Annual Report
2020

OFX GROUP LIMITED | ACN 165 602 273

human and digital

Some of the biggest global trends and innovations are being born out of the human desire to reach further, move faster and connect more deeply

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global and local

Our mission is to help you understand money transfers through technology, people and insight; ultimately empowering our customers to thrive in a fast moving world

Highlights

For the Financial Year ended 31 March 2020

$125.2m

Net operating income

$38.2m
Underlying EBITDA

30.6%
Underlying EBITDA margin

$21.4m
Underlying net profit after tax (NPAT)

$20.3m
Statutory NPAT

$61m
Net cash held (as at 31 March 2020)

4.7cps
Total dividend for the year

At OFX, we've been helping international citizens and businesses participate in the global economy for more than 20 years

In that time, we've witnessed countless geopolitical, economic, technological, regulatory and customer behavioural changes.

Recently we have seen seismic social and economic shifts around the globe – BREXIT, trade wars, widespread bushfires in North America and Australia, and the now ongoing response to contain the spread of COVID-19. The world is a very different place to what it was just months ago. The impacts of these events are still reverberating across global and local communities and will continue to shape markets for years to come, with human and financial impacts yet to be realised.

Events like these confront people and businesses on every level. They also invoke humanity and spark innovation. We believe that cross-border trade is vital for the health of economies and communities; and our goal is to enable more of it, even in challenging conditions.

In the midst of so much change, one thing stays the same – the trust our customers have in us. We are committed to supporting our customers, both through times of stability and in times of volatility. Through our Human+Digital offering we provide our customers with security, transparency, speed and trust so that they can move money globally with confidence.

Most importantly, we're available for our customers whenever and wherever they need us – 24/7, day and night.

Operational Highlights

- **$24.7b**
  Total transfers (turnover) up 4.2%
- **1.1m**
  Transactions
- **7.3**
  Transactions per active client (up 9%)
- **76%**
  Revenue from existing clients
- **1.16m**
  Calls managed
- **65**
  NPS score

From the Chairman

Fellow Shareholders

As I write this, the world is responding, as best it can, to the COVID-19 pandemic. Equities markets have largely unravelled, wiping out the largest gains in our history. Central banks have worked to provide monetary stimulus on an unprecedented level. Governments have launched enormous levels of fiscal stimulus. Society as a whole is grappling with unimaginable challenges.

In times like these, I think it is important to reflect upon the sustainability of our Company. Over recent years we have seen a lot of companies in our industry chase high double-digit growth in customer numbers and revenue while continuing to generate sizeable operating losses. We have chosen not to pursue this strategy. We have focused on building and operating a sustainable company that serves our shareholders, our clients, our regulators, and our employees, as well as society at large.

A more valuable business

Over the last three or more years, the Board and I have overseen the most substantial change in OFX's history. Some of the changes we have made include:

- Appointing a new CEO (Skander), and an entirely new Executive team of nine highly skilled, diverse and experienced executives
- Implementing improved risk management systems, frameworks and practices, ranging from state-of-the-art transaction monitoring systems to new cyber security protocols and protection
- Implementing the largest CAPEX program we have ever undertaken – growing annual spend on our infrastructure from less than $5 million pa to over $10 million pa in order build reliable, scalable systems
- Increasing our investment in our regional growth by over 65%, particularly in North America
- Overhauling our governance programs across Audit, Risk and Compliance Committee, Board and the Remuneration and Nomination Committee.

> “In times like these I think it is important to reflect upon the sustainability of our Company. Over recent years we have seen a lot of companies in our industry chase high double-digit growth in customer numbers and revenue while continuing to generate sizeable operating losses. We have chosen not to pursue this strategy. We have focused on building and operating a sustainable company that serves our shareholders, our clients, our regulators, and our employees, as well as society at large.

All of this, whilst building on the very strong foundations of OFX's operating model:

- A very strong balance sheet with no debt
- Solid cash flow generation with very high returns on capital
- A client centred culture
- A very strong risk management culture and operating mechanisms
- A global platform that allows us to serve clients in their preferred manner, 24x7, through our unique 'human+digital' value proposition.

There is absolutely no doubt in our minds that the intrinsic value of OFX is at an all-time high.

Good execution

Skander will share an update on key trading items, however from the Board's perspective a few things are important:

1. We continued to grow Net Operating Income, whilst delivering positive annual operating leverage on an underlying EBITDA basis. This is the third year in a row of doing this, after several years of declines, and we did this against a backdrop of very uneven markets
2. We grew our underlying EBITDA from $36.0 million to $38.2 million while increasing underlying EBITDA margins from 30.3% to 30.6%. This confirms our execution is improving and our business is becoming more valuable
3. The investments we have made in prior years, particularly in growing our Corporate portfolio, as well as our North American region, have delivered the returns we looked for, and more. This confirms we are focused and thoughtful about where to place our capital.

As we see continued uncertainty we will drive the advantages we have even harder – stronger risk management, better client experiences, a strong global platform and an outstanding team.

Further, we have identified two segments where early investments have been successful and we believe now is the time to take advantage of these early wins and intensify our focus in these areas. These are growing our Enterprise business segment and our Online Sellers segment globally.

Skander and the team have presented a clear plan, with staged implementation, to create a more valuable company. As our external environment changes we will either temper or accelerate these investments. With $61.0 million of cash on our balance sheet, no debt, very strong cash flow and a very high return on capital we are competing from a position of strength and sustainability.

Dividend

However, in light of the global economic uncertainty, and the effect it may have on trading, we have decided to maintain the dividend at 2.35c per share, in line with the dividend paid at half year, but at a slightly lower payout ratio than historically. This is a sensible precaution, balancing the need to preserve a healthy cash position, whilst providing shareholders with attractive returns. We will continue to monitor this throughout the year.

FY20 was also a busy year for your Board given market and company conditions. We held:

- 22 Board meetings
- Four Audit Risk and Compliance Committee meetings
- Five Remuneration and Nomination Committee meetings.

I can confidently say the Board is active, well informed, aligned with management, and excited about our future.

I want to thank my fellow Directors for their dedication and commitment when the Company needed it.

Finally, on behalf of our clients and our partners, as well as our regulators, I want to thank the OFX team for their extraordinary hard work, skill and perseverance in these uncertain times. Last year you created a more valuable company for our shareholders, and for our society.

Steven Sargent
Chairman

19 May 2020

From the CEO

"It's impossible to predict how the global economy will respond to COVID-19. However, we have in place a clear strategy and strong execution. We intend to invest more in growing our Enterprise and Online Sellers segments. We will continue to grow North America, and support UK/Europe and APAC pivot to growth, especially in Corporate.

Fellow Shareholders

2020 was a good operating year for OFX – markets were very quiet until the fiscal fourth quarter, when they became highly active due to the dislocation caused by the COVID-19 outbreak. Throughout the year, and indeed over the past three years, we have continued to invest in creating more reliable and scalable systems and in our risk management capabilities, and continued to focus on improving our client experience. Those investments, driven by our extraordinary team, meant that we were able to remain open, trade well, and serve our clients when they needed us, whilst protecting the Company from the risks caused by very volatile markets worldwide.

The trading highlights

- Record Net Operating Income of $125.2 million
- Record Net Operating Income in North America of $33.7 million , and revenue growth of 24%
- Record contribution from our Corporate segment, now c 45% of our revenue, up from c 30% five years ago
- Stable Net Operating Income margin at 56bps ex IPS, despite Corporate growing faster than Consumer
- Strong expense control, with underlying operating expenses growing 5.0%, which is lower than our growth in Net Operating Income for the third year in a row
- We finished the year with a very strong balance sheet – $61 million of cash on our balance sheet
- Overall Underlying EBITDA growing to $38.2 million, up 6.4%, and Underlying EBITDA margin growing to 30.6%.

Beyond trading, we were steadfast in our execution of operations and our capital program:

- We invested over $10 million of CAPEX across several key infrastructure programs, largely on time and ahead of budget. Our Technology team is delivering more, with less, and at the best quality ever
- We implemented our new transaction monitoring software, in partnership with Quantexa, which will both improve the quality of our investigations (and thereby position the Company to be a better participant in the global fight against money laundering), and also enable us to become a more efficient company

- Our marketing acquisition performance improved by over 11%
- Our Online Sellers business segment grew by 21% and is our fastest growing vertical
- We signed our first new Enterprise partner – Link Australia (**LINK**) – in over five years.

These highlights reflect the combined efforts of a very dedicated, enthusiastic and global team. Beneath the highlights, the smaller areas of execution are what make OFX a strong and sustainable company:

- Daily meetings to review revenue initiatives
- Small improvements weekly in our customer experience
- Global operating forums for commercial teams to discuss how to drive better commercial outcomes including client conversion, marketing support and pricing
- Intensifying our dealers' focus by reducing the number of clients they support so that they can build much deeper relationships and improved account management and support for our clients
- Delivered a new Learning and Development program to upskill our people, particularly in developing leadership essentials.

It was also the year we implemented our global operating model to full effect – three strong regions, led by experienced and capable regional Presidents, with dedicated finance, marketing, risk, operations, treasury, legal and people and culture functions so that they can take advantage of opportunities in each region. All on a single global technology platform.

The global highlights included:

- Our investment in North America continues to be a real highlight. The team delivered growth in revenue of 24%, grew active clients in both our Consumer and Corporate segments, and strengthened the team by adding 11 people
- Our UK and European team also had an excellent year – with the highlight being they grew new Corporate revenue by 88%. The entire Executive and Board visited London in late September to get a much closer look at how the UK operates. The UK is the epicentre and recognised leader in payments and cross border payments. We also visited our bankers there to get deeper insights into how they think about our market. We came away with some very good ideas on how to improve, most of which we are currently implementing
- Here in APAC, the team had a good year. They restructured operations in Asia, as well as here in Australia and New Zealand, and saw revenue grow 19% in Q4 as their changes started to take effect. That was particularly impressive given events in Hong Kong and the onset of COVID-19 into Australia and New Zealand during that time.

Our outlook

It's impossible to predict how the global economy will respond to COVID-19. However, we have in place a clear strategy, and strong execution. We intend to invest more in growing our Enterprise and Online Sellers segments. We will continue to grow North America, and support UK/Europe and APAC pivot to growth, especially in Corporate.

Thank you to our investors, for investing in us this year. It has been a very unusual year for markets, but the OFX model and the OFX team have operated well – better than 2019 and well prepared for a stronger 2021.

A big thank you to the Board for all your counsel, it has been very reassuring to be able to access your experience in these times.

Thank you also to our loyal clients. We never take your custom for granted.

Finally, a big thanks to all the dedicated OFXers who make this such a great company. For all your hard work, for your enthusiasm, and your support for each other in building this great company.

Skander Malcolm
Chief Executive Officer and Managing Director

19 May 2020

Executive team

From left to right:
Jill Rezsdovics, Elaine Herlihy, Skander Malcolm, Sarah Webb, Yung Ngo, Elisabeth Ellis, Alfred Nader, Wendy Glasgow, Mark Shaw, Selena Verth.

John ('Skander') Malcolm

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Skander joined OFX in February 2017 and has more than 26 years' experience in financial services across consumer payments, consumer finance, joint ventures, partnerships, commercial lending and leasing and digital. He has worked in Australia and New Zealand, the UK, the US, the Middle East, Africa and Russia. He previously served as President and CEO of GE Healthcare, Eastern and African Growth Markets, and prior to that, as President and CEO for GE Capital, Australia and New Zealand.

He holds a Bachelor of Economics from University of Sydney and is a Member of the Australian Institute of Company Directors.

Selena Verth

CHIEF FINANCIAL OFFICER

Selena joined OFX in October 2017 and has more than 20 years' experience in finance, analytics, M&A and risk across various roles. Her most recent role was Head of Finance – Platforms, Superannuation and Investments and Head of Wealth Analytics and Insight at BT Financial Group Australia. Prior to this, Selena held a number of senior financial roles within GE, including Leader, Financial Planning and Analysis and Commercial Finance for GE Global Growth and Operations, Australia and New Zealand; and Director of Business Development for GE Australia.

Selena has a Bachelor of Commerce, Executive MBA from the Australian Graduate School of Management; she is a fellow of CPA Australia and is a Graduate of the Australian Institute of Company Directors.

Mark Shaw

CHIEF OPERATING OFFICER

Mark joined OFX in January 2018 as Chief Risk Officer and has been Chief Operating Officer and Chief Risk Officer since 1 March 2019. In his role Mark is responsible for the Group's global operations and risk functions. Mark has over 17 years' experience in financial services gained at leading Australian and New Zealand banks. Most recently he led the Operational Risk and Compliance function for Australia Division at ANZ. Mark held several other senior roles within ANZ including Head of Compliance in both Australia and New Zealand. Before joining ANZ in 2007, Mark worked at Suncorp managing the group's governance, policy and regulatory training frameworks, and overseeing compliance and operational risk teams across Australia.

Mark holds Bachelor's degrees in Computer Science and Law from the University of Queensland and has also completed all three levels of the Chartered Financial Analyst (CFA) program.

Wendy Glasgow

CHIEF TECHNOLOGY OFFICER

Wendy joined OFX in February 2018 and has over 17 years' experience in the technology industry, leading global teams to deliver business critical products to Australian and international markets.

Prior to joining OFX, Wendy spent several years at Google, leading Data Platforms and Consulting across APAC markets. This included launching Google's advanced data products and working with top partners developing and implementing integrated data, analytics and marketing strategies to drive business growth.

In addition to a Bachelor of Information Technology, Wendy holds a Bachelor and Graduate Certificate in Laws from the Queensland University of Technology.

Wendy is also currently a member of the Barnardos Australia Technology Advisory Board.

Elaine Herlihy

CHIEF MARKETING OFFICER

Elaine commenced her role as Chief Marketing Officer at OFX in May 2019. She has over 20 years' experience in strategic marketing, brand, communications and sales in FinTech, Banking, Superannuation and Media (B2C and B2B). As Marketing Director at PayPal Australia, Elaine was responsible for driving customer growth and engagement across both the consumer and merchant portfolios and building the PayPal brand in Australia. Prior to joining PayPal, Elaine spent eight years at Westpac Group leading brand and marketing functions across both Westpac Bank and BT Financial Group's Superannuation business. Elaine also worked in a variety of marketing and communications roles over a nine-year period at Reuters in London.

Elaine holds a Bachelor of Commerce from University College Dublin and a Higher Diploma in Marketing Practice from the Smurfit Graduate School of Business in Dublin. She is an Independent Director of Mine Super and the PayPal Giving Fund in Australia.

Alfred Nader

PRESIDENT, NORTH AMERICA

Alfred joined OFX in September 2019. He has over 20 years' experience in all aspects of cross-border payments and foreign exchange, having held senior management positions at Western Union and Travelex.

Before joining OFX, Alfred was Regional Vice President for Latin America and the Caribbean for Western Union Business Solutions (WUBS) and was responsible for all WUBS activities in the region. While at WUBS, Alfred also served as Vice President of Corporate Strategy and Development working in M&A and negotiating international partnership deals. Prior to that, he held several senior roles with Travelex Global Business Payments.

Alfred holds a BBA from The George Washington University and an MBA from MIT's Sloan School of Management.

Sarah Webb

PRESIDENT, UK AND EUROPE

Sarah Webb joined OFX in December 2018 as President, UK and Europe and has more than 20 years' experience in payments and a track record of developing client relationships, product initiatives and building profitable businesses. Prior to this, Sarah held the role of Managing Director, Global Payments Networks at Barclays, where she led a team responsible for managing strategic partnerships across credit and debit portfolios globally as well as leading the Barclaycard PSD2 program. Before joining Barclays, Sarah was Head of Global Product Management, Commercial Payments, at American Express.

Sarah holds a Bachelor of Science (BSc) degree in Maths with Management from Imperial College, University of London.

Yung Ngo

PRESIDENT, ASIA PACIFIC

Yung joined OFX in March 2019 as President, Asia Pacific.

Yung has over 20 years' financial services experience having held senior management positions at Westpac, St. George Bank and GE Capital leading large-scale operations across retail banking, home lending and commercial finance. He has extensive experience driving growth across multiple channels including direct to consumer and businesses, business partnerships and third party as well as call centre distribution.

Prior to joining OFX, Yung led Westpac Premium's business in New South Wales, the UK and Asia.

Yung holds a Bachelor of Jurisprudence and a Bachelor of Laws from UNSW and is also a graduate of the Australian Institute of Company Directors.

Jill Rezsdovics

CHIEF PEOPLE AND CULTURE OFFICER

Jill joined OFX in October 2018 and has over 25 years' experience in human resources and operational roles largely in the financial services industry. Jill spent over 16 years at Morgan Stanley as the COO and Head of HR for Australia as well as regional and divisional roles in Asia, North America and Europe. Prior to joining OFX, Jill was the General Manager Human Resources Wealth at the Commonwealth Bank of Australia.

Jill holds a Master of Commerce (advanced specialisation in Human Resources) from the University of New South Wales and a Bachelor of Commerce from the University of Newcastle and is a member of the Australian Institute of Company Directors.

Elisabeth Ellis

CHIEF LEGAL OFFICER AND COMPANY SECRETARY

Lis joined OFX in September 2019. With more than 25 years' experience as a corporate and commercial lawyer, Lis has worked in Australia and across Asia, based in Sydney, Hong Kong, Mongolia and Thailand. Lis has extensive commercial and negotiating experience, as well as deep experience navigating varying legal and regulatory systems across multiple jurisdictions. Before joining OFX, Lis was a partner at MinterEllison, where she worked for 19 years. Prior to that she worked at Allens Arthur Robinson.

Lis holds a Bachelor of Science and Laws (Honours) from the University of Sydney and is admitted to practice law in New South Wales (1993) and Hong Kong (1999). She is a Graduate of the Australian Institute of Company Directors.

Environmental, social and governance

Overview

OFX is committed to being a responsible, sustainable business that has a positive impact on its people, customers and the communities in which it operates.

As a business that has evolved to adapt to increasingly globalised ways of living and working, we are committed to implementing environmental, social and governance (ESG) initiatives to underpin our offering.

We recognise the importance of integrating our business values and operations to meet the expectations of our stakeholders. We also understand the imperative to manage any risks to our strategy and financial performance.

We do this by ensuring that there is a robust framework in place to identify, assess and govern risk as well as a strong culture of responsibility. First and foremost, the responsibility we have to help prevent and detect financial crime is clearly understood across the Company from the Board down.

The management runs a comprehensive risk and compliance program, overseen by our Audit Risk and Compliance Committee, Boards in each jurisdiction, and ultimately our full Board, to manage our obligations across each of our regulated entities globally; and we consider this regulatory footprint and our compliance track record to be a key asset and competitive advantage.

This year we are pleased to report on a number of ESG initiatives implemented across the business. We also outline our ambitions for implementing new initiatives and have commenced a process to identify key focus areas and targets for driving improvement. This will provide a framework for reporting on our future progress.

Existing initiatives

Environment

OFX acts responsibly to reduce energy consumption and to use energy more efficiently to reduce its environmental impact. The nature of our business, that is driven by our human and digital offering, means that we are not naturally a high consumer of energy; however we have taken steps to mitigate and monitor this where appropriate:

- All of the cardboard, paper and plastic waste from our offices is recycled
- At our offices our lighting is operated by efficient motion sensors
- Employee air travel is kept to an absolute minimum. We have adopted technology which enables us to meet virtually where possible.

OFX operates out of seven global locations that are based in managed office spaces. Each office enacts a number of initiatives such as recycling, light sensors and air conditioning control. We have begun working on improving our environmental and ecological footprint and implementing a roadmap which we look forward to reporting on in the coming year.

Environmental, social and governance

Social responsibility

With operations in many countries around the world, we are proud of our team of over 400 employees who make up a diverse workforce, and who are dedicated to our mission to be a trusted international money services provider.

Working environment

We encourage a diverse, driven and collaborative culture within our workforce, where employees are empowered to perform at their best.

We have grown investment in our learning and development programs by 16%, these have been designed to support our people and align to their development. We have delivered programs on resilience and wellbeing, building high performing teams, and further developing management and leaderships skills across all of our offices. We were very proud to deliver OFX's first sales enablement program which was a globally run multi-year program designed to deliver superior customer outcomes and give OFXers a global framework for delivery. In FY20 we launched the LinkedIn Learning Platform which delivers diverse and self-led online learning to our workforce.

The workspace across our offices is open plan and modern and designed for our people to work collaboratively with each other. Our technology teams practice agile methodology which is visible around our Sydney office and adds to our working culture of prioritising and getting the right things done.

Social diversity and inclusion

OFX is proud of its strong and diverse workforce and is committed to developing a workplace culture that creates an environment of trust, mutual respect and teamwork. We encourage inclusivity and our team is made up of people who are diverse in their work and cultural backgrounds, age, gender, gender identity, sexual orientation, marital and family situation, socio-economic status, ethnicity, disabilities and religious beliefs. While we currently only have reliable data related to gender diversity, we will be expanding our diversity reporting in FY21.

Gender diversity

41.5% of OFX employees are female, our Global Executive Team is 60% female and our Senior Leadership Team is 44% female. Females represent 43% of all People Leaders across OFX. We achieved our FY20 objective of at least 30% of the Board being female and have FY21 targets to retain and increase female representation in the Executive team and Senior Leaders group, as well as specific teams in Sales.

In FY20 we provided equal average pay for men and women at each job grade and this continues to be our commitment going forward. We pay 12 weeks of parental leave at full pay and recently increased our paid secondary carer leave to 10 days.

Benefits

This year we approved new policies to improve the employee experience and align ourselves with industry standards. We have extended secondary carers leave and compassionate leave and created a new 'Make a Difference day' whereby staff can volunteer in the community and we look forward to reporting on the uptake of this initiative next year. OFX also offers an Employee Assistance Program which is designed not only to support employees in times of crisis but proactively manage health and wellbeing.

Our customers

For over 20 years we have helped people move money around the world, quickly, safely and efficiently. Our customers continue to inspire us and motivate us to make our offering the best available. We are passionate about customer service and have a dedicated support team that is highly experienced, culturally relevant, and available 24/7, inspiring confidence from our clients in our ability to consistently deliver. We regularly seek feedback from our customers on their experience with OFX via our Net Promoter Score (NPS) program and in FY20 we maintained an NPS of 65.

Cultural initiatives

At OFX we are proud of the breadth of cultural diversity represented by our staff and we aim to celebrate this in our workplace throughout the year by engaging in staff activities across our offices. Some actions to support our diverse and inclusive culture include:

- Celebrating cultural and national/global events (e.g. Chinese New Year, Diwali,

UN International Day for the Elimination of Racial Discrimination)
- Celebrating gender and equal opportunity awareness (e.g. International Women's Day)
- Celebrating and acknowledging the LGBTI community (Mardi Gras, gender neutral policies on leave and care consistent with FW Act guidelines)
- Supporting health and wellbeing (e.g. Uprise, RUOK? Day, yoga, resilience training, self-awareness and mindset training).

Supporting OFXers – philanthropy and community

As an organisation with an international footprint, OFX has a global mindset when it comes to supporting communities and causes. Sponsored by the business, our employees drive Corporate Social Responsibility activities via Company-funded or financially supported events. Our policy of matching employee donations to approved charities drives a culture of giving generously while helping causes which are deeply personal to our people. This behaviour is reflected in our Employee Value Proposition (EVP), 'We Make a Difference'.

In FY20 the business has delivered a series of initiatives which reflect our EVP platform, including:

- Various contributions to the bushfire relief program (see below)
- North America nominating Dress for Success as the charity that it will support for the year
- The Internal Employee Committee raised funds for mental health via RUOK? Day and for the Cancer Council
- Food drives in San Francisco and Toronto.

Several employees were directly or indirectly affected by the devastating and destructive bushfire season. Many OFXers participated in coordinated initiatives to provide financial and volunteer support. These included donations to the Australian Red Cross to support bushfire relief, donating teambuilding Christmas funds and offering employees paid leave to donate their time to supporting bushfire relief programs.

These business-driven initiatives have been supported by individual employee efforts, championing the causes which are important to them. OFX supports employees in making a difference at a personal level by driving awareness internally via employee channels and matching personal donations to approved causes.

Supported employee-led initiatives included a Rainforest Trust (Sydney), Movember (Toronto), the Great Ormond Street Hospital (London) and Cystic Fibrosis (London).

Employee engagement

Understanding what motivates OFXers is a key tool for helping to create an open and inclusive working environment. We hold an annual Employee Engagement Survey to improve the employee experience and we encourage open and honest feedback. This encompasses themes on leadership, connection and alignment to strategy. This year there was an 88% response rate to the Employee Engagement Survey.

In addition we regularly conduct 'Pulse' surveys in specific geographies or divisions to understand specific concerns and address these as appropriate.

Investing in our people

We work with our management teams and determine areas of interest to guide, build and motivate our teams with in-house training and conferences. Employees also participate in external training courses, conferences and trade shows to grow our business and improve the leadership skills and knowledge of our employees. This year for example, we have rolled out LinkedIn learning; a global sales enablement program; wellness and resilience training; launched Uprise (a digital wellness platform) and delivered certified Anti-Money Laundering Specialist training for staff as a commitment to upskill our people and protect our customers. In May 2019 we held our annual Summit which brought our senior leaders from around the world together to discuss OFX strategy and leadership in Sydney. We also hold regular town halls as a way to communicate with our people and have an active reward and recognition program aligned to OFX's values.

Environmental, social and governance

Governance and conduct

OFX is committed to being ethical, transparent and accountable. We believe this is essential for the long-term performance and sustainability of the Company.

The OFX Board of Directors is responsible for ensuring we have an appropriate corporate governance framework to protect and enhance company performance and build sustainable value for our shareholders.

This acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations) and is designed to support business operations, deliver on our strategy, monitor our performance and manage risk.

The Corporate Governance Statement addresses the recommendations contained in the fourth edition of the ASX Principles and Recommendations and is available on the website at https://www.ofx.com/en-au/investors/corporate-governance/. This statement should be read in conjunction with OFX's website and the Directors' Report, including the Remuneration Report.

Risk management

Across the organisation we have a strong culture of risk and compliance, with particular emphasis on the responsibility that OFX has, as an international money services provider, to help prevent and detect financial crime.

As a business that moves millions of dollars for clients around the world every day, it is critical that we manage our risks in a way that maintains the trust of our clients and banks and meets the expectations of regulators.

Everybody across the Company is accountable and empowered to recognise risk. Client facing staff act as a 'first line of defence' against fraud and money laundering and all staff are regularly trained to detect and report potential suspicious activity.

In addition, we maintain experienced and highly capable compliance teams in each of our key regions who support OFX in ensuring we understand our local regulatory requirements and have effective compliance programs in place.

We also continue to invest in technology to augment our expertise with the right information to monitor and respond to key risks. Our fraud detection system monitors customer interaction and utilises a multitude of third party information to detect potential concerns such as identify theft. In FY20 we launched our new Transaction Monitoring program in partnership with Quantexa, a leading RegTech provider; as well as introducing new technologies such as voice biometrics. This ongoing investment in our processes and technology means the business is able to sustainably grow at scale.

Financial crime controls are consistently tracked and discussed at a management, Executive and Board level. Across our markets we also undergo regular independent assessment through audits of our AML programs, banking compliance reviews and regulatory reviews, including from US state regulators.

Our approach to risk management is a group effort involving our Board, Executive, management and frontline teams, all focused on ensuring we continue to have the right systems, processes and controls for now and the future.

In response to the outbreak of COVID-19 our team successfully implemented our Business Continuity Plans and transitioned almost 100% of our global workforce to work from home arrangements without any major disruption to customer service. We continue to monitor the impact of this pandemic to ensure the health and safety of employees and the continuity of our services.

Conduct

OFX's Code of Conduct and Anti-Bribery and Corruption Policy (ABC Policy) outline the Group's commitment to appropriate and ethical corporate practices. The Code of Conduct and the ABC Policy impose requirements on the Company's officers, employees and contractors with regard to compliance with laws and regulations, responsibilities to shareholders and the community, sound employment practices, confidentiality, conflicts of interest, giving and accepting business courtesies and the protection and proper use of OFX's assets.

OFX also has a Whistleblower Policy that documents OFX's commitment to maintaining an open working environment which enables employees and contractors to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. OFX also provides an external confidential Online Reporting Portal which can be used for reporting unacceptable conduct.

Each of the Code of Conduct, ABC Policy and Whistleblower Policy were updated this year as part of an ongoing review process to ensure that OFX's governance of these matters is consistent with best practice.

Privacy and data security

Ensuring the privacy and security of our customers' data and our corporate data is paramount for our business. At OFX, we all have a responsibility to protect customer and corporate information from misuse, loss, unauthorised disclosure or damage.

OFX recognises the importance of data privacy and we have a number of strategies to manage our privacy risks, including compliance with relevant global data privacy regulations, mandatory training on privacy awareness for all employees, and the ongoing enhancement and implementation of policies and procedures.

We take the security of our customers' data seriously. We have dedicated security specialists and we design, build and manage the security for our global data via:

- **Technology:** We use a range of technologies and security controls to minimise the threat, likelihood and impact of unauthorised access to our networks and systems. Such technologies and controls include logging and monitoring capabilities to pre-empt and proactively prepare for internal and external threats and industry-standard infrastructure configuration. We continuously invest in our security capabilities, including maintaining and enhancing our existing technologies to ensure we stay ahead of new security threats
- **Process:** We employ an information asset-focused approach to cyber security risk management, ensuring appropriate ownership and oversight of systems, data and risks. Cyber security subject matter experts provide oversight, and our risk and internal audit functions undertake independent assurance. We also have security processes that include ongoing technical reviews of our platforms, and due diligence of third parties to ensure the presence and assess the effectiveness of our security controls
- **People:** Cyber security is as much about people as it is about technology. We provide specialist secure coding training to engineering staff and deliver programs to all staff designed to foster a strong cyber security culture including regular cyber security drills.

FY21 aspirations

As a business that continues to innovate, we recognise the constantly evolving sustainability and social requirements and our responsibility to provide transparent reporting. There are a number of initiatives underway to drive improvement and in the year ahead we will implement a framework for implementing these and reporting on our progress. This includes continuing to do the following:

- **Workplace and community**
  - encourage diversity in the workforce and report our diversity statistics going forward
  - take a pro-active role in improving the health and welfare of our employees and demonstrate examples of continuous improvement in this area
  - support our charitable causes while developing a philanthropy strategy to increase our contribution to worthy causes aligned with our values.
- **Environment**
  - reduce the impact of our offices by closely monitoring recycling initiatives as well as reporting on wastage
  - consider environmental impact in relation to our long-term business planning, taking into account the necessity of global executive travel
  - commit to using renewable energy sources.

On behalf of the Board

Skander Malcolm
Chief Executive Officer and Managing Director

19 May 2020

Directors’ Report and Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

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Directors' Report

From left to right: Connie Carnabuci; Grant Murdoch; Douglas Snedden; Lisa Frazier; Skander Malcolm; Steven Sargent.

The Directors of OFX Group Limited present their report on the consolidated entity consisting of OFX Group Limited (OFX or the Company) and the entities it controlled at the end of, or during, the year ended 31 March 2020 (the Consolidated Entity or the Group).

1. Directors

The Directors of the Company during the financial year and up to the date of this report are:

Steven Sargent

Chairman – BBus, FAICD, FTSE

Member of the Audit, Risk and Compliance Committee and Remuneration and Nomination Committee

Age: 59
Appointed: 4 August 2016
Independent Director
Residence: Sydney, Australia

Steve joined OFX in August 2016 and has over 41 years of global corporate experience in industries including financial services, mining, energy, healthcare, aerospace and defence. Steve's prior executive experience includes 22 years at General Electric, where he led businesses in the USA, Europe, Asia and across the globe.

Steve was appointed Vice President and Officer of General Electric Company in 2008 and was a member of GE's Global Corporate Executive Council, the first Australian to ever be appointed to such positions in GE's history.

Current directorships

Non-Executive Director: Origin Energy Limited.

Deputy Chairman: Nanosonics Limited.

Other: Non-Executive Director: The Great Barrier Reef Foundation, Co Chair of the Partnership Management Committee, Chairman of the Origin Energy Foundation.

Previous directorships

Non-Executive Director: Veda Group

Non-Executive Director: Bond University Limited

Non-Executive Director: Business Council of Australia

Interest in shares:
100,000 ordinary shares

John Alexander ('Skander') Malcolm

Chief Executive Officer and Managing Director – BEc

Age: 51
Appointed: 1 February 2017
Not independent
Residence: Sydney, Australia

Skander joined OFX in February 2017 and has more than 26 years' experience in financial services across consumer payments, consumer finance, joint ventures, partnerships, commercial lending and leasing and digital. He has worked in Australia and New Zealand, the UK, the US, the Middle East, Africa and Russia. He previously served as President and CEO of GE Healthcare, Eastern and African Growth Markets, and prior to that, as President and CEO for GE Capital, Australia and New Zealand.

He holds a Bachelor of Economics from University of Sydney and is a Member of the Australian Institute of Company Directors.

Current directorships
Nil
Other: Member of the Australian Institute of Company Directors

Interest in shares:
3,425,742 ordinary shares (of which 3,370,532 have been issued under the Company's Executive Share Plan)

Lisa Frazier

Non-Executive Director – MBA, Bachelor of Chemical Engineering, GradDip Finance and Investment, GAICD

Member of the Audit, Risk and Compliance Committee. Lisa also served as an Independent Director on the Company's wholly owned subsidiary boards in the US and Canada.

Age: 51
Appointed: 1 April 2018
Independent Director
Residence: San Francisco, United States of America

Lisa joined OFX on 1 April 2018 and has 19 years' experience in digital and technology specialising in digital disruption, product innovation, customer experience, data analytics and marketing across the B2B and B2C sectors.

Lisa is currently the EVP, Head of Innovation for Wells Fargo focused on researching, developing and applying emerging technologies to Financial Services.

Prior to joining Wells Fargo, Lisa founded her own startup and has held executive roles at multiple startup companies in San Francisco. She has also led digital and agile transformation programs for large companies, such as the Commonwealth Bank of Australia. As a partner at McKinsey & Company in New York, Lisa focused on digital transformation and the development of new business models in Technology, Media and Telecom.

Current directorships
Nil

Interest in shares:
54,645 ordinary shares

Douglas Snedden

Non-Executive Director – BEC (ANU), MAICD

Chair of the Remuneration and Nomination Committee and Member of the Audit, Risk and Compliance Committee

Age: 62
Appointed: 16 March 2015
Independent Director
Residence: Sydney, Australia

Doug joined OFX in March 2015 and has over 30 years' experience in finance, consulting, strategic management and outsourcing. Doug has previously worked as Country Managing Director of Accenture Australia.

Current directorships
Director: Chairman of Odyssey House NSW McGrath Foundation, Chairman of Chris O'Brien Lifehouse and Chairman of isentia Group Limited.

Other: Member of the National Library of Australia Council, Director of Frisk Pty Ltd.

Previous directorships
Broadspectrum Ltd (2009 – 2016)
Hillgrove Resources Ltd (2012 – 2015)
UXC Ltd (2012 – 2016)
Securities Industry Reserach Centre of Asia Pacific (Sirca) Limited
Other: St Vincents Hospital, Sydney (1994 – 2003), The Sydney Theatre Company (1996 – 2004), St James Ethics Centre (2007 – 2014), The Black Dog Institute (2002 – 2015).

Interest in shares:
100,000 ordinary shares

Grant Murdoch

Non-Executive Director – MCom (Hons), FAICD, CAANZ

Chair of the Audit, Risk and Compliance Committee

Age: 68
Appointed: 19 September 2013
Independent director
Residence: Brisbane, Australia

Directors' Report

Grant joined OFX in September 2013 and has over 36 years' experience in accounting and corporate finance. Grant's prior professional experience includes Head of Corporate Finance for Ernst & Young Queensland and he is a graduate of the Kellog Advanced Executive Program at the North Western University, Chicago, United States.

Current directorships
Director: ALS Limited, UQ Holdings Limited, Lynas Corporation Limited.

Other: Senator of the University of Queensland; Adjunct Professor at the University of Queensland School of Business; member of Queensland State Council of Australian Institute of Company Directors and Trustee of the Endeavour Foundation Disability Research Fund.

Previous directorships
Director: Cardno Limited (January 2013 – November 2015); QIC Limited (November 2011 – September 2017); Redbubble Limited (December 2016 – November 2019); The Endeavour Foundation (September 2007 to November 2015).

Interest in shares:
245,000 ordinary shares

Connie Carnabuci

Non-Executive Director – Bachelor of Commerce (Marketing) (with Merit) and Bachelor of Laws

Member of the Remuneration and Nomination Committee

Age: 56

Appointed: 1 April 2019

Independent director

Residence: Sydney, Australia

Connie joined OFX in April 2019 and has over 30 years' experience in legal practice, management and strategy, including significant private practice advice and deal experience in Asia in the technology, telecoms, new media (digital online), FMCG and renewable energy sectors.

Connie is also currently the General Counsel for the Australian Broadcasting Corporation (ABC). Prior to her role at the ABC, Connie was a Partner at Freshfields Bruckhaus Deringer in Hong Kong leading the firm's IP/TMT practice in Asia. She also served as Co-head of the firm's global technology practice. Before moving to Hong Kong, Connie practiced in Australia for 11 years, including as a Partner at Mallesons Stephen Jacques (now King and Wood Mallesons). She began her career as the Associate to the Honourable Justice Wilcox, Federal Court of Australia.

Current directorships
Director: Atomo Diagnostics Limited

Other: Member of the UNSW Business School Advisory Council, Member of the Media and Communications Law Committee of the Law Council of Australia.

Previous directorship
Kids Giving Back, Chair June 2015 – June 2017.

Interest in shares:
19,332 ordinary shares

The following persons were Directors of the Company either during the year as at the date of the Report:

Steven Sargent	Chairman and Non-Executive Director
John Alexander ('Skander') Malcolm	Managing Director and Chief Executive Officer
Grant Murdoch	Non-Executive Director
Douglas Snedden	Non-Executive Director
Lisa Frazier*	Non-Executive Director
Connie Carnabuci	Non-Executive Director

* Lisa Frazier has resigned effective 19 May 2020.

The background, qualifications and experience of each of the Directors is included on pages 18 to 20.

2. Company Secretaries

Freya Smith

(resigned effective 30 September 2019)

Freya Smith was the Chief Legal Officer and Company Secretary for OFX Group Limited until 30 September 2019.

Elisabeth Ellis

(appointed effective 30 September 2019)

Lis was appointed as Chief Legal Officer and Company Secretary for OFX Group Limited on 30 September 2020. Lis has more than 25 years' experience as a corporate and commercial lawyer in Australia and throughout Asia, having worked in Australia, Hong Kong, Mongolia and Thailand. Before joining OFX, Lis was a partner at MinterEllison, where she worked for 19 years. Prior to that she worked at Allens Arthur Robinson.

Lis holds a Bachelor of Science and Laws (Honours) from the University of Sydney and is admitted to practice law in New South Wales (1993) and Hong Kong (1999). She is a Graduate of the Australian Institute of Company Directors.

3. Directors' and Committee meetings

The following table shows meetings held between 1 April 2019 and 31 March 2020 and the number attended by each Director or Committee member.

	Board		Audit, Risk and Compliance Committee		Remuneration and Nomination Committee	
Director	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**
S. Sargent	22	22	4	4	5	5
S. Malcolm[1]	22	21[2]	By invitation	4	By invitation	5
L. Frazier	22	21	4	4	By invitation	2
D. Snedden	22	20	4	4	5	5
G. Murdoch	22	22	4	4	By invitation	1
C. Carnabuci	22	21	By invitation	3	5	3*

* Ms Carnabuci did not attend the meeting on 13 August 2019 as she was giving evidence to the Parliamentary Joint Committee on Intelligence and Security Inquiry into media freedom on behalf of the ABC.

4. Directors' interests

The relevant interest of each Director in the equity of the Company as at the date of this Report is outlined in the table below. All interests are ordinary shares unless otherwise stated.

	Type	Opening balance	Issued[3]	Acquisition	Disposals/ forfeitures	Closing balance
S. Sargent	Ordinary	100,000	–	–	–	100,000
S. Malcolm	Ordinary	2,623,979	974,613	–	–	3,598,592
G. Murdoch	Ordinary	245,000	–	–	–	245,000
D. Snedden	Ordinary	100,000	–	–	–	100,000
L. Frazier	Ordinary	54,645	–	–	–	54,645
C. Carnabuci	Ordinary	19,332	–	–	–	19,332

There were no disposals of shares by the Directors during the year or share transactions post year end.

5. Principal activities

The Group's principal activity during the year was the provision of international payments and foreign exchange services.

1. Mr Malcolm is not a member; however he attended the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee meetings at the invitation of the committees.
2. Mr Malcolm did not attend a meeting of non-executive directors only to discuss executive remuneration.
3. Shares granted in accordance with the Executive Share Plan and are restricted until performance measures have been met and the corresponding loan in respect of those shares has been repaid. These shares were reissued from shares forfeited pursuant to the Executive Share Plan. No new shares were issued. In addition, 172,850 shares were issued upon vesting of FY18 STI. These shares are subject to a 12-month holding lock.

Directors' Report

6. Dividends and distributions

Dividends paid or determined by the Company during and since the end of the year are set out in Note 19 to the Financial Statements.

	Final 2020	Interim 2020	Final 2019
Per share (cents)	2.35	2.35	3.28
Total amount ($'000)	5,845	5,765	8,219
Franked[4]	0%	70%	100%
Payment date	22 June 2020	13 December 2019	21 June 2019

7. Operating and financial review

A summary of financial results for the year ended 31 March 2020 is outlined below.

As required for statutory reporting purposes, the consolidated financial statements of the Consolidated Entity have been presented for the financial year ended 31 March 2020.

The Group's statutory financial information for the year ended 31 March 2020 and for the comparative year ended 31 March 2019 present the Group's performance in compliance with statutory reporting obligations.

To assist shareholders and other stakeholders in their understanding of the Group's financial information as a publicly listed entity, additional underlying financial information for the years ended 31 March 2020 and 31 March 2019 is provided in the Operating and Financial Review section of this Report.

The reconciliation and the underlying information have not been audited.

Statutory results

	2020 $'000	2019 $'000	Growth %
Net operating income[5]	125,154	118,743	5.4%
EBITDA[6]	36,935	31,635	16.8%
Less depreciation and amortisation	(10,521)	(8,906)	18.1%
Less interest expense	(1,647)	(1,178)	39.9%
Less income tax expense	(4,436)	(4,468)	(0.7%)
Net profit after tax	20,331	17,083	19.0%
EBITDA margin	29.5%	26.6%	–
Earnings per share (basic) (cents)	8.37	7.07	–

4. All final dividends for FY19 were fully franked at the corporate tax rate of 30%. All interim dividends for FY20 were 70% franked at the corporate tax rate of 30%, the final FY20 dividend was unfranked. We will continue to frank dividends where possible.
5. Net operating income, a non-IFRS measure, is the combination of 'Fee and trading income' and 'Fee and commission expense' and 'Interest income'.
6. Earnings before interest expense, taxation, depreciation and amortisation (EBITDA) is a non-IFRS, unaudited measure.

The results were impacted by a significant item. The table below sets out the underlying financial results for the year ended 31 March 2020 which have been adjusted for the significant item. An explanation of the significant item and reconciliation to statutory results is provided below.

Underlying results

	2020 $'000	2019 $'000	Growth %
Net operating income	125,154	118,743	5.4%
Underlying EBITDA	38,249	35,953	6.4%
Less depreciation and amortisation	(10,521)	(8,906)	18.1%
Less interest expense	(1,647)	(1,178)	39.9%
Less income tax expense	(4,725)	(5,433)	(13.0%)
Underlying net profit after tax	21,356	20,436	4.5%
Underlying EBITDA margin	30.6%	30.3%	–
Underlying earnings per share (basic) (cents)	8.80	8.45	–

'Underlying' measure of profit excludes significant items of revenue and expenses in order to highlight the underlying financial performance across reporting periods. The Company incurred non-operating expenses of $1.3 million related to corporate action costs.

The following table reconciles underlying earnings measures to statutory results.

Year ended 31 March 2020

	$'000 EBITDA	$'000 Profit before tax	$'000 Income tax	$'000 Profit after tax
Statutory profit	**36,935**	24,767	(4,436)	20,331
Corporate action costs	**1,314**	1,314	(289)	1,025
Underlying profit	**38,249**	26,081	(4,725)	21,356

NOI was up 5.4% for the year ended 31 March 2020 with good growth across all key metrics. This growth was driven by a 6.2% increase in transactions and an 8.8% increase in transactions per client demonstrating our ability to target and win high-value clients. In the fiscal fourth quarter NOI was up 16.3% driven by market volatility. NOI margins were stable excluding IPS despite our Corporate book continuing to represent a higher proportion of our revenue.

We continued to deliver on our growth drivers with North America revenue up 24.1% and our Corporate segment revenue up 10.8%.

We further improved the client experience, reducing Corporate on-boarding times and continued to invest in our reliable, scalable, cloud-based systems such as our payments engine, transaction monitoring and risk management capabilities.

The Group saw good growth across all our regions ex Asia. Australia and New Zealand continue to be the highest contributor to fee and trading income and grew at 4% in the year ended 31 March 2020. North America fee and trading revenue increased 24% in the year ended 31 March 2020. The European business increased fee and trading income by 5%. Asia saw a reduction in fee and trading income of 4% as we took a deliberate pivot upon reviewing the business and market; we are expecting a return to growth as we target prospects that better fit our value proposition.

The Group experienced an increase in bad and doubtful debts. 77% of the losses are generated in North America and are largely driven by fraud. The Group has implemented further fraud controls with voice and face biometrics. We have seen the detection rates increase in March 2020.

Directors' Report

The Group invested in additional revenue generating full-time equivalent (FTE) resources and increased the efficiency of our promotional expenses, executing good cost controls to achieve annual positive operating leverage for the year on an underlying EBITDA basis.

As at 31 March 2020

	$'000 2020	$'000 2019
Cash and cash equivalents	235,809	181,263
Deposits due from financial institutions	32,276	32,457
Total cash	268,085	213,720
Cash held for subsequent settlement of client liabilities	(207,038)	(155,151)
Net cash held	61,047	58,569

The Group's financial position remains strong. The balance sheet consists predominantly of cash and client liabilities, with cash net of client liabilities increasing from FY19. The Group currently has no external debt. The financial position provides a good platform to pursue future growth opportunities and coupled with our regulatory record, provides our banking partners with assurance on our ability and diligence.

8. Strategy

Our mission at OFX is to be a trusted global money provider for consumers and businesses, by combining the best of digital experience and human touch. We solve for the complexity and anxiety of moving money, enabling better decisions and real savings.

OFX's strategy relies on six key pillars of growth. We will continue to focus on delivery of critical initiatives against each of these pillars, including:

- **Customer experience:** strengthening our client experience, with particular emphasis on improving the Corporate, Online Seller and Enterprise client experience
- **Geographic expansion:**
  - North America – continuing to invest across all segments – Consumer, Corporate, Enterprise, Online Sellers
  - UK – drive incremental growth in the Corporate, Enterprise and Online Sellers segments
  - Asia – drive incremental growth in Corporate, Enterprise and Online Sellers segments
- **Partnerships:** creating more and better Enterprise partnerships, working with existing Enterprise partners and prospects to drive stronger value propositions, and growing our Online Sellers partnerships, globally
- **Reliable and scalable systems:** continuing to improve our technology platform to enable operations at scale, lowering costs and enhancing security for our clients and shareholders
- **Risk management:** building trust through strong risk management across regulators, clients, bankers and partners
- **People:** greater emphasis to build our Global Operating Model so that our teams can serve customers locally and grow their global career with OFX.

9. Risks

The potential risks associated with the Group's business are outlined below. This list does not cover every risk that may be associated with the Group, and the occurrence or consequences of some of the risks described are partially or completely outside the control of the Group, its Directors and senior management. There is also no guarantee or assurance that the risks will not change or that other risks will not emerge.

- **Regulatory compliance** – The international payments market is highly regulated. There is a risk that any new or changed regulations, for example, banking and financial services licensing regulations, could require the Group to increase its spending on regulatory compliance and/or change its business practices, which could adversely affect the Group's profitability. There is a risk that such regulations could also make it uneconomic for the Group to continue to operate in places where it currently does business.
- There is a risk that the Group may not comply with all applicable laws or have adequate compliance procedures in place to manage or prevent breaches of applicable laws. There is also a risk that the Group is required to pay significant penalties if it fails to maintain or follow adequate procedures in relation to on-boarding of clients or to detect and prevent money laundering, financing of terrorism, breaches anti-bribery laws or contravenes sanctions, as has been imposed on other companies by governmental authorities. In addition, there is a risk that evidence of a serious failure by the Group to comply with laws may cause one or more of the counterparty banks, partnerships or affiliates to cease business with the Group. The Group has a range of system and process controls in place to mitigate this risk and invests significant resources in compliance. All employees undertake compulsory compliance training on a regular basis.
- **BREXIT** – Following expiry of the BREXIT transition period (currently on 31 December 2020) the Group will no longer be able to rely on its UK licence to service clients in Europe. The Group is actively progressing its application to the Central Bank of Ireland for an E-money licence.
- **Information technology (IT)** – The Group depends on the performance, reliability and availability of its technology platform and communications systems. There is a risk that these systems may be adversely affected by events including damage, equipment faults, power failure, computer viruses, misuse by employees or contractors, external malicious interventions such as hacking, fire, natural disasters or weather interventions. Events of that nature may cause part of the Group's technology platform, apps or websites to become unavailable. The Group's operational processes or disaster recovery plans may not adequately address every potential event and its insurance policies may not cover loss or damage that the Group suffers as a result of a system failure. This in turn could reduce the Group's ability to generate income, impact client service and confidence levels, increase cost burden, impact the Group's ability to compete and cause damage to the Group's reputation and, potentially, have a material adverse effect on its financial position and performance. Further, there is a risk that potential faults in the Group's technology platform could cause transaction errors that could result in legal exposure from clients, damage to the Group's reputation or cause a breach of certain regulatory requirements (including those affecting any required licence) and, potentially, have a material adverse effect on the Group's financial position and performance. The Group maintains disaster recovery plans and controls to mitigate this risk.
- **Data security and privacy** – The Group's business relies on the effective processing and storage of information using its core technologies and IT systems and operations. If the Group's data security controls are ineffective, the Group's IT systems could be exposed to cyber-attacks which may result in the unauthorised access to or loss of critical or sensitive data, loss of information integrity, breaches of obligations or client agreements and website and system outages. Any interruptions to these operations would impact the Group's ability to operate and could result in business interruption, the loss of customers and revenue, damaged reputation and weakening of competitive position and could therefore adversely affect the Group's operating and financial performance. The Group is subject to privacy laws in Australia and other jurisdictions in which it conducts its business. The Group operations in the European Union are required to comply with the European General Data Protection Regulation. Similarly, the Group operations in North America are subject to relevant US and Canadian laws, including the California Consumer Privacy Act. In each of the relevant jurisdictions, these laws generally regulate the handling of personal information and data collection. Such laws impact the way the Group can collect, use, analyse, transfer and share personal and other information that is central to many of the services the Group provides. Any actual or perceived failure by the Group to comply with relevant laws and regulations may result in the imposition of fines or other penalties, client losses, a reduction in existing services, and limitations on the development of technology and services making use of such data. Any of these events could adversely impact the Group's business, financial condition and financial performance as well as cause reputational damage. The Group has a range of system and process controls in place to mitigate this risk pursuant to a Board approved Cyber strategy. Employees undertake compulsory privacy and cyber security awareness training.

Directors' Report

- **Relationships with banking counterparties** – The Group relies on banks to conduct its business, particularly to provide its network of local and global bank accounts and act as counterparties in the management of foreign exchange and interest rate risk. There is a risk that one or more of these banks may cease to deal with the Group. The loss of a significant banking relationship, or the loss of a number of banking relationships at the same time, particularly as the Group grows, could prevent or restrict the Group's ability to offer foreign exchange and payment services in certain jurisdictions, increase operating costs for the Group, increase time taken to execute and settle transactions and reduce the Group's ability to internally net out transactions, all of which could materially impact profitability. In addition, there is a risk that a loss or reduction in the services provided by the Group's banks could restrict its ability to actively manage its foreign exchange and interest rate risk in certain jurisdictions. As a result, the Group may have to increase the level of foreign exchange and interest rate exposure within existing operations, reduce or withdraw certain services it offers to clients or change its business model to reduce the level of risk within the business to acceptable levels, all of which could also materially impact profitability. The Group maintains a panel of banking counterparties and actively manages its relationships with these counterparties.
- **Mistaken payment** – There is a risk that, due to system or human errors in the processing of transactions, the Group may transfer an incorrect amount of funds or transfer funds to an incorrect recipient. In these instances, the Group may be required to take steps to recover the funds involved and, in certain circumstances, be liable for amounts paid that were not in accordance with customer instructions. The Group has a range of system and process controls in place to mitigate this risk.
- **Fraud** – There is a risk that, if the Group's services are used to transfer money in connection with a fraud or theft (including identity theft), the Group may be required to take steps to recover the funds involved and may in certain circumstances be liable to repay amounts that it accepted for transfer, even after it has made the corresponding international payment. The Group has a range of fraud prevention controls in place to mitigate this risk.
- **Foreign exchange rate fluctuations** – Changes in value in currencies can affect the average transaction size entered into by the Group's clients and, potentially, the number of transactions. The Group offers services in over 50 currencies and movements in any of them may adversely impact the Group's performance. In addition, as the Group reports in Australian Dollars, a strengthening of the Australian Dollar against other currencies will also have a negative impact on the reported earnings of the Group that relate to its income earned in geographies outside Australia (which may increase over time, potentially substantially). Similarly, a weakening of the Australian Dollar as against USD, CAD, £, NZD, HKD and SGD will have a negative impact on the costs of the Group that relate to the costs incurred in geographies outside Australia. To mitigate against this risk, the Group's treasury risk management process monitors and reports performance against defined limits. Overall exposure of the Group is managed within limits set by the Board.
- **Credit** – The Group enters into forward exchange contracts with some of its clients and its banking counterparties. There is a risk that a client or counterparty fails to make payment upon settlement of these contracts. The Group mitigates against this risk by retaining the discretion to require that an advance payment is made; however, the Group remains exposed to the mark-to-market value of the transactions.
- **Competition** – The market for the provision of foreign exchange and payment services is highly competitive. The major existing competitors of the Group include banks, money transfer organisations and other specialist providers. New competitors, services and business models which compete with the Group are likely to arise in the future. A substantial increase in competition for any of these reasons could result in the Group's services becoming less attractive to consumer or business clients, partnerships, require the Group to increase its marketing or capital expenditure or require the Group to lower its spreads or alter other aspects of its business model to remain competitive, any of which could materially adversely affect the Group's profitability and financial condition. A key aspect of the Group's business model and competitive advantage is its ability to offer many clients more attractive exchange rates and transaction fees than they regularly receive from competitors such as many major banks. Competitors could potentially lower their spreads and transaction fees to compete with the Group, which could result in a reduction in, or slowing in the growth of, the Group's transaction turnover, a reduction in margins, increased marketing expense or a failure to capture or reduction in market share. Any of these outcomes could materially impact the Group's income and earnings. The Group regularly reviews its market position and competitiveness as part of its strategic and business planning process.
- **Intellectual property risk** – The Group relies on certain intellectual property (**IP**) such as trademarks, licences, software and proprietary technology to conduct its business. There is a risk that the actions taken by the Group to register and protect its IP may not be adequate, complete or enforceable, and may not prevent the misappropriation of the Group's IP and proprietary

information. If the Group's IP has been compromised, the Group may need to protect its rights by initiating litigation such as infringement or administrative proceeding, which may be time consuming, unpredictable and costly. Any failure by the Group to protect its IP rights may adversely impact the Group's business, operations and future financial performance. There is a risk that the Group may infringe the IP rights of third parties. Third parties may enforce their IP rights and prevent the Group from using the IP, which may adversely impact the business and operations of the Group, and damage the reputation of the Group. To mitigate against this risk the Group actively manages its trademarks and obtains licences in respect of third party IP rights used by the business.

- **Reputational damage** – Maintaining the strength of the Group's reputation is important to retaining and increasing the client base and preserving healthy relationships with its regulators, banks, partners and other stakeholders. There is a risk that unforeseen issues or events may adversely affect the Group's reputation. This may impact on the future growth and profitability of the Group. The Group actively maintains its relationships with regulators, banks, partners and other stakeholders to mitigate against this risk.
- **COVID-19 operational risk** – Following the global outbreak of COVID-19, the Group enacted its Business Continuity plans and transitioned almost all of its global workforce to work from home arrangements. Many of the Group's key suppliers, including its major banking counterparties, enacted similar arrangements. As a result, no major disruption to the Group's services has occurred to date as a result of COVID-19 or the social distancing measures put in place by governments globally to contain the virus. The Group's priority remains taking care of its people and protecting our strong relationships with customers and suppliers. There remains a risk the virus and/or government measures to contain the virus could further impact the Group's employees and the availability of its key suppliers. The Group continues to monitor the situation closely and take appropriate steps to ensure both the health and safety of its employees and continuity of the Group's services on an ongoing basis.
- **COVID-19 financial risk** – It is too early to estimate the broader economic impacts of the COVID-19 pandemic, the measures taken in different countries to contain it and the fiscal measures undertaken by governments globally to mitigate against the economic effects of this pandemic. There is a risk that COVID-19 could have a significant impact on the foreign exchange flows of the Group's key customer segments and, therefore, on the Group's turnover and revenue. The Group is closely monitoring the situation and proactively planning for potential scenarios. Directors have considered the need to disclose the impact of COVID-19 on the Company's operation and financial position to the ASX pursuant to Listing Rule 3.1, but determined that this was not necessary. The appropriateness of a specific disclosure will be assessed on an ongoing basis.

10. State of affairs and significant changes in the state of affairs

In the Directors' opinion there have been no significant changes in the state of affairs of the Group during the year. A further review of matters affecting the Group's state of affairs is contained on pages 22 to 24 in the Operating and Financial Review.

11. Events subsequent to balance date

As at the date of this Report, the Directors are not aware of any circumstance that has arisen since 31 March 2020 that has significantly affected or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

12. Outlook

The economic outlook remains uncertain, however the Group continues to position OFX for growth and is focused on managing the Company well during these uncertain times by:

- Servicing three core segments being Consumers, Corporates and Enterprise clients in all our key regions
- Continued investment in the client experience – both human and digital and reliable, scalable systems
- Accelerating out medium-term growth through investments in Online Sellers and Enterprise.

We have a strong balance sheet, superior service delivery, an experienced and ambitious team; with a clear mandate from our Board and our shareholders to grow sustainably.

13. Likely developments and expected results

The impacts of foreign exchange market conditions make accurate forecasting challenging, particularly with unprecedented economic uncertainty due to the COVID-19 pandemic. The Group will position itself for growth by continuing to invest in strengthening its reliable and scalable systems, risk management processes and people, as well as investing in the client experience.

Our growth drivers remain consistent with strong growth coming out of North America (FY20 revenue up 24%) and our focus on our Corporate segment which delivered an 11% increase in revenue in FY20. The Australia and New Zealand region will continue to be the largest single contributor of net profit for the Group.

Directors' Report

The Group will be increasing and scaling its investment in both the Enterprise segment and our Online Sellers vertical in FY21, leveraging success in these segments to deliver future growth opportunities.

The Group's short-term outlook remains subject to the range of challenges outlined in Section 9 (Risks), including market conditions, the impact of volatility in the foreign exchange markets, the cost of its client acquisition through online channels, potential regulatory changes and tax uncertainties. OFX is well positioned to deliver continued growth in the short to medium term.

14. Insurance and indemnification of Directors and Officers

The Directors of the Company and such other officers as the Directors determine are entitled to receive the benefit of an indemnity contained in the Constitution of the Company, to the extent allowed by the *Corporations Act 2001* (Cth).

The Company has entered into a standard form deed of indemnity, insurance and access with the Non-Executive Directors against liabilities they may incur in the performance of their duties as Directors of the Company, to the extent permitted by the *Corporations Act 2001* (Cth). The indemnity operates only to the extent that the loss or liability is not covered by insurance.

During the year the Company has paid premiums in respect of contracts insuring the Directors and Officers of the Company against liability incurred in that capacity to the extent allowed by the *Corporations Act 2001* (Cth). The terms of the policies prohibit disclosure of the details of the liability and premium paid.

15. No officers are former auditors

No officer of the Consolidated Entity has been a partner of an audit firm or a Director of an audit company that is the auditor of the Company and the Consolidated Entity for the financial year.

16. Non-audit services

PricewaterhouseCoopers (PwC) continues in office as the external auditor in accordance with section 327 of the *Corporations Act 2001* (Cth).

The Company may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Audit, Risk and Compliance Committee is required to pre-approve all audit and non-audit services provided by the external auditor. The committee is not permitted to approve the engagement of the auditor for any non-audit services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks or rewards.

Details of the amounts paid or payable to PwC for audit and non-audit services provided during the year are set out in Note 24 to the Financial Statements:

	2020 $	**2019 $**
Taxation services	134,208	101,962
Other professional services	28,280	430,605
Total remuneration for non-audit services	162,488	532,567

17. Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) in relation to the audit for the year ended 31 March 2020 is on page 48 of this Report.

18. Chief Executive Officer/Chief Financial Officer declarations

The Chief Executive Officer and the Chief Financial Officer have given the declarations to the Board concerning the Group's Financial Statements and other matters as required under section 295A(2) of the *Corporations Act 2001* (Cth).

19. Rounding off

The Company is of the kind referred to in Australian Securities and Investments Commission Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. In accordance with that Instrument, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise stated.

Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders

On behalf of the Board and as the Chair of the Remuneration and Nomination Committee, I am pleased to present the OFX Group Limited FY20 Remuneration Report.

The Remuneration Report sets out the remuneration information for OFX's Key Management Personnel and describes OFX's remuneration framework.

FY20 remuneration outcomes

As outlined in both the Chairman's and CEO's letter, the OFX Executive team delivered good results in FY20 building a more valuable business, including a record Net Operating Income, growth in underlying EBITDA, a record contribution from our Corporate segment and achieving outcomes across several key non-financial areas. Executives responded to an unsolicited proposal and then successfully migrated the business to a 'networked, home-based enterprise' at a time of high business volumes, while at all times maintaining solid customer service delivery.

Remuneration outcomes for FY20 are appropriately reflective of this performance, including STI outcomes for Executive KMP reflecting performance being lower than the higher expectations we had set for ourselves at the beginning of the year.

As I outlined in last year's letter, the Company's STI plan was amended in FY19. The plan features a Company multiplication factor, driven by four Company performance measures (**Company Performance Measures**). FY20 Company Performance Measures were set at Underlying EBT (40%); NOI (20%); Active Clients – Corporate and Consumer (20%); and Leadership and Culture (20%). With this model, weight has been given to key financial metrics with a heavier EBT weighting. The Leadership and Culture metric ensures there is a measure to reflect alignment around customer as well as talent management, risk management outcomes and culture. All employees, including Executive KMP, also have individual performance measures.

OFX has retained the amended Executive Share Plan (**ESP**) as approved by shareholders at the 2018 AGM as its Long-Term Incentive plan (**LTI**). Key elements within the ESP were redesigned in FY18 to focus on growth in the Company's share price and to align the interests of Executive KMP with shareholders. No shares vested under the ESP in FY20.

A retention payment of $110,000, in the form of an equity grant which vests 12 months from the award date, will be granted equally to each Executive in June 2020 (subject to Shareholder approval in the case of the CEO). The retention payment represents a commitment made by the Board as a part of the unsolicited M&A proposal which the Company was considering over the closing months of 2019 and early 2020. The market was advised on 18 March 2020 that the transaction would not proceed because of the extreme uncertainty in global markets. It was estimated that the transaction would potentially have taken up to 12 months to complete because of the multitude of regulatory approvals required. Importantly, the transaction was conditional upon the continuity of a significant number of key OFX executives, so it was imperative to ensure the executive team remained intact throughout the closing of the transaction so we could maximise shareholder value. The award will not be dilutive to shareholders as forfeited shares from the FY18 LTI plan will be reissued.

OFX also continued its global employee share plan in FY20, encouraging greater share ownership across the Company. In FY20, 145,263 shares were granted to 244 employees – strengthening the alignment between employees globally with the shareholder experience (**Employee Share Scheme**).

In FY20 OFX welcomed Alfred Nader as President, North America, Elaine Herlihy as Chief Marketing Officer and Elisabeth Ellis as Chief Legal Officer and Company Secretary. With these Executive hires complementing the incumbent executives, the Board believes OFX has a strong global leadership team and is well positioned to execute OFX's strategic growth objectives.

Looking ahead to FY21

The Chairman and CEO describe the commercial landscape in which all businesses are currently operating. The spread of COVID-19, and the world's response to the virus, continues to influence the global economy in real time.

In a time of rapid and widespread change, the Board remains cognisant of the need to ensure that the remuneration mix for Executive KMP is balanced. We also need to ensure OFX's approach to remuneration is transparent and simple, while driving alignment to shareholder value creation.

The Board will continue to set incentive targets which reflect OFX's focus on delivering risk-adjusted returns for investors and sustained performance over the long term. The Board will also monitor OFX's culture to ensure behaviours are values-based, and that decisions are made in the best interests of all stakeholders.

There is no planned increase to Non-Executive Director remuneration in FY21.

Douglas Snedden
Chair, Remuneration and Nomination Committee
19 May 2020

Remuneration Report
for the financial year ended 31 March 2020

Introduction
The Directors of the Company present the Remuneration Report for the Company and its controlled entities (collectively the Group or OFX) for the financial year ended 31 March 2020 prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

The Remuneration Report is divided into the following sections:

1. Key Management Personnel
2. Remuneration Philosophy and Link to Business Strategy
3. Company Performance FY20
4. Statutory Disclosures
5. Performance and Remuneration Outcomes for FY20
6. Loans to Executive KMP
7. Legacy LTI Plans
8. Executive KMP Service Agreements
9. Remuneration Governance
10. Non-Executive Director Remuneration
11. Additional Disclosures
12. Outlook

1. Key Management Personnel

The Remuneration Report outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of the Group, which comprises all Directors (Executive and Non-Executive) and those Executives who have authority and responsibility for planning, directing and controlling the activities of the Group. In this report 'Executive KMP' refers to members of the Group Executive Team that are KMP and includes Mr Skander Malcolm, as an Executive Director.

The following table details the Group's KMP during FY20 and up to the date of this report. The composition of Executive KMP is comprised of the roles of CEO, CFO and COO.

Name	Role
Non-Executive Directors	
Steven Sargent	Chairman and Non-Executive Director
Grant Murdoch	Non-Executive Director
Douglas Snedden	Non-Executive Director
Lisa Frazier	Non-Executive Director
Connie Carnabuci	Non-Executive Director
Executive Director	
Skander Malcolm	Managing Director and Chief Executive Officer (CEO)
Executive KMP	
Selena Verth	Chief Financial Officer (CFO)
Mark Shaw	Chief Operating Officer (COO)

2. Remuneration Philosophy and Link to Business Strategy

2.1 Remuneration Strategy

Our Mission

To be a trusted global money provider for consumers and businesses, by combining the best of digital experience and human touch. We solve for the complexity and anxiety of moving money – enabling better decisions and real savings

Our Strategy

Our strategy remains simple: to deliver a competitively priced and well supported product in the markets in which we operate. Our team will be focused on critical initiatives in our six key pillars of growth:

- Customer experience
- Geographic expansion
- Partnerships
- Reliable and scalable systems
- Risk management
- People

Our Remuneration Strategy

To attract, retain and motivate the best people to drive a great culture that delivers on our business strategy and contributes to sustainable long-term returns

Remuneration Report

for the financial year ended 31 March 2020

2.2 Remuneration Principles

Culture

Align reward to our strong risk, high performance and diverse and inclusive culture

Alignment to performance

Reward performance aligned with business strategy and align Executive and shareholder interests

Competitive

Attract, retain and motivate appropriately qualified and experienced individuals who will contribute to the Group's financial and operational performance

Simple and transparent

Simple structures with clear expectations

Sustainable

Motivate Executives to deliver results with both short- and long-term horizons at the same time meeting OFX's values

2.3 Executive KMP Remuneration Components

Total Fixed Remuneration (TFR)

Performance Conditions

TFR takes into account the size and complexity of the role, as well as skills and experiences of the Executive KMP.

Remuneration Strategy

Set to attract, retain and motivate the right talent to deliver on the Group's strategy and contribute to the Group's financial and operational performance.

Short Term Incentive (STI)

Delivered as a combination of a cash award and deferred equity issued as performance rights.

Performance rights are issued under the Global Equity Plan as approved by shareholders at the 2018 Annual General Meeting.

Performance Conditions

Calculated using:

- Company Performance Measures
- Individual performance measures
- Percentage of TFR.

There is no overall Company financial gateway; however, the Board maintains absolute discretion as to whether any STI awards will be paid.

Company Performance Measures are reviewed and reset by the Board annually with Threshold/Target/Maximum levels set for each measure.

Company Performance Measures for FY20:

- Underlying Earnings Before Tax (EBT) (40%)
- Net Operating Income (NOI) (20%)
- Active Clients (consumer and corporate)[1] (20%)
- Leadership and Culture (20%)

Assessment for Threshold/Target/Maximum levels to follow agreed targets, with the vesting scale ranging from 50% through to 110%.

Individual performance measures to be equally weighted that support an overall rating.

Remuneration Strategy

Annual 'at risk' incentive opportunity awarded on the achievement of performance conditions over a 12-month period.

Performance conditions are clearly defined and measurable and designed to support the financial and strategic direction of the Group and in turn translate to shareholder return.

For FY20 the Company Performance Measures are largely determined by financial metrics with one KPI set for Leadership and Culture based on measurements including talent management and delivery, risk management outcomes, Net Promoter Score (NPS) outcomes and employee engagement scores.

Individual performance measures are specific to the Executive KMP's role.

Threshold/Target/Maximum targets for each measure are set by the Board to provide a challenging but purposeful incentive. The Board also has the discretion to adjust STI outcomes up or down to be satisfied that individual outcomes are appropriate.

The part allocation of STI into a deferred equity encourages Executive KMP to behave like shareholders from the grant date.

The fair value of the performance rights is determined based on the VWAP for the Company's shares for the five days immediately preceding the grant date, with an adjustment made to account for the vesting period over two years and expected dividends during that period that will not be received by the participants.

1. Active Clients is the number of clients who have transacted at least once in the prior 12 months.

Remuneration Report

for the financial year ended 31 March 2020

Long Term Incentive (LTI)

Executive Share Plan (**ESP**)

Three-year incentive opportunity delivered through restricted Company shares – allocated upfront, pursuant to a non-recourse Company loan.

Vesting condition: EBITDA 'Gateway' where EBITDA over the three-year performance period must be accretive for shares to vest.

Performance condition: Absolute Total Shareholder Return (**TSR**) Compound Annual Growth Rate (**CAGR**).

Loan forgiveness is then granted as follows:

- 10% forgiveness for 10% TSR CAGR
- 20% forgiveness for 15% TSR CAGR
- 30% forgiveness for 20% TSR CAGR.

Loan forgiveness is capped at 30%.

Executive KMP must either settle their loan at the end of the loan period or surrender all shares in full settlement of the loan.

Grants made to Executive KMP under the ESP for FY20 will be tested on an underlying EBITDA basis.

Designed to encourage sustainable, long-term value creation and align Executive KMP with shareholders.

This form of incentive delivers immediate share ownership, linking a significant portion of remuneration to OFX's share price and returns generated for shareholders.

Allocation of shares upfront encourages Executive KMP to behave like shareholders from the grant date. The shares are restricted and subject to risk of forfeiture during the vesting/performance periods and while the loan remains outstanding and links remuneration to EBITDA performance over three years and Absolute TSR.

The EBITDA Gateway and Absolute TSR CAGR performance condition are designed to encourage Executive KMP to focus on the key performance drivers which underpin sustainable growth in shareholder value. The EBITDA Gateway provides a 'counterbalance' to the Absolute TSR CAGR performance condition, designed to check that the quality of the share price growth is supported by the Group's earnings performance and not market factors alone.

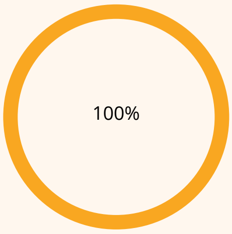
Substantial benefit from the ESP is only achieved through loan forgiveness. If the Absolute TSR CAGR threshold of 10% is not achieved there is no loan forgiveness and the Executive KMP has to repay the full loan amount, less any after-tax dividend payments applied against the loan.

2.4 Remuneration Delivery and Mix

The Executive KMP remuneration mix is structured so that a substantial portion of remuneration is delivered as OFX securities through either deferred STI or LTI. The total remuneration correlates to performance. The following diagram (which is not to scale) sets out the remuneration structure and delivery timing for Executive KMP.

	Year 1	Year 2	Year 3

1. Fixed Remuneration

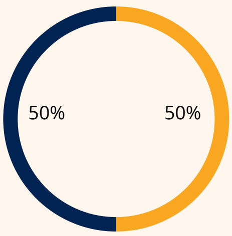


Year 1: Salary and other benefits (including statutory superannuation)

2. STI

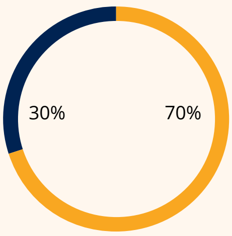
(Target is 115% of TFR for CEO and 60% of TFR for other Executive KMP)

CEO



CEO: 50% cash. 50% deferred into performance rights

EXECUTIVE KMP



KMP: 70% cash. 30% deferred into performance rights

Year 1: Cash STI

12 months deferred vesting

12-month holding lock post vesting

3. LTI

(92% of TFR for CEO and 40% of TFR for each other Executive KMP)

Portion of loan may be forgiven at the end of the three-year performance period according to the schedule below:

- 10% forgiveness for 10% Absolute TSR CAGR
- 20% forgiveness for 15% Absolute TSR CAGR
- 30% forgiveness for 20% Absolute TSR CAGR

Subject to three-year performance period

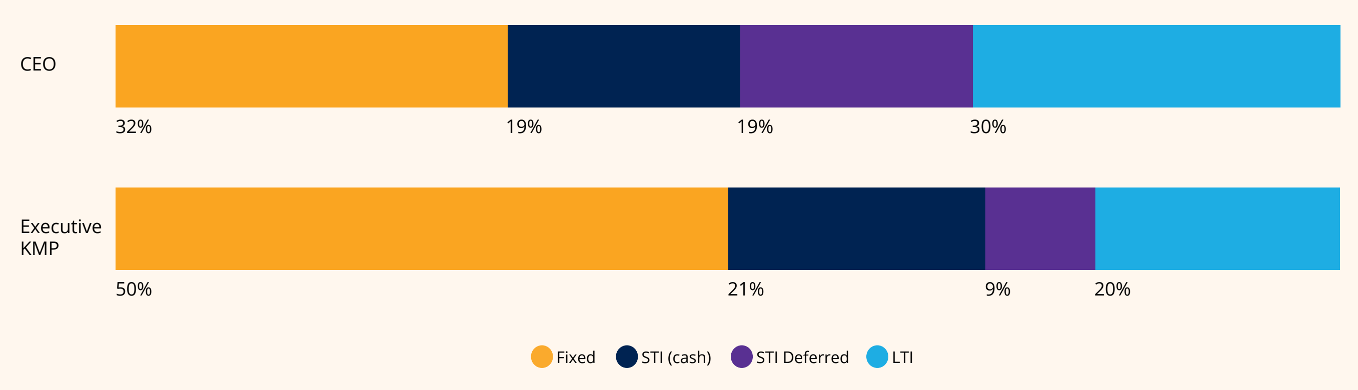
Gateway: EBITDA over the three-year performance period must be accretive

Remuneration Report

for the financial year ended 31 March 2020

Remuneration Mix

TARGET[2]



3. Company Performance FY20

Performance Metrics[3]	2016	2017	2018	2019[4]	2020
Net operating income[5]	$103.9m	$105.1m	$109.9m	$118.7m	$125.2m
EBITDA	$33.1m	$27.8m	$29.8m	$31.6m	$36.9m
Underlying EBITDA	$36.1m	$27.8m	$29.8m	$36.0m	$38.2m
Active Clients*	150,900	156,700	161,900	156,500	148,980
Basic earnings per share[6]	9.09cps	8.17cps	7.79cps	7.07cps	8.37cps
Underlying basic earnings per share[7]	9.95cps	8.17cps	7.79cps	8.45cps	8.80cps
Dividend per share[8]	$0.07184	$0.05900	$0.05800	$0.05640	$0.0563
Closing share price	$2.02	$1.48	$1.69	$1.67	$1.24

* From FY20 Active Clients is Corporate and Consumer clients only.

2. Target mix accounts for partial loan forgiveness under the ESP for 'on target' performance.
3. These are not calculations based on constant currency.
4. 2019 information has been restated to conform with the presentation in the financial statements.
5. Net operating income, a non-IFRS measure, is the combination of 'Fee and trading income' and 'Fee and commission expense' and 'Interest income'.
6. For the calculation of EPS refer to Note 6 of the financial statements.
7. Underlying basic earnings per share is the basic earnings per share calculation utilising the underlying NPAT of the Group.
8. This represents dividends distributed in the period.

4. Statutory Disclosures

This table details the remuneration paid to Executives and has been prepared in accordance with the accounting standards.

		Short-term benefits			Post-employment benefit	Long-term benefits	Share-based payments			
	Year	Cash salary and fees $	Cash bonus $	Other $	Super-annuation $	Long service leave $	Deferred STI[9] $	Perfor-mance rights $	Share loan $	Total $
Current KMP										
S. Malcolm	2020	657,379	228,131	–	20,885	6,633	70,670	–	151,300	1,134,998
	2019	642,713	210,543	–	20,415	2,133	59,091	–	(147,114)	787,781
S. Verth	2020	367,813	86,932	–	20,885	1,413	12,103	–	37,555	526,701
	2019	356,488	96,140	–	20,411	388	9,922	–	(12,951)	470,398
M. Shaw	2020	339,843	96,305	–	20,885	1,159	12,091	–	34,714	504,997
	2019	28,333	7,781	–	–	301	45	–	1,883	38,343
Former KMP										
W. Glasgow[10]	2020	–	–	–	–	–	–	–	–	–
	2019	289,505	80,861	–	19,291	–	5,497	–	22,171	417,325
A. Smith[11]	2020	–	–	–	–	–	–	–	–	–
	2019	328,982	–	–	20,411	–	3,207	–	(73,343)	279,257
C. Pendleton-Browne[12]	2020	–	–	–	–	–	–	–	–	–
	2019	58,271	–	–	2,612	–	–	–	–	60,883
Total KMP remuneration										
	2020	**1,365,035**	**411,368**	**–**	**62,655**	**9,205**	**94,864**	**–**	**223,569**	**2,166,696**
	2019	1,704,292	395,325	–	83,140	2,822	77,762	–	(209,354)	2,053,987

9. The amounts for deferred STI payments reflect the accounting expense on a fair value basis.
10. W. Glasgow ceased to be a KMP on 31 March 2019.
11. A. Smith ceased to be a KMP on 28 February 2019.
12. C. Pendleton-Browne ceased to be a KMP on 30 April 2018.

Remuneration Report

for the financial year ended 31 March 2020

5. Performance and Remuneration Outcomes for FY20

5.1 Fixed Remuneration

Regular reviews of remuneration levels are a key element of the Board's role, and a comprehensive market review was conducted for each Executive KMP in FY20 which resulted in the below amendments to base salary for Executive KMP.

Name	% increase
S. Malcolm	2.2
S. Verth	3.3
M. Shaw	–

The Board believes that these changes result in appropriate, market-competitive fixed remuneration.

5.2 STI

The STI Plan is aligned to shareholder interests by:

Encouraging Executive KMP to achieve year-on-year performance in a balanced and sustainable manner through a mix of financial and non-financial performance measures.	Mandatory deferral of STI award into performance rights acting as a retention mechanism (50% deferred for CEO and 30% deferred for other Executive KMP).

COMPANY PERFORMANCE MEASURES x **INDIVIDUAL PERFORMANCE MEASURES** x **TARGET STI %** x **TFR** = **STI**

COMPANY PERFORMANCE MEASURES

Four Company Performance Objectives reviewed and set by the Board annually

	Payout
Threshold	50%
Target	100%
Max	110%

INDIVIDUAL PERFORMANCE MEASURES

Does not meet	1	0%
Mostly meets	2	75%
Meets	3	100%
Exceeds	4	110%
Outstanding	5	120%

TARGET STI %

TFR

(TFR is base salary outside Australia)

STI

Min = 0%

Max = 132%

FY20 STI outcomes

STI achieved by Executive KMP for FY20 is set out in the table below:

Executive KMP	STI at target $	Company Performance Measures	Individual Performance	STI achievement %	STI achievement $	Cash $	STI portion deferred[13] $
S. Malcolm	782,611	53%	110%	58%	456,262	228,131	228,131
S. Verth	234,319	53%	100%	53%	124,189	86,932	37,257
M. Shaw	216,319	53%	120%	64%	137,579	96,305	41,274

Bonus Pool Calculation	FY20 Actual	% Achieved	Payout rate	Funding[14]	FY19 Actual	YOY %
Underlying EBT	26.1	97%	52%	21%	25.9	0.8%
NOI	125.2	96%	57%	11%	118.7	5.5%
Active Clients (Consumer and Corporate)	148,980	106%	106%	21%		
Leadership and Culture			See commentary	0%[15]		
TOTAL				53%		

The Board has exercised its discretion not to pay STI against the leadership and culture metric due to the unintended dilutive effect on EBT. The Board note that this determination has been made to avoid this unintended consequence notwithstanding that management have performed well this year for leadership and culture based on demonstrated performance in talent management, culture, risk management outcomes, Net Promoter Score (NPS) outcomes and employee engagement scores. Management responded productively to an unsolicited proposal and then successfully migrated the business to a 'networked, home based enterprise' at a time of high business volumes, while at all times maintaining an excellent client experience.

Mr Malcolm's individual performance was assessed by the Board on the Company Performance Measures as set out in the table above and Individual performance measures.

	Held at 1 April 2019[16]	Granted during the year	Vested during the year	Forfeited during the year	Held at 31 March 2020
Current KMP					
S. Malcolm	172,850	134,810	(172,850)		134,810
S. Verth	22,781	26,382	(22,781)		26,382
M. Shaw	–	25,139	–		25,139

13. STI deferred portion is calculated as STI achieved achievement multiplied by STI remuneration delivery mix and is a non-statutory measure.
14. Funding rate is calculated as payout rate multiplied by company performance measures.
15. As explained below, this result is required to avoid an unintended dilutive effect on EBT and does not reflect management's performance for leadership and culture.
16. All holdings at 1 April 2019 were granted during FY19.

Remuneration Report
for the financial year ended 31 March 2020

5.3 LTI (Executive Share Plan)

How performance translates into LTI outcomes

The Executive Share Plan (ESP) is aligned to shareholder interests by:

Encouraging Executive KMP to make sustainable business decisions with allocation of shares upfront encouraging Executive KMP to behave like shareholders from the grant date. Shares are restricted and subject to risk of forfeiture during the vesting/performance periods and while the loan remains outstanding.

EBIDTA Gateway and Absolute TSR CAGR performance condition encourage Executive KMP to focus on the key performance drivers which underpin sustainable growth in shareholder value with potential loan forgiveness (on a sliding scale to a maximum of 30%) for growth in Absolute TSR CAGR.

LTI Outcomes for FY20

No shares under the ESP vested in FY20 however Executive KMP were issued grants under the ESP for FY20 as outlined in the table below.

From FY19, as approved by shareholders at the Company's AGM in August 2018, in order to reward good performance, part of the loan may be forgiven at the end of the three-year performance period upon the achievement of specified performance conditions.

For FY19 Executive KMP were offered a single grant of shares. The value of the grants was determined by reference to a set % of TFR. The number of shares that each Executive KMP received was determined using the following formula:

Fixed Remuneration x Grant % x Gross-up Factor (2) divided by the share acquisition price (being the five-day VWAP for the period prior to and including 11/05/2019).

The Gross-up Factor replaced the previously used Fair Value Factor (Black-Scholes).

Australian Accounting Standards require the ESP awards be treated as options for accounting purposes due to the structure of the plan. The number and value of notional options held by Executive KMP under the ESP during the financial year ended 31 March 2020 is set out in the table below.

Issuance	Grant date	Vesting date	Expiry date	Fair value at grant date	Performance achieved	% vested
Share-based loan (tranche 1)[17]	30 September 2016	7 June 2019	6 June 2021	0.74	No	–
Share-based loan (tranche 2)[17]	30 September 2016	7 June 2020	6 June 2022	0.81	To be determined	–
Share-based loan (tranche 3)[17]	30 September 2016	7 June 2021	6 June 2023	0.87	To be determined	–
FY18 share-based loan	22 September 2017	7 June 2020	6 June 2022	0.65	To be determined	–
FY19 share-based loan	22 June 2018	7 June 2021	6 June 2023	0.53	To be determined	–
FY20 share-based loan	11 June 2019	7 June 2022	6 June 2024	0.30	To be determined	–

17. Current KMP have no options held against the share based loan.

	Held at 1 April 2019	Granted during the year	Exercised during the year	Forfeited during the year	Held at 31 March 2020	Total value of options held at grant date $
Current KMP						
S. Malcolm	2,568,769[18]	801,763	–	–	3,370,532	1,891,825
S. Verth	391,355[19]	200,044	–	–	591,399	309,364
M. Shaw	158,209[20]	184,677	–	–	342,886	140,535

6 . Loans to Executive KMP

The details of non-recourse loans provided to Executive KMP under the ESP during FY20 are set out below.

Under the ESP, Executive KMP acquire shares in the Company funded by a non-recourse loan from the Company. These loans are provided for the sole purpose of Executive KMP acquiring shares in the Company. The amount of the loan is equal to the issue price multiplied by the total number of shares issued. The loan is 'interest free' in that there is no annual interest charge to the participant on the loan. However, the notional value of this interest is taken into account in the overall structure of the program. The participant is obliged to pay a portion of the post-tax value of any dividends received during the loan term toward repayment of the loan amount. To access the shares, participants must repay their loan in full. Following the end of the vesting period, assuming the earnings 'gateway' is achieved, the participant can either repay the loan directly or sell some or all of their shares and apply the proceeds to repay the loan. Shares remain restricted until the loan is repaid, and it is important that the loan obligation is always taken into account alongside the face value of shares under the ESP awards.

Name	Held at 1 April 2019 $	Advances during the year $	Loan forgiveness during the year $	Repayments during the year $	Held at 31 March 2020 $	Interest free value $	Highest indebtedness during the year $
Current KMP							
S. Malcolm	4,533,778	1,252,177	–	(87,453)	5,698,502	669,096	5,785,955
S. Verth	690,136	312,425	–	(14,303)	988,258	102,415	1,002,561
M. Shaw	278,191	288,425	–	(7,087)	559,529	41,910	566,616

18. Includes 1,877,166 shares granted in FY18 ESP and 691,603 shares granted in FY19 ESP.
19. Includes 220,370 shares granted in FY18 ESP and 170,985 shares granted in FY19 ESP.
20. Includes 158,209 shares granted in FY19 ESP.

Remuneration Report

for the financial year ended 31 March 2020

7. Legacy LTI Plans

OFX's LTI changed in the 2017 financial year from the Legacy LTI Plan to the ESP to align with market practice, while continuing to support the Group's strategy. The Legacy LTI Plan remains a legacy plan. The Legacy LTI Plan issued performance rights, service rights and share options to Executive KMP. The Legacy LTI Plan will continue to operate until all issuances on foot vest or lapse in accordance with relevant vesting conditions as determined by the Board. The grants under the Legacy LTI Plan have the following vesting conditions.

Legacy performance rights, service rights and options as vested and on foot as at 31 March 2020 are set out below.

Issuance	Grant date	Vesting date	Fair value at grant date $	Performance achieved	% vested
Retention rights tranche 1[21]	20 October 2014	7 June 2019	2.21	No	–
Retention rights tranche 2	20 October 2014	7 June 2019	2.21	No	–
Retention rights tranche 3	20 October 2014	7 June 2019	2.21	No	–
FY16 performance rights	14 June 2016	7 June 2019	1.94	No	
Share options tranche 2	1 June 2015	30 June 2019	0.50	No	–

The grants under the Legacy LTI Plan have the following vesting conditions:

Performance rights

Issuance	EPS CAGR	100%	25%-100%	0%	Performance Period
Retention rights tranche 1	14%	19%	14%-19%	<14%	54 Months
Retention rights tranche 2	14%	19%	14%-19%	<14%	54 Months
Retention rights tranche 3	14%	19%	14%-19%	<14%	54 Months

		Vesting Level (NOI CAGR)			
	EPS CAGR	100%	25%-100%	0%	Performance Period
FY16 performance rights	17%	22%	17%-22%	<17%	36 Months

Service rights

Service rights are issued in certain circumstances as part of the initial employment arrangements for employees. The only vesting condition is ongoing employment at the vesting date. On vesting, each service right is convertible into one ordinary share of the Company. No exercise price is payable.

Share options

On vesting, each share option is convertible into one ordinary share of the Company. An exercise price of $2.49 is payable in order for the options to vest and must be exercised within 12 months of the vesting date. There were no share options issued during the year ended 31 March 2020.

Further information on share-based payments is set out in Note 22 of the Financial Report.

21. The performance period of these tranches was modified in the 2017 financial year to align with tranche 3.

8. Executive KMP Service Agreements

Contractual arrangements for Executive KMP

The main employment terms and conditions for Executive KMP as at 31 March 2020 are set out below.

Contract Components	CEO	Other Executive KMP
Basis of contract	Ongoing (no fixed term)	Ongoing (no fixed term)
Notice period	6 months	6 months
Post-employment restraints	Maximum 6 months post-employment non-compete and non-solicitation restraint	Maximum 12 months post-employment non-compete and non-solicitation restraint
Treatment of STI and LTI	Upon termination, if the CEO is considered a good leaver, the CEO will be entitled to a pro-rata STI award. Board discretion applies to the treatment of any unvested LTI	Upon termination, if the Executive KMP is considered a good leaver, the Executive KMP may be entitled to a pro-rata STI award. Board discretion applies to the treatment of any unvested LTI

9. Remuneration Governance

9.1 Role of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee (**Remuneration Committee**) is responsible for reviewing and making recommendations to the Board on the Company's remuneration packages for Non-Executive Directors, the CEO, and Executives. It is also responsible for reviewing the Company's recruitment policies, superannuation arrangements, Board and Executive succession planning and performance evaluations among other things. The Charter of the Remuneration Committee is available on the Group's website at www.ofx.com/en-au/investors/corporate-governance/.

To assist in performing its duties, the Remuneration Committee seeks independent advice from external consultants on various remuneration related matters. The Remuneration Committee follows protocols around the engagement and use of external remuneration consultants to ensure compliance with the relevant Executive Remuneration legislation.

During the 2020 financial year, EY was engaged to provide advice on Executive Remuneration relating to the unsolicited offer.

The Board is satisfied that the recommendations received from remuneration consultants were made free from undue influence from the KMP to whom the recommendations relate and in accordance with section 9B of the *Corporations Act 2001* (Cth).

Further, the following arrangements were made to meet this requirement:

- The remuneration consultants were engaged by and reported to the Remuneration Committee on behalf of the Board. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration Committee.
- The advice containing the remuneration recommendations was provided by the remuneration consultants directly to the Chair of the Remuneration Committee.
- The remuneration recommendations made by external advisors to the Remuneration Committee and the Board were used as an input to decision making only.

The total fees paid to external advisors for remuneration recommendations included $45,430 (including GST) paid to EY.

Remuneration Report
for the financial year ended 31 March 2020

9.2 Board Discretion

The Company has a structured and objective approach to remuneration. However, the Remuneration Committee and the Board are able to exercise judgement and discretion as is required to provide remuneration outcomes for Executive KMP that appropriately reflect the performance of the Group and the achievement of real and tangible results that are consistent with the Group's strategic priorities, are in line with Group values and enhance shareholder value.

9.3 Cessation of Employment

Participants are not eligible for any STI cash payment or any deferred STI which are subject to restriction if they are terminated due to misconduct or poor performance, nor in general, if they resign or retire without a managed transition approved by the Board. In certain appropriate circumstances allowed for under Executive Service Agreements, the Board may deem an Executive KMP to be a 'good leaver' and exercise discretion to allow eligibility for a pro-rata cash payment in respect of the current performance year and may determine that deferred STI previously awarded is retained.

In general, all ESP shares are forfeited and surrendered in full settlement of the loan if a participant ceases employment prior to the end of the performance period. The Board, however, has absolute discretion in appropriate circumstances to deem an Executive KMP to be a 'good leaver' and determine that some or all of a participant's ESP share awards be retained.

9.4 Malus and Clawback

The STI and LTI arrangements are subject to malus and clawback provisions that enable the Company to reduce or claw back awards where it is appropriate to do so. The Board retains wide discretion to adjust formulaic incentive outcomes up or down (including to zero) prior to their finalisation. Malus refers to the exercise of downward discretion. Clawback refers to the Board's power to recover awards or payments that have been made, granted or vested (including the forfeiture of vested equity awards, or the demand of the return of shares or the realised cash value of those shares) where the Board determines that the benefit obtained was inappropriate (for example, as a result of fraud, dishonesty or breach of employment obligations by the recipient or any employee of the Group). The Board has not encountered circumstances in this or prior periods that have required the application of the clawback provisions.

9.5 Change of Control

If a change of control occurs prior to the vesting of share rights that are not subject to performance hurdles the Board has discretion to bring forward vesting dates where it considers it appropriate to do so. If a change of control occurs prior to the vesting of STI or LTI that is subject to performance hurdles, the Board has discretion to determine that some or all of the unvested shares will vest. In exercising this discretion, the Board may have regard to any matter the Board considers relevant, including the extent to which the vesting conditions have been satisfied (or estimated to have been satisfied) at the time the change of control occurs or the proportion of the performance period during which the vesting conditions are tested has passed at the time the change of control occurs.

9.6 Other Equity/Share Plans

The Company introduced a universal employee share plan in FY19 in which all employees can be awarded shares on an annual basis (**Employee Share Scheme**). The Employee Share Scheme was introduced to encourage greater share ownership across the Company. For FY20 eligibility for the award was subject to a service requirement. For the FY20 award, shares were allocated to employees on a restricted basis (the shares cannot be traded until the earlier of cessation of employment or three years). Directors and Executives are not eligible for the Employee Share Scheme.

OFX's Employee Share Scheme has been recognised as a leading global employee share plan by Employee Ownership Australia, winning the 2018 Award for Best New Employee Share Plan.

9.7 Minimum Shareholding Requirement for Non-Executive Directors

A minimum shareholding requirement for Non-Executive Directors was introduced in FY2019. The minimum shareholding requirement seeks to align the interests of the Board and shareholders with a minimum shareholding requirement for Non-Executive Directors. Each Non-Executive Director must establish and maintain a level of share ownership equal to one times the Non-Executive Director annual base fee. For the purposes of calculating the minimum holding, this does not include any higher fee for acting as Chair or for membership of any Board Committees. The minimum holding must be reached within three years of appointment. At the date of this Remuneration Report, all Non-Executive Directors either met the minimum requirement or were on track to meet it within the required time.

9.8 Securities Trading Policy

All Directors and employees are required to comply with the Group's Securities Trading Policy in undertaking any trading in the Company's shares and may not trade if they are in possession of any inside information. Directors and employees can only trade during the specified trading windows immediately following the release of the half-year and full-year results and the annual meeting. In addition, Directors and certain restricted employees may only trade during the trading windows with prior written clearance as set out in the Policy. The Policy prohibits employees who participate in any equity-based plan from entering into any transaction in relation to unvested securities which would have the effect of limiting the economic risk of an unvested security.

10. Non-Executive Director Remuneration

10.1 Fee Framework

The Board seeks to set fees for the Non-Executive Directors that reflect the demands which are made on, and the responsibilities of, the Directors, and at a level which will attract and retain directors of the highest quality.

Non-Executive Director fees will be reviewed from time to time and Directors may seek the advice of external remuneration advisors for this purpose. There were no changes in fees during FY20.

10.2 Fee Pool

The maximum payable to be shared by all Non-Executive Directors is currently set at $1,000,000 per annum, which was approved by shareholders in General Meeting prior to the Company's listing on the ASX in 2013. To preserve independence, Non-Executive Directors do not receive any equity as part of their remuneration and do not receive any performance related compensation. Non-Executive Directors receive superannuation contributions where required by Superannuation Guarantee legislation.

Fees applicable for FY20

Role	$
Chairperson fee	200,000
Base Director fee	100,000
Committee Chair fee	25,000
Committee Member fee	15,000

Remuneration Report

for the financial year ended 31 March 2020

Statutory Non-Executive Director fees for the year ended 31 March 2020.

Details of the fees paid to the Non-Executive Directors for the year ended 31 March 2020 are outlined below:

		Short-term employee benefits	Post-employment benefits	
Non-Executive Directors	**Year**	**Cash salary and fees $**	**Superannuation $**	**Total $**
S. Sargent	2020	210,046	19,954	230,000
	2019	210,046	19,954	230,000
G. Murdoch	2020	114,155	10,845	125,000
	2019	114,155	10,845	125,000
D. Snedden	2020	127,854	12,146	140,000
	2019	123,288	11,712	135,000
C. Carnabuci	2020	105,023	9,977	115,000
	2019	–	–	–
L. Frazier	2020	118,721	11,279	130,000
	2019	111,872	10,628	122,500
M. Conrad[22]	2020	–	–	–
	2019	63,927	6,073	70,000
Total Non-Executive Director remuneration	2020	675,799	64,201	740,000
	2019	623,288	59,212	682,500

Director shareholdings

Details of the Directors' and their affiliates' shareholdings in OFX Group Limited are set out below:

	Type	Opening balance	Issued	Acquisition	Disposals/ forfeitures	Closing balance
S. Sargent	Ordinary	100,000	–	–	–	100,000
S. Malcolm	Ordinary	2,623,979	974,613[23]	–	–	3,598,592[24]
G. Murdoch	Ordinary	245,000	–	–	–	245,000
D. Sneddon	Ordinary	100,000	–	–	–	100,000
L. Frazier	Ordinary	54,645	–	–	–	54,645
C. Carnabuci	Ordinary	19,332	–	–	–	19,332

22. Resigned effective 28 September 2018.
23. 801,763 shares were granted in accordance with the Executive Share Plan and are restricted until performance measures have been met and the corresponding loan in respect of those shares has been repaid. These shares were reissued from shares forfeited pursuant to the OFX Executive Share Plan and reissued. No new shares were issued. In addition, 172,850 shares were issued upon vesting of FY18 STI. These shares are subject to a 12-month holding lock.
24. Mr Malcolm holds 55,210 ordinary shares, 172,850 ordinary shares that are subject to a holding lock and 3,370,532 shares in the OFX Executive Share Plan. These shares in the OFX Executive Share Plan are subject to forfeiture if performance conditions are not met.

11. Additional Disclosures

Transactions of KMP

Shares held in the Company by KMP at the end of the financial year, excluding shares granted under the ESP and STI, are set out below.

	Held at 1 April 2019	Exercise of share options or rights during the period	Other movements	Held at 31 March 2020
Current KMP				
S. Malcolm	55,210	–	–	55,210
S. Verth	5,800	–	–	5.800
M. Shaw	52,222	–	–	52,222

12. Outlook

The Group will continue to review and adjust its reward mechanisms annually, as required, to ensure that its long-term growth aspirations are met.

This Directors' Report is made in accordance with a resolution of Directors. On behalf of the Board, 19 May 2020.

Steven Sargent
Chairman

19 May 2020

Skander Malcom
Chief Executive Officer and Managing Director

19 May 2020

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of OFX Group Limited for the year ended 31 March 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of OFX Group Limited and the entities it controlled during the period.

Elizabeth O'Brien
Partner
PricewaterhouseCoopers

Sydney
19 May 2020

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Consolidated Statement of Comprehensive Income

for the year ended 31 March 2020

	Notes	2020 $'000	2019[1] $'000
Fee and trading income	2	137,235	128,744
Fee and commission expense	2	(13,187)	(11,487)
Net income		124,048	117,257
Interest and other income	2	1,106	1,486
Net operating income		125,154	118,743
Employment expenses	3	(53,414)	(50,314)
Promotional expenses		(13,632)	(17,562)
Information technology expenses		(6,273)	(5,134)
Occupancy expenses	3	(700)	(705)
Bad and doubtful debts	3	(3,331)	(816)
Other operating expenses	3	(10,869)	(12,577)
Earnings before interest expense, tax, depreciation and amortisation (EBITDA)		36,935	31,635
Depreciation and amortisation expense	3	(10,521)	(8,906)
Interest expense	16	(1,647)	(1,178)
Net profit before income tax		24,767	21,551
Income tax expense	4	(4,436)	(4,468)
Net profit attributable to ordinary shareholders		20,331	17,083
Other comprehensive income			
Other comprehensive income that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations, net of hedging		66	(112)
Total comprehensive income attributable to ordinary shareholders		20,397	16,971

Earnings per share attributable to ordinary shareholders		Cents	Cents
Basic	6	8.37	7.07
Diluted	6	8.16	6.89

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

1. Comparative information has been restated to conform with presentation in the current year.

Consolidated Statement of Financial Position

as at 31 March 2020

	Notes	2020 $'000	2019[1] $'000
ASSETS			
Cash held for own use	7	28,771	26,112
Cash held for settlement of client liabilities	7	207,038	155,151
Deposits due from financial institutions	7	32,276	32,457
Derivative financial assets	9	35,094	9,118
Prepayments		3,144	3,346
Other receivables	8	7,071	3,041
Property, plant and equipment	12	2,279	3,202
Intangible assets	13	14,832	11,019
Right-of-use assets	16	17,211	15,506
Current tax assets		4,015	2,796
Deferred income tax assets	5	2,099	206
Total assets		353,830	261,954
LIABILITIES			
Client liabilities	7, 8	211,908	157,194
Derivative financial liabilities	9	32,656	6,419
Lease liabilities	16	21,143	18,025
Other creditors and accruals	14	6,520	4,456
Provisions	15	5,616	5,832
Deferred income tax liabilities	5	–	379
Total liabilities		277,843	192,305
Net assets		75,987	69,649
EQUITY			
Ordinary share capital	18	28,774	29,113
Retained earnings		46,502	40,155
Foreign currency translation reserve		73	7
Share-based payments reserve		638	374
Total equity attributable to shareholders		75,987	69,649

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

1. Comparative information has been restated to conform with presentation in the current period.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

	Notes	Ordinary share capital $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Total equity $'000
Balance at 31 March 2018		24,360	37,608	184	842	62,994
Change in accounting policy	1	–	(903)	(65)	–	(968)
Restated total equity at 1 April 2018		24,360	36,705	119	842	62,026
Net profit		–	17,083	–	–	17,083
Other comprehensive income		–	–	(112)	–	(112)
Total comprehensive income		–	17,083	(112)	–	16,971
Transactions with shareholders in their capacity as shareholders:						
Forfeited Executive Share Plan shares		4,753	–	–	–	4,753
Dividends paid	19	–	(13,633)	–	–	(13,633)
Expenses related to share-based payments	22	–	–	–	(468)	(468)
		4,753	(13,633)	–	(468)	(9,348)
Balance at 31 March 2019		29,113	40,155	7	374	69,649
Net profit		–	20,331	–	–	20,331
Other comprehensive income		–	–	66	–	66
Total comprehensive income		–	20,331	66	–	20,397
Transactions with shareholders in their capacity as shareholders:						
Acquisition of shares		(339)	–	–	–	(339)
Dividends paid	19	–	(13,984)	–	–	(13,984)
Expenses related to share-based payments	22	–	–	–	264	264
		(339)	(13,984)	–	264	(14,059)
Balance at 31 March 2020		28,774	46,502	73	638	75,987

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from ordinary activities after income tax		20,331	17,083
Adjustments to profit from ordinary activities			
Depreciation and amortisation		10,521	8,906
Interest expense		1,647	1,178
Movement in share-based payment reserve		264	(468)
Foreign exchange revaluation		58	(37)
Fair value changes on financial assets and liabilities through profit or loss		261	(459)
Movement in foreign currency translation reserve		66	(112)
Operating cash flow before changes in working capital		33,148	26,091
CHANGES IN ASSETS AND LIABILITIES			
(Increase) in prepayments and other receivables		(3,827)	(2,175)
(Increase)/decrease in deferred income tax assets		(1,893)	9
(Increase)/decrease in cash held for settlement of client liabilities		(51,887)	675
Increase in amounts due to clients		54,714	327
Increase in accrued other creditors and accruals		2,064	29
(Decrease)/increase in deferred income tax liabilities		(379)	281
(Decrease)/increase in provisions		(216)	912
Increase in current tax assets		(1,219)	(3,740)
Net cash flows from operating activities		30,505	22,409
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	12	(972)	(1,137)
Payments for intangible assets	13	(9,309)	(7,826)
Decrease/(increase) in cash deposited with financial institutions		181	(22,268)
Net cash flows from investing activities		(10,100)	(31,231)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for lease liabilities	16	(3,365)	(3,506)
(Payments for acquisition)/proceeds from sale of shares		(339)	4,753
Dividends paid	19	(13,984)	(13,633)
Net cash flows from financing activities		(17,688)	(12,386)
Net increase/(decrease) in cash held for own use		2,717	(21,208)
Cash held for own use at the beginning of the year		26,112	47,252
Exchange gains on cash held for own use		(58)	68
Cash held for own use at the end of the year	7	28,771	26,112
Including cash held for settlement of client liabilities (classified as operating activities)			
Cash held for settlement of client liabilities at the beginning of the year		155,151	155,826
Cash inflows from clients		24,556,639	23,710,122
Cash outflows to clients		(24,501,554)	(23,706,516)
Exchange gain on cash held for client liabilities		(3,198)	(4,281)
Cash held for settlement of client liabilities at the end of the year	7	207,038	155,151
Total cash and cash equivalents	7	235,809	181,263

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements: About this Report

for the year ended 31 March 2020

About this Report

OFX Group Limited (the Group or the Company) is a company limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange. This financial report presents the consolidated performance, position and cash flows of the Group for the year ended 31 March 2020 and was approved and authorised for issue by the Board of Directors on 19 May 2020. The Group is for-profit for the purpose of preparing the financial statements. The accounting policies explained in this report are consistent for all the periods presented unless otherwise stated. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- Is prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). Consequently, this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB
- Has been prepared under the historical cost convention except for derivatives and share-based payments which are measured at fair value
- Presents reclassified comparative information where required for consistency with the current year's presentation
- Is presented in Australian dollars with all values rounded to the nearest thousand dollars in accordance with *ASIC Legislative Instrument 2016/191* unless otherwise indicated.

Critical estimates and judgements

Preparing the financial report requires judgement in applying the accounting policies and calculating certain critical accounting estimates. The Group's critical accounting estimates and significant judgements are:

- Fair value of certain financial instruments (Note 10)
- Share-based payments (Note 22)
- Intangible Assets (Note 13)
- Leases (Note 16).

Following the global outbreak of COVID-19, the Group enacted its Business Continuity plans and transitioned almost all of its global workforce to work from home arrangements. Many of the Group's key suppliers, including its major banking counterparties, enacted similar arrangements. As a result, no major disruption to the Group's services has occurred to date as a result of COVID-19. This financial report has not considered any potential future impacts as a result of COVID-19. While the Group is continuing to monitor the situation closely, we note the developments in the lead-up to the year end did not have a significant impact on estimates and key judgements.

Basis of consolidation

The consolidated financial report comprises the assets and liabilities of all subsidiaries of the Group as at 31 March 2020 and the results of all subsidiaries for the year then ended. A list of controlled entities at year end is contained in Note 21.

Subsidiaries are all those entities over which the Group has the power to direct the relevant activities, exposure to significant variable returns and the ability to utilise power to affect the Group's own returns. The determination of control is based on current facts and circumstances and is continuously assessed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the separate financial statements of OzForex Limited (the intermediate holding company) in accordance with AASB 127 *Separate Financial Statements*.

Functional and presentation currency

Foreign operations are measured in the Group's financial statements using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The functional currencies of overseas subsidiaries are listed in Note 21.

The Group's financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

GST

Revenues, expenses and fixed assets are recognised net of the associated GST, unless the GST is not recoverable from the relevant taxation authority. Receivables and creditors are presented including the GST. The net GST recoverable from, or payable to, each taxation authority is presented in other receivables or other payables.

Cash flows are presented including GST. The GST components of the cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Notes to the Financial Statements: About this Report

for the year ended 31 March 2020

New and amended accounting standards adopted by the Group

AASB 16 *Leases*

AASB 16 *Leases* has mandatory application from 1 January 2019 and was adopted by the Group on 1 April 2019, with full retrospective application.

a. Adjustments recognised on adoption of AASB 16

On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. Refer to Note 16 Leases.

The impact on the Group's financial statements resulting from the adoption of AASB 16 arises from property lease contracts. Adopting the standard has resulted in the recognition of a right-of-use asset with a value of $17.2 million and a corresponding liability of $21.1 million at 31 March 2020 (31 March 2019: $15.5 million right-of-use asset and $18.0 million corresponding liability, 1 April 2018: $13.5 million right-of-use asset and $15.2 million corresponding liability). Total right-of-use asset depreciation expense was $3.2 million and interest expense was $1.6 million for the period ended 31 March 2020 (31 March 2019: $3.1 million depreciation expense and $1.2 million interest expense; 1 April 2018: $0.9 million decrease in retained earnings).

The restatement of the affected financial statement line items for the previous periods in this report is as follows:

Balance sheet 31 March 2019 (extract)

	31 March 2019 $'000	Increase/ (Decrease) $'000	31 March 2019 (Restated) $'000
Right-of-use asset	–	15,506	15,506
Total assets	246,992	15,506	262,498
Lease liabilities	–	18,025	18,025
Other creditors and accruals	6,162	(1,162)	5,000
Provisions	5,474	358	5,832
Total liabilities	175,628	17,221	192,849
Retained earnings	41,586	(1,431)	40,155
Foreign currency translation reserve	291	(284)	7
Total equity	71,364	(1,715)	69,649

Operating lease commitments disclosed as at 31 March 2019 was $9.2 million. The difference between operating lease commitments disclosed and lease liabilities of $18.0 million recognised on restatement as at 31 March 2019, is primarily attributable to the difference in the treatment of extension options on existing lease arrangements under the new standard.

Income statement 31 March 2019 (extract)

	31 March 2019 $'000	Increase/ (Decrease) $'000	31 March 2019 (Restated) $'000
Occupancy expenses	(4,429)	3,724	(705)
Earnings before interest expense, tax, depreciation and amortisation (EBITDA)	27,911	3,724	31,635
Depreciation and amortisation expense	(5,832)	(3,074)	(8,906)
Interest expense	–	(1,178)	(1,178)
Net profit attributable to ordinary shareholders	17,611	(528)	17,083

Cash flow statement 31 March 2019 (extract)

	31 March 2019 $'000	Increase/ (Decrease) $'000	31 March 2019 (Restated) $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from ordinary activities after income tax	17,611	(528)	17,083
Adjustments to profit from ordinary activities			
Depreciation and amortisation	5,832	3,074	8,906
Interest expense	–	1,178	1,178
Movement in foreign currency translation reserve	107	(219)	(112)
Operating cash flow before changes in working capital	22,586	3,505	26,091
Net cash flows from operating activities	18,904	3,505	22,409
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for finance lease liabilities	–	(3,506)	(3,506)
Net cash flows from financing activities	(8,880)	(3,506)	(12,386)

Notes to the Financial Statements: About this Report

for the year ended 31 March 2020

b. Impact on segment disclosures and earnings per share

Comparative adjusted EBITDA, segment assets and segment liabilities all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas operating lease liabilities were previously excluded from segment liabilities. The following segments were impacted by the change in policy:

		31 March 2019	
	31 March 2019 Adjusted EBITDA $'000	Segment assets $'000	Segment liabilities $'000
A&NZ	1,638	10,708	12,535
Europe	371	940	1,237
North America	1,124	1,833	2,259
Asia	591	2,025	1,994
	3,724	15,506	18,025

Basic and diluted earnings per share for the previous period have also been restated. The amount of the restatement for both basic and diluted earnings per share was a decrease of 0.21 cents per share.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* where there is uncertainty over income tax treatments. It requires an assessment of each uncertain tax position to determine whether it is probable that a taxation authority will accept the position. Where it is not considered probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates. The amount will be determined as either the single most likely amount or sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances are presented. The implementation of Interpretation 23 did not have an impact on the amounts recognised in the current or prior periods, and is not expected to significantly affect future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group's financial statements.

Notes to the Financial Statements: Segment Information

for the year ended 31 March 2020

Note 1. Segment Information

The operating segments presented below reflect how senior management and the Board of Directors (the chief operating decision makers) allocate resources to the segments and review their performance.

The chief operating decision makers examine the performance both from a product and geographic perspective and have identified five reportable segments.

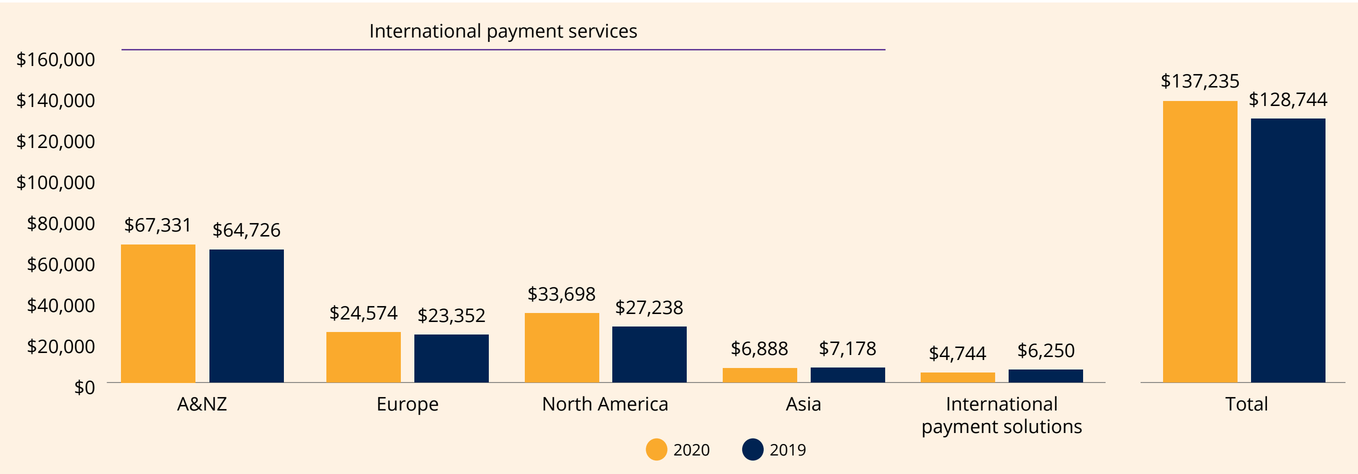
The two products are international payment services and international payment solutions:

- International payment services are monitored by geographic region (based on client location) and provide bank to bank currency transfers servicing businesses and consumers.
- International payment solutions are monitored globally and provide strategic partners with a package which includes: OFX IT platform; client service; compliance; banking relationships; and payments capabilities.

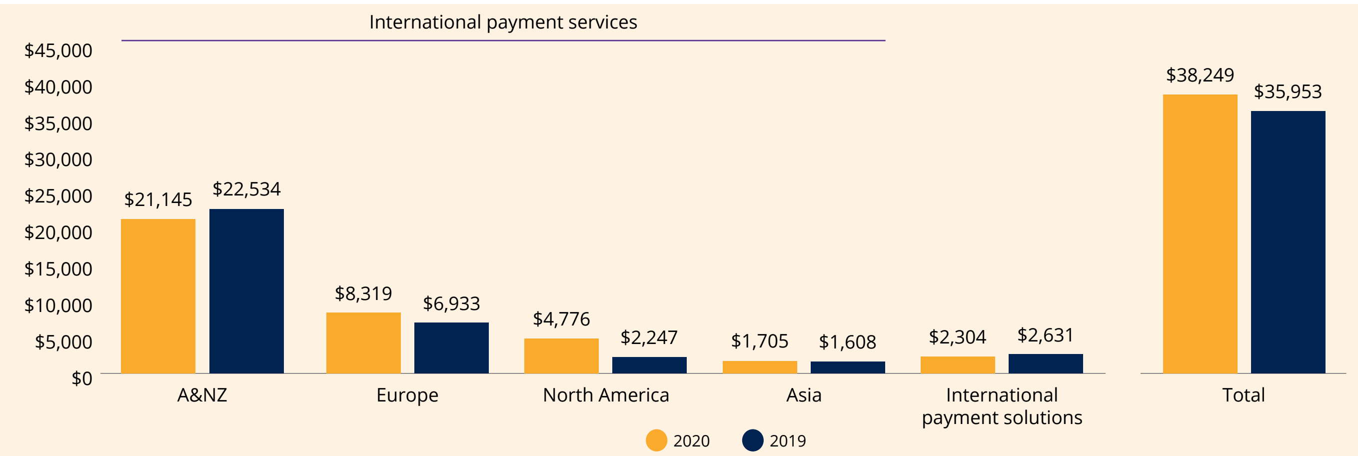
Segments are managed on an underlying basis. Segment EBITDA excludes $1.3 million of corporate action costs.

During the previous 18 months, new Presidents have been appointed in each region. As part of this appointment, the chief operating decision makers have reviewed how each segment is managed and reassigned key customer relationships to the region responsible. The comparative information has been restated to conform with the presentation of the revised segment structure in the current period.

Segment fee and trading income – 2020 v 2019 ($'000)[1]



Segment EBITDA – 2020 v 2019 ($'000)[1]



1. Comparative information has been restated to conform with presentation in the current year.

Notes to the Financial Statements: Segment Information

for the year ended 31 March 2020

	2020 $'000	2019[2] $'000
Group underlying EBITDA	38,249	35,953
Depreciation and amortisation	(10,521)	(8,906)
Interest expense	(1,647)	(1,178)
Net profit before income tax	26,081	25,869
Income tax expense	(4,436)	(4,468)
Corporate action costs	(1,314)	(4,318)
Net profit	20,331	17,083

	International payment services					
2020	**Australia and New Zealand $'000**	**Europe $'000**	**North America $'000**	**Asia $'000**	**International payment solutions $'000**	**Consolidated $'000**
Segment assets	230,595	42,986	82,008	28,549	–	384,138
Intergroup eliminations	–	(17,116)	–	(15,291)	–	(32,407)
Deferred tax assets						2,099
Total assets						353,830
Segment liabilities	(183,062)	(37,663)	(69,422)	(20,103)	–	(310,250)
Intergroup eliminations	6,266	–	26,141	–	–	32,407
Deferred tax liabilities						–
Total liabilities						(277,843)
2019[2]						
Segment assets	170,088	37,317	49,463	23,486	–	280,354
Intergroup eliminations	–	(3,946)	(6,541)	(8,119)		(18,606)
Deferred tax assets						206
Total assets						261,954
Segment liabilities	(125,032)	(31,083)	(38,856)	(15,561)	–	(210,532)
Intergroup eliminations	18,606	–	–	–	–	18,606
Deferred tax liabilities						(379)
Total liabilities						(192,305)

2. Comparative information has been restated to conform with presentation in the current year.

Notes to the Financial Statements: Results for the Year

for the year ended 31 March 2020

Note 2. Net Operating Income

Fee and trading income

Fee and trading income consists of the foreign currency transaction margins, fees charged on low-value transactions and changes in exchange rates between the time when a client rate is agreed and a subsequent hedge transaction is entered into by the Group.

Fee and trading income is presented inclusive of realised and unrealised income earned from the sale of foreign currency contracts to clients.

Fee and commission expenses

Fee and commission expenses are transactional banking fees and commissions paid to strategic and referral partners.

Interest income

Interest income is recognised using the effective interest rate method, which spreads fees and costs associated with an interest-bearing receivable across its life.

	2020 $'000	2019 $'000
Realised margin and fees on foreign exchange contracts	137,242	127,481
Unrealised gains on foreign exchange contracts	1,709	1,251
Revaluation of foreign exchange assets and liabilities	(1,716)	12
Fee and trading income	137,235	128,744
Fee and commission expense	(13,187)	(11,487)
Net income	124,048	117,257
Interest and other income	1,106	1,486
Net operating income	125,154	118,743

Notes to the Financial Statements: Results for the Year

for the year ended 31 March 2020

Note 3. Expenses

Refer to Note 22 for details of the Group's share-based payments, Note 15 for details of the employee provisions and Notes 12, 13 and 16 for details on property, plant and equipment, intangible assets and right-of-use assets.

	2020 $'000	2019 $'000
EMPLOYMENT EXPENSES		
Salaries and related costs including commissions	(45,722)	(42,528)
Employee short-term incentives	(1,569)	(2,041)
Share-based payments	(271)	53
Defined contribution plan	(3,209)	(2,972)
Total employee compensation expense	(50,771)	(47,488)
Other employment expenses (on-costs, recruitment and staff training)	(2,643)	(2,826)
Total employment expenses	(53,414)	(50,314)
OCCUPANCY EXPENSES[3]		
Operating lease rentals	(46)	(73)
Other occupancy expenses	(654)	(632)
Total occupancy expenses	(700)	(705)
BAD AND DOUBTFUL DEBTS		
Bad and doubtful debts	(3,331)	(816)
Total bad and doubtful debts	(3,331)	(816)
OTHER OPERATING EXPENSES[3]		
Professional fees	(3,133)	(5,839)
Communication	(443)	(588)
Compliance	(2,451)	(2,135)
Insurance	(1,434)	(1,041)
Travel	(1,283)	(1,379)
Non-recoverable GST	(238)	(244)
Other expenses	(1,887)	(1,351)
Total other operating expenses	(10,869)	(12,577)
DEPRECIATION AND AMORTISATION[3]		
Depreciation of furniture, fittings and leasehold improvements	(1,468)	(1,255)
Depreciation of computer equipment	(399)	(524)
Depreciation of right-of-use assets	(3,158)	(3,074)
Amortisation of acquired software	(3,480)	(3,031)
Amortisation of internally generated software	(2,016)	(1,022)
Total depreciation and amortisation	(10,521)	(8,906)

3. Comparative information has been restated to conform with presentation in the current year.

Note 4. Income Taxes

Income tax expense is the tax payable on the current period's taxable income adjusted for changes in deferred income tax. Changes in deferred tax assets and liabilities are due to temporary timing differences and unused tax losses.

Current income tax is based on tax laws enacted or substantively enacted in each jurisdiction of the Group's operations at the end of the reporting period. If required, provisions are established for the amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method at the tax rates expected to apply when the assets are recovered or the liabilities are settled. Deferred tax assets and liabilities arise on temporary differences between the tax bases of assets and liabilities and their carrying amounts. In addition, deferred tax assets may be recognised due to unused tax losses. Amounts are only recognised to the extent it is probable future taxable amounts will be available to use those temporary differences or tax losses.

Deferred tax assets and liabilities are offset when:

- There is a legally enforceable right to offset current tax assets and liabilities; and
- The deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when:

- There is a legally enforceable right to offset; and
- There is an intention to settle on a net basis.

Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The tax consolidation legislation was adopted by the Group as of 15 October 2013. As a consequence, OzForex Limited and its wholly owned Australian controlled entities are taxed as a single entity. The Group has a tax year ending on 30 September.

Offshore Banking Unit

OzForex Limited, a subsidiary of the Group, was declared an Offshore Banking Unit (OBU) on 10 October 2015. In accordance with Australian income tax legislation, assessable offshore banking (OB) income derived by the OBU is taxable at a concessional rate of 10%. OB income includes revenue earned on foreign exchange transactions with offshore counterparties, excluding those with any AUD component.

a) Income tax expense

	2020 $'000	2019[4] $'000
Current tax expense	5,756	4,273
Adjustments to current tax of prior years	(318)	(97)
Total current tax expense	5,438	4,176
Deferred income tax (benefit)/expense	(1,002)	292
Total income tax expense	4,436	4,468

4. Comparative information has been restated to conform with presentation in the current year.

Notes to the Financial Statements: Results for the Year

for the year ended 31 March 2020

b) Reconciliation of income tax expense to prima facie tax payable

	2020 $'000	2019 $'000
Net profit before income tax	24,767	21,551
Prima facie income tax expense at 30% (2019: 30%)	7,430	6,465
Effect of different offshore tax rates	(456)	(446)
Decrease in tax expense as a result of operating as an OBU in the current period	(1,285)	(1,007)
Entertainment	19	(27)
Research and& Development tax credits	(284)	(276)
Other items	(988)	(241)
Total income tax expense	4,436	4,468

Note 5. Deferred Income Tax Assets/(Liabilities)

	2020 $'000	2019 $'000
DEFERRED INCOME TAX ASSETS		
The balance comprises temporary differences attributable to:		
Provisions and accrued expenses	1,355	1,552
Corporate action costs deemed capital for taxation	728	844
Tax credit carry forward	104	144
Lease liabilities	3,555	3,982
Unrealised foreign exchange loss	824	68
Property, plant and equipment	30	7
Total deferred income tax assets – before offset	6,596	6,597
Offset deferred income tax liabilities (refer to Note 4 for accounting policy)	(4,497)	(6,391)
Net deferred income tax assets – after offset	2,099	206
DEFERRED INCOME TAX LIABILITIES		
The balance comprises temporary differences attributable to:		
Intangible assets	(1,212)	(1,979)
Financial instruments	(386)	(731)
Right-of-use assets	(2,834)	(3,409)
Other	–	(573)
Property, plant and equipment	(65)	(78)
Total deferred income tax liabilities – before offset	(4,497)	(6,770)
Offset deferred income tax assets (refer to Note 4 for accounting policy)	4,497	6,391
Net deferred income tax liabilities – after offset	–	(379)
Net deferred income tax assets/(liabilities)	2,099	(173)

Note 6. Earnings per Share

Earnings per share

Basic earnings per share shows the profit attributable to each ordinary share. It is calculated as the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in each year.

Diluted earnings per share shows the profit attributable to each ordinary share if all the dilutive potential ordinary shares had been ordinary shares.

There are no discontinued operations of the Group.

	2020	2019[5]
a. Earnings per share	**Cents**	**Cents**
Basic	8.37	7.07
Diluted	8.16	6.89
b. Earnings	**$'000**	**$'000**
Net profit attributable to ordinary shareholders used to calculate basic and diluted earnings per share	20,331	17,083
c. Weighted average number of shares	**Number**	**Number**
Weighted average number of ordinary shares used to calculate basic earnings per share	242,768,161	241,805,920
Dilutive potential ordinary shares	6,351,304	6,324,297
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	249,119,465	248,130,217

5. Comparative information has been restated to conform with presentation in the current year.

Notes to the Financial Statements: Financial Assets and Liabilities
as at 31 March 2020

Note 7. Cash and Cash Equivalents, Client Liabilities and Deposits Due from Financial Institutions

Cash and cash equivalents includes cash on hand and deposits held at short call with financial institutions with an original maturity of less than three months (together, 'cash held for own use') and cash held for subsequent settlement of client liabilities.

Cash held for subsequent settlement of client liabilities represents transactions in progress where amounts have been received by the Group but the corresponding payment has not yet occurred. They are unsecured and short-term in nature and are recognised initially at their fair value. Client liabilities are initially measured at amortised cost using the effective interest method and are shown in cash net of client receivables which are recognised in other receivables (refer to Note 8). Gross client liabilities total $211,908,000 as at 31 March 2020 (2019: $157,194,000).

Deposits due from financial institutions are primarily short-term deposits with an original maturity of greater than three months, but less than 12 months, are accounted for at the gross value of the outstanding balance and are held at amortised cost.

	2020 Cents	2019 Cents
Cash held for own use	28,771	26,112
Cash held for settlement of client liabilities	207,038	155,151
Cash and cash equivalents	235,809	181,263
Deposits due from financial institutions	32,276	32,457
Cash held for subsequent settlement of client liabilities	(207,038)	(155,151)
Net cash held[6]	61,047	58,569

Note 8. Other Receivables (Current Assets)

Other receivables include client receivables, GST receivables and other debtors. Other debtors include rental deposits and interest receivable. Client receivables include amounts settled on behalf of customers of the Group, which are yet to be received. All receivables are recognised at amortised cost, less any impairment. Details about the Group's impairment policies and the calculation of the expected credit loss allowance are provided in Note 11(c). Interest is recognised in the Statement of Comprehensive Income using the effective interest method.

	2020 Cents	2019[7] Cents
Client receivables	4,870	2,043
Provision for impairment	(1,588)	(544)
GST receivables	486	502
Other debtors	3,303	1,040
Other receivables	7,071	3,041

6. Includes $36,546,975 (2019: $31,103,417) which is held as collateral by counterparties for over-the-counter derivative transactions and as bank guarantees for property leases.
7. Comparative information has been restated to conform with presentation in the current year.

Note 9. Derivative Financial Instruments at Fair Value through Profit or Loss

Derivative instruments entered into by the Group include forward foreign exchange contracts. They are principally used to offset foreign currency contracts with clients and as hedges over the Group's net investment in foreign operations.

Derivatives are recognised at trade date and are initially and subsequently measured at fair value. Movements in the carrying amounts of derivatives are recognised in net fee and trading income within the Consolidated Statement of Comprehensive Income except for movements in derivatives used in the Group's hedge of net investments in foreign operations, which is recognised and measured in accordance with Note 11.

	2020 Cents	2019 Cents
Value of forward contracts – assets	35,094	9,118
Value of forward contracts – liabilities	(32,656)	(6,419)
Net financial instruments at fair value	2,438	2,699

Note 10. Fair Values of Financial Assets and Liabilities

OFX Group has categorised its financial instruments that are either measured in the Statement of Financial Position at fair value or of which the fair value is disclosed, into a three-level hierarchy based on the priority of the inputs to the valuation.

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement. Cash and cash equivalents, deposits due from financial institutions, other receivables, client liabilities, other creditors and accruals are excluded from the fair value hierarchy as these instruments are held at amortised cost. Their fair value approximates the carrying value as they are short-term in nature.

Level	Instruments	Valuation process
Level 1 – Traded in active markets and fair value is based on recent unadjusted quoted prices.	None – the Group does not hold any of these instruments.	Not applicable.
Level 2 – Not actively traded and fair value is based on valuation techniques which maximise the use of observable market prices.	Over-the-counter derivatives.	Forward foreign exchange contract valuations are based on observable spot exchange rates and the yield curves of the respective currencies.
Level 3 – Not actively traded and fair value is based on at least one input which is not observable in the market due to illiquidity or complexity.	None – the Group does not hold any of these instruments.	Not applicable.

Notes to the Financial Statements: Financial Assets and Liabilities
as at 31 March 2020

Note 11. Financial Risk Management

Financial risk management

The Group is exposed to the following risks, and manages these in the following ways:

Type of risk	How the risk is managed
Market risk – Market risk is comprised of both foreign currency risk and interest rate risk.	
Foreign currency risk – Arises from exposure to changes in foreign exchange rates between the time of agreeing rates with a client and either a corresponding hedge being taken out with a counterparty or an international payment settlement. Settlement typically occurs between 12 to 24 hours after the deal is entered into or up to 12 months later for forward contracts with clients. The Group is also exposed to the interest rate risk embedded in forward contracts offered to its clients to lock in exchange rates up to 12 months in advance.	To manage the movement in foreign exchange rates, the Group aggregates transactions and nets out buy transactions against sell transactions. The Group then enters into forward foreign exchange hedging contracts with counterparty banks once exposure to a single currency reaches or exceeds a defined threshold.
Interest rate risk – Exposure to non-traded interest rate risk results from cash and term deposits held in different currencies.	Settlement of client liabilities between 12 and 24 hours of receipt of client cash results in low exposure to non-traded interest rate risk.
Credit risk – The risk that creditors (clients and financial institutions) will not make payments on their receivables and derivatives respectively, when they fall due.	The Group typically does not payout client deals until associated funds have been received. In exceptional circumstances, senior management have the discretion to authorise same-day payments, which can result in funds being paid prior to clearance of customer funds. These transactions would only be approved for clients with a low risk of default and are pro-actively monitored to ensure timely settlement. For forward deals part payments are required to be made by clients. Active monitoring of client balances ensures that adequate collateral is held. The Group sets credit limits and obtains collateral with well-rated banking counterparties as security (where appropriate).
Liquidity risk – The risk that the Group is unable to meet the obligations of its financial liabilities when they are due.	Regular forecasts of the Group's liquidity requirements. Surplus cash is maintained in highly liquid instruments. Continuous review of currency requirements in operating jurisdictions. Active maintenance of cash balances in currencies and geographical locations necessary to fund these requirements.

Risk is managed on a globally consolidated basis for the Group. Risks in subsidiaries are subject to the same risk acceptance policies as the parent entity.

a) Market risk

The main component of the Group's market risk is exposure to foreign exchange rate fluctuations.

The Group's sensitivity to foreign exchange fluctuations risk by major currency held on the Consolidated Statement of Financial Position is shown below:

	31 March 2020		31 March 2019	
Movement in exchange rate (basis points)	**+/-500**	**+/-500**	**+/-500**	**+/-500**
	Sensitivity of profit before tax $'000	**Sensitivity of equity after tax $'000**	**Sensitivity of profit before tax $'000**	**Sensitivity of equity after tax $'000**
CAD	(27)	(12)	(2)	6
EUR	(1)	(6)	(3)	252
GBP	(25)	(11)	38	42
NZD	(40)	(41)	(5)	(10)
SGD	3	4	(4)	4
USD	(41)	(323)	(18)	(134)
Other	80	79	42	46
Total	(51)	(310)	48	206

b) Interest rate risk

The Group's sensitivity to movements in interest rates is as follows:

	31 March 2020		31 March 2019	
Movement in exchange rate (basis points)[8]	**+/-50**	**+/-50**	**+/-50**	**+/-50**
	Sensitivity of profit before tax $'000	**Sensitivity of equity after tax $'000**	**Sensitivity of profit before tax $'000**	**Sensitivity of equity after tax $'000**
AUD	552	414	460	345
CAD	30	23	31	23
EUR	101	78	130	102
GBP	135	102	97	74
NZD	42	31	43	31
SGD	19	15	15	12
USD	358	236	199	134
Other	103	77	94	74
Total	1,340	976	1,069	795

8. Impact of positive movement shown. The impact of a negative movement is the inverse.

Notes to the Financial Statements: Financial Assets and Liabilities

as at 31 March 2020

c) Credit risk

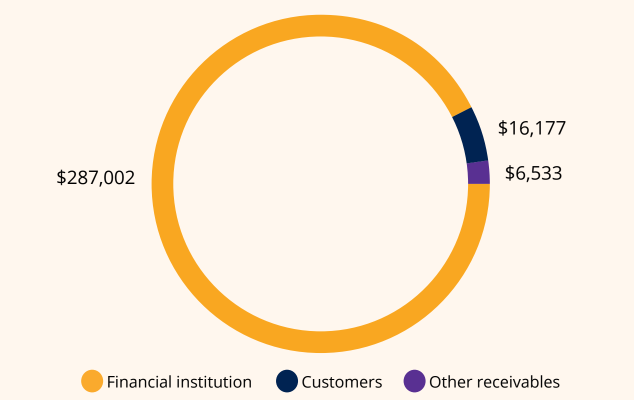
Maximum exposure to credit risk and credit quality of financial assets

The amounts shown represent the maximum exposure of the Group to credit risk at the end of the reporting period. This is equal to the carrying amount of each class of financial assets in the table below.

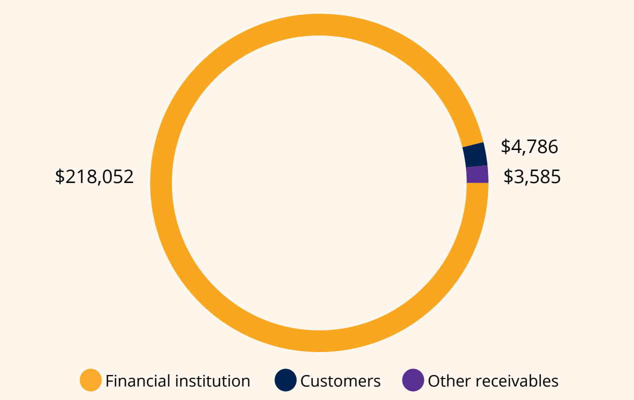
The Group uses internal credit ratings to manage the credit quality of its financial assets. The Group's financial assets held with financial institutions are investment grade (between Aaa-Baa3). There are no balances that are past due or impaired as at 31 March 2020 (2019: nil).

	Rating	2020 Cents	2019 Cents
Cash and cash equivalents	Investment grade	235,809	181,263
Deposits due from financial institutions	Investment grade	32,276	32,457
Derivative assets – with financial institutions	Investment grade	18,917	4,332
Derivative assets – with clients	Unrated[9]	16,177	4,786
Other receivables	Unrated[9]	8,659	3,585
Total gross credit risk		311,838	226,423

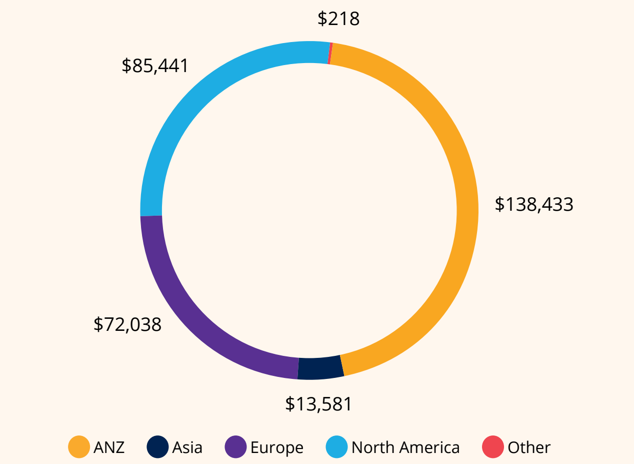
2020 Credit Risk Exposure ($'000)



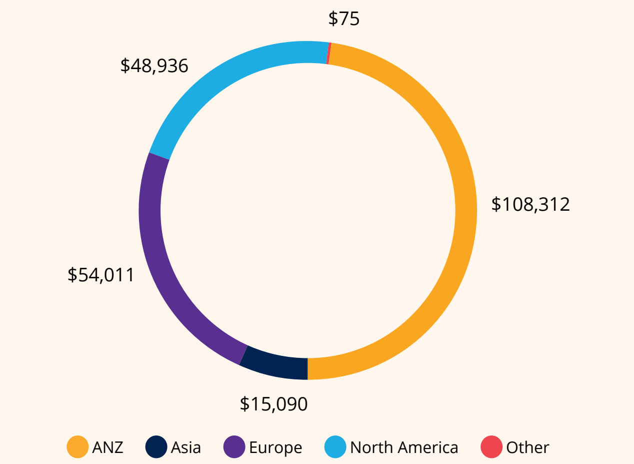
2019 Credit Risk Exposure ($'000)



2020 Credit Risk Exposure by Geography ($'000)



2019 Credit Risk Exposure by Geography ($'000)



9. Unrated balances relate to amounts due from clients that are not graded by the Company or by a public ratings agency.

Maximum exposure to credit risk and credit quality of financial assets (continued)

For trading credit risk, the Group assesses the credit quality of the customer, taking into account its financial position, past experience, external credit agency reports and credit references. Individual customer risk limits are set based on internal approvals in accordance with delegated authority limits set by the Board. The compliance with credit limits by credit approved customers is regularly monitored by line credit management.

The Group applies historical lifetime past due information to provide for expected credit losses prescribed by AASB 9, which permits the use of past due information to determine the lifetime expected loss provision for all client receivables arising from a financial instrument. The loss allowance provision as at 31 March 2020 and 2019 was determined as set out below, which incorporates past experience and forward-looking information about the client, including the likelihood of recovery.

	Year	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total $'000
Expected loss rate (%)	2020	4.7%	5.5%	16.0%	96.4%	
Expected loss rate (%)	2019	3.5%	1.7%	15.9%	96.1%	
Gross carrying amount ($'000)	2020	3,320	33	42	1,475	4,870
Gross carrying amount ($'000)	2019	1,059	152	368	464	2,043
Provision ($'000)	2020	158	2	6	1,422	1,588
Provision ($'000)	2019	37	3	58	446	544

The loss allowances for client receivables as at 31 March reconciles to the opening loss allowances as follows.

	2020 $'000
Opening loss allowance as at 1 April	544
Increase in loss allowance recognised in profit or loss during the year	1,044
Closing loss allowance at 31 March	1,588

Impairment losses on client receivables are presented as bad debt expenses within the Statement of Comprehensive Income.

d) Liquidity risk

Maturity profile of obligations

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2020 based on contractual undiscounted repayment cash flows. Derivatives are included in the less than three months column at their fair value, as they are frequently settled in the short term. Liquidity risk on these items is not managed on the basis of contractual maturity, since they are not held for settlement according to such maturity and will frequently be settled in the short term at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

	On demand $'000	3 months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2020						
Other liabilities[10]	(2,152)	(207,815)	–	(4,406)	–	(214,373)
Lease liabilities	(243)	(486)	(2,189)	(18,225)	-	(21,143)
Derivative financial instruments						
Inflows	–	965,623	450,371	71,705	–	1,487,699
(Outflows)	–	(963,590)	(450,089)	(71,582)	–	(1,485,261)
Total	(2,395)	(206,268)	(1,907)	(22,508)	-	(233,078)

10. Excludes items that are not financial instruments and non-contractual accruals and provisions.

Notes to the Financial Statements: Financial Assets and Liabilities
as at 31 March 2020

	On demand $'000	3 months or less $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2019						
Other liabilities[11]	(1,725)	(162,236)	–	(814)	–	(164,775)
Lease liabilities	(207)	(415)	(1,866)	(15,537)	–	(18,025)
Derivative financial instruments						
Inflows	–	948,457	72,173	2,291	–	1,022,921
(Outflows)	–	(945,353)	(72,560)	(2,310)	–	(1,020,223)
Total	(1,932)	(159,547)	(2,253)	(16,370)	–	(180,102)

Financial instruments, derivatives and hedging activity

The Group classifies its financial assets in the following categories: financial assets at amortised cost and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired, which is determined at initial recognition based upon the business model of the Group.

i) Financial assets at amortised cost

The Group classifies its financial assets at amortised cost if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. These include client receivables and bank term deposits. Bank term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are financial assets at amortised cost. Refer to Note 8 for details relating to client receivables.

ii) Financial assets and liabilities through profit or loss

The Group holds forward foreign exchange contracts within a business model where collecting contractual cash flows while holding the asset is incidental to achieving the business model's objective of managing performance on a fair value basis as determined by prevailing and expected foreign currency exchange rates. The Group is primarily focused on fair value information to assess the assets' performance and make decisions, resulting in derivative financial instruments being measured at fair value through profit or loss unless designated in hedging relationships.

iii) Hedging activity

Financial instruments entered into by the Group for the purpose of managing foreign currency risk associated with its net investment in foreign operations qualify for hedge accounting. Instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The full fair value of hedging derivatives is classified as an asset or liability.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within unrealised gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

11. Excludes items that are not financial instruments and non-contractual accruals and provisions.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

		2020 Cents	2019 Cents
Hedging instrument – forward foreign exchange contracts			
Carrying amount		(2,886)	(1,198)
Notional amount British Pounds		2,681	3,327
Notional amount US Dollars		7,390	6,073
Notional amount Canadian Dollars		1,337	1,626
Notional amount New Zealand Dollars		1,775	2,001
Notional amount Hong Kong Dollars		30,000	31,755
Maturity date		Apr 2019 – Mar 2021	Apr 2019 – Oct 2020
Hedge ratio		1:1	1:1
Change in value of outstanding hedge instruments since 1 April		(2,886)	(1,198)
Change in value of hedged item used to determine hedge effectiveness		2,886	1,198
Weighted average hedge rate	– British Pounds	A$1 : GBP 0.5101	A$1 : GBP 0.5406
	– US Dollars	A$1 : US$ 0.6667	A$1 : US$0.7252
	– Canadian Dollars	A$1 : CA$0.8709	A$1 : CA$0.9443
	– New Zealand Dollars	A$1 : NZ$1.0537	A$1 : NZ$1.0512
	– Hong Kong Dollars	A$1 : HK$4.7596	A$1 : HK$5.5400

Notes to the Financial Statements: Other Assets and Liabilities

as at 31 March 2020

Note 12. Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Assets are depreciated on a straight-line basis over their estimated useful lives, as follows:

Asset class	Useful life
Furniture and fittings	5 to 10 years
Leasehold improvements	Up to 5 years
Computer equipment	3 years

Year ended 31 March 2019	Furniture, fittings and leasehold improvements $'000	Computer equipment $'000	Total $'000
Cost	8,240	4,020	12,260
Less accumulated depreciation	(5,579)	(3,479)	(9,058)
Net carrying amount	2,661	541	3,202
MOVEMENT			
Balance at 31 March 2018	3,164	710	3,874
Additions	757	380	1,137
Disposals	(5)	(25)	(30)
Depreciation	(1,255)	(524)	(1,779)
Balance at 31 March 2019	2,661	541	3,202
Year ended 31 March 2020			
Cost	8,682	4,511	13,193
Less accumulated depreciation	(7,030)	(3,884)	(10,914)
Net carrying amount	1,652	627	2,279
MOVEMENT			
Balance at 31 March 2019	2,661	541	3,202
Additions	480	492	972
Disposals	(21)	(7)	(28)
Depreciation	(1,468)	(399)	(1,867)
Balance at 31 March 2020	1,652	627	2,279

Note 13. Intangible Assets

Costs directly incurred in acquiring and developing certain software are capitalised and amortised on a straight-line basis over the estimated useful life, three years. Costs incurred on software maintenance are expensed as incurred.

Year ended 31 March 2019	Internally generated software $'000	Acquired separately software $'000	Total $'000
Cost	9,147	11,782	20,929
Less accumulated amortisation	(1,189)	(8,721)	(9,910)
Net carrying amount	7,958	3,061	11,019
MOVEMENT			
Balance at 31 March 2018	2,256	4,990	7,246
Additions	6,724	1,102	7,826
Amortisation	(1,022)	(3,031)	(4,053)
Balance at 31 March 2019	7,958	3,061	11,019
Year ended 31 March 2020			
Cost	14,393	15,845	30,238
Less accumulated amortisation	(4,477)	(10,256)	(14,733)
Less impairment	(192)	(481)	(673)
Net carrying amount	9,724	5,108	14,832
MOVEMENT			
Balance at 31 March 2019	7,958	3,061	11,019
Additions	5,246	4,063	9,309
Amortisation	(3,288)	(1,535)	(4,823)
Impairment	(192)	(481)	(673)
Balance at 31 March 2020	9,724	5,108	14,832

Note 14. Other Creditors and Accruals (Current Liabilities)

	2020 $'000	2019[12] $'000
Accrued charges and sundry liabilities	6,186	3,903
Other liabilities	334	553
Total other liabilities	6,520	4,456

12. Comparative information has been restated to conform with presentation in the current year.

Notes to the Financial Statements: Other Assets and Liabilities
as at 31 March 2020

Note 15. Provisions

Employee provisions

The Group has a Short Term Incentive Plan available to all employees including Executive Key Management Personnel (KMP). The Short Term Incentive Plan is accrued as a liability and expensed over the annual service period until it is paid.

When the long service leave is not expected to be settled within 12 months of year end, the liabilities are measured as the present value of expected future payments using the projected unit credit method.

Leasehold makegood provision

The Group holds a provision for makegood costs anticipated to be incurred in respect of office leases in Australia, London, Canada and Hong Kong. The provision is being accrued on a straight-line basis over the lease terms.

	Employee provisions				
	Annual leave $'000	Short-term incentives $'000	Short-term incentives $'000	Leasehold makegood $'000	Total $'000
Carrying amount at the beginning of the period	1,544	3,315	368	605[13]	5,832
Additional provisions made	3,522	1,873	139	–	5,534
Release of provisions	(3,095)	(2,578)	(16)	(61)	(5,750)
Carrying amount at the end of the period	1,971	2,610	491	544	5,616

All employee provisions are current liabilities apart from $305,390 (2019: $181,426) of long service leave which is non-current. All leasehold makegood provisions are current.

Note 16. Leases

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Under AASB 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group leases various offices. Rental contracts are typically made for fixed periods of three to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- Variable lease payments that are based on an index or a rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate and in the absence of third party borrowings, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, and makes adjustments specific to the lease, e.g. term, country, currency and security.

13. Comparative information has been restated to conform with presentation in the current year.

Extension options are included in a number of the Group's property leases. The extension are exercisable only by the Group and not by the respective lessor. In determining the lease term, which forms part of the initial measurement of the right-of-use asset and lease liability, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs.

Subsequent to initial measurement, the lease liability is reduced for payments made and increased for interest incurred. The liability is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, a corresponding adjustment is made to the value of the right-of-use asset. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The Balance Sheet shows the following amounts relating to leases:

Right of use assets	**2020 $'000**	**2019 $'000**
Buildings	17,211	15,506
Total lease assets	17,211	15,506
Lease liabilities		
Current	2,918	2,472
Non-current	18,225	15,553
Total lease liabilities	21,143	18,025

Amounts recognised in Statement of Comprehensive Income:

Depreciation charge of right of use assets	**2020 $'000**	**2019 $'000**
Buildings	3,158	3,074
Total depreciation charge	3,158	3,074
Interest expense	1,647	1,178
Total cash outflow for leases	(3,366)	(3,506)

Notes to the Financial Statements: Capital Structure

as at 31 March 2020

Note 17. Capital Management

The Group's capital management strategy is to maximise shareholder value by optimising the level and use of capital, defined as share capital plus reserves. The Group's capital management objectives are to:

- Support the Group's business and operational requirements
- Meet externally imposed capital requirements
- Safeguard the Group's ability to continue as a going concern.

The Group has continued to meet its internally and externally imposed capital requirements this year and no breaches have occurred.

Note 18. Ordinary Share Capital

Ordinary shares are classified as equity and measured based on the proceeds from issuing the shares less the directly attributable incremental costs, net of tax.

There are 242,957,636 fully paid ordinary shares (2019: 242,522,677). Ordinary shares entitle the holder to vote and to receive dividends and the proceeds of the Company if it is liquidated in proportion to the number of shares held.

There are 5,775,021 (2019: 6,064,717) restricted ordinary shares issued to KMP in connection with the Executive Share Plan. Refer to Note 22 for further information.

Note 19. Dividends

Dividends are recognised as a liability and a reduction to retained earnings when declared. The interim dividend paid was 70% franked. (2019: all).

	2020 $'000	2019 $'000
Final dividend from the preceding year $0.0328 (2019: $0.030) per share)	(8,219)	(7,230)
Interim dividend $0.0235 (2019: $0.0264) per share)	(5,765)	(6,403)
Total dividends recognised and paid	(13,984)	(13,633)

On 19 May 2020, the Board determined a dividend of $0.0235 per share ($5,845,000) as the final dividend for 2020. This dividend was determined after 31 March 2020 and so is not reflected in this financial report. As the Company is a holding company with no trading profits, this dividend will be funded through the profits of the subsidiaries.

Ex-dividend date	8 June 2020
Record date	9 June 2020
Payment date	22 June 2020

	2020 $'000	2019 $'000
Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	1,472	3,214

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for the franking credits that will arise from paying the current tax liability, but before taking account of the final declared dividend for 2020.

Notes to the Financial Statements: Other Items

for the year ended 31 March 2020

Note 20. Events Occurring After Balance Sheet Date

Other than the dividends presented in Note 19, there were no material post balance sheet events occurring after the reporting date requiring disclosure in these financial statements

Note 21. Related Party Information

Subsidiaries

The following entities are wholly owned subsidiaries of the Group and all have a 31 March year end:

Entity	Country of incorporation	Functional currency
CanadianForex Limited	Canada	CAD
OzForex (HK) Limited	Hong Kong	HKD
OFX (Shanghai) Co. Ltd	China	CNY
OzForex Limited	Australia	AUD
OFX Australia Pty Limited	Australia	AUD
OFX Group Pty Limited	Australia	AUD
OFX (SNG) Pte. Limited	Singapore	SGD
NZForex Limited	New Zealand	NZD
UKForex Limited	United Kingdom	GBP
OFX Payments Ireland Limited	Ireland	EUR
USForex Incorporated	United States	USD

Note 22. Share-based Payments

The Group has a number of employee share-based payment plans including the Legacy LTI Plan, the Executive Share Plan (ESP), the Global Equity Plan and the Employee Share Scheme. The nature of the issuances under the Plans are listed below:

Issuance	Description
Executive Share Plan	Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attached to the shares from the date of allocation. If the Executive leaves the Group within the vesting period the shares allocated are returned to the Group, subject to discretion retained by the Directors.
Performance rights	Performance rights were issued under the Group's Legacy LTI Plan and are currently issued under the Group's Global Equity Plan. Performance rights are issued to employees eligible to received deferred STI awards and also to eligible employees as reward for performance. Performance rights are granted at no cost and are settled in shares on a one-for-one basis.
Employee Share Scheme	The Board has discretion to gift shares to Employees and/or to offer a matching plan. Shares, where issued, are issued under the Group's Global Equity Plan and are held in a holding lock for the earlier of, three years or when the employee ceases employment.
Service rights (legacy)	Service rights are issued to employees at the discretion of the Board. The service rights vesting condition is ongoing employment at the vesting date. There are no performance hurdles. Service rights are granted at no cost and are settled in shares on a one-for-one basis.

Notes to the Financial Statements: Other Items

for the year ended 31 March 2020

Issuance	Description
Share options (legacy)	Share options are issued at the discretion of the Board. Share options vesting condition is ongoing employment at the vesting date. There are no performance hurdles. Share options are subject to an exercise price and are settled in shares on a one-for-one basis.

For details on the vesting conditions of share issuances, refer to the Remuneration Report.

The share-based payment expense/(income) within employee benefits expenses is as follows:

	2020 $'000	2019 $'000
Legacy LTI Plan – Performance rights	–	–
Legacy LTI Plan – Service rights	–	–
Legacy LTI Plan – Share options	–	(91,999)
ESP – Share loan	204,957	(107,894)
GEP – STI performance rights	60,201	38,407
ESS – Employee Share Scheme	6,158	108,425
Total share-based payment expense	271,316	(53,061)

Accounting for share-based payments

The fair value determined at the grant date of the award is recognised as a share-based payment expense in the income statement with an offsetting increase in equity over the relevant performance period. The expense recognised is reduced to take account of the expense attributable to participating employees who do not remain in the employment of the Group throughout the vesting period.

Shares issued under the ESP are accounted for as options and as such the amounts receivable from employees in relation to these loans are not recognised in the financial statements. Settlement of share loans upon vesting is recognised as contributed equity.

The options are measured at fair value at the date of grant using the Black-Scholes option pricing model. The fair values include assumptions in the following areas: risk free rate, volatility, estimated service periods and expected achievement of hurdles. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily reflect the actual outcome.

Executive Share Plan

The ESP was established to incentivise Executives to deliver on the business strategy and contribute to sustainable long term returns. Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors' Report.

Under the ESP, eligible Executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attached to the shares from the date of allocation. If the Executive leaves the Group within the vesting period the shares allocated are returned to the Group, subject to discretion retained by the Directors.

For the FY20 share-based loan the Board has implemented a gateway level of minimum performance below which no benefit accrues, being accretive underlying EBITDA over the three-year performance period.

Where the gateway EBITDA level of performance is met, there is a target measure being absolute TSR (Total Shareholder Return). There is a set performance matrix that determines loan forgiveness.

The assumptions underlying the options' valuations issued during the year are outlined in the table below.

Performance period (years)	Vesting date	Grant date share price	Fair value at grant date	Dividend yield	Risk free interest rate	Share price volatility
3	7 June 2022	$1.56	$0.30	5.22%	1.05%	39.94%

Short Term Incentive performance rights

The fair value of the performance rights is determined using the Black-Scholes option pricing model with the following assumptions:

Deferral period (years)	Vesting date	Grant date share price	Fair value at grant date	Dividend yield	Risk free interest rate	Share price volatility
1	11 June 2020	$1.56	$0.20	5.22%	1.07%	38.31%

Estimated future proposed performance rights issues

Deferral period (years)	Vesting date	Grant date share price	Fair value at grant date	Dividend yield	Risk free interest rate	Share price volatility
1	To be determined	$1.25	$0.24	5.22%	0.23%	44.74%

Legacy LTI Plan

Performance rights

There were no new issuances of performance rights under the legacy LTI plan during the year ended 31 March 2020.

There were no cancellations during the year ended 31 March 2020.

Service rights

There were no new issuances of service rights under the legacy LTI plan during the year ended 31 March 2020.

There were no cancellations during the year ended 31 March 2020.

Share options

There were no share options issued during the year endeded 31 March 2020.

Share-based payments outstanding

	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year
Legacy LTI Plan – Performance rights	554,496	–	–	(554,496)	–
Legacy LTI Plan – Share options	87,205	–	–	(87,205)	–
ESP – Share loan	5,402,807	1,922,119	–	(1,148,839)	6,176,087
STI – Performance rights	456,679	394,201	(232,381)	(77,962)	540,537

Notes to the Financial Statements: Other Items

for the year ended 31 March 2020

Note 23. Key Management Personnel (KMP)

In accordance with the requirements of AASB 124 *Related Party Disclosures*, the KMP include Non-Executive Directors and members of the Group Executive Team who have authority and responsibility for planning, directing and controlling the activities of the Group. A summary of KMP compensation is set out in the table below.

Key Management Personnel remuneration

Remuneration	2020 $	2019 $
Short-term employee benefits	2,452,202	2,722,904
Post-employment benefits	126,855	142,352
Long-term employee benefits	9,206	2,822
Share-based payments	318,432	(131,592)
Total remuneration paid to key management personnel	2,906,695	2,736,486

Detailed remuneration disclosures of individual KMP are provided in the Remuneration Report.

Shareholdings

The total number of shares in the Company held during the year by the Directors and other KMP, including their personal related parties, are set out below.

	2020 Number	2019 Number
Number of options and rights for fully paid ordinary shares	186,331	641,701
Number of fully paid ordinary shares	632,209	715,706
Number of restricted ordinary shares	4,500,448	6,064,717

Outstanding loans

The total loan amount outstanding from KMP in relation to the ESP is $7,246,289.

Other transactions with KMPs

All transactions with KMPs are made on normal commercial terms and conditions and in the ordinary course of business. There were no transactions during the financial year nor balances owing to or from KMPs as at 31 March 2020.

In the normal course of business, the Group occasionally enters into transactions with various entities that have Directors in common with the Group. Transactions with these entities are made on commercial arm's length terms and conditions. The relevant Directors do not participate in any decisions regarding these transactions.

Note 24. Remuneration of Auditors

	2020 $	2019 $
(a) PwC		
Audit and review of financial statements	417,000	397,007
Taxation services	134,208	101,962
Other professional fees	28,280	430,605
Total remuneration of PwC	579,488	929,574
(b) Non-PwC auditors		
Audit and review of financial reports	41,244	40,122
Taxation services	92,344	104,010
Total remuneration of non-PwC auditors	133,588	144,132

Note 25. Parent Entity Financial Information

Dividends are recognised as income when the Company becomes entitled to the dividend.

The ultimate parent entity is OFX Group Limited.

Summary financial information	2020 $	2019 $
STATEMENT OF FINANCIAL POSITION		
Investment in subsidiaries	29,412	29,487
Total assets	29,412	29,487
Share based-payments reserve	638	374
Ordinary share capital	28,774	29,113
Total equity	29,412	29,487
Profit or loss for the year (intercompany dividends received)	13,984	13,633
Total comprehensive income	**13,984**	13,633
Earnings per share attributable to ordinary shareholders:	**Cents**	**Cents**
Basic earnings per share	5.76	5.64
Diluted earnings per share	5.61	5.49

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes for the year ended 31 March 2020 are in accordance with the *Corporations Act 2001* (Cth) including;

   i) complying with Accounting Standards, the *Corporations Regulations 2001* (Cth) and other mandatory professional reporting requirements; and

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2020 and of its performance for the financial year ended on that date;

b) there are reasonable grounds to believe that OFX Group Limited will be able to pay its debts as and when they become due and payable; and

c) 'About this Report' on page 53 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board:

Steven Sargent
Chairman

Skander Malcom
Chief Executive Officer and Managing Director

19 May 2020

Independent Auditor's Report to the members of OFX Group Limited

Independent auditor's report

To the members of OFX Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of OFX Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 March 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* 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 are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report to the members of OFX Group Limited

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $1.238 million, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the key financial statement metric used in assessing the performance of the Group.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group comprises multiple legal entities globally. Most of the Group's accounting systems are centralised in the corporate head office located in Sydney.
- Our overall audit approach considered each legal entity's contribution to the Group's financial report balances.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Recognition of fee and trading income	
Fee and trading income consists of the margin generated from foreign currency spreads, fees charged on low-value transactions and changes in exchange rates between the time when a client rate is agreed and a subsequent hedge transaction is entered into by the Group. Fee and trading income is presented inclusive of realised and unrealised income earned from the sale of foreign currency contracts to clients. This was a key audit matter because it represents the most significant element of revenue in the consolidated statement of comprehensive income. *Refer to Note 2 of the financial statements for further information.*	Our audit procedures included, among others, evaluating the design and performing tests over the operating effectiveness of relevant revenue controls, including reconciliation controls between the transaction recording system, general ledger and bank statements. In addition, we: • Performed data assurance techniques to recalculate realised margin on foreign exchange contracts recognised within fee and trading income; • Compared a sample of foreign exchange rates utilised within the Group's transaction recording system to independently obtained foreign exchange rates; • Agreed a sample of individual foreign exchange transactions recorded by the Group throughout the financial year to underlying deal tickets and bank statements; • Tested material reconciling items in cash account reconciliations at 31 March 2020; • Agreed the dates of a sample of foreign exchange transactions to the corresponding deal ticket and bank statements to determine whether the relevant transactions were recorded in the correct period; • Compared the valuations of approximately 99% of derivative financial instruments at balance date to our own independently derived valuations. This involved sourcing independent inputs from market data providers.

Independent Auditor's Report to the members of OFX Group Limited

Key audit matter	*How our audit addressed the key audit matter*
Client liabilities	
The client liabilities balance consists of cash received from customers in relation to foreign exchange transactions which await settlement. There are amounts within this balance that have been static for an extended period of time and they comprise part payments awaiting full payment from clients prior to remittance and cash received where the client has not yet been identified. This was a key audit matter due to the magnitude of client liabilities which represents 76% of the Group's total liabilities at balance date. We have also considered the inherent uncertainties associated with the static balances and the manual nature of the process to determine the balance at year-end. *Refer to Note 7 of the financial statements for further information.*	Our testing of client liabilities included an assessment of the design and testing of the operating effectiveness of key reconciliation controls between the transaction recording system, general ledger and bank statements. In addition, we performed the following procedures, amongst others: • Agreed a sample of client liabilities to individual deal tickets and cash receipts; • Considered the post year-end settlement rates of the total balance between 1 April 2020 and 30 April 2020; • Inspected the customer complaints log to identify significant matters raised concerning client liabilities; • Tested material reconciling items in cash account reconciliations at 31 March 2020; • Analysed the breakdown of client liabilities at 31 March 2020 to consider the age profile of unallocated client liabilities; • Considered the appropriateness of the Group's policy to derecognise certain unidentified client liabilities that date back 5 years or more.
Capitalisation of internally generated intangible assets	
During the year the Group capitalised $9.3m in intangible assets, comprising $5.2m in internally generated assets. The amounts capitalised related predominantly to employment expenses for website, application and software development. The capitalisation of internally generated costs was a key audit matter due to the magnitude of amounts capitalised and judgement applied by the Group in assessing whether the criteria for capitalisation as set out in the Australian Accounting Standards had been met. In particular, the technical feasibility of the project and the likelihood of the project delivering sufficient future economic benefits. The Group's judgements also included determining whether capitalised costs were of a developmental nature rather than research nature (the latter which would result in the costs being expensed), and whether costs including employment expenses, were directly attributable to the relevant projects. *Refer to Note 13 of the financial statements for further information.*	Our testing of capitalised internally generated intangible assets included, amongst others: • Discussing project plans with management and project leaders to develop an understanding of the nature and feasibility of key projects and activities performed; • Evaluating the Group's assessment in support of the recognition and measurement of these as intangible assets, and the likelihood of the projects delivering sufficient future economic benefits; • Inspecting the business cases of key projects and analysing the assumptions applied to determine the feasibility of the projects and assumed future economic benefits; • On a sample basis, for internally generated intangible ass agreeing capitalised payroll costs to supporting payroll records and assessing the Group's determination of whether these costs should be capitalised or expensed with reference to the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Taxation	
The Group is liable for tax in a number of jurisdictions, and in some cases, the final tax treatment is uncertain until it is resolved with the relevant tax authority. Consequently, the Group has made judgements about the occurrence and quantum of tax exposures, and associated liabilities, which are subject to the future outcome of assessments by relevant tax authorities and, in certain instances, legal processes. This is a key audit matter due to the judgement involved. In addition, OzForex Limited, a subsidiary of OFX Group Limited, is deemed an Offshore Banking Unit (OBU) meaning that eligible transactions recorded in the OBU are subject to a concessional tax rate of 10%. The subsidiary is also eligible for Research and Development tax credits (R&D Credits) on eligible expenditure which further reduces the Group's tax expense. The Group made adjustments during the financial year to estimate the amount of concessional credits, however, because the relevant self-assessment tax claims are filed with the Australian Tax Office in arrears, the exact amount of the claims are not known with certainty at year-end. *Refer to Note 4 and Note 5 of the financial statements for further information.*	Together with our tax specialists, our procedures over taxation related balances included, amongst others, evaluating the analysis conducted by the Group for judgements made in respect of the amounts expected to be paid to tax authorities. This was made in the context of our understanding of the business, and in assessing the appropriateness of the tax provisions in light of the requirements of Australian Accounting Standards. We also considered the Group's OBU arrangements, tested the classification of OBU and non-OBU transactions on a sample basis against guidance provided in relevant tax legislation, and reviewed and assessed the projects and expenses that are eligible for concessional treatment together with our tax specialists.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the members of OFX Group Limited

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Australian Auditing Standards 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 47 of the directors' report for the year ended 31 March 2020.

In our opinion, the remuneration report of OFX Group Limited for the year ended 31 March 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Elizabeth O'Brien

Elizabeth O'Brien
Partner

Sydney
19 May 2020

Shareholder Information

The shareholder information set out below is current as at 30 April 2020.

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3 and the 4th edition ASX Corporate Governance Council's Principles and Recommendations, the 2020 Corporate Governance Statement, as approved by the Board, is available on the Company's website at: https://www.ofx.com/en-au/investors/corporate-governance/. The Corporate Governance Statement sets out the extent to which OFX has followed the ASX Corporate Governance Council's Principles and Recommendations during the 2020 financial year.

Substantial Shareholders

The numbers of securities held by substantial shareholders (holding not less than 5%) and their associates as shown in substantial shareholder notices received by the Company pursuant to Section 671B of the Corporations Act 2001 as at 30 April 2020 are shown below.

Name	Number Held	% of Issued Capital
Renaissance Smaller Companies	25,036,035	10.07%
Selector Funds Management Limited	23,924,385	9.62%
Pendal Group Limited	18,641,993	7.49%
Ellerston Capital Limited	16,283,187	6.55%
Matthew Gilmour	12,552,528	5.05%
Microequities	8,563,641	3.44%

Distribution of Security Holders

Number of shares	Total holders of ordinary shares	Number of ordinary shares	% of Issued Capital
1 – 1,000	895	481,974	0.20%
1,001 – 5,000	1,557	4,598,184	1.89%
5,001 – 10,000	757	6,018,986	2.48%
10,001 – 100,000	961	25,717,645	10.59%
100,001 – 999,999,999	66	206,140,847	84.85%
Total	4,236	242,957,636	100.00%

There were 362 holders of less than a marketable parcel of ordinary shares, based on the Company's closing market price of $1.225 on 30 April 2020.

Twenty Largest Security Holders of Ordinary Shares as at 30 April 2020

Rank	Name	Units	% of Units
1.	HSBC CUSTODY NOMINEES	58,119,670	23.92
2.	J P MORGAN NOMINEES AUSTRALIA	48,763,794	20.07
3.	NATIONAL NOMINEES LIMITED	19,937,540	8.21
4.	CITICORP NOMINEES PTY LIMITED	10,524,180	4.33
5.	MR MATTHEW GILMOUR	9,245,200	3.81
6.	G AND A LORD PTY LTD	9,100,000	3.75
7.	MICROEQUITIES ASSET MANAGEMENT	8,563,641	3.52
8.	BNP PARIBAS NOMINEES PTY LTD	7,337,385	3.02
9.	SANDHURST TRUSTEES LTD	6,446,590	2.65
10.	BNP PARIBAS NOMS PTY LTD	4,897,712	2.02
11.	BOND STREET CUSTODIANS LIMITED	4,500,000	1.85
12.	M & J GILMOUR PTY LTD	1,975,000	0.81
13.	BOND STREET CUSTODIANS LIMITED	1,929,929	0.79
14.	NEWECONOMY COM AU NOMINEES	1,392,310	0.57
15.	M&J GILMOUR SUPER PTY LTD	1,332,348	0.55
16.	POWERWRAP LIMITED	1,027,318	0.42
17.	SARGON CT PTY LTD	733,117	0.30
18.	CS FOURTH NOMINEES PTY LIMITED	598,974	0.25
19.	MR HAINING YU + MS WEIHUA HAN	559,367	0.23
20.	S M & R W BROWN PTY LTD	550,000	0.23
	Totals: Top 20 holders of fully paid ordinary shares	197,534,075	81.3
	Total remaining holders balance	45,423,561	18.7

Unquoted Equity Securities

Securities issued under the Company's Short Term Incentive Plan and/or Executive Share Plan are subject to vesting conditions which, if met, entitle the holder to ordinary fully paid shares in the Company.

	Number held	Number of holders
Fully paid ordinary shares (unquoted)	5,775,021	11
Performance rights	373,199	26

Shareholder Information

Voting Rights

Ordinary fully paid shares

The voting rights are governed by clause 37 of the Company's Constitution which provides that every member present personally or by proxy, attorney or representative at a general meeting of the Company shall, on a show of hands have one vote, and on a poll shall have one vote for every share held.

Performance rights

Performance right holders do not have any voting rights attached to the performance rights issued under the Company's Global Equity Plan or legacy incentive plans.

Service rights

Service rights holders do not have any voting rights attaching to service rights.

Share options

Option holders do not have any voting rights attaching to options.

Buy-back

There is no current on market buy-back.

Review of Operations and Activities

A review of the Company's operations and activities during the reporting period is available within the Directors' Report.

Corporate Information

Directors

Mr Steven Sargent
(Chairman)

Mr John ('Skander') Malcolm
(Chief Executive Officer and Managing Director)

Mr Grant Murdoch

Mr Douglas Snedden

Ms Lisa Frazier

Ms Connie Carnabuci

Company Secretary

Ms Elisabeth Ellis

Annual General Meeting

11 August 2020

Registered Office and Principal Place of Business

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Share Register

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Email: registrars@linkmarketservices.com.au

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000 Australia

Stock Exchange Listing

OFX Group Limited shares are listed on the Australian Securities Exchange: OFX

Website

www.ofx.com

FSC
www.fsc.org
MIX
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Consistent with our commitment to reduce the Company's impact on the environment, the OFX Group Limited 2020 Annual Report is printed using Monza Recycled paper. Monza Recycled contains 100% recycled fibre and is FSC® Mix Certified, which ensures that pulp is derived from well-managed forests and recycled wood of fibre. Monza Recycled is manufactured by an ISO 14001 certified mill.

We encourage our shareholders to receive communications (including our Annual Report) electronically. To change your preference, visit www.linkmarketservices.com.au and click on 'Investor Login'.

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