

Registered Number: 07110087

**OANDA EUROPE LIMITED**

**Annual Report and Financial Statements**

For the year ended

31 December 2021

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**CANDA EUROPE LIMITED**  
**COMPANY INFORMATION**

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**DIRECTORS**

M H Anderson  
G Bambury  
K Ryan  
K Vom Scheidt  
M A Chesterman

**SECRETARY**

A P Lotkowska Szarecka

**REGISTERED OFFICE**

18 St Swithin's Lane  
London  
EC4N 8AD

**REGISTERED NUMBER**

07110087

**INDEPENDENT AUDITOR**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

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## **OANDA EUROPE LIMITED**

### **Strategic Report for the year ended 31 December 2021**

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The Directors present their Strategic Report for the year ended 31 December 2021.

#### **Principal Activities and Business Review**

OANDA Europe Limited ("OEL", the "Company") is an online margin trading business that provides leveraged trading for contracts for difference ('CFDs') and Spreadbets on foreign currencies, bonds, commodities, metals and indices. The Company is authorised and regulated by the Financial Conduct Authority (FCA). There has been no change in its business in the year under review.

This business is conducted primarily through OANDA's proprietary trading platform FxTrade, a fully automated trading platform which is owned by OANDA Corporation ("OC"); and MetaTrader 4 (MT4), a third-party platform. 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 UK third party bank accounts under trust status as per FCA CASS rules, for the benefit of clients. The Company economically hedges all its exposure with related OANDA entities immediately upon the execution of a client trade to make sure it does not take on any market risk associated with that position. The Company currently hedges with OANDA Australia Pty Ltd ("OAU") and OANDA (Canada) Corporation ULC ("OCAN").

#### **Performance Review**

The Company reported a profit of £351,894 for the year ended 31 December 2021 (2020: £4,564,591).

OEL experienced exceptional performance during the early part of 2020 when the global financial markets experienced heightened volatility driven primarily by the Covid 19 pandemic. This, coupled with investment in marketing and improvements to our product offer, led to a rise in new customers, higher levels of reactivation of dormant clients and increased trading activity from existing clients; leading to a significant increase in trading revenue for the comparative period. The total revenue for the year ended 31 December 2021 was £16,879,731 (2020: £29,288,272).

The Company did not experience a repeat of this performance in 2021 due to lower volatility and clients had less market opportunities which led to lower volume of transactions. OEL's performance in 2021 was well ahead of pre-pandemic levels (2019 results) as the Company continues to invest in marketing, customer service and relationship management.

For the financial year 2021, the key milestones were;

- Maintain the business's profitability and continue to be in a strong financial position from a liquidity and capital standpoint with costs well controlled;
- Actively increase the number of new clients;
- Revamp our product offering; and
- Ensure the business continues to meet its regulatory and legal obligations.

#### **Business objectives in 2022**

The key objectives in 2022 are to continue to deliver profitable earnings whilst maintaining effective risk, expense management and regulatory compliance. This will be achieved by:

- Continuing to grow our active client base in the UK
- Focusing on high value clients and provide excellent service to them
- Evolving our product offering with the addition of new asset classes
- Maintaining a tight control on our costs

## OANDA EUROPE LIMITED

### Strategic Report for the year ended 31 December 2021 (continued)

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Key enablers to support these goals are:

- A continued commitment to invest in our sophisticated digital and mobile marketing approach which enables the company to focus on identifying appropriate prospects to drive quality demand, cost efficiently.
- Continuous improvement to all elements of the conversion and activation funnel (website, online application form and enhancements to the customer portal) to increase the number of new trading customers.
- Maintaining our strong customer service ethos to keep client retention rates high.

#### Future developments

OANDA is a highly innovative company and will continue to invest in leading edge technology solutions to provide the best trading experience for our clients.

#### Regulatory Developments

Effective 1<sup>st</sup> January 2022, the Company will be subject to the Investment Firm Prudential Regime ("IFPR") regulated by the FCA. This marks the end of OEL's requirement to comply with CRD/CRR rules.

#### Principal Risks 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 for the purpose of fulfilling or executing a client order only and does not act as a broker or trustee. OEL is part of the OANDA International group of companies ("OANDA"). All positions are hedged back to back with OANDA entities so that the Company is not exposed to the market risk associated with these positions.

##### Credit and Counterparty Credit Risks

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

- Client Credit Risk

This is managed by obtaining required regulatory leverage margin from clients. OEL requires all its clients place cash deposits prior to trading and this margin requirement is continuously monitored through an automated close out and margin monitoring tool in place. The Company provides all retail clients with negative balance protection as required by law and regulation. OEL clients who are categorised as Professional are not offered negative balance protection and sign an opt out form which states they will be liable for all negative balances on their accounts which will become due and payable immediately

## OANDA EUROPE LIMITED

### Strategic Report for the year ended 31 December 2021 (continued)

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#### Principal Risks and Uncertainties (continued)

##### Credit and Counterparty Credit Risks (continued)

- 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) are 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 would receive additional capital from the Parent in a severe stress test scenario, subject to approval from the Parent entity's board.

##### 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.

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 2021, the Company had a regulatory capital surplus of £4.5 million (2020: £3.2 million). This surplus is based on the regulations in place as at 31 December 2021 and with the new regime being applied from 1 January 2022, OEL remains in a regulatory capital surplus position.

Risk management is discussed in further detail in notes 16 and 17 to the financial statements.

## OANDA EUROPE LIMITED

### Strategic Report for the year ended 31 December 2021 (continued)

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#### Principal Risks and Uncertainties (continued)

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

#### Brexit

Following the end of the transition period with the European Union on 31 December 2020, OANDA Europe Limited no longer accepts and process applications from residents of the European Union. A separate EU regulated entity, OANDA Europe Markets, regulated by the MFSA was established in 2020 to accept and process applications from residents of the European Union from 22 December 2020 onwards.

#### COVID-19

The Company remains operational during this challenging period through its business continuity plans and has assessed the impact of the COVID-19 pandemic on its operations and financial results. OEL continues to monitor its operational resilience in this situation while managing the risks to our stakeholders which include clients, employees, suppliers, shareholder and the wider community. Given the inherent uncertainties and evolving nature of the impact of the COVID-19 pandemic, we have seen no material negative financial effects on the Company's financial resources, however we continue to monitor the situation to ensure OEL remain financially resilient.

#### Ukraine War

The Company has assessed the impact of the war in Ukraine which was identified subsequent to December 31, 2021 on its operations and financial results. The war in Ukraine and related events are creating uncertainty and volatility in the global market and economy. The Company and its affiliates are closely monitoring the related sanctions and ensuring they are followed. The Company and its affiliates are also closely reviewing all business continuity plans and taking specific measures to mitigate any business risks and ensure business continuity should matters worsen in Europe. It is not possible to reliably estimate the length and severity of these developments and the impact on the volume of trading activity, the financial results and financial condition of the Company and its affiliates in future periods.

#### **Climate Change**

The Company has carried out an assessment of climate change and no current and/or future material impact was identified due to the nature of OEL's business model and operations.

## OANDA EUROPE LIMITED

### Strategic Report for the year ended 31 December 2021 (continued)

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#### Section 172(1) statement

The directors of OANDA Europe Limited, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to the likely consequence of any decision in the long term interest of the company, its employees, suppliers, customers and the impact of its operation on the community and environment.'

The directors continue to meet these duties by:

The strategic and cost-based decisions made by the Board throughout 2021 promote the long-term future success of the Company into 2022 and beyond. Our strategy to deliver long term sustainable shareholder value prioritises organic growth through continued trading from our existing clients and by bringing additional new clients into the Company. To do so we need to maintain a compelling value proposition and nurture strong client relationships through exceptional customer service.

The directors strongly believe that the Company strives to set the highest standards of product excellence, fairness, professionalism and respect, resolute in the belief that sustainable profitability can co-exist in harmony with our principles. The Board is committed to openly engaging with our stakeholders which include clients, employees, suppliers, shareholder and the wider community.

Our people are key to our success and we aim to create a stimulating, respectful and fast-paced environment with equal opportunities where everyone can realise personal growth.

In consideration of the above, the board of directors confirm that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the UK Companies Act of 2006.

On behalf of the Board

*Gavin Bambury*

**Gavin Bambury**

Director

22 April 2022



## **OANDA EUROPE LIMITED**

### **Directors' Report for the year ended 31 December 2021**

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The directors present their report and the audited financial statements for the year ended 31 December 2021.

#### **Results and dividends**

The Company reported a profit of £351,894 (2020: £4,564,591) for the year ended 31 December 2021. The Statement of comprehensive Income is set out on page 12 and shows the profit for the year. The directors do not recommend the payment of a dividend (2020: Nil).

#### **Future developments and principal risks**

Details of future developments and principal risks can be found in the Strategic report on pages 2,3 & 4 and, form part of this report by cross reference.

#### **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

G Bambury

D Hodge (Resigned 15/11/2021)

C Johnson (Resigned 15/07/2021)

J Martell (Resigned 28/05/2021)

K Ryan

K Vom Scheidt (Appointed 02/06/2021)

M A Chesterman (Appointed 19/03/2022)

#### **Qualifying third-party indemnity provisions**

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were in place throughout the year and which remain in place at the date of this report.

#### **Statement of engagement with suppliers, customers and others in a business relationship with the Company**

Details can be found under the Section 172 statement in the Strategic report on page 5 and form part of this report by cross reference.

## **OANDA EUROPE LIMITED**

### **Directors' Report for the year ended 31 December 2021 (continued)**

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#### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 102, 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.

#### **Directors' confirmations**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

#### **Independent Auditors**

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

On behalf of the board

*Gavin Bambury*

**Gavin Bambury**

Director

22 April 2022



## Independent auditors' report to the members of OANDA Europe Limited

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### Report on the audit of the financial statements

#### Opinion

In our opinion, OANDA Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Annual Report, which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Cash Flows 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



## **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 the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## **Strategic report and the Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the year ended 31 December 2021 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 the 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the financial services and markets regulations, such as, but not limited to, the relevant rules of the Financial Conduct Authority and the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduces costs, creation of fictitious customer accounts to hide losses or to improve financial performance, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with and reports to the Financial Conduct Authority;
- Identifying and testing journal entries meeting specific fraud criteria, in particular any journal entries posted with unusual account combinations, unusual descriptions or posted by senior management; and
- Enquiries of management and review of internal audit reports in so far as they related to the financial statements;
- Review of minutes of meetings of those charged with governance; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the transfer pricing policy applied when determining the tax expense.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 obtained 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.

Harry Armour (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 April 2022



The Directors  
Oanda Europe Limited  
Floor 3, 18 St Swithin's Lane  
London  
United Kingdom  
EC4N 8AD

25 April 2022

Dear Ladies and Gentlemen,

**Audit of financial statements for OANDA Europe Limited ("OEL") for the year ended 31 December 2021**

We are writing to set out the findings from our audit for the above named entity in accordance with International Standards on Auditing (UK) (ISAs (UK)).

**Significant findings from the audit**

We are required under ISA (UK) 260 "Communication with those charged with governance" to communicate to those charged with governance significant findings from the audit, including:

- Our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;

**Significant risks**

**Management override of controls**

We have not identified any instances of management override of controls leading to material misstatement.

Consistent with our audit plan we performed the following procedures:

- We have performed enquiries of management, tested journal entries that met specific risk criteria using PwC's Halo for Journals software, key balance sheet reconciliations, and incorporated elements of unpredictability into our audit procedures. As well as reviewing the company's correspondence with the regulator and minutes of governance meetings.
- There was no evidence of fraud, or error as a result of our audit procedures. No material indications of management bias were noted.

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



- We are not aware of significant and unusual transactions that warrant specific considerations in this context. We also identified no evidence of management bias in critical accounting estimates.
- We did not note any instances of management override of controls during our audit.

### ***Risk of fraud in revenue recognition***

#### ***1 - Occurrence related to fictitious customer accounts***

We determined in our audit plan that the risk related to the occurrence assertion is specifically tied to fictitious customer accounts and transactions resulting in misstated unrealised profit and loss balances as of the year end 31 December 2021.

We have not identified any material misstatements in our audit as part of our audit procedures performed in relation to the risk of fraud in revenue recognition.

Key audit procedures performed relating to occurrence of customer accounts:

- Performed controls testing over new customer onboarding; and
- Perform client confirmation procedures, and alternative procedures, as required.

No issues were noted as a result of our work performed.

#### ***2 - Accuracy of pricing inputs into trading revenue calculation***

Due to the complexity of the algorithm, which is internally developed by OANDA's software developers, we have assessed the accuracy assertion related to the pricing input into trading revenue calculation to be a significant risk at a group level. There is a high reliance on the IT environment, specifically with respect to FxTrade, to obtain constant pricing feeds from liquidity providers and provide optimal pricing for its clients, where data is provided on a millisecond basis.

In relation to OEL, trading revenue does not directly feed into the turnover presented in the financial statements as it is bound by the allocation determined within the transfer pricing agreement. The trading revenue do however remain a critical input within the revenue allocation to OEL and therefore we determine the significant risk to apply to OEL's turnover.

Key audit procedures performed relating to accuracy of pricing input:

- Performed testing to validate that pricing per algorithm agrees to price included in client statements.
- Engaged our Data CoE experts to obtain an understanding of the pricing algorithm and assess accuracy by testing the logic and configuration parameters of the algorithm.
- Engaged Digital audit specialists to test the automated calculation for realised and unrealised profit and loss, ensuring that the pricing input into the calculation is appropriately fed from the pricing algorithm.





- Applied a large data approach, using advanced automation tools, to compare the daily "OANDA prices" (ie. spot rates from the algorithm) available on the FxTrade, MT4, and MT5 platform for all tradable pairs of FX and metal instruments to each other and to external market data for the 2021 financial year.

There are no matters to report based on the work performed.

#### **Other areas of audit focus**

##### ***Impact of transfer pricing (TP) on the estimation of the tax expense***

###### ***Background***

The OANDA Residual Profit Split Model (RPSM) remunerates each entity for the functions performed, assets employed, and risks assumed. Key allocation factors noted in the RPSM are the P&L Allocation project and Exco compensation. The group is subject to a complex multinational tax environment and operates in multiple jurisdictions with differing currencies and tax regulations. Therefore, there is a significant level of judgement exercised by management and their advisors in developing the TP policy, and high estimation uncertainty when determining the probable outcome of tax assessments and recording of related uncertain tax positions (IJTPs).

###### ***PwC perspectives***

As communicated in our audit planning letter, we determined it appropriate to reduce the risk existing over the impact of transfer pricing on tax expense estimation uncertainty for the purpose of the OEL FY2021 engagement. This assessment is mainly supported by the reduced changes in the transfer pricing policy following the transition to the Residual Profit Split Model ('RPSM') during the previous financial year.

Due to the structure of the OANDA group and the significance of the intercompany arrangements, the transfer pricing policies remain integral in measuring the taxable profit of OEL and as such this remains a significant focus area of the engagement.

Key audit procedures performed relating to the transfer pricing arrangements included:

- Recalculating management's share of profits, which included testing of key system reports and other substantive procedures to gain comfort over the completeness and accuracy of input data driving the calculation and agreement of underlying transactions.
- Engaging our PwC Transfer Pricing specialists to perform an assessment of the technical merits of OANDA's TP policies, understanding of the business, key value adding functions, key intercompany transactions, and the potential tax impact arising from uncertain tax positions.



Overall, based on our review of the TP policy and RPSM, we identified that the 2021 RPSM includes an addition platform contribution charge (PCC) in excess of the 20% licence fee paid to OC. We understand this originated from an IRS audit, however, in our view, this is not consistent with the application of the arm's length principle of transfer pricing guidance. The total PCC included within OEL's taxable profits amounted to £308,471.

In addition to the above, service revenues related to the provision of outbound sales services from OEL to other OANDA entities was understated by GBP 249,359, due to an error in the calculations of rechargeable costs. As this forms part of the group's RPSM model, administrative expenses are understated by the same amount and as such the error has no net impact on OEL's profit.

The above misstatements identified are included within the summary of uncorrected misstatements with the aggregated impact resulting in an estimated underprovision of the tax liability of £58k, after applying the UK tax rate of 19%.

Consistent with the prior year, management has included a specific representation in our management representation letter that the share of profits is a reasonable approximation of each entity's contribution to volume.

#### **Significant deficiencies in internal control identified during the audit**

We are required under ISA (UK) 265 "Communicating deficiencies in internal control to those charged with governance and management" to communicate to those charged with governance significant deficiencies in internal control identified during the audit.

The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our work may therefore have not identified all significant deficiencies in your system of internal controls which a separate audit of internal control may reveal.

Based on our procedures performed we identified the following significant control deficiencies. The significant deficiency was raised at an Oanda group level and is relevant to OEL.

#### ***Review and oversight over the financial reporting process***

Based on our procedures performed, we noted the following control deficiencies, that individually represented a control deficiency, however, when considered in the aggregate were deemed a significant deficiency and as such merit the attention of those charged with governance. This included the following control deficiencies:

- Lack of oversight over third party vendors
- Lack of review and approval of journal entries



- IT Access deficiencies, including periodic access review for Google Cloud Platform is not performed, password configuration not in accordance with policy, no review of the activity log of a superuser for Google Cloud Platform and untimely removal of access for terminated employees
- Entity level control deficiencies, including a lack of appropriate design of the whistleblower policy and no formally annual review or sign off of the Code of Ethics and business Conduct.

We have performed additional audit procedures to respond to the financial reporting risk posed by these deficiencies.

#### Other matters

We are also required under ISAs (UK) to communicate to those charged with governance if we have anything to report on the following:

- Uncorrected misstatements;
- Matters related to fraud;
- Matters related to laws and regulations;
- Matters related to related parties;
- Subsequent events;
- Matters related to going concern;
- Any significant facts that bear upon our independence and objectivity;
- Matters related to the auditors' report;
- Any other matters that, in our professional judgement, are significant to the oversight of the financial reporting process.

We wish to draw your attention to the following other matters which were identified from our audit:

| Other matters   | Background information   |
|---|--|
| i. Uncorrected misstatements  | Please refer to Appendix A where the uncorrected misstatements are included.   |
| ii. COVID-19 Impacts to internal controls & financial statement disclosures | <p>Consistent with 2020, global restrictions and economic uncertainty as a result of COVID-19 continued in 2021. As a result of the company's personnel working remotely, there is a risk that the design and operation of internal controls will either need to change or will no longer be effective.</p> <p>We performed walkthroughs to assess the design and implementation of all key controls, with particular focus on new or changed controls since the 2020 financial period.</p> <p>Incremental disclosures are included in the current year financial statements to appropriately describe the impact of COVID 19 on certain financial statement accounts and related disclosures.</p> |

|                             |  |                        |                        |                        |                          |    |    |                             |   |   |
|-----------------------------|--|------------------------|------------------------|------------------------|--------------------------|----|----|-----------------------------|---|---|
|                             | <p>We reviewed the completeness and accuracy of financial statement disclosures related to the impact of COVID-19. This included consideration of the Going concern assumption. We confirmed that there were no specific accounting estimates or management judgement which were directly impacted by COVID-19.</p>  |                        |                        |                        |                          |    |    |                             |   |   |
| iii. Client Asset Reporting | <p>For the purposes of our reporting responsibilities for the 2020 financial year, we have taken over the duty to report to the FCA in accordance with Supervision ("SUP") 3.10.4R, within the FCA's Handbook.</p> <p>We have completed our client asset reporting and are finalising our report with management.</p> <p>Our report include the following breaches identified:</p> <table><tr><td></td><td>Financial year<br/>2021</td><td>Financial year<br/>2020</td></tr><tr><td>Total number of breaches</td><td>20</td><td>27</td></tr><tr><td>Open breaches at period end</td><td>4</td><td>4</td></tr></table>  |                        | Financial year<br>2021 | Financial year<br>2020 | Total number of breaches | 20 | 27 | Open breaches at period end | 4 | 4 |
|                             | Financial year<br>2021   | Financial year<br>2020 |                        |                        |                          |    |    |                             |   |   |
| Total number of breaches    | 20   | 27                     |                        |                        |                          |    |    |                             |   |   |
| Open breaches at period end | 4  | 4                      |                        |                        |                          |    |    |                             |   |   |
| iv. Brexit                  | <p>On 31 December 2020 the UK's post-Brexit transition period came to an end. As a result of OEL's customer footprint across the EU member countries we have performed the following procedures to assess the risk of non-compliance to the revised regulations have been considered and challenged:</p> <ol style="list-style-type: none"><li>1) We inquired with management over any changes to the Brexit strategy applied in the initial period which mainly focussed on the reliance of the Reverse Solicitation principles.</li><li>2) We considered the approach outlined by management to ensure the requirements to apply Reverse Solicitation principles are achieved.</li><li>3) We reviewed the regulatory correspondence with the FCA whereby inquiries around the Brexit strategy were made and responded to.</li><li>4) We considered further communication from regulators and developments within the Industry as it relates to Brexit.</li></ol> <p>Management has included a specific representation in the management representation letter regarding the reasonability of</p> |                        |                        |                        |                          |    |    |                             |   |   |



|                   |   |
|-------------------|---|
|                   | its Brexit strategy specifically focussed on the ongoing services provided to EU customers onboarded before the end of the transition period.   |
| v. Russia/Ukraine | <p>The Russian invasion of Ukraine ('the invasion'), alongside the imposition of international sanctions, have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by the recent developments.</p> <p>We have performed the following procedures to evaluate the potential impact on the financial statements of OEL for the year ending 31 December 2021, whilst acknowledging that it is a non-adjusting post balance sheet event for the 2021 audit:</p> <ol style="list-style-type: none"><li>1) We inquired with management to understand potential direct and indirect exposures;</li><li>2) We obtained an understanding of management's approach as it relates to the monitoring and implementation of international sanctions; and</li><li>3) We reviewed the completeness and accuracy of financial statement disclosures within the strategic report as it relates to the risk and uncertainties introduced by the recent developments.</li></ol> |
| vi. Materiality   | <p>Our materiality benchmark of revenue and rule of thumb of 3% is unchanged from our audit planning. Our final calculated materiality based on final results is as follows:</p> <p>Overall materiality: £504,074<br/>Performance materiality: £378,056<br/>De minimis: £25,204</p>   |

This letter has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as this letter has not been prepared for, and is not intended for, any other purpose.

We would like to thank you and your staff for their assistance and co-operation during the audit process.

Yours faithfully

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP



## Appendix A

### Summary of Uncorrected Misstatement - 31 December 2021

| # | Financial Statement Line Item   | Type of Misstatement     | Amount GBP<br>Dr/(Cr) |
|---|---|--------------------------|-----------------------|
| 1 | Tax Expense   | Judgemental misstatement | 58,609                |
|   | Creditors: amounts falling due within one year  |                          | (58,609)              |
|   | <p>The Company conducted a number of transactions with related parties throughout the year, all of which were governed by transfer pricing policies adopted by OANDA to ensure that the prices charged in such transactions are consistent with prices that would be charged between arm's length parties.</p> <p>PwC performed an independent evaluation of the transfer pricing policy applied which noted an additional tax charge of £ 58,609 to that recognised within the financial statements.</p> <p>These policies are subject to review by tax authorities, which may cause the actual amount of tax expense to differ from the amount recognised in these statements. This therefore remains uncorrected given the judgemental nature of the application of transfer pricing requirements.</p> |                          |                       |
| 2 | Turnover  | Factual misstatement     | (249,359)             |
|   | Administrative Expenses   |                          | 249,359               |
|   | <p>Service revenues related to the provision of outbound sales services from OEL to other OANDA entities was understated by GBP 249,359, due to an error in the calculations of rechargeable costs. As this forms part of the group's RPSM model, administrative expenses are understated by the same amount.</p> <p>This misstatement impacts further disclosures within the financial statements specifically in relation to the following note disclosures:<br/>Note 2 - Turnover<br/>Note 3 - Operating profit<br/>Note 21 - Related party transactions</p>   |                          |                       |



**Summary of Uncorrected Misstatement - 31 December 2020**

| #   | Financial Statement Line Item                     | Type of Misstatement        | Amount GBP<br>Dr/(Cr) |
|---|---|-----------------------------|-----------------------|
| 1   | Tax Expense                                       | Judgemental<br>misstatement | 76,717                |
|   | Creditors: amounts falling due within<br>one year |                             | (76,717)              |
| <p>The Company conducted a number of transactions with related parties throughout the year, all of which were governed by transfer pricing policies adopted by OANDA to ensure that the prices charged in such transactions are consistent with prices that would be charged between arm's length parties.</p> <p>PwC performed an independent evaluation of the transfer pricing policy applied which noted an additional tax charge of £ 76,717 to that recognised within the financial statements.</p> <p>These policies are subject to review by tax authorities, which may cause the actual amount of tax expense to differ from the amount recognised in these statements. This therefore remains uncorrected given the judgemental nature of the application of transfer pricing requirements.</p> |   |                             |                       |

**OANDA EUROPE LIMITED**

**Statement of Comprehensive Income  
for the year ended 31 December 2021**

|   | Note | 2021<br>£    | 2020<br>£    |
|---|------|--------------|--------------|
| <b>Turnover</b>   | 2    | 16,879,731   | 29,288,272   |
| Administrative expenses   |      | (16,062,283) | (23,251,034) |
| Interest receivable and similar income  |      | 88,028       | 60,600       |
| Interest payable and similar expenses   |      | (430,652)    | (482,405)    |
| <b>Operating profit/(loss)</b>  | 3    | 474,824      | 5,615,433    |
| Tax on profit/ (loss)   | 9    | (122,930)    | (1,050,842)  |
| <b>Profit/(loss) and total comprehensive income/(loss) for the financial year</b> |      | 351,894      | 4,564,591    |

All amounts relate to continuing activities.

The notes on pages 16 to 34 are an integral part of these financial statements.



**OANDA EUROPE LIMITED**

**Statement of Financial Position  
as at 31 December 2021**

|   | Note | 2021<br>£               | 2020<br>£         |
|---|------|-------------------------|-------------------|
| <b>Fixed assets</b>                                   |      |                         |                   |
| Tangible assets                                       | 10   | 134,348                 | 238,649           |
| <b>Current assets</b>                                 |      |                         |                   |
| Debtors   | 11   | 1,716,486               | 9,489,972         |
| Loans and Receivables                                 | 12   | 5,016,986               | -                 |
| Cash at bank and in hand                              | 13   | 5,110,777               | 4,237,283         |
|   |      | <u>11,844,249</u>       | <u>13,727,255</u> |
| <b>Debtors: amounts falling due after one year</b>    | 14   | 19,656                  | 8,609             |
| <b>Creditors: amounts falling due within one year</b> | 15   | <u>2,400,610</u>        | <u>4,896,319</u>  |
| <b>Net current assets</b>                             |      | 9,443,639               | 8,830,936         |
| <b>Total assets less current liabilities</b>          |      | <b>9,597,643</b>        | 9,078,194         |
| <b>Net assets</b>                                     |      | <u><b>9,597,643</b></u> | <u>9,078,194</u>  |
| <b>Capital and reserves</b>                           |      |                         |                   |
| Called- up share capital                              | 18   | 7,540,249               | 7,540,249         |
| Other reserves  | 18   | 1,779,894               | 1,612,339         |
| Retained earnings                                     |      | <u>277,500</u>          | <u>(74,394)</u>   |
| <b>Total Equity</b>                                   |      | <u><b>9,597,643</b></u> | <u>9,078,194</u>  |

The notes on pages 16 to 34 are an integral part of these financial statements.

The financial statements on pages 12 to 34 were approved and authorised for issue by the board and were signed on its behalf by:

*Gavin Bambury*

Gavin Bambury

**Director**

22 April 2022

Company registration number: 07110087

# OANDA EUROPE LIMITED

## Statement of Changes in Equity for the year ended 31 December 2021

|  |      | Called up<br>share<br>capital<br>£ | Other<br>reserves<br>£ | Profit and<br>Loss<br>account<br>£ | Total<br>equity<br>£ |
|--|------|------------------------------------|------------------------|------------------------------------|----------------------|
|  | Note |                                    |                        |                                    |                      |
| <b>At 1 January 2020</b>                         |      | 7,540,249                          | 1,472,481              | (4,638,985)                        | 4,373,745            |
| Loss/total comprehensive loss for the year       |      | -                                  | -                      | 4,564,591                          | 4,564,591            |
| Share-based payment transactions                 | 8    | -                                  | 139,858                | -                                  | 139,858              |
| <b>At 31 December 2020</b>                       |      | <u>7,540,249</u>                   | <u>1,612,339</u>       | <u>(74,394)</u>                    | <u>9,078,194</u>     |
| Profit / total comprehensive income for the year |      | -                                  | -                      | 351,894                            | 351,894              |
| Share-based payment transactions                 | 8    | -                                  | 167,555                | -                                  | 167,555              |
| <b>At 31 December 2021</b>                       |      | <u>7,540,249</u>                   | <u>1,779,894</u>       | <u>277,500</u>                     | <u>9,597,643</u>     |

The notes on pages 16 to 34 are an integral part of these financial statements.

**OANDA EUROPE LIMITED**

**Statement of Cash Flows  
for the year ended 31 December 2021**

|   | 2021               | 2020             |
|---|--------------------|------------------|
|   | £                  | £                |
| <b>Net cash flow from operating activities</b>          |                    |                  |
| Profit before tax                                       | 474,824            | 5,615,433        |
| Adjustments for:  |                    |                  |
| Charge in relation to share based payments              | 167,555            | 139,858          |
| Loan Interest Income                                    | (16,986)           | -                |
| Depreciation  | 146,332            | 124,712          |
| Decrease /(Increase) in debtors                         | 7,773,486          | (7,682,196)      |
| (Decrease)/Increase in creditors and provision          | (2,410,562)        | 1,844,801        |
| Corporation tax paid                                    | (219,123)          | -                |
| <b>Net cash generated from operating activities</b>     | <b>5,915,526</b>   | <b>42,608</b>    |
| <b>Cash Flow from investing activities</b>              |                    |                  |
| Purchase of tangible fixed assets (Note 10)             | (42,032)           | (146,105)        |
| Proceeds from sale of tangible fixed assets (Note 10)   | -                  | 12,971           |
| Loan issued (Note 12)                                   | (5,000,000)        | -                |
| <b>Net cash used in from investing activities</b>       | <b>(5,042,032)</b> | <b>(133,134)</b> |
| <b>Net increase/(decrease) in cash (Note 13)</b>        | <b>873,494</b>     | <b>(90,526)</b>  |
| Cash at the beginning of the year                       | 4,237,283          | 4,327,809        |
| <b>Cash and Cash Equivalents at the end of the year</b> | <b>5,110,777</b>   | <b>4,237,283</b> |

The notes on pages 16 to 34 are an integral part of these financial statements.

## **OANDA EUROPE LIMITED**

### **Notes to the Financial Statements for the year ended 31 December 2021**

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#### **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, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410). 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.

##### **Critical accounting estimates and assumptions**

Estimates, by their nature, are based on judgement and available information. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods.

**1 Accounting policies (continued)**

**1.3 Significant judgements and estimates (continued)**

**Critical accounting estimates and assumptions (continued)**

In regard to COVID-19 and the Ukraine War, the Company continues to monitor the impact and is managing its expenses and capital position accordingly. The Company has a comprehensive business continuity plan, which was activated in March 2020 in response to the COVID-19 pandemic and has taken specific measures to mitigate any business risks and ensure business continuity. The COVID-19 pandemic and Ukraine war have introduced uncertainty and volatility in global markets and economies. It is not possible to reliably estimate the length and severity of these developments and the impact on the volume of trading activity, the financial results and financial condition of the Company and its affiliates in future periods.

In preparing the financial statements, significant estimates management make include the following;

- I. Internally developed foreign exchange rates that impact the translation of transactions not in functional currencies;
- II. 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 recognised as an expense over the defined and estimated vesting period as the case may be.

III. Tax (Note 9)

The determination of transfer pricing policies within the affiliated group and any uncertain tax positions. The Company conducts a number of transactions with related parties throughout the year, most of which are governed by transfer pricing policies adopted by the Company to ensure that the prices charged in such transactions are prices that management estimates would be consistent between arm's length parties. Certain assumptions and judgements have been used in developing these policies and there is a high degree of estimation uncertainty associated with these assumptions and judgements. These policies are subject to review by tax authorities, which may result in tax adjustments. Management believes that its transfer pricing policy is appropriate based on its assessment of relevant factors and in line with OECD guidelines.

## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

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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 translated 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

- **Trading revenue**

All trading revenues are governed by a centralised group revenue allocation policy among related party entities within the OANDA group. The trading platform is registered to OANDA Corporation and monthly, a group allocation of the net trading revenue is calculated based on profit or loss allocation relating to the customers registered with the Company.

The net trading revenue represents realised and unrealised gains and losses from the Company's closed and open positions with OANDA entities 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.

- **Other trading revenue**

This includes inactivity fees and transaction charges on customer balances, net of any rebates credited back to client accounts.

- **Business consulting revenue**

The Company has entered into an agreement with other OANDA entities to provide business consulting services and the revenue earned from the related companies (note 22) is determined on a cost-plus basis. Revenue is measured over the period and is recognised when the services have been performed, evidence of an arrangement exists between the parties, the price for the services is fixed and determinable, and collection is reasonably assured.

The business consulting revenue methodology was revised in 2020 and the Residual Profit Split Method ("RPSM") was adopted. There has been further refinement in 2021.

## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

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#### 1 Accounting policies (continued)

##### 1.5 Revenue Recognition (continued)

- **Interest Income**

Interest income includes interest earned on cash held in bank accounts and is recognised as its earned.

##### 1.6 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 equity settled incentive plan permitted the grant of share-based payment awards to employees or directors of the Company. The Company is a member of the OANDA group whose employees, or grant recipients, meet the definition of an employee of an entity in the group. Accordingly, the awards granted by OGC and Plutus to the Company's employees are accounted for using employee accounting in these subsidiary accounts.

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.

##### 1.7 Taxation

Taxation expense comprises 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 Accounting policies (continued)**

**1.8 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 – shorter of lease term or assets estimated useful life

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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

**1.9 Financial instruments**

**Basic financial instruments**

Basic financial assets and liabilities include trade and non-trade related receivables and payables from fellow group companies, cash and bank balances and other payables/receivables.

Loans to fellow group companies are initially recognised at transaction price in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

**Offsetting**

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when the Company has a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.



## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

#### 1 Accounting policies (continued)

##### 1.9 Financial instruments (continued)

###### Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

The company does not present any client liability, including open positions on the Statement of Financial Position as these are settled on an ongoing basis against margins held by customers.

##### 1.10 Client Money

Clients deposit cash as margin on their open positions. The Company holds this money in segregated bank accounts on behalf of clients in accordance with the FCA's client money rules. Such monies and any corresponding client asset or liability, including open positions are not shown on the face of the Statement of financial position as the Company is not beneficially entitled thereto and any client asset or liability is settled on an ongoing basis against margins deposited by customers. In accordance with the FCA Client Assets Sourcebook ("CASS"), all client cash is segregated and reconciled on a daily basis.

##### 1.11 Operating Leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### 1.12 Interest payable and similar charges

Interest payable and similar charges include transaction fees on customer deposits and withdrawals. Interest expense is recognised as it is incurred.

#### 2 Turnover

|  | 2021<br>£  | 2020<br>£  |
|--|------------|------------|
| Trading revenue allocation from<br>OANDA CANADA              | 6,475,555  | 7,867,494  |
| Trading revenue allocation from<br>OANDA Australia Pty. Ltd. | 4,134,973  | 8,144,660  |
| Other trading revenue  | 160,054    | 152,786    |
| Business consulting services                                 | 6,109,149  | 13,123,332 |
|  | <hr/>      | <hr/>      |
|  | 16,879,731 | 29,288,272 |
|  | <hr/>      | <hr/>      |

All revenue arose in the UK (2020: UK) mostly from clients within Europe, Middle East and Africa ("EMEA").

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 2 Turnover (continued)

During 2021, the financial markets experienced a lower volatility as compared with 2020 which saw the Company record exceptional revenues. The Company did not experience a repeat of this performance in 2021 due to decreased trading activity but the performance in 2021 was well ahead of pre-pandemic levels reported in the 2019 financial year.

### 3 Operating profit

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| The operating profit/loss is stated after charging/(crediting): |           |           |
| Depreciation of tangible fixed assets (note 10)                 | 146,332   | 124,712   |
| Operating lease charges (note 20)                               | 553,344   | 641,288   |
| Staff costs (note 5)  | 7,064,214 | 8,742,798 |
| Marketing Costs   | 2,056,903 | 5,429,339 |
| Bad debt  | (4,703)   | 28,199    |
| Software Licence fees   | 2,359,580 | 3,202,431 |
| Business consulting fees  | 1,730,944 | 1,733,421 |
| Foreign exchange losses /(gains)                                | 234,459   | 363,158   |

### 4 Auditors' remuneration

|  | 2021<br>£ | 2020<br>£ |
|--|-----------|-----------|
| Fees payable to the Company's financial auditors for:                |           |           |
| Audit of the Company's financial statements                          | 68,250    | 65,000    |
| Fees payable to the Company's auditors and its associates for:       |           |           |
| Audit-related assurance services pursuant to FCA regulation from PWC |           |           |
| - Current year   | 100,000   | 110,000   |

### 5 Staff costs

|  | 2021<br>£ | 2020<br>£ |
|--|-----------|-----------|
| Staff costs during the year were as follows: |           |           |
| Wages and salaries                           | 5,773,283 | 6,975,592 |
| Social security                              | 804,168   | 1,268,641 |
| Other pension costs                          | 251,748   | 299,491   |
| Share-based payments (note 8)                | 167,555   | 139,858   |
| Other  | 67,460    | 59,216    |
|  | 7,064,214 | 8,742,798 |

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 5 Staff costs (continued)

The average monthly number of persons, including directors, employed by the Company during the year was:

|                           | 2021      | 2020      |
|---------------------------|-----------|-----------|
| Senior management         | 2         | 2         |
| Sales and marketing       | 22        | 24        |
| Product, trading and risk | 17        | 17        |
| Operations                | 17        | 13        |
|                           | <u>58</u> | <u>56</u> |

### 6 Directors' Remuneration

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | £                | £                |
| The directors' emoluments were as follows: |                  |                  |
| Aggregate remuneration                     | 1,115,951        | 1,321,579        |
| Compensation for loss of office            | 833              | -                |
| Share-based payments                       | 52,321           | 67,685           |
|  | <u>1,169,105</u> | <u>1,389,264</u> |

There were no remunerations or retirement benefits payable relating to pensions attributable to the directors in 2021 (2020: Nil). No stock options were exercised by the directors (2020: Nil).

The highest paid director whose services are attributable to the Company earned £329,919 (2020: £398,339).

During the year five (2020: four) of the seven (2020: six) 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 the year represented 9.3% (2020 6.8%) of their total costs.

Director remuneration of £20,909 (2020 £38,385), compensation for loss of office of £833 (2020: Nil) and share-based payments of £708 (2020: Nil) for these directors not employed by the Company are included in the total directors' remuneration costs above.

## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

#### 7 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:

|                              | 2021      | 2020      |
|------------------------------|-----------|-----------|
|                              | £         | £         |
| Short-term employee benefits | 1,115,951 | 1,706,194 |
| Share-based payments         | 52,321    | 95,193    |

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 £1,095,042 (2020: £1,283,194) and share-based payments of £51,613 (2020: £67,685). 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 9.3% (2020: 6.8%) 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.

#### 8 Share-based payments

During the year ended December 31, 2021, the Company recognised stock-based compensation expenses relating to the Plutus incentive plan of £167,555 (2020: £139,858).

The weighted average estimated fair value of awards granted, in aggregate, under this plan during 2021 was \$616.95 (2020: \$91.08).

The unrecognised stock-based compensation expense for awards granted under the Plutus incentive plan during 2021 was £162,551 (2020: £171,639). That cost is expected to be recognised over a weighted average period of 3.9 years (2020: 4.1 years).

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

| 9 Tax on (loss)/profit                                | 2021            | 2020             |
|---|-----------------|------------------|
|   | £               | £                |
| Profit/ (Loss) before tax                             | 474,824         | 5,615,433        |
| UK tax expense at 19% (20120: 19%)                    | 90,217          | 1,066,932        |
| Effects of:   |                 |                  |
| Adjustment from prior year                            | 748             | (42,868)         |
| Expenses not deductible for tax purposes              | 31,965          | 26,778           |
| <b>Taxation charge for the year</b>                   | <b>122,930</b>  | <b>1,050,842</b> |
| <b>Current tax</b>                                    |                 |                  |
| UK Corporation tax on profits /(losses) of the year   | 133,929         | 1,105,563        |
| Adjustment in respect of prior periods                | 48              | (45,030)         |
| <b>Total current tax</b>                              | <b>133,977</b>  | <b>1,060,533</b> |
| <b>Deferred tax</b>                                   |                 |                  |
| Origination and reversal of timing difference         | (11,747)        | (11,853)         |
| Adjustment in respect of prior periods                | 700             | (2,162)          |
| <b>Total deferred tax</b>                             | <b>(11,047)</b> | <b>(9,691)</b>   |
| <b>Taxation charge for the year</b>                   | <b>122,930</b>  | <b>1,050,842</b> |
| <b>Deferred tax movement</b>                          |                 |                  |
| Opening balance                                       | (8,609)         | 1,082            |
| Current year movement                                 | (11,047)        | (9,691)          |
| <b>Deferred Tax (asset)/ liability (Notes 14/ 16)</b> | <b>(19,656)</b> | <b>(8,609)</b>   |

As at 31 December 2021, the Company had no unrecognised deferred tax asset (2020: £Nil).

The Company conducted a number of transactions with related parties throughout the year, most of which were governed by transfer pricing policies adopted by OANDA to ensure that the prices charged in such transactions are those that management, in its estimation, believes are consistent with prices that would be between arm's length parties. Certain assumptions and judgement have been used in developing these policies. These policies are subject to review by tax authorities, which may cause the actual amount of tax expense to differ from the amount recognised in these statements.

### Tax rate changes

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the Spring 2021 Budget, the UK Government announced legislation in the Finance bill 2021 to set corporate tax at 19% until the financial year beginning 1 April 2022 and at 25% for the financial year beginning 1 April 2023.

**OANDA EUROPE LIMITED**

**Notes to the Financial Statements for the year ended 31 December 2021 (continued)**

**10 Tangible assets**

|                                 | Leasehold<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Total<br>£ |
|---------------------------------|----------------|---|------------|
| <b>Cost</b>                     |                |   |            |
| At 1 January 2021               | 116,825        | 635,377                                     | 752,202    |
| Additions                       | -              | 42,032                                      | 42,032     |
|                                 | <hr/>          | <hr/>                                       | <hr/>      |
| At 31 December 2021             | 116,825        | 677,409                                     | 794,234    |
|                                 | <hr/>          | <hr/>                                       | <hr/>      |
| <b>Accumulated depreciation</b> |                |   |            |
| At 1 January 2021               | 68,285         | 445,268                                     | 513,553    |
| Charge for the year             | 25,838         | 120,494                                     | 146,332    |
|                                 | <hr/>          | <hr/>                                       | <hr/>      |
| At 31 December 2021             | 94,123         | 565,763                                     | 659,886    |
|                                 | <hr/>          | <hr/>                                       | <hr/>      |
| <b>Net book value</b>           |                |   |            |
| At 31 December 2021             | 22,702         | 111,646                                     | 134,348    |
|                                 | <hr/>          | <hr/>                                       | <hr/>      |
| At 31 December 2020             | 48,540         | 190,109                                     | 238,649    |
|                                 | <hr/>          | <hr/>                                       | <hr/>      |

**11 Debtors**

|  | 2021<br>£ | 2020<br>£ |
|--|-----------|-----------|
| Amounts owed by group undertakings (Note 21) | 712,568   | 8,390,542 |
| Other debtors and receivables                | 711,944   | 719,291   |
| Prepayments and accrued income               | 291,974   | 380,139   |
|  | <hr/>     | <hr/>     |
|  | 1,716,486 | 9,489,972 |

**12 Loan and receivables**

|             | 2021<br>£ | 2020<br>£ |
|-------------|-----------|-----------|
| Loan to OGC | 5,016,986 | -         |
|             | <hr/>     | <hr/>     |
|             | 5,016,986 | -         |

On 15 November 2021, OEL entered into a loan agreement for an unsecured loan, repayable on demand. £5 million (2020: £Nil) was issued to the parent Company OANDA Global Corporation ("OGC") at an interest rate of 4% per annum. Interest income of £16,986 (2020: £Nil) was recorded during the year.

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 13 Cash at bank and in hand

|                        | 2021<br>£        | 2020<br>£        |
|------------------------|------------------|------------------|
| At 1 January           | 4,237,283        | 4,327,809        |
| Cash inflow /(outflow) | 873,494          | (90,526)         |
| At 31 December         | <u>5,110,777</u> | <u>4,237,283</u> |

### 14 Debtors: amounts falling due after one year

|                       | 2021<br>£     | 2020<br>£    |
|-----------------------|---------------|--------------|
| Deferred Tax (Note 9) | 19,656        | 8,609        |
|                       | <u>19,656</u> | <u>8,609</u> |

### 15 Creditors: amounts falling due within one year

|  | 2021<br>£        | 2020<br>£        |
|--|------------------|------------------|
| Trade creditors                              | 80,652           | 403,277          |
| Amounts owed to group undertakings (Note 21) | 200,043          | 232,127          |
| Corporation tax                              | 1,020,417        | 1,105,563        |
| Other taxation and social security           | 152,615          | 263,854          |
| Accruals and deferred income                 | 946,883          | 2,891,498        |
|  | <u>2,400,610</u> | <u>4,896,319</u> |

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 16. Financial instruments

The Company has the following financial instruments:

|   | Note | 2021<br>£         | 2020<br>£         |
|---|------|-------------------|-------------------|
| <b>Financial assets measured at amortised cost</b>      |      |                   |                   |
| Amounts owed by group undertakings                      | 11   | 712,568           | 8,390,542         |
| Other debtors   | 11   | 711,944           | 719,291           |
| Loan receivable   | 12   | 5,016,986         | -                 |
| Cash at bank and in hand                                |      | 5,110,777         | 4,237,283         |
|   |      | <b>11,552,275</b> | <b>13,347,116</b> |
| <b>Financial liabilities measured at amortised cost</b> |      |                   |                   |
| Trade creditors   | 15   | 80,652            | 403,277           |
| Amounts owed to group undertakings                      | 15   | 200,043           | 232,127           |
|   |      | <b>280,695</b>    | <b>635,404</b>    |

All financial assets and liabilities are due to mature within a year. The financial assets are neither past due nor impaired.

### Derivative financial instruments

Amounts owed by and to related hedging counterparties are measured at fair value on the basis of market conditions at the Statement of Financial Position date and included in related party balances and amounts to £537,099 (2020: £(126,308)) (Note 21).

### Offsetting derivative financial assets and liabilities

Derivative financial assets and liabilities have been offset in the Company's Statement of Financial Position and are subject to enforceable Intercompany master netting agreements.

Financial instruments comprise currency, commodity, metal and index trades with the customers, which are hedged through counterparty trades with OANDA.



# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 17 Financial risk management

#### Market risk

Market risk is defined as the risk that the value of our residual portfolio will decrease due to changes in market risk factors such as price movements, interest rate changes, and foreign exchange rate fluctuations. OEL is not exposed to direct market risk, all executed client trades are hedged back-to-back trade with OANDA entities so that the Company is not exposed to the market risk associated with these positions.

OEL has no off-balance sheet market risk exposure but is exposed to market risk in relation to foreign currency balance sheet items.

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.

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:

|     | <b>Assets</b>    | <b>Assets</b>    | <b>Liabilities</b> | <b>Liabilities</b> | <b>Net</b>       | <b>Net</b>       |
|-----|------------------|------------------|--------------------|--------------------|------------------|------------------|
|     | <b>2021</b>      | <b>2020</b>      | <b>2021</b>        | <b>2020</b>        | <b>2021</b>      | <b>2020</b>      |
|     | <b>£</b>         | <b>£</b>         | <b>£</b>           | <b>£</b>           | <b>£</b>         | <b>£</b>         |
| AUD | 78,927           | 35,095           | -                  | -                  | 78,927           | 35,095           |
| CAD | 111,239          | 30,993           | (873)              | (98)               | 110,366          | 30,895           |
| CHF | 441,098          | 73,158           | (74,349)           | -                  | 366,749          | 73,158           |
| EUR | 537,441          | 530,269          | (149,991)          | (85,285)           | 387,450          | 444,984          |
| HKD | 256              | (405)            | -                  | -                  | 256              | (405)            |
| JPY | 680,364          | 410,466          | -                  | -                  | 680,364          | 410,466          |
| SGD | 302,439          | (175)            | (900)              | -                  | 301,539          | (175)            |
| USD | 2,703,112        | 2,926,646        | (67,686)           | (395,306)          | 2,635,426        | 2,531,340        |
| PLN | -                | (24,283)         | (21,588)           | -                  | (21,588)         | (24,283)         |
|     | <b>4,854,876</b> | <b>3,981,764</b> | <b>(315,387)</b>   | <b>(480,689)</b>   | <b>4,539,490</b> | <b>3,501,075</b> |

## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

#### 17 Financial risk management (continued)

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

|     | <b>Assets</b>     | <b>Assets</b>     | <b>Liabilities</b>  | <b>Liabilities</b>  | <b>Net</b>       | <b>Net</b>        |
|-----|-------------------|-------------------|---------------------|---------------------|------------------|-------------------|
|     | <b>2021</b>       | <b>2020</b>       | <b>2021</b>         | <b>2020</b>         | <b>2021</b>      | <b>2020</b>       |
|     | <b>£</b>          | <b>£</b>          | <b>£</b>            | <b>£</b>            | <b>£</b>         | <b>£</b>          |
| AUD | 599,507           | 954,481           | (591,252)           | (804,920)           | 8,255            | 149,561           |
| CAD | 49,347            | 112,828           | (68,495)            | (82,048)            | (19,148)         | 30,780            |
| CHF | 2,005,155         | 3,635,496         | (1,984,495)         | (2,392,048)         | 20,660           | 1,243,448         |
| EUR | 11,983,553        | 25,890,568        | (13,358,684)        | (17,655,318)        | (1,375,131)      | 8,235,250         |
| HKD | 17,018            | 17,010            | (4,783)             | (7,047)             | 12,235           | 9,963             |
| JPY | 133,405           | 147,769           | (329,354)           | (331,468)           | (195,949)        | (183,699)         |
| SGD | 28,927            | 318,398           | (26,884)            | (44,909)            | 2,043            | 273,489           |
| USD | 6,497,641         | 8,523,651         | (3,746,676)         | (4,204,275)         | 2,750,965        | 4,319,376         |
|     | <b>21,314,553</b> | <b>39,600,201</b> | <b>(20,110,623)</b> | <b>(25,522,033)</b> | <b>1,203,930</b> | <b>14,078,168</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 £287,171 (2020: £878,962). The effect on the foreign currencies of client money is £60,196 (2020: £703,908).

#### Credit risk

Credit risk is the risk of financial loss due to the failure of one or more counterparties (including clients, financial institutions and/or affiliates) to fulfil contractual obligations, including settlement.

Client credit risk is the risk of a client failing to meet or defaulting on their obligations in accordance with agreed terms. OEL requires all clients deposit collateral with the Company prior to trading. The Company has an automated margin monitoring tool that automatically closes out a client's open position when the unrealised loss on the open position drops below set levels. OEL provides all retail clients with negative balance protection as required by law and regulation. The Company is never in a position of lending funds to a retail client or a retail client trading on an unsecured basis. However, there is a risk that the Company could incur losses relating to clients moving into debit balances if there is significant market volatility that has an adverse impact over open client trading positions.

OEL clients who are categorised as Professional are not offered negative balance protection and sign an opt out form which states they will be liable for all negative balances on their accounts which will become due and payable immediately.

## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

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Credit risk also arises from cash and cash equivalents held with banks and financial institutions and other receivables. 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 other OANDA affiliates, banks and other financial institutions.

The total overdue and impaired balance at the year-end was Nil (2020: Nil).

#### **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 would receive capital from its Parent, if required, subject to approval from the Parent entity's board.

The Company's financial obligations are all considered to be short term and there are no assets with a maturity date that exceed one year. Majority of the Company's current assets are intercompany, and its liquidity reserve is made up solely of available cash.

#### **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.

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 18 Share capital and other reserves

#### Called up Share Capital

|   | 2021      | 2020      |
|---|-----------|-----------|
|   | £         | £         |
| <b>Allotted, allocated and fully paid</b> |           |           |
| Ordinary shares of \$0.01 each            |           |           |
| At 1 January / 31 December                | 7,540,249 | 7,540,249 |

#### Other reserves

|   | 2021      | 2020      |
|---|-----------|-----------|
|   | £         | £         |
| At 1 January  | 1,612,339 | 1,472,481 |
| Employee share-based payments transactions (Note 8) | 167,555   | 139,858   |
| At 31 December                                      | 1,779,894 | 1,612,339 |

### 19 Client money

At 31 December 2021, amounts held by the firm on behalf of clients amounted to £34,567,573 (2020: £38,051,512).

### 20 Lease Commitments

At 31 December 2021, the Company had annual commitments under non-cancellable operating leases as set out below

|                            | 2021    | 2020      |
|----------------------------|---------|-----------|
|                            | £       | £         |
| Lease which expire:        |         |           |
| Less than one year         | 387,573 | 387,573   |
| Between one and five years | 700,132 | 1,087,705 |

The Company leases its office space under an operating lease. Lease payments recognised in administrative expenses for the year ended 2020 are £361,735 (2020: £432,733).

## OANDA EUROPE LIMITED

### Notes to the Financial Statements for the year ended 31 December 2021 (continued)

#### 21 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 profit or loss allocation relating to the customers registered with the Company. The revenue allocation from OANDA Australia Pty. Ltd and OANDA (Canada) Corporation ULC during the year amounted to £4,134,973 (2020: £8,144,660) and £6,475,555 (2020: £7,867,494) 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 £2,359,580 (2020: £3,202,431).

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. The business consulting fees charged during the year amounted to:

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | £                | £                |
| OANDA Corporation                            | 879,462          | 780,565          |
| OANDA (Canada) Corporation ULC               | 414,936          | 638,553          |
| OANDA Asia Pacific Pte. Ltd.                 | 101,087          | 95,061           |
| OANDA Poland sp. Zo.o.                       | 272,312          | 127,923          |
| OANDA Markets Europa GmbH                    | 268              | 91,319           |
| OANDA Europe Markets Limited                 | 9,092            | -                |
| OANDA Business Information and Services Inc. | 3,690            | -                |
| Dom Maklerski TMS Brokers S.A.               | 50,098           | -                |
|  | <u>1,730,945</u> | <u>1,733,421</u> |

The Company has an agreement with other OANDA entities to provide business consulting services and the revenue earned from the related companies is determined on a cost-plus basis. The business consulting revenue methodology was revised in the previous year and the Residual Profit Split Method ("RPSM") was adopted. Included in turnover were fees amounting to £6,109,148 (2020: £13,123,332).

An unsecured loan amount of £5 million (2020: £Nil) was issued to the parent Company. This loan attracts interest at 4% annually (Note 12) and interest income of £16,986 (2020: £Nil) was recorded during the year.

# OANDA EUROPE LIMITED

## Notes to the Financial Statements for the year ended 31 December 2021 (continued)

### 21 Related party transactions (continued)

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

|  | 2021     | 2020      |
|--|----------|-----------|
|  | £        | £         |
| OANDA Corporation                            | (49,992) | 2,986,830 |
| OANDA Global Corporation                     | (937)    | (140,833) |
| OANDA (Canada) Corporation ULC               | 286,711  | 879,854   |
| OANDA Asia Pacific Pte. Ltd                  | (22,085) | 70,775    |
| OANDA Australia Pty. Ltd                     | 394,666  | 242,879   |
| OANDA Japan Inc                              | (81,298) | 3,801,894 |
| OANDA Business Information and Services Inc. | (2,407)  | 206,640   |
| OANDA Malta Holdings Ltd.                    | -        | 5,220     |
| OANDA Global Markets Ltd                     | 23,407   | 31,354    |
| OANDA Europe Markets Ltd                     | 7,782    | 138,564   |
| OANDA Poland sp. Zo.o.                       | (12,474) | 26,533    |
| OANDA Markets Europa GmbH                    | (2,869)  | (91,294)  |
| Dom Maklerski TMS Brokers S.A.               | (27,892) | -         |

#### Registered Offices:

|  |   |
|--|---|
| OANDA Corporation:                           | c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle 19801 Delaware, USA |
| OANDA Global Corporation:                    | c/o Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, 19801 Delaware, USA                |
| OANDA (Canada) Corporation ULC:              | c/o Suite 3700, 205-5 <sup>th</sup> Ave., S.W., Bow Valley Square 2 Calgary, Alberta T2P 2V7, Canada                        |
| OANDA Asia Pacific Pte. Ltd:                 | c/o 77 Robinson Road #16-00 Robinson 77 Singapore 068896  |
| OANDA Australia Pty. Ltd:                    | 60 Martin Place, Level 1, Sydney NSW 2000, Australia  |
| OANDA Japan Inc                              | 3-6 4F, Kojimachi, Chiyoda-ku, Tokyo, 102-0083 0120-923-213. Japan  |
| OANDA Business Information and Services Inc. | c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle 19801 Delaware, USA |
| OANDA Malta Holdings Ltd.                    | 171, Old Bakery Street, Valletta. Malta   |
| OANDA Global Markets Ltd                     | Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.  |
| OANDA Europe Markets Ltd                     | 171, Old Bakery Street, Valletta. Malta   |
| OANDA Poland sp. Zo.o.                       | Zablocie 43B 30-701 Kraków. Poland  |
| OANDA Markets Europa GmbH                    | Wework Building Taunusanlage 8, 60329, Frankfurt/Main. Germany  |
| Dom Maklerski TMS Brokers S.A.               | 00-120 Warszawa, Zlota 59, 00-120 Warszawa, Poland  |

### 22 Controlling Party

The immediate parent company is OANDA Global Corporation ("OGC"), a company incorporated in Delaware, United States of America. Consolidated accounts are prepared at the immediate parent stage, OGC, whose registered address is referred to above. The ultimate controlling entity is CVC Capital Partners (CVC) Asia Pacific IV L.P (Fund IV), which is a private equity fund domiciled in Jersey, Channel Islands, that is managed by CVC Capital Partners SICAV-FIS S.A. (CVC).