

Registered Number: 07110087

**COMPANIES HOUSE  
EDINBURGH**

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**OANDA EUROPE LIMITED**

**Annual Report and Financial Statements**

**For the year ended**

**31 December 2018**

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COMPANIES HOUSE

## **OANDA EUROPE LIMITED**

### **Company Information**

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**DIRECTORS**

M H Anderson  
D Hodge  
C Johnson  
J Martell  
K Ryan

**SECRETARY**

J Martell

**REGISTERED OFFICE**

Floor 9a, Tower 42  
25 Old Broad St  
London  
EC2N 1HQ

**REGISTERED NUMBER**

07110087

**INDEPENDENT AUDITOR**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## OANDA EUROPE LIMITED

### Contents

	<b>Page</b>
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent auditor's report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 30

**Strategic Report for the year ended 31 December 2018**

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The Directors present their Strategic Report for the year ended 31 December 2018.

**Principal Activities**

OANDA Europe Limited ('the Company') is an online margin trading business that provides leveraged trading for contracts for difference ('CFDs') and Spreadbets on foreign currencies, bonds, commodities and indices.

This business is conducted mainly through the OANDA trading platform, a fully automated trading platform which is owned by Oanda Corporation ("OC"). OC plays the role of market maker. To support exposures created by these transactions, customers are required to post margin. Amounts received from customers are kept separately from the Company's funds in segregated accounts under trust status for the benefit of clients as per CASS rules. The Company economically hedges its exposure with related parties, OANDA Australia Pty. Ltd ("OAU") and OANDA Corporation ("OC") which form part of the OANDA group of companies ("OANDA"), immediately upon the execution of a client trade to make sure it does not take any market risk.

There has been no change in its business in the period under review.

The Company is authorised and regulated by the Financial Conduct Authority (FCA).

**Business Review**

During the year, the key milestones were;

1. Ensuring the business continued to meet its regulatory and legal obligations. Specifically, this was focused around (i) the implementation of MiFiD II, (ii) adjustments to the product offer to ensure new ESMA leverage requirements were met and (iii) making sure the business met the new GDPR requirements. These have all been sizeable pieces of work that the business delivered.
2. Improvements to the infrastructure to aid efficiency in the sales conversion funnel.

The Company reported a profit of £823,952 for the year ended 31 December 2018 (2017: £2,117,235). The 2018 performance was driven by a marginal drop in revenue of -5.6% year on year (as widely reported across the FX/CFD industry, revenue was impacted by the new ESMA leverage limits) and a marginal increase in costs.

**Business objectives in 2019**

The key objectives in 2019 are to deliver improved profit whilst maintaining effective risk and expense management.

This will be achieved by:

- Increasing the size of our active client base by continuing to grow our business in markets where we currently operate and by expanding our offering into markets in the region where we have previously not operated.
- Continuing to evolve our product offering (new platform features, competitive pricing and new instruments).
- A tightly controlled cost base.

Key enablers to support these goals are:

- A highly sophisticated digital and mobile marketing approach focused on identifying appropriate prospects to drive quality demand cost efficiently.
- Significant improvements to the conversion funnel (new website, new online application form and enhancements to the customer portal) to increase the number of new trading customers.
- Maintaining our strong customer service ethos
- Evolution of our education offer to improve customer retention rates.

### **Future developments**

The company continues to invest in leading edge technology solutions and during the course of 2019 will be launching a new retail website, new online application form and making modifications to the customer portal. These are important development to optimise our efficiencies in the conversion funnel and reduce aspects of our cost base.

### **Principal Risk and Uncertainties**

The Company's day to day operations expose it to strategic, financial and operational risks. The board of directors ('Board') recognise that risk management is fundamental to the Company's business and planning process and, seeks to embed a culture of risk management across its business. The Board sets the overall level of risk that the Company will accept and have the overall responsibility of risk management through the Risk Committee. The Company has a low risk appetite which is within the overall framework and strategy set by OANDA Global Corporation ('Parent').

The Company's risks are documented and modelled within the Internal Capital Adequacy Assessment Process ('ICAAP') and include the following;

#### **Market Risk**

The Company acts as principal counterparty to the client and does not act as a broker or trustee. All positions are hedged back to back with OANDA so that the Company is not exposed to the market risk associated with these positions.

#### **Credit and Counterparty Risks**

This is the risk that the counterparty to a transaction will cause the Company financial loss by failing to fulfil a contractual obligation.

##### **Affiliate Hedging Counterparties**

OEL mitigates this risk by monitoring credit worthiness of these parties and the concentration levels are managed by the regular settlement of Intercompany balances to ensure the receivable amounts do not become significant.

##### **Third Party Credit Institutions**

The Company is also exposed to potential credit risk from counterparties where the Company cash and Client Money (amounts held on behalf of clients) is held. This risk is mitigated by ongoing due diligence which includes monitoring the credit ratings of all banking partners and card fulfilment processors.

All client funds are held in segregated UK bank accounts as per the FCA CASS rules.

#### **Liquidity Risk**

This is the risk that the Company will not have sufficient cash to meet liabilities as they fall due. This risk is mitigated by the monitoring of available resources within normal and stressed conditions to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operational growth. The Company also has access to contingency funds from the Parent in a severe stress test-scenario.

Strategic Report for the year ended 31 December 2018 (continued)

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Operational Risk

As a financial institution, OEL is responsible for smooth operation of core business processes such as client onboarding, client account funding and withdrawal, order execution and client service. Operational Risks are mitigated by constant attention to people, systems and process elements of our internal control environment. A number of formal written procedures have been established in order to prevent, as well as detect and remediate, irregular circumstances in a timely manner.

Regulatory Risks

This is the risk of failure to comply with regulatory rules that would impact the Company's business. The ever-changing regulatory landscape is a risk to the Company's strategy and this is modelled within the ICAAP. The Directors are confident that the Company is sufficiently capitalised and the business model flexible enough to incorporate any such changes.

The Company has a Compliance embedded culture and resources are always provided to ensure regulatory requirements are met.

Brexit

In June 2016, the UK voted by referendum for "Brexit", an exit of UK from the European Union "EU". Planning for Brexit has been a real challenge throughout the year given the lack of clarity around the type of Brexit. The board has taken the decision to plan the business for a hard Brexit, effectively the worst-case scenario. The board continues to monitor the situation daily and there is an inherent appreciation in the business that we will need to be flexible to pivot should a different type of Brexit be achieved

Brexit has had no impact on the current year's performance and operations. No adjusting or non-adjusting post balance sheet events arose from Brexit as at date of signing the accounts.

Risk management is discussed in further detail in note 16 to the financial statements

**Pillar 3 disclosures** - Copies of the Company's Pillar 3 disclosures are available on its website <https://www.oanda.com/resources/legal/europe/>

By order of the Board



**Kevin Ryan**

Director

24 April 2019

**Director's Report for the year ended 31 December 2018**

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The directors present their report and the audited financial statements for the year ended 31 December 2018.

**Results and dividends**

The Company reported a profit of £823,952 (2017: £2,117,235) for the year ended 31 December 2018.

The comprehensive income ("profit") is set out on page 9 and shows the profit for the year. The directors do not recommend the payment of a dividend (2017: Nil).

**Going concern**

The directors have confidence that the Company has adequate resources to continue operations for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the annual report and financial statements. In assessing whether the going concern assumption is appropriate, the Company takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.

**Directors**

The directors who have served during the year and up to the date of signing the financial statements are;

M H Anderson  
D Hodge  
C Johnson  
J Martell  
S Narasimha (Resigned 19/01/2018)  
K Ryan  
S Valluri (Resigned 19/01/2018)

**Disclosure of information to auditor**

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

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Director's Report for the year ended 31 December 2018 (continued)

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**Statement of Directors' Responsibilities**

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 year. 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.

By order of the Board



**Kevin Ryan**

Director

24 April 2019



## Independent Auditor's Report to the member of OANDA Europe Limited

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### Opinion

We have audited the financial statements of OANDA Europe Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of comprehensive income, Statement of financial position, Statement of cash flow, 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 2018 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.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### 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, including the impact of Brexit, 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.

### Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

## **Independent Auditor's Report to the member of OANDA Europe Limited**

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### **Other information (continued)**

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the strategic report and the directors' report 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.

### **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 5, 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](http://www.frc.org.uk/auditorsresponsibilities).

## Independent Auditor's Report to the member of OANDA Europe Limited

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

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



**Alain de Braekeleer (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL  
24 April 2019

**OANDA EUROPE LIMITED**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2018**

	Note	2018 £	2017 £
<b>Turnover</b>	2	14,808,444	15,685,514
Administrative expenses		(13,910,024)	(13,323,119)
Interest receivable and similar income		210,780	142,858
Interest payable and similar charges		(245,205)	(346,728)
<b>Profit before taxation</b>		<u>863,995</u>	<u>2,158,525</u>
Taxation on profit	8	(40,043)	(41,290)
<b>Profit and total comprehensive income for the financial year</b>		<u><u>823,952</u></u>	<u><u>2,117,235</u></u>

All amounts relate to continuing activities.

There are no recognised gains and losses other than the gain for the current year and prior year.

The notes on pages 13 to 30 form part of these financial statements.

**OANDA EUROPE LIMITED**  
**Statement of Financial Position**  
**as at 31 December 2018**

	Note	2018	2018	2017	2017
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		119,632		58,794
<b>Current assets</b>					
Debtors	10	1,020,987		1,919,879	
Loan receivable	11	2,027,140		-	
Cash at bank and in hand	15	7,151,347		8,245,850	
		10,199,474		10,165,729	
<b>Creditors: amounts falling due within one year</b>	12	2,457,327		1,280,997	
<b>Provision</b>	13	-		355,192	
<b>Net current assets</b>			<b>7,742,147</b>		<b>8,529,540</b>
<b>Net assets</b>			<b>7,861,779</b>		<b>8,588,334</b>
<b>Capital and reserves</b>					
Called up share capital	14		7,540,249		10,810,448
Profit and Loss account			(1,084,155)		(3,178,306)
Other reserves			1,405,685		956,192
<b>Total Equity</b>			<b>7,861,779</b>		<b>8,588,334</b>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



Kevin Ryan  
**Director**

24 April 2019

Company registration number: 07110087

The notes on pages 13 to 30 form part of these financial statements.

**OANDA EUROPE LIMITED**

**Statement of Changes in Equity  
for the year ended 31 December 2018**

	<b>Note</b>	<b>Called-up share capital £</b>	<b>Other reserves £</b>	<b>Profit and Loss account £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2018</b>		10,810,448	956,192	(3,178,306)	8,588,334
Profit for the year		-	-	823,952	823,952
Total comprehensive income for the year		-	-	823,952	823,952
Share-based payment transactions			449,493	-	449,493
Share Cancellation transactions	14	(3,270,199)	-	-	(3,270,199)
Distribution of share reserves	14		-	1,270,199	1,270,199
<b>Balance at 31 December 2018</b>		<b>7,540,249</b>	<b>1,405,685</b>	<b>(1,084,155)</b>	<b>7,861,779</b>

**Statement of Changes in Equity  
for the year ended 31 December 2017**

<b>Balance at 1 January 2017</b>	10,810,448	687,601	(5,295,541)	6,202,508
Profit for the year	-	-	2,117,235	2,117,235
Total comprehensive income for the year	-	-	2,117,235	2,117,235
Share-based payment transactions	-	268,591	-	268,591
<b>Balance at 31 December 2017</b>	<b>10,810,448</b>	<b>956,192</b>	<b>(3,178,306)</b>	<b>8,588,334</b>

The notes on pages 13 to 30 form part of these financial statements.

**OANDA EUROPE LIMITED**  
**Statement of Cash Flows**  
**for the year ended 31 December 2018**

	2018	2017
	£	£
<b>Net cash flow from operating activities</b>		
Profit before tax	863,995	2,158,525
Provision made during the period	-	355,192
Charge in relation to share based payments	449,493	268,591
Loan Interest Income	(27,140)	-
Depreciation	51,308	63,595
Decrease/(increase) in debtors	898,892	(565,181)
Increase/(decrease) in creditors and provision	808,590	(465,457)
Corporation tax paid	(27,495)	(13,790)
<b>Net cash generated from operating activities</b>	<b>3,017,643</b>	<b>1,801,475</b>
<b>Cashflow used in investing activities</b>		
Purchase of tangible fixed assets	(112,146)	(25,484)
Loan issued	(2,000,000)	-
<b>Net cash used in investing activities</b>	<b>(2,112,146)</b>	<b>(25,484)</b>
<b>Cash from financing activity</b>		
Return of capital to shareholder	(2,000,000)	-
<b>Net cash used in financing activity</b>	<b>(2,000,000)</b>	<b>-</b>
<b>Net (decrease)/increase in cash (Note 15)</b>	<b>(1,094,503)</b>	<b>1,775,991</b>
Cash and cash Equivalents at the beginning of the year	8,245,850	6,469,859
<b>Cash and cash Equivalents at the end of the year</b>	<b>7,151,347</b>	<b>8,245,850</b>

The notes on pages 13 to 30 form part of these financial statements.

## **1 Accounting policies**

### **1.1 Basis of preparation**

OANDA Europe Limited (the 'Company') is a private company limited by shares, incorporated, registered and domiciled in England and Wales in the United Kingdom ('UK').

These financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Companies Act 2006. The financial statements have been prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

### **1.2 Going concern**

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

### **1.3 Significant judgements and estimates**

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods.

#### **1.3.1 Share-based payments**

On October 14, 2018, CVC Capital Partners ("CVC") established a share-based payment incentive plan through Plutus Investment US L.P. (Plutus) for certain employees of the Company. This incentive plan permitted the grant of share-based payment awards to employees or directors of the Company. The Company has accounted for such share-based payments in accordance with section 26 of FRS102 as equity settled transactions.

The fair value of each award is estimated on the date of grant using a Monte-Carlo based simulation model to determine the future exit value of OANDA and the probability weighted timing of such an event. The Monte-Carlo model uses assumptions, including projected financial results, volatility, expected life and risk-free rates. Stock-based compensation cost is recognized as an expense over the defined and estimated vesting period as the case may be.



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**1 Accounting policies (continued)****1.4 Foreign Currency***Functional and presentation currency*

The Company's functional and presentational currency is British Pound Sterling (£) as this is the primary economic environment in which the Company operates. Transactions denominated in foreign currencies are translated into British Pound Sterling at the rates ruling at the date of the transactions.

All amounts in the financial statements have been rounded to the nearest £.

*Transactions and balances*

Monetary assets and liabilities held in foreign currencies have been retranslated into British Pound Sterling at the rates of exchange ruling at the balance sheet date and gains or losses on translation are included in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

**1.5 Revenue Recognition**

All trading revenues are governed by a centralised group revenue allocation policy among related party entities within the group. The trading platform is registered to OANDA Corporation and utilised by all the entities in the OANDA group. Monthly, a group allocation is calculated based on the volume of trades relating to the customers registered with the Company.

The net trading revenue from foreign exchange and CFD margin trading represents realised and unrealised gains and losses from the Company's closed and open positions with OANDA Corporation and OANDA Australia Pty. Ltd., net of realised and unrealised gains and losses on clients closed and open positions with the Company and interest earned by or charged to customers. Realised gains and losses from closed trades are calculated using the specific identification method. Unrealised gains and losses on open trades are calculated using the prevailing spot rate of exchange on the reporting date.

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**1 Accounting policies (continued)****1.6 Share-based payments****1.6.1 Former Share Option Plan**

The Company participated in the Parent's share option schemes for employees ("The Plan"), in which participation was at the discretion of the directors of the Parent. The Plan was recognised under equity-settled settlement. The plan was cancelled in October 2018 at the time the Company's Parent was acquired by CVC Capital Partners. The Company believes that such awards better align the interests of its employees with those of its Parent company. The option awards were granted with an exercise price equal to an estimate of the market value of the Parent company's share at the date of grant. The right to exercise options generally accrued over a period of one to four years from the date of grant, except when a special vesting period is provided for. The contractual life of an option is generally for a period of up to 10 years. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plan).

*Expense Recognition*

Where share options are awarded to employees, the fair value of the options at the date of grant is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the options granted is measured based on an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of grants for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of grants that do meet the related service and non-market performance conditions at the vesting date. Any changes in the fair value of the grants are recognised as "administrative expense" in the statement of comprehensive income.

**1.6.2 New Incentive Plan**

On October 14, 2018, CVC Capital Partners ("CVC") established a share-based payment incentive plan through Plutus Investment US L.P. (Plutus) for certain employees of the Company. This equity settled incentive plan permitted the grant of share-based payment awards to employees or directors of the Company. Under the plan, Plutus can grant units in Series B, C and D. Each group of units contain specific vesting conditions which may include the sale of the Company and various other non-market vesting conditions, such as time-based vesting and vesting according to the achievement of certain return thresholds by CVC through its investment in Plutus.

*Expense Recognition*

Where share options are awarded to employees, the fair value of the units at the date of grant is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of each award is estimated on the date of grant using a Monte-Carlo based simulation model to determine the future exit value of OANDA and the probability weighted timing of such an event. The amount recognised as an expense is adjusted to reflect the actual number of grants for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of grants that do meet the related service and non-market performance conditions at the vesting date. Any changes in the fair value of the grants are recognised as "administrative expense" in the statement of comprehensive income.

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**1 Accounting policies (continued)****1.7 Tangible Fixed Assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Leasehold improvements – Term of lease

Furniture and fixtures – 3 years

Computer equipment – 3 years

The carrying amount of the Company's assets is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

**1.8 Taxation**

Taxation expense comprise current and deferred taxes. Current tax and deferred tax are recognised in the Statement of comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each statement of financial position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**1.9 Operating Leases**

Operating lease payments made are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease and are included in administrative expenses. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**1.10 Client money**

The Company holds client money in accordance with client money regulations of the FCA. Client money is recognized as a liability owed to the customer once a deposit has been made. Such monies and corresponding amounts due to client are not shown on the balance sheet as the Company is not beneficially entitled thereto. In accordance with Client Assets Sourcebook (CASS), all client cash is segregated and reconciled on a daily basis

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**1 Accounting policies (continued)****1.11 Financial instruments****(i) Recognition:**

The Company initially recognizes all financial assets and liabilities at transaction price on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

**(ii) Offsetting:**

Financial assets and liabilities are offset, and the net amount presented in the Statement of financial position when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(iii) Measurement:**

Financial assets and liabilities are measured at amortised cost. The company does not present any open trade positions on its Statement of financial position as these are settled on an ongoing basis against margins held by customers.

**(a) Cash and cash equivalents**

Cash at bank and in hand consists of the Company's cash on hand and on short-term bank deposits with an original maturity of three months or less and therefore are subject to an insignificant risk of changes in value.

Clients deposit cash as margin on their open foreign exchange and CFD positions. The Company holds money on behalf of clients in accordance with the FCA client money rules. Such monies and the corresponding amounts due to clients are not shown on the face of the Statement of financial position as the Company is not beneficially entitled thereto.

**(b) Trade receivables**

Trade receivables are classified as loans and receivables and are recognised at their amortized cost using the effective interest rate method less any provision for impairment. A provision for impairment is made where there is objective evidence that amounts will not be recovered in accordance with the original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognized in the statement of comprehensive income.

**(c) Trade payables**

Trade payables are recognised at the amortised cost using the effective interest rate method.

**(d) Interest Income and Expense**

Interest earned on cash deposits held at banks and loan issued is reported in interest receivable and similar income in the statement of comprehensive income. Interest earned by or charged to customers based on their account balance and open positions is reported in turnover in the statement of comprehensive income.

Interest payable and similar charges include transaction fees on customer deposits and withdrawals.

**OANDA EUROPE LIMITED**

**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**2 Turnover**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trading revenue allocation from OANDA Corporation	6,342,782	7,126,381
Trading revenue allocation from OANDA Australia Pty. Ltd.	7,439,166	7,662,428
Net trading revenue	71,001	(49,791)
Business consulting services	955,495	946,496
	<hr/>	<hr/>
	14,808,444	15,685,514
	<hr/>	<hr/>

All revenue arose in the UK (2017: All UK).

**3 Operating profit**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
The operating profit is stated after charging:		
Occupancy costs including associated costs	252,526	260,435
Depreciation (note 9)	51,308	63,595
Staff costs (note 4)	3,443,321	2,911,444
Marketing	3,438,345	3,235,896
Bad debt	(100,151)	21,803
Software Licence fees	2,889,352	2,585,856
Business consulting fees	1,235,278	1,467,477
Other administrative expenses	2,456,570	2,608,113
<b>Auditor's remuneration:</b>		
Fee's payable to the Company's auditor for the audit of the Company's accounts	19,000	14,000
Fee's payable to the Company's auditor and its associates for other services:		
Audit-related assurance services	150,000	100,000
Audit service relating to prior year	5,475	4,500
Audit-related assurance services relating to the prior year	64,000	45,000
Other non-audit services	5,000	5,000
	<hr/>	<hr/>
	13,910,024	13,323,119
	<hr/>	<hr/>

**OANDA EUROPE LIMITED**

**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**4 Staff costs**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Staff costs during the year, including directors, were as follows:		
Wages and salaries	2,472,211	2,339,532
Social security	381,320	281,835
Other pension costs	124,662	37,821
Share-based payments (note 7)	449,493	268,591
Other	15,635	(16,335)
	<u>3,443,321</u>	<u>2,911,444</u>

The average monthly number of employees during the year was 28 (2017: 22).

**5 Directors' Remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Directors' remuneration	794,583	755,638
Compensation for loss of office	-	16,835
Share-based payments	98,521	310,989
	<u>893,104</u>	<u>1,083,462</u>

There were no remunerations or retirement benefits payable relating to pensions attributable to the directors in 2018 (2017: Nil). No stock options were exercised by the directors (2017: Nil).

As part of the acquisition of the Company's Parent by CVC Capital Partners ("CVC"), stock options held by directors were cancelled and remuneration was received for the difference between the exercise price and sale price which amounted to £98,521 (2017: Nil).

The highest paid director whose services are attributable to the Company earned £412,161 (2017: £407,505).

During the year three (2017: three) of the seven (2017: seven) directors of the Company were employed directly by the Company. The other directors are remunerated by other companies within OANDA. The remuneration they received for services attributable to the Company in year represented 7.1% (2017: 10.12%) of their total costs.

Director remuneration of £41,391 (2017 £180,652), compensation for loss of office is Nil (2017: £16,835) and share-based payments of Nil (2017: £108,502) for these directors not employed by the Company are included in the total directors' remuneration costs above.

## Notes to the Financial Statements for the year ended 31 December 2018 (continued)

**6 Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, as well as the directors of the Company.

Key management personnel compensation comprises the following:

	2018 £	2017 £
Short-term employee benefits	792,575	859,224
Share-based payments	98,521	332,007

The total costs for remuneration for the directors whose services are incurred wholly by the company amounted to short-term employee benefits (directors' remuneration and compensation for loss of office) of £753,192 (2017: £642,956) and share-based payments of £98,521 (2017: £221,103).

The total remaining reflects the short-term employee benefits and share-based payments for other key management personnel, whose costs are wholly incurred by affiliated entities. 7.1% (2017: 10.12%) of these costs incurred by affiliated entities has been captured by intercompany recharges to the Company for services attributable to the Company, the above table captures the costs attributable to the Company.

**7 Share-based payments***Former Share Option Plan*

The Company participated in the Parent's share option schemes for employees ("The Plan"), in which participation was at the discretion of the directors of the Parent. The Plan was recognised under equity-settled settlement. The plan was cancelled in October 2018 at the time the Company's Parent was acquired by CVC Capital Partners. On the acquisition date, all outstanding options were cancelled, and employees received a net settlement on vested, in-the-money options for the difference between the sale price and exercise price.

The shares were in the Parent and are priced in USD (\$). The options had a graded vesting period and no attached performance conditions. Options were forfeited if an individual ceases employment before the options were exercised. The options had a contractual life of 10 years.

	2018 Weighted average exercise price	2018 Number of options	2017 Weighted average exercise price	2017 Number of options
Outstanding at the beginning of the year	\$16.60	186,687	\$15.86	188,229
Granted during the year	-	-	\$16.01	129,500
Forfeited during the year	\$14.57	(2,936)	\$14.48	(76,362)
Cancelled during the year	\$16.64	(183,751)	\$15.56	(54,680)
Outstanding at the end of the year	-	-	\$16.60	186,687
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the year	-	-	\$16.79	38,224

## Notes to the Financial Statements for the year ended 31 December 2018 (continued)

**7 Share-based payments (continued)***Former Share Option Plan (continued)*

During the year ended December 31, 2018, the Company recognized stock-based compensation expense related to the plan of £399,971 (2017: 268,591).

The company did not enter into any share-based payment transactions with parties other than employees during the current year.

Since all options were cancelled at the time of acquisition, there were no options outstanding at the end of the year, and nil (2017: 38,224) had vested and were exercisable at the end of the year. Nil (2017: 148,463) options had not yet vested and were not exercisable at the end of the year. At 31 December 2018, the weighted average time to recognize the unrecognized share-based payment expense for the options in issue was nil (2017: 2.75 years).

Fair values of stock options measured at the date of grant of the option were calculated using a Black Scholes model. The expected life of options depended on the behaviour of option holders, which was incorporated into the option model on the basis of historic observable data. The fair values calculated were inherently subjective and uncertain due to the assumptions made and the limitations of the model used. Expected dividends were incorporated into the valuation model for stock options, where applicable. The significant assumptions used to estimate the fair value of the options granted were as follows:

	2018	2017
Risk-free interest rate	-	1.57% - 1.84%
Expected term (years)	-	4.0
Expected volatility	-	46.21% - 47.80%
Share price at grant date (USD)	-	16.01

*New Incentive Plan*

On October 14, 2018, CVC Capital Partners established an equity settled share-based payment incentive plan through Plutus Investment US L.P. (Plutus) for certain employees of the Company. This incentive plan permitted the grant of share-based payment awards to employees or directors of the Company. Under the plan, Plutus can grant units in Series B, C and D. Each group of units contain specific vesting conditions which may include the sale of the Company and various other non-market vesting conditions, such as time-based vesting and vesting according to the achievement of certain return thresholds by CVC through its investment in Plutus.

Series B units were vested immediately on issuance and cannot be cancelled or forfeited. Series C units contain both time and performance based vesting conditions. The time-based vesting condition accounts for 30% of the unit award granted and has a 5-year term with 20% vesting on the first anniversary date of the grant and 5% quarterly thereafter. The performance based vesting condition accounts for 70% of the unit award granted and vests based on the achievement of non-market performance conditions that are directly affected by the proceeds and returns arising from a potential sale of Plutus' investment in the Company. Series D units contain performance based vesting conditions similar to series C but with a higher threshold.



## Notes to the Financial Statements for the year ended 31 December 2018 (continued)

**7 Share-based payments (continued)***New Incentive Plan (continued)*

The fair value of each award is estimated on the date of grant using a Monte-Carlo based simulation model to determine the future exit value of the Company and the probability weighted timing of such an event. The Monte-Carlo model uses assumptions, including projected financial results, volatility, expected life and risk-free rates. Stock-based compensation cost is recognized as an expense over the defined and estimated vesting period as the case may be.

The key assumptions used in determining the fair value of share-based payment awards granted by Plutus in 2018 are as follows:

	2018	2017
Expected price volatility	45%	-
Risk-free interest rate	3.05% - 3.17%	-
Expected forfeiture rate	24% - 32%	-
Dividend yield	-	-

The following table summarizes award activity for each series under the Plutus incentive plan during the year ended December 31, 2018 that relates to the Company's employees.

	2018	2017
<b><u>Series B Units:</u></b>		
Outstanding at the beginning of the year	-	-
Number of units granted during the year	115	-
<b>Outstanding at the end of the year</b>	<b>115</b>	-
<b><u>Series C Units:</u></b>		
Outstanding at the beginning of the year	-	-
Number of units granted during the year	744	-
<b>Outstanding at the end of the year</b>	<b>744</b>	-
<b><u>Series D Units:</u></b>		
Outstanding at the beginning of the year	-	-
Number of units granted during the year	530	-
<b>Outstanding at the end of the year</b>	<b>530</b>	-

During the year ended December 31, 2018, the Company recognized stock-based compensation expense related to the Plutus incentive plan of £49,522 (2017: nil).

The weighted average estimated fair value of awards granted, in aggregate, under this plan during 2018 was \$61 (2017: nil).

As at December 31, 2018, there was £17,133 (2017: nil) unrecognized stock-based compensation expense for awards granted under the Plutus incentive plan. That cost is expected to be recognized over a weighted average period of 3.5 years (2017: nil).

## Notes to the Financial Statements for the year ended 31 December 2018 (continued)

**8 Taxation**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Profit before tax	863,995	2,158,525
Profit at the standard rate	<u>          </u>	<u>          </u>
of corporation tax in the UK of 19% (2017: 19.25%)	164,159	415,516
Effects of:		
Adjustment from prior year	(5)	13,790
Taxation on non-trading credit	40,048	27,500
Expenses not deductible for tax purposes	61,709	53,718
Difference between capital allowance and depreciation	(11,523)	3,140
Utilisation of tax losses	(214,345)	(472,374)
<b>Taxation charge for the year</b>	<u><b>40,043</b></u>	<u><b>41,290</b></u>

At 31 December 2018, the Company had an unrecognised deferred tax asset of £192,748 (2017: £407,092), primarily in respect of tax losses carried forward. No recognition for this deferred tax asset has been made in these financial statements.

The unrecognised deferred tax asset at 31 December 2018 has been calculated based on the rate of 19% (2017: 19%) substantively enacted at the balance sheet date.

**Factors affecting future tax charge**

The UK Government introduced annual reductions in the standard corporation tax rate from 20%, setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019 and at 17% for the year starting 1 April 2020. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

## OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2018 (continued)

**9 Tangible assets**

	<b>Leasehold £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 January 2018	39,310	285,765	325,075
Additions	-	112,146	112,146
	<hr/>	<hr/>	<hr/>
At 31 December 2018	<b>39,310</b>	<b>397,911</b>	<b>437,221</b>
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 January 2018	39,310	226,971	266,281
Charge for the year	-	51,308	51,308
	<hr/>	<hr/>	<hr/>
At 31 December 2018	<b>39,310</b>	<b>278,279</b>	<b>317,589</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2018	-	<b>119,632</b>	<b>119,632</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	58,794	58,794
	<hr/>	<hr/>	<hr/>

**10 Debtors**

	<b>2018 £</b>	<b>2017 £</b>
Other debtors	297,423	502,971
Prepayments and accrued income	173,878	216,931
Amounts owed from groups undertakings (Note 19)	549,686	1,199,977
	<hr/>	<hr/>
	<b>1,020,987</b>	<b>1,919,879</b>
	<hr/>	<hr/>

**11 Loan receivable**

	<b>2018 £</b>	<b>2017 £</b>
Short term loan to OGC	2,027,140	-
	<hr/>	<hr/>
	<b>2,027,140</b>	<b>-</b>
	<hr/>	<hr/>

On 14 October 2018 a short-term unsecured loan amount of £2 million (2017: Nil) was issued to the parent Company OANDA Global Corporation ("OGC") at an interest rate of 6.35% per annum. Interest income of £27,140 was recorded during the year.

**OANDA EUROPE LIMITED**

**Notes to the Financial Statements for the year ended 31 December 2018 (continued)**

**12 Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade creditors	609,338	351,583
Other taxes and social security	219,409	291,352
Amounts owed from groups undertakings (Note 19)	791,575	93,380
Accruals	837,005	544,682
	<u>2,457,327</u>	<u>1,280,997</u>

**13 Provision**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
At 1 January	355,192	-
Addition	-	355,192
Settled	(319,967)	-
Released to Statement of comprehensive income	(35,225)	-
<b>At 31 December</b>	<u>-</u>	<u>355,192</u>

The provision held in 2017 was relating to a pending settlement which was settled on 23 April 2018.

No new provisions for 2018.

**14 Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Ordinary shares of \$0.01 each		
<b>Allotted, allocated and fully paid</b>		
At 1 January	10,810,448	10,810,448
Cancelled during the year	(3,270,199)	-
<b>At 31 December</b>	<u>7,540,249</u>	<u>10,810,448</u>

On 14 October 2018, 432,212,391 ordinary shares of value £3,270,199 (\$4,322,124) were cancelled. The GBP/USD Rate upon cancellation was 1.32167.

Of the cancelled shares, the values of;

- £1,270,199 (\$1,678,784) ordinary shares were applied to the Company's accumulated realised losses and;
- £2,000,000 (\$2,643,340) ordinary shares were repaid to Oanda Global Corporation, the sole shareholder

**15 Analysis of Cash and Cash Equivalents**

	At 1 January 2018 £	Cash outflow £	Non-cash movement £	At 31 December 2018 £
Cash at bank and in hand	8,245,850	(1,094,503)	-	7,151,347

**16 Financial instruments**

	2018 £	2017 £
<b>Financial assets</b>		
Debtors	1,020,987	1,919,879
Loan receivable	2,027,140	-
Cash at bank and in hand	7,151,347	8,245,850
	<b>10,199,474</b>	<b>10,165,729</b>
<b>Financial liabilities</b>		
Creditors	2,457,327	1,280,997
Provision	-	335,192
	<b>2,457,327</b>	<b>1,616,189</b>

The directors believe that the carrying value of the Company's financial instruments approximates their fair value. All financial assets and liabilities are due to mature within a year. All the above are captured at amortised cost, recognised as loans & receivables, with a fair value equivalent to amortised cost and represent level one instruments for cash and level two instruments for all other items.

**(a) Risk and risk management**

Financial instruments comprise currency, commodity and index trades with the customers, which are hedged through counter trades with the Parent company. The fair value movements on customer funds and open trades are accounted for in customer accounts.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies, operational growth and regulatory capital requirements. The majority of the assets are highly liquid. The Company has access to funds from its Parent, if required. The Company's financial obligations are all considered to be short term. Majority of the Company's debtors are intercompany, and the remainder of its financial assets are held in cash, there are no assets with a maturity date that exceed one year.

**16 Financial instruments (continued)***(a) Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held with banks and financial institutions and other accounts receivable. The carrying amount of the financial instruments represents the Company's exposure to credit risk which is substantially mitigated by any margin held or other credit enhancements.

One of the primary sources of credit risk to the Company is the risk that counterparties to transactions do not fulfil their obligations. Counterparties primarily include banks and other financial institutions.

Another source of credit risk is bad debt, which in the Company's context is due to fraud risk and market gap risk. Fraud is fraudulent credit card and payment deposit activity on customer trading accounts. Market gap risk arises through volatile market conditions which can cause the close out of positions at a loss.

The total overdue and impaired balance at the year-end was Nil (2017: Nil).

*(d) Market risk*

Market risk is the risk that the fair value of the financial instrument will fluctuate because of changes in its market price. For purposes of this disclosure, the Company separates market risk into two categories: fair value risk and currency risk.

*(i) Fair value risk*

Fair value risk is the potential for loss from an adverse movement, excluding movements relating to changes in interest rates and foreign currency exchange rates, because of changes in market prices. Fair value changes may be experienced in a single financial instrument, or in a series of financial instruments in a particular industry sector, or in financial instruments globally as a result of adverse changes in capital markets.

The fair value movement on customer trades are hedged through back-to-back trades with other group entities.

*(ii) Currency risk*

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency, British Pound Sterling, will fluctuate due to changes in foreign exchange rates. A portion of the Company's assets are denominated in British Pound Sterling. All foreign exchange trades with customers are hedged through counter trades with other group entities.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

16 Financial instruments (continued)

At the year end, the carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities on balance sheet are captured as follows:

Foreign currency risk	Assets 2018 £'000	Assets 2017 £'000	Liabilities 2018 £'000	Liabilities 2017 £'000	Net 2018 £'000	Net 2017 £'000
AUD	(14)	(12)	(29)	(47)	(43)	(59)
CAD	1	21	(96)	(3)	(95)	18
CHF	61	12	(68)	(25)	(7)	(13)
EUR	3,271	326	(363)	(451)	2,908	(125)
HKD	-	-	3	1	3	1
JPY	29	(4)	(1)	(1)	28	(5)
SGD	13	(43)	(21)	-	(8)	(43)
USD	692	2,621	(1,156)	(137)	(464)	2,484
	<b>4,053</b>	<b>2,921</b>	<b>(1,731)</b>	<b>(663)</b>	<b>2,322</b>	<b>2,258</b>

At the end of the year, off balance sheet items relating to the foreign currencies of client monies are as follows:

Foreign currency risk	Assets 2018 £'000	Assets 2017 £'000	Liabilities 2018 £'000	Liabilities 2017 £'000	Net 2018 £'000	Net 2017 £'000
AUD	1,128	1,085	2,612	(1,173)	3,740	(88)
CAD	101	80	(3,187)	(120)	(3,086)	(40)
CHF	2,373	2,317	(7,627)	(2,301)	(5,254)	16
EUR	16,788	17,214	(18,020)	(17,116)	(1,232)	98
HKD	86	74	68	(63)	154	11
JPY	159	177	299	(695)	458	(518)
SGD	341	256	(2,887)	(137)	(2,546)	119
USD	10,835	11,176	(9,589)	(5,687)	1,246	5,489
	<b>31,811</b>	<b>32,379</b>	<b>(38,331)</b>	<b>(27,292)</b>	<b>(6,520)</b>	<b>5,087</b>

The above analysis shows that the Company has mismatches in its currency assets and liabilities. Hence movement in exchange rates will have an effect on the profitability of the Company. This risk is constantly monitored, and action is taken to reduce the risk when it is deemed necessary.

A sensitivity analysis was performed based on a 5% weakening in the foreign currencies the Company is exposed to. The effect on the total net assets is (£209,835) (2017: (£150,076).) The effect on the foreign currencies of client money is (£325, 953) (2017: (£291,103).)

**16 Financial instruments (continued)****(e) Capital management**

The Company requires capital to fund existing and future operations and to meet regulatory capital requirements. The Company's policy is to maintain sufficient and appropriate levels of capital through a variety of sources and safeguard the Company's ability to continue as a going concern so that it can continue to provide benefits to its shareholder. The FCA sets and monitors capital requirements for the Company to protect its clients and counterparties.

The Company is required to hold a minimum level of capital in accordance with the FCA requirements and has complied with the capital requirements throughout the year under review. As at 31 December 2018, the Company had a regulatory capital surplus of £3.1 million (2017: £4.7 million).

**17 Client money**

At 31 December 2018, amounts held by the firm on behalf of clients amounted to £36,904,109 (2017: £36,792,136).

**18 Lease Commitments**

At 31 December 2018, the Company had annual commitments under non-cancellable operating leases as set out below

	2018 £	2017 £
Lease which expire:		
Less than one year	143,968	143,968
Between one and five years	71,984	215,951

The Company leases its office space under an operating lease. Lease payments recognized in administrative expenses for the year ended 2018 are £143,968 (2017: £143,968).

**19 Related party transactions**

The Company hedges all customer trades back-to-back with related parties and receives an allocation of net trading revenue from these related parties based on trading volumes. The revenue allocation from OANDA Corporation and OANDA Australia Pty. Ltd. during the year amounted to £6,342,782 (2017: £7,126,381) and £7,439,166 (2017: £7,662,428) respectively.

OANDA Corporation charges a software licence fee and platform contribution cost in respect of the trading platform. The fee for the year amounted to £2,889,352 (2017: £2,585,856).

Group undertakings, charge business consulting fees in respect of a recharge related to customer service, client cash management, account administration and marketing expenses incurred on behalf of the Company.



## Notes to the Financial Statements for the year ended 31 December 2018 (continued)

**19 Related party transactions (continued)**

The business consulting fees charged during the year amounted to:

	2017	2016
	£	£
OANDA Corporation	399,251	800,113
OANDA (Canada) Corporation ULC	756,097	601,372
OANDA Asia Pacific Pte. Ltd.	79,930	65,992
	<u>1,235,278</u>	<u>1,467,477</u>

A service arrangement exists whereby the Company charges OANDA Corporation and other entities a business consulting fee related to the monitoring of the global trading and hedging activities based on the costs incurred by the Company. Included in turnover were fees amounting to £955,495 (2017: £946,496).

On 14 October 2018 a short-term unsecured loan amount of £2million (2017: Nil) was issued to the parent Company. This loan attracts interest at 6.35% annually (Note 11) and interest income of £27,140 (2017: Nil) was recorded during the year.

The non-loan related amounts with the related parties receivable/(payable) on demand and interest free are as follows:

	2018	2017
	£	£
OANDA Corporation	(704,228)	(93,380)
OANDA Global Corporation	546,788	-
OANDA (Canada) Corporation ULC	(11,352)	45,491
OANDA Asia Pacific Pte. Ltd	(13,042)	33,664
OANDA Australia Pty. Ltd	(62,953)	1,094,722
OANDA Japan Inc	2,898	26,100

Registered Offices:

OANDA Corporation:	7140 Broadway, 46th Floor, 10005, New York New York, USA
OANDA Global Corporation:	1209 Orange Street, Wilmington, 19801 County of New Castle, Delaware, USA
OANDA (Canada) Corporation ULC:	370 King Street West, 2nd Floor, Box 60, Toronto, ON M5V 1J9 Canada
OANDA Asia Pacific Pte. Ltd:	50 Collyer Quay, #04-03 OUE Bayfront, Singapore 049321
OANDA Australia Pty. Ltd:	225 George Street, Level 43, Suite 4303, Sydney, NSW 2000, Australia
OANDA Japan Inc:	3-6 4F Kojimachi Chiyoda-ku, Tokyo, 102-0083, Japan

**20 Controlling Party**

The immediate controlling party is OANDA Global Corporation ("OGC"), a company incorporated in Delaware, United States of America.

The ultimate controlling entity is CVC Capital Partners (CVC) Asia Pacific IV L.P ("Fund IV"), a company incorporated in Jersey. On 15 October 2018, OANDA Global Corporation and other OANDA affiliated entities prior to that date were acquired by CVC Capital Partners (CVC) Asia Pacific IV L.P ("Fund IV") through its wholly owned subsidiary, Plutus Investment Holdings Inc. Fund IV is a private equity fund domiciled in Jersey and owned and managed by CVC Capital Partners ("CVC").