Registered Number: 07110087

OANDA EUROPE LIMITED

Annual Report and Financial Statements

For the year ended

31 December 2022

OANDA EUROPE LIMITED

COMPANY INFORMATION

DIRECTORS	M H Anderson G Bambury K Ryan K Vom Scheidt M A Chesterman
SECRETARY	A P Lotkowska Szarecka
REGISTERED OFFICE	6 Dashwood House 69 Old Broad Street London EC2M 1QS
REGISTERED NUMBER	07110087
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

Contents

Strategic Report for the year ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

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.

Performance Review

The Company reported a profit of £558,492 for the year ended 31 December 2022 (2021: £351,894).

OEL's turnover is similar to 2021. The Company achieved similar performance due to a combination of higher volatility, which had a positive impact on revenues and a reduction in active clients (this is as a result of EU27 clients now being onboarded to a separate OANDA entity that UK NTAs do not outweigh the churn) which led to lower volume of transactions. The total revenue for the year ended 31 December 2022 was £16,850,473 (2021: £16,879,731). The operating profit of the Company increased from £474,824 to £704,581 due to an increase in interest receivable.

OEL's performance in 2022 was ahead of pre-pandemic levels as the Company continues to invest in marketing, customer service and relationship management.

For the financial year 2022, the company's main effort was;

- Focusing on High Volume Credit (HVC) clients and providing an excellent service to them
- Extending our product offer by adding new asset classes
- Maintaining a tight control on our costs
- Continuing to grow our active client base in the UK

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 1st January 2022, the Company was subject to the Investment Firm Prudential Regime ("IFPR") regulated by the FCA. IFPR required the implementation of the comprehensive change in the Company's Capital Requirements calculation as well as implementation of the Liquidity Requirement monitoring. The implementation of the new method for calculating capital requirements led to an increase in the requirement, although the company still has excess capital of £3.7m.

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 and Risk Assessment (ICARA) 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.

Credit and Counterparty Credit Risks

- 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 ICARA. 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 2022, the Company had a regulatory capital surplus of £3.7 million (2021: £4.5 million).

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

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/

Ukraine War

The Company has assessed the impact of the war in Ukraine, 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 exact impact on the volume of trading activity, however it should be noted that the increased volatility positively impacts the volumes traded by the Company's clients and should have a positive influence on 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.

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:

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 maters set out in s172(1)(a-f) of the UK Companies Act of 2006.

On behalf of the Board

Gavin Bambury

Gavin Bambury
Director
6th April 2023

Directors' Report for the year ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Results and dividends

The Company reported a profit of £558,492 (2021: £351,894) for the year ended 31 December 2022. The Statement of comprehensive Income is set out on page 12 and shows the profit for the year.

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
K Ryan
K Vom Scheidt
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 until the approval 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.

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
6th April 2023

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 2022 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, including 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 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows 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 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 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 2022 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, 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 (FCA), 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 and UK tax legislation. 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 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;
- Testing of journal entries meeting specific fraud risk criteria;
- Review of minutes of meetings of those charged with governance; and
- Challenging assumptions and judgements made by management in their significant accounting estimates including transfer pricing.

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. 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

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

Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022	2021
		£	£
Turnover	2	16,850,473	16,879,731
Administrative expenses		(16,346,790)	(16,062,283)
Interest receivable and similar income		268,979	88,028
Interest payable and similar expenses		(285,928)	(430,652)
Operating profit	3	486,734	474,824
Income realised from legal settlement	23	217,847	-
Profit before tax		704,581	474,824
Tax on profit	9	(146,089)	(122,930)
Profit and total comprehensive income for the financial year		558,492	351,894

All amounts relate to continuing activities.

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

Statement of Financial Position
as at 31 December 2022

	Note	2022	2021
		£	£
Fixed assets			
Tangible assets	10	86,536	134,348
Intangible assets	10	337,594	-
		424,130	134,348
Current assets			
Debtors	11	2,917,576	1,716,486
Loans and Receivables	12	5,049,863	5,016,986
Cash at bank and in hand	13	5,839,479	5,110,777
		13,806,918	11,844,249
Debtors: amounts falling due after one year	14	-	19,656
Creditors: amounts falling due within one year	15	3,900,895	2,400,610
Net current assets		9,906,023	9,443,639
Total assets less current liabilities		**10,330,153**	**9,597,643**
Net assets		**10,330,153**	**9,597,643**
Capital and reserves			
Called up share capital	18	7,540,249	7,540,249
Other reserves	18	1,953,912	1,779,894
Retained earnings		835,992	277,500
Total Equity		**10,330,153**	**9,597,643**

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
6th April 2023
Company registration number: 07110087

Statement of Changes in Equity
for the year ended 31 December 2022

	Note	Called up share capital £	Other reserves £	Profit and Loss account £	Total equity £
At 1 January 2021		7,540,249	1,612,339	(74,394)	9,078,194
Profit / total comprehensive income for the year		-	-	351,894	351,894
Share-based payment transactions	8	-	167,555	-	167,555
At 31 December 2021		**7,540,249**	**1,779,894**	**277,500**	**9,597,643**
Profit / total comprehensive income for the year		-	-	558,492	558,492
Share-based payment transactions	8	-	174,018	-	174,018
At 31 December 2022		**7,540,249**	**1,953,912**	**835,992**	**10,330,153**

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

Statement of Cash Flows
for the year ended 31 December 2022

	2022	2021
	£	£
Net cash flow from operating activities		
Profit before tax	704,581	474,824
Adjustments for:		
Charge in relation to share based payments	174,017	167,555
Loan Interest Income	(32,877)	(16,986)
Depreciation	153,294	146,332
(Increase)/Decrease in debtors	(1,139,027)	7,837,880
Increase/(Decrease) in creditors and provision	1,629,296	(2,344,417)
Net foreign exchange difference	1,702,137	(592,130)
Corporation tax paid	(332,220)	(219,123)
Net cash generated from operating activities	**2,859,201**	**5,453,935**
Cash Flow from investing activities		
Purchase of tangible fixed assets (Note 10)	(75,177)	(42,032)
Purchase of intangible assets (Note 10)	(367,899)	-
Loan issued (Note 12)	-	(5,000,000)
Net cash used in investing activities	**(443,076)**	**(5,042,032)**
Net foreign exchange difference	**(1,687,423)**	**461,591**
Net increase in cash (Note 13)	**728,702**	**873,494**
Cash and Cash Equivalents at the beginning of the year	**5,110,777**	**4,237,283**
Cash and Cash Equivalents at the end of the year	**5,839,479**	**5,110,777**

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

1 Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared on a going concern basis in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and the Companies Act 2006, 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 the Ukraine War, the Company continues to monitor the impact and is managing its expenses and capital position accordingly. The Ukraine war has 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.

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.

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 table 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)

1.7 Taxation (continued)

There are instances which require 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. Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have an effect on the amounts recognised in the financial statements are the determination of the following:

- provision for income taxes, inclusive of realisation of deferred tax assets:
- the determination of transfer pricing policies within the affiliated group. The Company conducts a number of transactions with related parties throughout the year, most of which are governed by transfer pricing policies adopted by OGC to ensure that the prices charged in such transactions are those that management, in its estimation, believes are consistent with prices that 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. Management believes that its transfer pricing policy is appropriate based on its assessment of relevant factors and in line with OECD guidelines.

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.

1 Accounting policies (continued)

1.9 Financial instruments (continued)

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. Section 11 and 12 of FRS 102 is used in the recognition and measurements of the financial instruments.

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.

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

	2022 £	2021 £
Trading revenue allocation from OANDA CANADA	3,790,291	6,475,555
Trading revenue allocation from OANDA Australia Pty. Ltd.	3,268,416	4,134,973
Other trading revenue	127,009	160,054
Business consulting services	9,664,757	6,109,148
	16,850,473	16,879,731

All revenue arose in the UK (2021: UK) mostly from clients within Europe, Middle East and Africa ("EMEA").

During 2022, the financial markets experienced higher volatility as compared with 2021 which saw the Company earn higher revenues.

3 Operating profit

	2022 £	2021 £
The operating profit/loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 10)	112,264	142,757
Depreciation of intangible fixed assets (note 10)	41,030	3,575
Operating lease charges (note 20)	615,089	553,344
Staff costs (note 5)	8,669,273	7,064,214
Marketing Costs	2,403,927	2,056,903
Bad debt provision/(provision reversal)	34,646	(4,703)
Software Licence fees	-	2,359,580
Business consulting fees	2,339,384	1,730,945
Foreign exchange losses	168,924	234,459

4 Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's financial auditors for:		
Audit of the Company's financial statements	82,983	68,250
Fees payable to the Company's auditors and their associates for:		
Audit-related assurance services pursuant to FCA regulation from PricewaterhouseCoopers LLP (PwC)		
- Current year	123,735	100,000

5 Staff costs

	2022 £	2021 £
Staff costs during the year were as follows:		
Wages and salaries	7,210,618	5,773,283
Social security	925,667	804,168
Other pension costs	271,474	251,748
Share-based payments (note 8)	174,018	167,555
Other	87,497	67,460
	8,669,273	7,064,214

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

	2022 Number	2021 Number
Senior management	2	2
Sales and marketing	27	22
Product, trading and risk	15	17
Operations	16	17
	60	58

6 Directors' Remuneration

	2022 £	2021 £
The directors' emoluments were as follows:		
Aggregate remuneration	1,328,326	1,115,951
Compensation for loss of office	-	833
Share-based payments	116,734	52,321
	1,445,060	1,169,105

There were no remunerations or retirement benefits payable relating to pensions attributable to the directors in 2022 (2021: Nil). No stock options were exercised by the directors (2021: Nil).

The highest paid director whose services are attributable to the Company earned £558,210 (2021: £329,919).

During the year four (2021: five) of the five (2021: 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 the year represented 7% (2021 9.3%) of their total costs.

6 Directors' Remuneration (continued)

Directors' remuneration of £15,427 (2021 £20,909), compensation for loss of office of £Nil (2021: £833) and share-based payments of £628 (2021: £708) for these directors not employed by the Company are included in the total directors' remuneration costs above.

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:

	2022 £	2021 £
Short-term employee benefits	1,328,326	1,115,951
Share-based payments	116,734	52,321

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 £1,312,899 (2021: £1,095,042) and share-based payments of earned £116,106 (2021: £51,613). The total remaining reflects the short-term employee benefits and share-based payments for other key management personnel, whose costs are wholly incurred by affiliated entities 7% (2021: 9.3%) 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, 2022, the Company recognised stock-based compensation expenses relating to the Plutus incentive plan of £174,018 (2021: £167,555).

The weighted average estimated fair value of awards granted, in aggregate, under this plan during 2022 was $466.06 (2021: $616.95).

The unrecognised stock-based compensation expense for awards granted under the Plutus incentive plan during 2022 was £726,724 (2021: £162,551). That cost is expected to be recognised over a weighted average period of 3.6 years (2021: 3.9 years). The time based vesting condition accounts for 30% of the unit award granted and has a 5 year term with 20% vesting on the first anniversary date of the grant and 5% quarterly thereafter.

9 Tax on profit

	2022	2021
	£	£
Profit before tax	704,581	474,824
UK tax expense at 19% (2021: 19%)	133,870	90,217
Effects of:		
Adjustment from prior year	(4,641)	748
Expenses not deductible for tax purposes	33,071	31,965
Difference between capital allowance and depreciation	(82,621)	11,747
Deferred Tax	66,410	(11,747)
Taxation charge for the year	**146,089**	**122,930**
Current tax		
UK Corporation tax on profits /(losses) of the year	84,320	133,929
Adjustment in respect of prior periods	11,291	48
Total current tax	**95,611**	**133,977**
Deferred tax		
Origination and reversal of timing difference	66,410	(11,747)
Adjustment in respect of prior periods	(15,932)	700
Total deferred tax	**50,478**	**(11,047)**
Taxation charge for the year	**146,089**	**122,930**
Deferred tax movement		
Opening balance	(19,656)	(8,609)
Tax rate change on opening balance	(4,655)	-
Current year movement	55,133	(11,047)
Deferred Tax liability/(asset) (Notes 14)	**30,822**	**(19,656)**

As at 31 December 2022, the Company had no unrecognised deferred tax asset (2021: £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 Autumn Budget 2021, 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. This new law was substantively enacted on 10 June 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10 Tangible and Intangible assets

	Leasehold Improvement	Fixtures, fittings and equipment*	Total Tangible assets	Intangible assets	Total Intangible assets
	£	£	£	£	£
Cost					
At 1 January 2022	**116,825**	**663,109**	**779,934**	**14,300**	**14,300**
Additions	10,627	64,549	75,177	367,899	367,899
At 31 December 2022	**127,452**	**727,658**	**855,111**	**382,199**	**382,199**
Accumulated depreciation					
At 1 January 2022	**94,123**	**562,188**	**656,311**	**3,575**	**3,575**
Charge for the year	23,338	88,926	112,264	41,030	41,030
At 31 December 2022	**117,461**	**651,114**	**768,575**	**44,605**	**44,605**
Net book value					
At 31 December 2022	**9,991**	**76,545**	**86,536**	**337,594**	**337,594**
At 31 December 2021	**22,702**	**100,921**	**123,623**	**10,725**	**10,725**

Intangible assets, such as software acquired by the Company that have finite useful lives greater than one year, are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives on recognition are as follows:

Computer software - 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

*The Net book value disclosed as being Fixtures, fittings and equipment as at 31st December 2021 has been restated from £111,646 to £100,921. This is as a result of reclassification of software costs to Intangible assets.

11 Debtors

	2022	2021
	£	£
Amounts owed by group undertakings (Note 21)	1,302,549	175,469
Financial Instruments at fair value (included in amounts owed by group undertakings)	510,419	537,099
Other debtors and receivables	910,477	711,944
Prepayments and accrued income	194,131	291,974
	2,917,576	**1,716,486**

12 Loans and receivables

	2022	2021
	£	£
Loan to OGC	5,049,863	5,016,986
	5,049,863	**5,016,986**

On 15 November 2021, OEL entered into a loan agreement for an unsecured loan, repayable on demand. £5 million (2021: £5m) was issued to the parent Company OANDA Global Corporation ("OGC") at an interest rate of 4% per annum. The loan was due to mature in November 2022 however was extended, which was confirmed by an annex signed in March 2023. As the loan was issued to the parent Company OGC, entitled to 100% of OEL equity, there is no credit risk in regard to the delay in the extension of the loan. Interest income of £183,014 (2021: £16,986) was recorded during the year.

13 Cash at bank and in hand

	2022	2021
	£	£
At 1 January	5,110,777	4,237,283
Cash inflow	728,702	873,494
At 31 December	5,839,479	5,110,777

14 Debtors: amounts falling due after one year

	2022	2021
	£	£
Deferred Tax (Note 9)	-	19,656
	-	19,656

15 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	192,009	80,652
Amounts owed to group undertakings (Note 21)	465,436	200,043
Corporation tax	783,808	1,020,417
Deferred tax liability	30,822	-
Other taxation and social security	161,477	152,615
Accruals	2,238,835	946,883
Other creditors	28,508	-
	3,900,895	2,400,610

16. Financial instruments

The Company has the following financial instruments:

	Note	2022 £	2021 £
Financial assets measured at amortised cost			
Amounts owed by group undertakings	11	1,302,549	175,469*
Other debtors	11	910,477	711,944
Loan receivable	12	5,049,863	5,016,986
Cash at bank and in hand		5,839,479	5,110,777
		13,102,368	**11,015,176**
Financial Instruments at fair value (included in amounts owed by group undertakings)	11	510,419	537,099
		13,612,787	**11,552,275**
Financial liabilities measured at amortised cost			
Trade creditors	15	192,009	80,652
Amounts owed to group undertakings	15	465,436	200,043
Other creditors	15	28,508	-
		685,953	**280,695**

All financial assets and liabilities are due to mature within a year. The financial assets are neither past due nor impaired. The amounts disclosed as being owned by group undertakings measured at amortised cost as at 31st December 2021 have been restated from £712,568 to £175,469 to remove amounts that are held at fair value and disclosed under derivative financial instruments.*

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 £510,419 (2021: £537,099) (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.

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 2022 £	**Assets 2021 £**	**Liabilities 2022 £**	**Liabilities 2021 £**	**Net 2022 £**	**Net 2021 £**
AUD	90,472	78,927	(1,650)	-	88,822	78,927
CAD	104,643	111,239	(65,775)	(873)	38,868	110,366
CHF	329,193	441,098	(130,792)	(74,349)	198,401	366,749
EUR	759,991	537,441	(212,145)	(149,991)	547,846	387,450
HKD	4	256	-	-	4	256
JPY	859,435	680,364	469	-	859,904	680,364
SGD	77,905	302,439	(2,527)	(900)	75,378	301,539
USD	2,710,158	2,703,112	244,795	(67,686)	2,954,953	2,635,426
PLN	-	-	(74,701)	(21,588)	(74,701)	(21,588)
	4,931,801	**4,854,876**	**(242,326)**	**(315,387)**	**4,689,475**	**4,539,489**

17 Financial risk management (continued)

Market risk (continued)

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

	Assets 2022 £	Assets 2021 £	Liabilities 2022 £	Liabilities 2021 £	Net 2022 £	Net 2021 £
AUD	449,881	599,507	(490,819)	(591,252)	(40,938)	8,255
CAD	52,083	49,347	(36,178)	(68,495)	15,905	(19,148)
CHF	1,695,247	2,005,155	(3,412,184)	(1,984,495)	(1,716,937)	20,660
EUR	12,822,314	11,983,553	(13,703,938)	(13,358,684)	(881,624)	(1,375,131)
HKD	19,034	17,018	(450)	(4,783)	18,584	12,235
JPY	299,845	133,405	(330,725)	(329,354)	(30,880)	(195,949)
SGD	33,841	28,927	(20,206)	(26,884)	13,635	2,043
USD	8,580,719	6,497,641	(3,094,720)	(3,746,676)	5,485,999	2,750,965
	23,952,964	**21,314,553**	**(21,089,220)**	**(20,110,623)**	**2,863,744**	**1,203,930**

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 £377,661 (2021: £287,171). The effect on the foreign currencies of client money is £143,187 (2021: £60,196).

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.

17 Financial risk management (continued)

Credit risk (continued)

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 Company has counterparty exposure with Group affiliates relating to intercompany transactions and a loan to the immediate parent. The loan to the immediate parent is past due by 31 days. (note 12). The credit worthiness of these parties is monitored, and the concentration levels are managed by early pre-settlement of balances to minimise amounts receivable.

The total impaired balance at the year-end was Nil (2021: 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.

18 Share capital and other reserves

Called up Share Capital

	2022	2021
Allotted, allocated and fully paid		
Ordinary shares of $0.01 each	1,210,894,709	1,210,894,709
	£	£
At 1 January / 31 December	**7,540,249**	**7,540,249**

Other reserves

	2022	2021
	£	£
At 1 January	1,779,894	1,612,339
Employee share-based payments transactions (Note 8)	174,018	167,555
At 31 December	**1,953,912**	**1,779,894**

The issued share capital of the company is 1,210,894,709 shares at $0.01 each, converted at historic exchange rates at the time of issuance is equivalent to £7,540,249.

19 Client money

At 31 December 2022, amounts held by the firm on behalf of clients amounted to £35,304,357 (2021: £34,567,573).

20 Lease Commitments

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

	2022	2021
	£	£
Lease which expire:		
Less than one year	414,830	387,573
Between one and five years	884,408	700,132

The Company leases its office space under an operating lease. Lease payments recognised in administrative expenses for the year ended 2022 are £412,121 (2021: £361,735).

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 £3,268,416 (2021: £4,134,973) and £3,790,291 (2021: £6,475,555) respectively. Until 31st December 2021, OANDA Corporation charged a software licence fee and platform contribution cost in respect of the trading platform. The fee for 2021 amounted to £2,359,580.

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:

	2022	2021
	£	£
OANDA Corporation	316,506	879,462
OANDA (Canada) Corporation ULC	1,151,712	414,936
OANDA Asia Pacific Pte. Ltd.	55,358	101,087
OANDA Poland sp. Zo.o.	596,978	272,312
OANDA Markets Europa GmbH	-	268
OANDA Europe Markets Limited	28,721	9,092
OANDA Business Information and Services Inc.	5,991	3,690
Dom Maklerski TMS Brokers S.A.	161,243	50,098
OANDA Malta Holdings Ltd	14,182	-
OANDA Australia Pty. Ltd	8,693	-
	2,339,384	**1,730,945**

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 Company also earns a profit allocation from the Residual Profit Split Method ("RPSM"). Included in turnover were fees amounting to:

	2022	2021
	£	£
OANDA Corporation	4,459,964	3,432,229
OANDA (Canada) Corporation ULC	1,048,967	189,923
OANDA Asia Pacific Pte. Ltd.	866,129	339,074
OANDA Poland sp. Zo.o.	-	7,399
OANDA Markets Europa GmbH	-	40,381
OANDA Europe Markets Limited	458,763	253,530
OANDA Business Information and Services Inc.	-	288,205
Dom Maklerski TMS Brokers S.A.	360,654	34,158
OANDA Australia Pty. Ltd	289,958	192,273
OANDA Japan Inc	1,340,326	788,705
OANDA Global Markets Ltd	839,996	543,271
	9,664,757	**6,109,148**

Related party transactions (continued)

An unsecured loan amount of £5 million (2021: £5 million) was issued to the parent Company. The loan has been extended. This loan attracts interest at 4% annually (Note 12) and interest income of £183,014 (2021: £16,986) was recorded during the year.

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

	2022	2021
	£	£
OANDA Corporation	(381,945)	(49,992)
OANDA Global Corporation	(20,934)	(937)
OANDA (Canada) Corporation ULC	229,446	286,711
OANDA Asia Pacific Pte. Ltd	333,542	(22,085)
OANDA Australia Pty. Ltd	672,492	394,666
OANDA Japan Inc	366,181	(81,298)
OANDA Business Information and Services Inc.	-	(2,407)
OANDA Malta Holdings Ltd.	(12,975)	-
OANDA Global Markets Ltd	112,860	23,407
OANDA Europe Markets Ltd	30,504	7,782
OANDA Poland sp. Zo.o.	(48,375)	(12,474)
OANDA Markets Europa GmbH	-	(2,869)
OANDA TMS Brokers S.A.	63,123	(27,892)
OANDA Belgium Services BV	3,614	-

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, 205-5th 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.	Zabłocie 43B 30-701 Kraków. Poland
OANDA Markets Europa GmbH	Wework Building Taunusanlage 8, 60329, Frankfurt/Main. Germany
OANDA TMS Brokers S.A.	00-120 Warszawa, Zlota 59, 00-120 Warszawa, Poland

OANDA Belgium Services BV	Uttbreidingstraat 84/3, Office No. 441A Berchem Antwerp 2600, Belgium

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).

23 Legal settlement

The Group was a claimant under a class action lawsuit filed with the United States District Court in the Southern District of New York against certain major banks for the manipulation of FX rates. The court approved the creation of a settlement fund to manage the awards made to certain authorised claimants and the Group received its settlement in the amount of $4,081,967 during the year ended December 31, 2022, of which OEL's allocation was $263,065 (£217,847).