

UKForex Limited

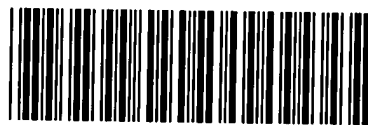
Company Registration Number: 04631395

Strategic Report, Directors' Report
and Financial Statements

Year Ended 31 March 2019



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UKFOREX LIMITED**COMPANY NUMBER 04631395**

**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**

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UKFOREX LIMITED**COMPANY NUMBER 04631395****GENERAL INFORMATION****Directors**

M Shaw (appointed 28 February 2019)
S Webb (appointed 28 February 2019)
A Smith (resigned 28 February 2019)

Registered office

White Chapel Building
10 Whitechapel High Street,
London
E1 8QS

Independent Auditors

PricewaterhouseCoopers LLP
2 Glass Wharf,
Bristol,
BS2 0FR
UNITED KINGDOM

Company number

04631395

STRATEGIC REPORT

In accordance with a resolution of the Directors (the "Directors") of UKForex Limited (the "Company"), the Directors submit herewith the Strategic Report of the Company as follows:

PRINCIPAL ACTIVITIES

The Company is regulated by the Financial Conduct Authority ("FCA"). The principal activity of the Company for the financial year ended 31 March 2019 was the provision of foreign exchange and international payment services to the customers of the OFX Group Limited and its subsidiaries ("the OFX Group").

The Company is limited by shares and was incorporated and is domiciled in the United Kingdom.

The Company is a wholly owned subsidiary of OzForex Limited, an entity incorporated in Australia, and its ultimate parent company, OFX Group Limited, an entity incorporated in Australia and listed on the Australian Securities Exchange (ASX: OFX).

In the opinion of the Directors, there were no significant changes to the principal activities of the Company during the financial year under review not otherwise disclosed in this report.

REVIEW OF OPERATIONS

Turnover grew by 5% in 2019 to £8.4m. Transactions increased at 1% with higher average transaction values delivering a 5% increase in turnover. Profit pre taxation increased from £1.1m to £1.2m up 11% as administrative expenses increased at 2%, a slower rate than turnover delivering operating leverage.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the OFX Group and are not managed separately. Accordingly, the principal risks and uncertainties of OFX Group Limited, which include those of the Company, are discussed on pages 20 to 21 of the Group's annual report which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The risks which the Company is exposed to are managed on a globally consolidated basis for the Group as a whole, including all subsidiaries, in all locations. The OFX Group's internal approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions.

Risk is an integral part of the OFX Group's businesses. The main risks faced by the Company are credit risk, liquidity risk, interest rate risk and foreign exchange risk. Additional risks faced by the Company include operational, legal, compliance and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the role of the Chief Operating Officer, Chief Executive Officer and Chief Legal Officer to ensure appropriate assessment and management of these risks.

The Chief Operating Officer reports to the Risk Committee on a quarterly basis. The Risk Committee identifies, quantifies and assesses all material risks and sets prudential limits. Where appropriate, these limits are approved by the Executive Committee and the Board.

STRATEGIC REPORT (CONTINUED)**FINANCIAL RISK MANAGEMENT (CONTINUED)****Credit risk**

The carrying amount of financial assets included in the statement of financial position represents the Company's maximum exposure to credit risk in relation to those assets.

The Company does not have any significant exposure to any individual customer, counterparty or industry.

Fees receivable are usually settled within 30 days of becoming due and receivable.

Credit risk is the potential loss arising through the default of counterparties to financial assets. The Company is not exposed to any material credit risk due to cash being held with highly rated financial institutions. All credit exposure for the Company is within the United Kingdom and Australia.

Credit exposures, approvals and limits are controlled within the Group's credit risk framework.

Liquidity risk

The Company does not have any long term or short term debt finance provided by external institutions. Funding is provided by the ultimate parent company to ensure the Company has sufficient funds for operations and planned expansion.

Interest rate risk

Changes in market interest rates impact upon the level of future cash flows.

The Company has interest bearing assets that are included in cash balances held at short call, which earn a variable rate of interest.

Foreign currency risk

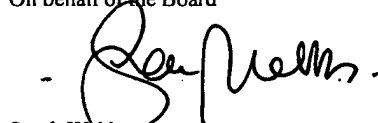
The Company has foreign exchange exposures which include amounts payable to other Group undertakings which are denominated in non-functional currencies. The Director will revisit the appropriateness of the Company's foreign exchange management policy should the Company's operation change in size or nature.

KEY PERFORMANCE INDICATORS ("KPIs")

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

	2019	2018	Change
	£'000	£'000	
Turnover	8,375	7,995	+5%
Profit before taxation	1,221	1,101	+11%
Client transactions in '000s	196.6	195.1	+1%

On behalf of the Board



Sarah Webb
Director
5 December 2019

DIRECTORS' REPORT

In accordance with a resolution of the Directors of UKForex Limited, the Directors submit the audited financial statements of the Company and report as follows.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M Shaw (appointed 28 February 2019)
S Webb (appointed 28 February 2019)
A Smith (resigned 28 February 2019)

RESULTS

The Company's profit for the financial year was £997,869 (2018: £880,043).

DIVIDENDS PAID OR PROVIDED FOR

There were no dividends paid during the year (2018: £nil).

A final dividend of £1,800,000 for the year ended 31 March 2019 was paid by the Company on 21 June 2019. The Directors have since recommended the payment of this dividend and the sole shareholder of the Company, OzForex Limited, has ratified and affirmed the actions of Directors in relation to the payment of the dividend.

STATE OF AFFAIRS

There were no significant changes in the state of the affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

EVENTS AFTER THE REPORTING PERIOD

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 31 March 2019 not otherwise disclosed in this report.

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

The Directors believe that no significant changes are expected other than those already disclosed in this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

CREDITORS PAYMENT POLICY

It is the Company's policy to agree the terms of payment to creditors at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Company is not exposed to market price risk as no equity investments are held during the year.

The Company's overall risk management program is described in the Strategic Report.

DIRECTORS' REPORT (CONTINUED)**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework," and applicable law).

Under Company law the Directors must not approve the financial statements unless 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

BREXIT

The Directors have evaluated the various ways in which the United Kingdom may exit the European Union. In the event of Brexit, the Company will no longer be able to access the same markets as it does currently. The Company has (a) evaluated any estimated loss in revenue and (b) put in place contingency plans in the event of Brexit without transitional arrangements being put in place between the United Kingdom and the European Union. The Company has concluded that Brexit should not have a significant impact on the Company's overall performance.

However, because not all future events or conditions can be predicted, there is no guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the UK may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications of Brexit on the Company's trade, customers, suppliers and the wider economy.

DISCLOSURE OF INFORMATION TO AUDITORS

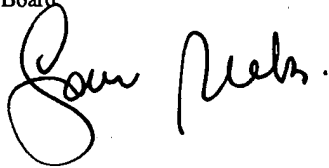
In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

UKFOREX LIMITED**COMPANY NUMBER 04631395****DIRECTORS' REPORT (CONTINUED)****INDEPENDENT AUDITORS**

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors or the members of the Company resolve to terminate their appointment. As at the date of these financial statements the Directors are not aware of any resolution to terminate the appointment of the auditors.

On behalf of the Board

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

Sarah Webb
Director
5 December 2019

Independent auditors' report to the members of UKForex Limited

Report on the audit of the financial statements

Opinion

In our opinion, UKForex Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2019; the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities. With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

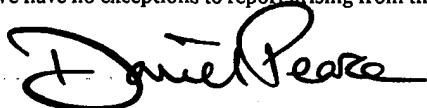
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

5 December 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £	2018 £
Turnover		8,375,344	7,995,948
Administrative expenses	2	(6,847,199)	(6,690,874)
Other operating charges		(307,608)	(203,643)
Profit before taxation		1,220,537	1,101,431
Tax on profit	4	(222,668)	(221,388)
Profit for the financial year		997,869	880,043
Other comprehensive income		-	-
Total comprehensive income for the year		997,869	880,043

The above statement of comprehensive income should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Turnover and profit before taxation relate wholly to continuing operations.

UKFOREX LIMITED**COMPANY NUMBER 04631395****STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 £	2018 £
FIXED ASSETS			
Property, plant and equipment	7	87,063	41,815
		<u>87,063</u>	<u>41,815</u>
CURRENT ASSETS			
Cash and cash equivalents	8	17,199,703	10,873,451
Receivables from immediate parent entity	9	2,150,877	6,620,583
Other receivables	10	422,102	305,683
Deferred tax assets	5	-	2,486
		<u>19,772,682</u>	<u>17,802,203</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	16,181,356	15,246,939
Deferred tax liability	5	3,936	-
		<u>16,185,292</u>	<u>15,246,939</u>
NET CURRENT ASSETS		<u>3,587,390</u>	<u>2,555,264</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,674,453</u>	<u>2,597,079</u>
Provisions for liabilities	12	235,524	169,693
NET ASSETS		<u>3,438,929</u>	<u>2,427,386</u>
Equity			
Called up share capital	13	2	2
Share based payment reserve	15	13,674	-
Retained earnings		3,425,253	2,427,384
TOTAL SHAREHOLDERS' FUNDS		<u>3,438,929</u>	<u>2,427,386</u>

The above statement of financial position should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

The financial statements on pages 10 to 23 were approved by the Director on 5th December 2019 and signed by:


Sarah Webb
Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	Called up share capital £	Share based payment reserve £	Retained earnings £	Total shareholders' funds £
Balance at 1 April 2017		2	-	1,547,341	1,547,343
Profit for the financial year		-	-	880,043	880,043
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	880,043	880,043
Share based payment expense		-	-	-	-
Dividends paid		-	-	-	-
Balance at 31 March 2018		2	-	2,427,384	2,427,386
Profit for the financial year		-	-	997,869	997,869
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	997,869	997,869
Share based payment expense		-	13,674	-	13,674
Dividends paid	14	-	-	-	-
Balance at 31 March 2019		2	13,674	3,425,253	3,438,929

The above statement of changes in equity should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES**a) General Information**

UKForex Limited ("The Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom. The Company is located at 10, Whitechapel High Street, London, E1 8QS. The Company's registration number is 04631395.

b) Basis of preparation*(i) Compliance with FRS 101*

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

These financial statements have been prepared under new FRS 101 Reduced Disclosure Framework ("FRS 101"), which applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union with reduced disclosures.

The following exemptions from the requirements of IFRS as adopted by the EU have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise price of share-based payment arrangements concerning equity instruments of another group entity and how the fair value of goods or services received was determined).
- The requirements of IFRS 7 'Financial Instruments: Disclosures.'
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The requirements of paragraphs 38 of International Accounting Standards ("IAS") 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding)
 - Paragraph 73(e) of IAS 16 'Property, Plant and Equipment.'
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements' (additional comparatives and capital management disclosures).
- The requirements of IAS 7 'Statement of Cash Flows.'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements of IAS 24 to disclose related party transactions entered into between two or more members of a group where both parties to the transaction are wholly owned within the group.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets.'

(ii) New standards adopted by the Company

The Company has applied the following standards for the first time for their annual reporting period commencing 1 April 2018:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (continued)

b) Basis of preparation (continued)

(ii) New standards adopted by the Company (continued)

- IFRS 9 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The application of IFRS 9 has not impacted the classification and measurement of the Company's financial assets, with all financial assets held by the Company satisfying the conditions to carry at amortised cost. There is no impact to the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IFRS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules do not impact the Company's accounting as the Company does not have any existing hedging relationships or plans to apply hedge accounting.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under IFRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 "Revenue from Contracts with Customers," lease receivables, loan commitments and certain financial guarantee contracts. The new impairment model requirements do not impact the Company's accounting as the Company does not hold any balances to which the model applies.

- IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaced IFRS 18 which covers contracts for goods and services and IFRS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management assessed the effects of applying the new standard on the company's financial statements including the following:

- Revenue from service – the application of IFRS 15 did not result in the identification of separate performance obligations which affected the timing of the recognition of revenue
- Accounting for certain costs incurred in fulfilling a contract – there were no costs which were being expensed that should be recognised as an asset under IFRS 15, and
- Rights of return – IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. The Company does not hold any impacted balances.

Based on the above assessment, there is no impact to the Company's financial performance and position as result of adopting IFRS 15.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

c) Critical accounting estimates and significant judgements

The preparation of the financial statements in conformity with FRS 101 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 to the Company and the financial statements such as:

- Measurement of current and deferred tax liabilities (Note 5);

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 preparing the 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 that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

d) Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months and into the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

e) Turnover

Turnover is derived from the provision of foreign exchange related services on behalf of OzForex Limited. Turnover for the year comprises service fee income, which is allocated from the ultimate parent company. In the year ended 31st March 2018, the Company entered into an intercompany services agreement (the Services Agreement) with OzForex Limited to provide reciprocal support services and management services. Pursuant to the Services Agreement, the Company was reimbursed for all operating expenses related to services provided to OzForex Limited and retained 10% of total earnings in both years ended 31 March 2019 and 31 March 2018.

f) Net interest income/expense

Interest receivable and similar income and interest payable and similar charges are brought to account on an accruals basis using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

g) Cash and cash equivalents

Cash at bank comprises cash on hand and deposits held at call with banks.

h) Taxation and deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided fully in respect of all timing differences between the accounting and tax treatment of income and expenses, at the reporting date, the anticipated reversal of which will result in a change in the future liability to tax. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and law and is measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

i) Financial liabilities

The Company holds customer liabilities which are initially recognised in the Statement of Financial Position at their fair value and subsequently measured at amortised cost using the effective interest method.

j) Performance based remuneration

Short term incentives

The provision balance in relation to bonuses payable to staff employed by the Company for the year ended 31 March 2019 is £177,285 (2018: 90,648).

Share based payments

The Company recognises a share based payment expense in relation to performance rights granted to its employees with an offsetting adjustment recognised as a contribution to capital from the shareholders. The performance rights are measured at their grant dates based on their fair value using the number expected to vest. This amount is recognised as an expense evenly over the respective vesting periods.

The Company annually revises its estimates of the number of shares that are expected to vest. Where appropriate, the impact of revised estimates is reflected in the income statement over the remaining vesting period, with a corresponding adjustment to the share based payment reserve.

The long term incentive plan is based on the grant of performance rights that vest into shares on a one-to-one basis at no cost to the employee. Settlement of the performance rights is made in ordinary shares.

j) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation on all assets is calculated on a straight line basis over the estimated useful lives of the assets. The rates of depreciation are as follows:

Furniture and fittings	25%
Computer equipment	25 – 33%
Leasehold improvements*	20%

* Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount due to an adjustment to its useful life, residual value or impairment, the carrying amount is written down immediately to its recoverable amount.

Adjustments arising from such items and on disposal of fixed assets are recognised in the profit and loss account. Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the profit and loss account. When revalued assets are sold it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

k) Leases

Leases entered into by the Company as lessee are primarily operating leases. The total fixed payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****l) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

m) Provision for liabilities and charges

A provision is recognised where the Company has a present legal or constructive obligation to make a payment as a result of a past event where it is more probable than not that a transfer of economic benefit will be required to settle the obligation and the amount can be reliably estimated.

n) Called up share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. There were no new shares issued during the period ended 31 March 2019 (2018: nil).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)****2. PROFIT ON BEFORE TAXATION**

Profit before income tax is stated after charging/ (crediting):

	2019	2018
	£	£
Employment expenses:		
Wages and salaries	3,160,796	2,950,893
Social security costs	328,279	289,256
	<u>3,489,075</u>	<u>3,240,149</u>
Promotional expenses	1,794,367	1,813,443
Bank Fees	718,271	800,430
Operating lease rentals	198,108	133,271
Occupancy expenses	181,946	173,918
Compliance expense	186,305	190,499
Depreciation charges	41,564	41,504
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company	27,730	27,730
Other services relating to taxation	6,600	6,600
	<u>34,300</u>	<u>34,300</u>
Other expenses	<u>203,233</u>	<u>263,330</u>
	<u>6,847,199</u>	<u>6,690,874</u>

3. EMPLOYEE INFORMATION

The average number of persons employed by the Company during the year calculated on a monthly basis was:

	2019	2018
	No.	No.
Revenue generating services	32	35
Revenue enabling services	22	17
	<u>54</u>	<u>52</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)**

4. TAX ON PROFIT

Analysis of tax charge for the year

	2019 £	2018 £
Current tax:		
UK corporation tax at 19% (2018: 19%)	216,246	225,576
Total current tax	216,246	225,576
Deferred tax:		
Origination and reversal of timing differences (note 5)	6,422	(4,188)
Total deferred tax	6,422	(4,188)
Tax on profit	222,668	221,388

Factors affecting tax charge for the year

The taxation charge for the year ended 31 March 2019 is lower (2018: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit before income tax	1,220,537	1,101,431
Profit before income tax multiplied by standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	231,902	209,272
Effects of:		
Expenses (deductible)/non-deductible for tax purposes	(4,442)	7,885
Adjustments in respect of timing differences	(11,214)	8,419
	216,246	225,576

5. DEFERRED TAX (LIABILITY)/ ASSETS

	2019 £	2018 £
At 1 April	2,486	(1,702)
Timing differences:		
Amount (debited)/credited to profit and loss (Note 4)	(6,422)	4,188
Deferred tax (liability)/asset recognised at 31 March	(3,936)	2,486
The deferred tax comprises:		
Timing differences in respect of leave entitlements and provisions	10,901	10,431
Accelerated capital allowance	(14,837)	(7,945)
Deferred tax (liability)/asset recognised at 31 March	(3,936)	2,486

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)**

6. DIRECTORS' REMUNERATION

	2019 £	2018 £
Amounts paid to the Directors in relation to their role as Directors of the entity:		
Salaries and fees	19,180	132,740
Annual bonus	14,293	-
Pension-related benefits	733	-
	<u>34,206</u>	<u>132,740</u>

The Directors did not receive any other benefits or consideration in connection with the management of the Company. All benefits that were received by the Directors (principally performance related remuneration for OzForex Limited) were solely related to other services performed with respect to their employment with OzForex Limited.

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £	Furniture and fittings £	Computer equipment £	Total £
COST				
At 1 April 2018	135,458	75,041	218,353	428,852
Additions	43,742	21,166	21,904	86,812
Disposals	-	-	-	-
At 31 March 2019	<u>179,200</u>	<u>96,207</u>	<u>240,257</u>	<u>515,664</u>
ACCUMULATED DEPRECIATION				
At 1 April 2018	121,336	60,704	204,997	387,037
Charge for the year	18,324	8,454	14,786	41,564
Disposals	-	-	-	-
At 31 March 2019	<u>139,660</u>	<u>69,158</u>	<u>219,783</u>	<u>428,601</u>
NET BOOK AMOUNT				
31 March 2019	<u>39,540</u>	<u>27,049</u>	<u>20,474</u>	<u>87,063</u>
31 March 2018	<u>14,122</u>	<u>14,337</u>	<u>13,356</u>	<u>41,815</u>

8. CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Segregated client accounts	17,032,058	10,793,557
Company bank accounts	167,645	79,894
	<u>17,199,703</u>	<u>10,873,451</u>

9. RECEIVABLES FROM IMMEDIATE PARENT ENTITY

	2019 £	2018 £
Amounts owed by immediate parent undertaking	2,150,877	6,620,583
	<u>2,150,877</u>	<u>6,620,583</u>

Amounts owed by the immediate parent undertaking are unsecured, non-interest bearing, and have no fixed date of repayment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)**

10. OTHER RECEIVABLES

	2019 £	2018 £
Deposits	176,553	105,878
Prepayments and other income	165,366	109,373
Current tax assets	12,544	-
Other receivables	67,639	90,432
	<u>422,102</u>	<u>305,683</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	79,710	2,729
Customer liabilities	15,532,481	14,743,950
Other creditors	212,139	25,373
Provision for income tax	-	117,279
Accruals and deferred income	357,026	357,608
	<u>16,181,356</u>	<u>15,246,939</u>

12. PROVISIONS FOR LIABILITIES

	2019 £	2018 £
At 1 April	169,693	45,640
Paid during the year	(304,938)	(157,057)
Charged to profit and loss	370,769	281,110
At 31 March	<u>235,524</u>	<u>169,693</u>

The provision balance in relation to bonuses payable to staff employed by the Company for the year ended 31 March 2019 is £177,285 (2018: £90,648).

A provision of £45,851 (2018: £61,527) has been made for employee leave entitlements and a provision of £12,388 (2018: £17,518) has been made for make-good obligations under the current operating lease. The majority of both provisions are expected to be paid within 1 year.

13. CALLED UP SHARE CAPITAL

	2019 £	2018 £
ALLOTTED AND FULLY PAID		
2 (2018: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

The ordinary shares carry one vote per share, are entitled to participate equally in dividends and, if the Company was to be wound up, share in the proceeds of the Company after all the debts have been settled.

14. DIVIDENDS

The Directors proposed a final dividend for the year ended 31 March 2019 of £900,000 per share which will distribute £1,800,000 of shareholders' funds.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)**

15. SHARE BASED PAYMENTS

The Group, including UKForex Limited, has a number of employee share based payment plans as described below.

Performance Rights

Performance rights are currently issued under the ultimate parent entity's Global Equity Plan. Performance rights are issued to employees eligible to received deferred short-term incentive (STI) awards and also to eligible employees as reward for performance. Performance rights are granted at no cost and are settled in ordinary shares of OFX Group Limited on a one-for-one basis.

If the employee leaves during or before the performance period due to illness, redundancy or death, any granted rights which the Board has the discretion to allow them to vest, otherwise will lapse. If the employee leaves due to other reasons, the granted rights may be forfeited at the Board's discretion.

During the 2019 financial year, there were no issuances relevant to UKForex Limited under the OFX Group Global Equity Plan (2018: nil).

Executive Share Plan (ESP)

In the current year, the ultimate parent company began offering share grants of OFX Group common stock under an Executive Share Plan (the ESP). Under the ESP, eligible executives are provided with an interest free, non-recourse loan from the ultimate parent company for the sole purpose of acquiring shares in the OFX Group grants by its Board of Directors. Executives may not trade the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. The OFX Group Board of Directors has implemented a gateway level of minimum performance, as defined, below which no benefit accrues. Where the minimum performance gateway is met, there is a total shareholder return target measure allowing for partial loan forgiveness. If the executive leaves within the vesting period the shares allocated are returned to the ultimate parent company, subject to the discretion retained by the Board of Directors of OFX Group Limited. Following the end of the vesting period, assuming the gateway is achieved, the executive can either repay the loan directly or sell some or all of their shares and apply the proceeds to repay the loan. Shares remain restricted until the loan is repaid. Executives are entitled to exercise the voting rights attached to the shares from the date of grant. Share grants under the ESP are treated as options for accounting purposes due to the structure of the ESP.

In the year ended 31 March 2019, the Company recorded £13,674 of stock-based compensation related to the ESP. No income tax benefits have been recognised in the statement of income for stock-based compensation arrangements and no stock-based compensation costs have been capitalised as property and equipment as of 31 March 2019. The fair value of each grant is estimated on the date of grant using an internally developed model. The expected life of the grants represents the time to expiration. The risk-free interest rate is estimated based on treasury rates at the time of grant. Future stock-based compensation for grants outstanding as of 31 March 2019 is £38,766 to be recognised over the weighted-average remaining requisite service period of 2.18 years.

As of 31 March 2019, 181,058 shares were vested, but restricted subject to certain performance measures, with a weighted-average exercise price of AUD \$1.77. The weighted-average grant date fair value of options granted in the current year was AUD \$0.54.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)**

15. SHARE BASED PAYMENTS (CONTINUED)

Executive Share Plan (ESP) (continued)

Activity under the ESP is as follows:

	Grants Outstanding	
	Number of Shares	Weighted-Average Exercise Price (AUD)
Balance as at 1 st April 2018	-	-
Granted during the period	691,603	1.77
Balance as at 31 March 2019	691,603	1.77

Employee Share Scheme (ESS)

In the current year, the ultimate parent company introduced a global employee share plan, the Employee Share Scheme (the ESS), under which employees can be awarded shares of OFX Group on an annual basis. Eligibility is subject to certain service requirements and shares are awarded on a restricted basis and are generally not eligible to be traded until the earlier of termination of three years of employment. As of 31 March 2019, the Company recorded 11,470 shares awarded under the ESS which remained outstanding. Compensation expense related to the ESS awards was £11,050 in the current year.

16. FINANCIAL COMMITMENTS

The Company has entered into lease agreements for office space which are accounted for as operating leases. At 31 March lease payments payable in the next year based on when the obligation expires are as follows:

	2019 £	2018 £
Within 1 year	205,435	130,657
Between 1 and 5 years	342,392	-
More than 5 years	-	-
	<u>547,827</u>	<u>130,657</u>

17. RELATED PARTY INFORMATION

As 100% of the voting rights of the Company are controlled within the Group headed by OFX Group Limited, incorporated in Australia, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the OFX Group. The consolidated financial statements of OFX Group Limited, within which the Company is included, can be obtained from the given address in Note 18.

Key management personnel ("KMP") transactions could include not only compensation but also other transactions (e.g. loans granted, additional services provided, transactions with KMP's entities).

18. ULTIMATE PARENT UNDERTAKING

The immediate parent company is OzForex Limited and the ultimate parent undertaking and controlling party of the Company, which is the parent undertaking of the smallest and largest group to consolidate these financial statements, is OFX Group Limited, a company incorporated in Australia and listed on the ASX. Copies of the consolidated financial statements for OFX Group Limited can be obtained from the Company Secretary, Level 19, 60 Margaret Street, Sydney, New South Wales, 2000, Australia.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
(CONTINUED)****19. AUDIT AND OTHER SERVICES**

The auditors' remuneration for auditing services of the Company of £27,730 was provided by PricewaterhouseCoopers LLP for the financial year ended 31 March 2019 (2018: £27,730). These costs have been borne by the Company.

The remuneration for other services relating to taxation of £6,600 was provided by PricewaterhouseCoopers LLP for the financial year ended 31 March 2019 (2018: £6,660). These costs have been borne by the Company.

20. SUBSEQUENT EVENTS

There were no material post balance sheet events occurring after reporting date requiring disclosure in these financial statements.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 10 to 23 was approved by the Director on 5th December 2019.