,392	1,420
Pension costs	442	334
	<u>13,372</u>	<u>13,600</u>

4. DIVIDENDS ON EQUITY SHARES

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividends paid at £nil (2018 - £159.09) per share	-	11,500
Interim dividends paid at £nil (2018 - £48.42) per share	-	3,500
	<u>-</u>	<u>15,000</u>

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

5. DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Emoluments	289	273
Company contributions to money purchase pension schemes	10	12
Benefits in kind	-	-
	<u>299</u>	<u>285</u>

	2019 £'000	2018 £'000
Remuneration of the highest paid director:		
Emoluments	289	273
Company contributions to money purchase pension schemes	10	12
Benefits in kind	-	-
	<u>299</u>	<u>285</u>

6. INTEREST RECIEVABLE

	2019 £'000	2018 £'000
Bank interest	21	9
Other interest	-	17
	<u>21</u>	<u>26</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:	2019 £'000	2018 £'000
Amortisation of intangible fixed assets	823	634
Depreciation of tangible fixed assets	569	536
Operating lease rentals	473	441
Equity settled share awards	23	(140)
Foreign exchange (gain) loss	(7)	19
Fees payable to the company's auditors for the audit of the company's annual accounts	79	76
Fees payable to the company's auditors for other audit services	19	19
	<u>19</u>	<u>19</u>

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For the year ended 31 December 2019

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax on profits for the period	688	1,339
Adjustments in respect of prior periods	(5)	12
Foreign tax relief	-	(8)
	<u>683</u>	<u>1,343</u>
Foreign tax suffered	-	8
Total current tax	<u>683</u>	<u>1,351</u>
Deferred tax:		
Origination and reversal of timing differences	168	1
Adjustment in respect of prior periods	-	(344)
Adjustment in respect of rate changes	(18)	(1)
Total deferred tax	<u>150</u>	<u>(344)</u>
Total tax charge for the period	<u>833</u>	<u>1,007</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	<u>3,386</u>	<u>6,897</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	643	1,311
Expenses not deductible for tax purposes	20	29
Depreciation in excess of capital allowance	53	49
Movement in short term timing differences	(28)	(50)
Difference in foreign tax rates	-	-
Adjustment to prior years	(5)	12
Total current tax	<u>683</u>	<u>1,351</u>

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

9. INTANGIBLE FIXED ASSETS

Internally generated and purchased software

	£'000
Cost:	
As at 1 January 2019	5,379
Additions	1,442
	<u>6,821</u>
As at 31 December 2019	<u>6,821</u>
Amortisation:	
As at 1 January 2019	3,926
Charge for the period	823
	<u>4,749</u>
As at 31 December 2019	<u>4,749</u>
Net book value:	
As at 31 December 2019	<u>2,072</u>
As at 31 December 2018	<u>1,453</u>

10. TANGIBLE FIXED ASSETS

	Office equipment £'000	Fixtures and fittings £'000	Total £'000
Cost:			
As at 1 January 2019	3,930	1,497	5,427
Additions	162	114	276
Disposals	(1,108)	-	(1,108)
	<u>2,984</u>	<u>1,611</u>	<u>4,595</u>
As at 31 December 2019	<u>2,984</u>	<u>1,611</u>	<u>4,595</u>
Depreciation:			
As at 1 January 2019	3,677	954	4,631
Charge for the period	213	356	569
Disposals	(1,108)	-	(1,108)
	<u>2,782</u>	<u>1,310</u>	<u>4,092</u>
As at 31 December 2019	<u>2,782</u>	<u>1,310</u>	<u>4,092</u>
Net book value:			
As at 31 December 2019	<u>202</u>	<u>301</u>	<u>503</u>
As at 31 December 2018	<u>253</u>	<u>543</u>	<u>796</u>

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For the year ended 31 December 2019

11. CURRENT ASSETS

Debtors

	31 Dec 2019 £'000	31 Dec 2018 £'000
Amounts held on deposit with financial institutions	1,484	3,157
Amounts owed by group undertakings	4,603	3,890
Other debtors	8	1
Derivative financial assets	9,501	7,378
Deferred tax asset	529	681
Prepayments and accrued income	1,075	1,013
	<u>17,200</u>	<u>16,120</u>

Amounts falling due after more than one year and included above are:

Derivative financial assets	1,792	950
Deferred tax asset	529	337
	<u>2,321</u>	<u>1,287</u>

Cash at bank and in hand

The cash balance of £12,679,000 (31 December 2017: £14,098,000) includes £9,294,000 (£10,938,000) in respect of customer balances, the corresponding liability for which is within Amounts payable to customers (see note 12), and is held in segregated bank accounts in accordance with the EU Payment Services Directive.

12. CREDITORS

	31 Dec 2019 £'000	31 Dec 2018 £'000
Amounts falling due within one year:		
Amounts payable to customers	13,085	13,921
Trade creditors	1,250	701
Derivative financial liabilities	4,515	5,072
Amounts owed to group undertakings	350	382
Corporation tax	549	1,245
Other taxation and social security	470	460
Other creditors	15	108
Accruals and deferred income	1,860	1,924
	<u>22,0</u>	<u>23,813</u>
Creditors due within one year		
Amounts falling due after more than one year:		
Derivative financial liabilities	543	795
	<u>543</u>	<u>795</u>

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For the year ended 31 December 2019

13. FINANCIAL ASSETS AND LIABILITIES

	Carrying amount	Carrying amount	Fair value	Fair value
	31 Dec 2019 £'000	31 Dec 2018 £'000	31 Dec 2019 £'000	31 Dec 2018 £'000
Financial assets:				
Loans and receivables:				
Amounts held on deposit with bank counterparties	1,484	3,157	1,484	3,157
Trade and other receivables	8	1	8	1
Amounts owed by group undertakings	4,603	3,890	4,603	3,890
Cash and cash equivalents	12,679	14,098	12,679	14,098
FVTPL:				
Forward foreign currency exchange contracts	9,501	7,378	9,501	7,378
Total financial assets	28,275	28,524	28,275	28,524
Financial liabilities:				
Loans and borrowings:				
Trade and other payables	14,335	14,622	14,335	14,622
Amounts owed to group undertakings	350	382	350	382
FVTPL:				
Forward foreign currency exchange contracts	5,058	5,867	5,058	5,867
Total financial liabilities	19,743	20,871	19,743	20,871

The following methods and assumptions were used to measure fair values.

Level 3 assets and liabilities - trade and other receivables, cash and cash equivalents and trade and other payables approximate to carrying amount due to the short term to maturity of these instruments.

Level 2 assets and liabilities - forward foreign currency exchange contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Derivative Financial Assets and Liabilities

Financial instruments at fair value through profit and loss

	31 Dec 2019 £'000	31 Dec 2018 £'000
Derivative financial assets:		
Forward foreign currency exchange contracts	9,501	7,378
Derivative financial liabilities:		
Forward foreign currency exchange contracts	(5,058)	(5,867)
Net forward foreign currency exchange contracts	4,443	1,511
Net impact on profit and loss in the period	2,932	(3,920)

HiFX EUROPE LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

14. FINANCIAL RISK MANAGEMENT

Foreign currency risk management

The company's foreign currency risk arises from its primary business model. The company executes spot and forward foreign currency contracts with its clients, principally buying or selling GBP, EUR and USD. To the extent that client contracts are not complementary in currency pair, direction or maturity date, the company enters into foreign currency contracts and cross currency swaps with financial institutions.

The company has a treasury risk management function and a treasury policy to manage this risk. The policy limits the aggregate exposure the treasury function can run in any currency and applies a daily loss limit above which positions must be closed.

The following table details the forward contract exposures to each major traded currency at the period end:

	Client trades	Bank trades	Net exposure	Fair value £'000
31 December 2019				
EUR ('000)	58,812	(60,786)	(1,974)	(1,865)
USD ('000)	(33,915)	32,933	(982)	(715)
GBP ('000)	(16,184)	23,116	6,932	6,932
All other traded currencies				91
Total fair value				4,443
31 December 2018				
EUR ('000)	24,216	(24,829)	(613)	(733)
USD ('000)	(13,801)	13,792	(9)	(69)
GBP ('000)	(2,513)	5,245	2,732	2,732
All other traded currencies				(419)
Total fair value				1,511

The following table details the company's sensitivity to a 10% increase and decrease in GBP against certain relevant foreign currencies. The sensitivity analysis includes only outstanding forward foreign currency exchange contracts and indicates the impact on profit (loss) before tax:

	2019 £'000 +10%	2019 £'000 -10%	2018 £'000 +10%	2018 £'000 -10%
EUR	186	(207)	73	(81)
USD	73	(80)	7	(8)
All other traded currencies	(10)	11	42	(46)

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2019

14. FINANCIAL RISK MANAGEMENT (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining security payments on forward trades as a means of mitigating the risk of financial loss from non-settlement of the trade. Where such security deposits are not obtained, credit exposure is controlled by setting trading or credit limits that are subject to manager review and approval. Credit exposure on such uncollateralised forward trades at 31 December 2019 was £2,026,000 (2018 - £3,308,000).

Management believes that the credit risk on amounts held on deposit with bank counterparties and on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its stakeholders and maintaining capital adequacy in accordance with its regulatory obligations. Capital is monitored on a quarterly basis by the directors.

The capital structure of the company consists of issued capital, reserves and retained earnings excluding intangible and deferred tax assets.

Liquidity risk management

This is the risk of insufficient liquid funds being available to meet the company's working capital requirements. The company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities, in particular derivative financial assets and liabilities.

The following table details the company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives.

	Within 30 days £'000	30 to 90 days £'000	90 to 360 days £'000	More than 1 year £'000	Total £'000
31 December 2019					
Gross inflows	319,913	91,377	215,803	112,272	739,365
Gross outflows	(320,046)	(89,810)	(213,969)	(111,097)	734,922
	<u>(133)</u>	<u>1,567</u>	<u>1,834</u>	<u>1,175</u>	<u>4,443</u>
31 December 2018					
Gross inflows	203,150	79,046	134,698	54,617	471,511
Gross outflows	(204,271)	(78,859)	(132,676)	(54,194)	(470,000)
	<u>(1,121)</u>	<u>187</u>	<u>2,022</u>	<u>423</u>	<u>1,511</u>

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For the year ended 31 December 2019

15. DEFERRED TAX

	31 Dec 2019 £'000	31 Dec 2018 £'000
Opening balance	681	337
Adjustment in respect of prior periods	-	344
Charged to profit and loss in the period	(150)	(1)
Other adjustments	(2)	1
Closing balance	<u>529</u>	<u>681</u>
	£'000	£'000
Analysis of deferred tax:		
Capital allowances in excess of depreciation	286	572
Short term timing differences	243	109
Deferred tax asset	<u>529</u>	<u>681</u>

There were no unrecognised deferred tax assets at the balance sheet date in the current or prior period.

16. CALLED UP SHARE CAPITAL

	31 Dec 2019 No. & £	31 Dec 2018 No. & £
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>72,287</u>	<u>72,287</u>

17. FINANCIAL COMMITMENTS

Total minimum future payments under non-cancellable operating leases are as follows:

	Land and buildings 31 Dec 2019 £'000	Land and buildings 31 Dec 2018 £'000
Leases that expire:		
within one year	388	388
between two and five years	71	459
	<u>459</u>	<u>847</u>

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18. RELATED PARTY TRANSACTIONS

The company takes advantage of the exemption under FRS 102 and does not disclose related party transactions between group entities.

19. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Euronet (London) UK Holdings Limited, a company incorporated in the United Kingdom and registered in England & Wales.

The company's ultimate parent company is Euronet Worldwide, Inc. a company incorporated in the United States of America. Financial statements for Euronet Worldwide, Inc. can be obtained from 3500 College Boulevard, Leawood, Kansas 66211, USA.

Euronet Worldwide, Inc. has no single controlling party.