

Registered Number: 07110087

OANDA EUROPE LIMITED

Annual Report and Financial Statements

For the year ended

31 December 2019

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OANDA EUROPE LIMITED

COMPANY INFORMATION

DIRECTORS

M H Anderson
G Bambury
D Hodge
C Johnson
J Martell
K Ryan

SECRETARY

J Martell

REGISTERED OFFICE

18 St Swithin's Lane
London
EC4N 8AD

REGISTERED NUMBER

07110087

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

OANDA EUROPE LIMITED

Contents

	Page
Strategic Report	1 - 4
Directors' Report	5 - 6
Independent auditors' report	7 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14 - 31

OANDA EUROPE LIMITED

Strategic Report for the year ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

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 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"). Until mid-April 2019, OEL's hedging counterparties were OAU and OC.

During the year, the key milestones were to increase the size of the active client base and start implementing a number of improvements to the conversion funnel with the introduction of a new website (achieved in Q3) and operational improvements to the onboarding process (achieved in Q4) whilst ensuring the business continues to meet its regulatory and legal obligations. As with all improvements made throughout a financial year the true full year benefit will be realised in the following year.

The Company reported a loss of £3,554,830 for the year ended 31 December 2019 (2018: profit £823,952). The 2019 performance was driven predominantly by a 20% drop in revenue year on year due to the full year effect of the new ESMA leverage limits, in line with the widely reported 20 - 40% revenue reduction across the FX/CFD industry. Costs increased year on year as we increased the size of our product team and invested in marketing and digital initiatives. Investing in our product team is critical to ensure we maintain a competitive value proposition for our clients and prospects going forward into 2020 and beyond. Our continued commitment to marketing investment and digital initiatives is fundamental to the long-term success of our business model in generating demand.

Business objectives in 2020

The key objectives in 2020 are to return the business back to profitability whilst maintaining effective risk and expense management. This will be achieved by;

- Continuing to grow our active client base in markets where we currently operate and by expanding our offering into attractive markets in the region where we have previously not operated.
- Revamping our product offering (leading with competitive pricing, new instruments and enhancements to other product features).
- A tightly controlled cost base.

Key enablers to support these goals are:

- Ongoing investment in our marketing data insight and analytics programme to ensure a highly sophisticated digital and mobile marketing approach, focused on identifying appropriate prospects to drive quality demand cost efficiently.

OANDA EUROPE LIMITED

Strategic Report for the year ended 31 December 2019 (continued)

Business objectives in 2020 (continued)

- 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.
- Investment in building out a highly experienced FX/CFD product team to optimise our value proposition and deliver change.
- Maintaining our strong customer service ethos to keep client retention rates high.

Future developments

OANDA continues to invest in leading edge technology solutions and product innovation. During the course of 2020, the Company will be launching a new online application form and making significant changes to our product offer.

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 clients with negative balance protection and is never in a position of lending a client funds or a client trading on an unsecured basis.

- 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.

OANDA EUROPE LIMITED

Strategic Report for the year ended 31 December 2019 (continued)

Principal Risks and Uncertainties (continued)

Credit and Counterparty Credit Risks (continued)

- Third Party Credit Institutions

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

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

Liquidity Risk

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

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.

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

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

Brexit

The Board made the decision in 2018 to plan the business for a hard Brexit, effectively the worst-case scenario. The Board continues to monitor the situation during the transitional period in 2020. Brexit has had no impact on the current year's performance and operations. No adjusting or non-adjusting post balance sheet events arose from Brexit as at date of signing the financial statements.

OANDA EUROPE LIMITED

Strategic Report for the year ended 31 December 2019 (continued)

Principal Risks and Uncertainties (continued)

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, shareholders and the wider community. Given the inherent uncertainties and evolving nature of the impact of the COVID-19 pandemic, it is not practicable to give a reasonable estimate of the financial effects on the Company's financial resources, however we continue to monitor the situation to ensure OEL remains financially resilient.

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 2019 promote the long-term future success of the Company into 2020 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, shareholders 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



David Hodge
Director
04 May 2020

OANDA EUROPE LIMITED

Directors' Report for the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The Company reported a loss of £3,554,830 (2018: profit £823,952) for the year ended 31 December 2019. The Statement of comprehensive Income ("loss/profit") is set out on page 10 and shows the loss for the year. The directors do not recommend the payment of a dividend (2018: 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 (Appointed 12/11/2019)
D Hodge
C Johnson
J Martell
N McDonald (Appointed 29/07/2019, Resigned 11/11/2019)
K Ryan

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.

Post balance sheet events

The Company has assessed the impact of the COVID-19 pandemic on its operations and financial results. The company is closely monitoring its counterparty credit risk which the directors expect to be the most significant areas impacted and will continue to assess the impact of the COVID-19 pandemic on its operations and the value of its assets and liabilities.

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 4 and form part of this report by cross reference.

OANDA EUROPE LIMITED

Directors' Report for the year ended 31 December 2019 (continued)

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

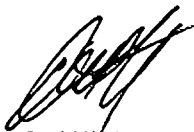
In the case of each director in office at the date the Directors' Report is approved:

- 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



David Hodge
Director
04 May 2020



Independent auditors' report to the members of OANDA Europe Limited

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 2019 and of its loss 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 and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

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



Independent auditors' report to the members of OANDA Europe Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, 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.



Independent auditors' report to the members of OANDA Europe Limited

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Harry Armour

Harry Armour (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
04 May 2020

OANDA EUROPE LIMITED

**Statement of Comprehensive Income
for the year ended 31 December 2019**

	Note	2019 £	2018 £
Turnover	2	11,832,805	14,808,444
Administrative expenses		(15,259,705)	(13,910,024)
Interest receivable and similar income		236,998	210,780
Interest payable and similar expenses		(318,816)	(245,205)
Operating (loss)/profit	3	(3,508,718)	863,995
Tax on (loss)/profit	9	(46,112)	(40,043)
(Loss)/profit and total comprehensive (loss)/ income for the financial year		(3,554,830)	823,952

All amounts relate to continuing activities.

The notes on pages 14 to 31 are an integral part of these financial statements.

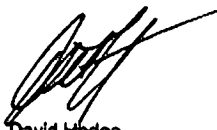
OANDA EUROPE LIMITED

**Statement of Financial Position
as at 31 December 2019**

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	10		230,227		119,632
Current assets					
Debtors	11	1,807,776		1,020,987	
Loans and receivables	12	-		2,027,140	
Cash at bank and in hand	13	4,327,809		7,151,347	
		<u>6,135,585</u>		<u>10,199,474</u>	
Creditors: amounts falling due within one year	14	1,990,985		2,457,327	
		<u></u>		<u></u>	
Net current assets			4,144,600		7,742,147
			<u></u>		<u></u>
Total assets less current liabilities			4,374,827		7,861,779
			<u></u>		<u></u>
Creditors: amounts falling due after more than one year	15		1,082		-
			<u></u>		<u></u>
Net assets			4,373,745		7,861,779
			<u></u>		<u></u>
Capital and reserves					
Called- up share capital	18		7,540,249		7,540,249
Other reserves	18		1,472,481		1,405,685
Retained earnings			(4,638,985)		(1,084,155)
			<u></u>		<u></u>
Total Equity			4,373,745		7,861,779
			<u></u>		<u></u>

The notes on pages 14 to 31 are an integral part of these financial statements.

The financial statements on pages 10 to 31 were approved and authorised for issue by the board and were signed on its behalf by:



David Hodge
Director

04 May 2020

Company registration number: 07110087

OANDA EUROPE LIMITED

**Statement of Changes in Equity
for the year ended 31 December 2019**

		Called up share capital	Other reserves	Profit and Loss account	Total equity
	Note	£	£	£	£
At 1 January 2018		10,810,448	956,192	(3,178,306)	8,588,334
Profit/total comprehensive income for the year		-	-	823,952	823,952
Share-based payment transactions	8	-	449,493	-	449,493
Share Cancellation transactions	18	(3,270,199)	-	-	(3,270,199)
Distribution of share reserves	18	-	-	1,270,199	1,270,199
At 31 December 2018		7,540,249	1,405,685	(1,084,155)	7,861,779
Loss / total comprehensive loss for the year		-	-	(3,554,830)	(3,554,830)
Share-based payment transactions		-	66,796	-	66,796
At 31 December 2019		7,540,249	1,472,481	(4,638,985)	4,373,745

The notes on pages 14 to 31 are an integral part of these financial statements.

OANDA EUROPE LIMITED

**Statement of Cash Flows
for the year ended 31 December 2019**

	2019	2018
	£	£
Net cash flow from operating activities		
(Loss)/ Profit before tax	(3,508,718)	863,995
Charge in relation to share based payments	66,796	449,493
Loan Interest Income	(41,058)	(27,140)
Depreciation	73,812	51,308
(Increase)/decrease in debtors	(786,789)	898,892
(decrease)/increase/in creditors and provision	(471,324)	808,590
Corporation tax paid	(40,048)	(27,495)
Net cash (used in) / generated from operating activities	(4,707,329)	3,017,643
Cashflow from investing activities		
Purchase of tangible fixed assets (Note 10)	(184,407)	(112,146)
Loan issued (Note 12)	-	(2,000,000)
Loan repaid (Note 12)	2,068,198	-
Net cash generated from/ (used in) investing activities	1,883,791	(2,112,146)
Cashflow from financing activity		
Return of capital to shareholder	-	(2,000,000)
Net cash used in financing activity	-	(2,000,000)
Net decrease in cash (Note 13)	(2,823,538)	(1,094,503)
Cash and cash Equivalents at the beginning of the year	7,151,347	8,245,850
Cash and cash Equivalents at the end of the year	4,327,809	7,151,347

The notes on pages 14 to 31 are an integral part of these financial statements.

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019

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 judgements in applying the entity's accounting policies

I. Share-based payments

On October 14, 2018, CVC Capital Partners ("CVC") established a share-based payment incentive plan through Plutus Investment US L.P. (Plutus) for certain employees of the Company. This incentive plan permitted the grant of share-based payment awards to employees or directors of the Company. The Company has accounted for such share-based payments in accordance with section 26 of FRS102 as equity settled transactions. The fair value of each award is estimated on the date of grant using a Monte-Carlo based simulation model to determine the future exit value of OANDA and the probability weighted timing of such an event. The Monte-Carlo model uses assumptions, including projected financial results, volatility, expected life and risk-free rates. Stock-based compensation cost is recognized as an expense over the defined and estimated vesting period as the case may be.

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 recognized in the period in which the estimate is revised and in any future periods.

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

1.3 Significant judgements and estimates (continued)

Critical accounting estimates and assumptions (continued)

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

I. Tax (Note 9)

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. 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 recognized in these statements. Management believes that its transfer pricing policy is appropriate based on its assessment of relevant factors and in line with OECD guidelines.

II. Useful economic lives of tangible assets (Note 10)

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

1.4 Foreign Currency

Functional and presentation currency

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

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

Transactions and balances

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

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

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 utilised by all the entities in OANDA. Monthly, a group allocation of the net trading revenue is calculated based on the volume of trades 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 recharges**

Business consulting services revenue earned from the related companies (note 22) determined on a cost-plus basis per the Agreement which is measured at the fair value of the consideration received or receivable. Revenue is measured over the period and is recognized when the services have been performed, evidence of an arrangement exists between the parties, the price for the services is fixed and determinable, and collectability is reasonably assured.

- **Interest Income**

Interest income includes interest earned on cash held in bank accounts and Intercompany loan interest on a short-term loan to OGC. Interest is recognised as its earned.

1.6 Share-based payments

- **Former Share Option Plan**

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

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

1.6 Share-based payments (continued)

Expense Recognition

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

- **New Incentive Plan**

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

Expense Recognition

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

1.7 Taxation

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

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

1.7 Taxation (continued)

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.

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

1.9 Financial instruments

Basic financial instruments

Basic financial assets and liabilities including trade and other receivables, cash and bank balances, trade and other payables, 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 realize the asset and settle the liability simultaneously.

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (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 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 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 recognized 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

	2019 £	2018 £
Trading revenue allocation from OANDA Corporation	949,737	6,342,782
Trading revenue allocation from OANDA CANADA	3,841,098	-
Trading revenue allocation from OANDA Australia Pty. Ltd.	3,591,374	7,439,166
Other trading revenue	132,770	71,001
Business consulting services	3,317,826	955,495
	<hr/>	<hr/>
	11,832,805	14,808,444
	<hr/>	<hr/>

All revenue arose in the UK (2018: 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 2019 (continued)

3 Operating profit

	2019	2018
	£	£
The operating loss/ profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 10)	73,812	51,308
Operating lease charges (note 20)	500,947	252,526
Staff costs (note 5)	4,897,817	3,443,321
Marketing Costs	3,838,759	3,438,345
Bad debt	14,850	(100,151)
Software Licence fees	1,693,396	2,889,352
Business consulting fees	1,402,105	1,235,278
Foreign exchange (gains)/ losses	(157,297)	467,097

4 Auditors' remuneration

	2019	2018
	£	£
Fee's payable to the Company's financial auditors for:		
Audit of the Company's financial statements	55,000	19,000
Fee's payable to the Company's auditors and its associates for:		
Audit-related assurance services pursuant to FCA regulation from KPMG		
- Current year	120,000	150,000
- Prior year	30,475	64,000
Audit service relating to prior year from KPMG	-	5,475
Other non-audit services from KPMG	5,000	5,000

5 Staff costs

	2019	2018
	£	£
Staff costs during the year were as follows:		
Wages and salaries	3,916,235	2,472,211
Social security	669,962	381,320
Other pension costs	231,457	124,662
Share-based payments (note 8)	66,796	449,493
Other	13,367	15,635
	<u>4,897,817</u>	<u>3,443,321</u>

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

5 Staff costs (continued)

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

	2019	2018
	£	£
Senior management	1	-
Sales and marketing	22	16
Product, trading and risk	6	2
Operations	13	10
	<u>42</u>	<u>28</u>

6 Directors' Remuneration

	2019	2018
	£	£
The directors' emoluments were as follows:		
Aggregate remuneration	757,780	794,583
Compensation for loss of office	-	-
Share-based payments	40,176	98,521
	<u>797,956</u>	<u>893,104</u>

There were no remunerations or retirement benefits payable relating to pensions attributable to the directors in 2019 (2018: Nil). No stock options were exercised by the directors (2018: Nil). As part of the acquisition of the Company's Parent by CVC Capital Partners ("CVC"), stock options held by directors were cancelled and remuneration was received for the difference between the exercise price and sale price which amounted to £40,176 (2018: £98,521).

The highest paid director whose services are attributable to the Company earned £271,657 (2018: £412,161).

During the year five (2018: three) of the eight (2018: seven) directors of the Company were employed directly by the Company. The other directors are remunerated by other companies within OANDA. The remuneration they received for services attributable to the Company in year represented 4.3% (2018: 7.1%) of their total costs.

Director remuneration of £19,975 (2018 £41,391), compensation for loss of office of £Nil (2018: Nil) and share-based payments of £Nil (2018: 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 2019 (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:

	2019 £	2018 £
Short-term employee benefits	889,804	792,575
Share-based payments	40,176	98,521

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 £889,804 (2018: £753,192) and share-based payments of £40,176 (2018: £98,521). 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. 4.3% (2018: 7.1%) 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

Former Share Option Plan

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

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

During the year ended December 31, 2019, the Company recognized stock-based compensation expense related to the plan of £Nil (2018: 399,971).

New Incentive Plan

During the year ended December 31, 2019, the Company recognized stock-based compensation expense related to the Plutus incentive plan of £66,796 (2018: £49,522).

The weighted average estimated fair value of awards granted, in aggregate, under this plan during 2019 was \$99 (2018: \$61).

The unrecognized stock-based compensation expense for awards granted under the Plutus incentive plan during 2019 was £294,612 (2018: £17,133). That cost is expected to be recognized over a weighted average period of 3.6 years (2018: 3.5 years).

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

9 Tax on (loss)/profit

	2019 £	2018 £
(Loss)/Profit before tax	(3,508,718)	863,995
UK tax expense at 19% (2018: 19%)	(666,656)	164,159
Effects of:		
Adjustment from prior year	5,257	(5)
Taxation on non-trading credit	-	40,048
Expenses not deductible for tax purposes	(23,324)	61,709
Difference between capital allowance and depreciation	-	(11,523)
Utilisation of tax losses	-	(214,345)
Notional affiliate allocation	730,835	
Taxation charge for the year	46,112	40,043

9 Tax on (Loss)/profit (continued)

Current tax

Current tax – current year	45,030	40,043
Total current tax	45,030	40,043

Deferred tax

Deferred tax – current year	1,082	-
Total deferred tax	1,082	-
Taxation charge for the year	46,112	40,043

At 31 December 2019, the Company had no unrecognised deferred tax asset (2018: £192,748). The 2018 balance was primarily in respect of tax losses carried forward and was calculated based on the rate of 19%.

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. 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.

Factors affecting future tax charge

The previously announced plan to reduce the UK corporation tax to 17% from 1 April 2020 has now been scrapped and the effect of this will be considered in calculating the future tax positions.

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

10 Tangible assets

	Leasehold £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2019	39,310	397,911	437,221
Additions	68,522	115,885	184,407
	<hr/>	<hr/>	<hr/>
At 31 December 2019	107,832	513,796	621,628
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 January 2019	39,310	278,279	317,589
Charge for the year	3,386	70,426	73,812
	<hr/>	<hr/>	<hr/>
At 31 December 2019	42,696	348,705	391,401
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2019	65,136	165,091	230,227
	<hr/>	<hr/>	<hr/>
At 31 December 2018	-	119,632	119,632
	<hr/>	<hr/>	<hr/>

11 Debtors

	2019 £	2018 £
Amounts owed by groups undertakings (Note 21)	922,249	549,686
Other debtors	543,216	297,423
Prepayments and accrued income	342,311	173,878
	<hr/>	<hr/>
	1,807,776	1,020,987

12 Loan and receivables

	2019 £	2018 £
Short term loan to OGC	-	2,027,140
	<hr/>	<hr/>
	-	2,027,140
	<hr/>	<hr/>

On 14 October 2018 a short-term unsecured loan amount of £Nil (2018: £2 million) was issued to the parent Company OANDA Global Corporation ("OGC") at an interest rate of 6.35% per annum. Interest income of £41,058 (2018: £27,140) was recorded during the year. £2,068,198 was repaid in April 2019.

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

13 Cash at bank and in hand

	2019 £	2018 £
At 1 January	7,151,347	8,245,850
Cash outflow	(2,823,538)	(1,094,503)
At 31 December	<u>4,327,809</u>	<u>7,151,347</u>

14 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	99,413	609,338
Amounts owed to groups undertakings (Note 21)	377,315	791,575
Corporation tax	45,030	40,048
Other taxation and social security	241,786	179,361
Accruals and deferred income	1,227,441	837,005
	<u>1,990,985</u>	<u>2,457,327</u>

15 Creditors: amounts falling due after one year

	2019 £	2018 £
Deferred Tax (Note 9)	1,082	-
	<u>1,082</u>	<u>-</u>

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

16 Financial instruments

The Company has the following financial instruments:

	Note	2019 £	2018 £
Financial assets measured at amortised cost			
Amounts owed by group undertakings	11	922,249	549,686
Other debtors	11	543,216	297,423
Loan receivable	11	-	2,027,140
Cash at bank and in hand		4,327,809	7,151,347
		5,793,274	10,025,596
Financial liabilities measured at amortised cost			
Trade creditors	14	99,413	609,338
Amounts owed to group undertakings	14	377,315	791,575
		476,728	1,400,912

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.

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 master netting agreements.

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

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (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:

	Assets	Assets	Liabilities	Liabilities	Net	Net
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
AUD	(724)	(14,478)	(9,042)	(28,978)	(9,766)	(43,456)
CAD	(57,199)	1,178	385	(96,036)	(56,814)	(94,858)
CHF	(62,383)	61,293	(7,619)	(67,931)	(70,002)	(6,638)
EUR	605,909	3,270,727	(82,679)	(363,325)	523,230	2,907,402
HKD	(197)	452	(158)	3,055	(355)	3,507
JPY	88,291	29,158	1,162	(591)	89,453	28,567
SGD	3,917	12,610	8,027	(20,596)	11,944	(7,986)
USD	1,343,499	691,916	(711,009)	(1,156,112)	632,490	(464,196)
	1,921,113	4,052,856	(800,933)	(1,730,514)	1,120,180	2,322,342

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (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:

	Assets	Assets	Liabilities	Liabilities	Net	Net
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
AUD	925,059	1,128,375	2,689,150	2,611,763	3,614,209	3,740,138
CAD	99,871	101,430	(3,182,240)	(3,187,304)	(3,082,369)	(3,085,874)
CHF	3,031,796	2,372,719	(8,145,750)	(7,626,555)	(5,113,954)	(5,253,836)
EUR	24,950,995	16,788,123	(23,265,147)	(18,019,598)	1,685,848	(1,231,475)
HKD	84,697	86,188	79,587	68,326	164,284	154,514
JPY	154,657	158,650	281,808	298,503	436,465	457,153
SGD	325,514	341,067	(2,815,367)	(2,887,042)	(2,489,853)	(2,545,975)
USD	13,433,040	10,834,948	(8,765,365)	(9,588,648)	4,667,675	1,246,300
	43,005,629	31,811,500	(43,123,324)	(38,330,555)	(117,695)	(6,519,055)

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 £50,124 (2018: (£209,835)). The effect on the foreign currencies of client money is (£5,885) (2018: (325, 953))

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 unrealized loss on the open position drops below set levels. OEL provides all clients with negative balance protection and is never in a position of lending a client funds or a 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 a market gap.

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 banks and other financial institutions.

The total overdue and impaired balance at the year-end was Nil (2018: Nil).

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

18 Share capital and other reserves (continued)

Other reserves

	2019	2018
	£	£
At 1 January	1,405,685	956,192
Employee share-based payments transactions (Note 8)	66,796	449,493
At 31 December	<u>1,472,481</u>	<u>1,405,685</u>

19 Client money

At 31 December 2019, amounts held by the firm on behalf of clients amounted to £42,839,859 (2018: £36,904,109).

20 Lease Commitments

At 31 December 2019, the Company had annual commitments under non-cancellable operating leases as set out below

	2019	2018
	£	£
Lease which expire:		
Less than one year	413,378	143,968
Between one and five years	1,475,278	71,984

The Company leases its office space under an operating lease. Lease payments recognized in administrative expenses for the year ended 2019 are £212,522 (2018: £143,968).

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 trading volumes. The revenue allocation from OANDA Corporation, OANDA Australia Pty. Ltd and OANDA (Canada) Corporation ULC during the year amounted to £949,737 (2018: £6,342,782), £3,591,374 (2018: £7,439,166) and £3,841,098 (2018: nil) 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 £1,693,396 (2018: £2,889,352).

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:

	2019	2018
	£	£
OANDA Corporation	553,828	399,251
OANDA (Canada) Corporation ULC	742,471	756,097
OANDA Asia Pacific Pte. Ltd.	105,806	79,930
	<u>1,402,105</u>	<u>1,235,278</u>

OANDA EUROPE LIMITED

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

21 Related party transactions (continued)

A service arrangement exists whereby the Company charges OANDA Corporation and other entities a business consulting fee related to the monitoring of the global trading and hedging activities based on the costs incurred by the Company. Included in turnover were fees amounting to £3,317,826 (2018: £955,495).

A short-term unsecured loan amount of £Nil (2018: £2million) was issued to the parent Company. This loan attracts interest at 6.35% annually (Note 11) and interest income of £41,058 (2018: £27,140) was recorded during the year.

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

	2019	2018
	£	£
OANDA Corporation	131,758	(704,228)
OANDA Global Corporation	662,130	546,788
OANDA (Canada) Corporation ULC	77,296	(11,352)
OANDA Asia Pacific Pte. Ltd	9,943	(13,042)
OANDA Australia Pty. Ltd	(377,315)	(62,953)
OANDA Japan Inc	41,122	2,898

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 th 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:	225 George Street, Level 43, Suite 4303, Sydney NSW 2000, Australia
OANDA Japan Inc	3-6 4F, Kojimachi, Chiyoda-ku, Tokyo, 102-0083 0120-923-213. Japan

22 Controlling Party

The immediate controlling party 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"), a company incorporated in Jersey.

23 Events after the end of the reporting period

The Company has assessed the impact of the COVID-19 pandemic on its operations and financial results. The company is closely monitoring its counterparty credit risk which the directors expect to be the most significant areas impacted and will continue to assess the impact of the COVID-19 pandemic on its operations and the value of its assets and liabilities. Given the inherent uncertainties and evolving nature of the impact of the COVID-19 pandemic, it is not practicable to give a reasonable estimate of the financial effects on the Company's financial resources, however we continue to monitor the situation to ensure OEL remains financially resilient.