

OZFOREX PTY LIMITED

A.C.N. 092 375 703

Directors' Report and Financial Report
Year Ended 31 March 2012



The Company's registered office is:
Level 9
10 Bridge Street
SYDNEY NSW 2000

**2012 DIRECTORS' REPORT AND FINANCIAL REPORT
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DIRECTORS' REPORT

For the financial year ended 31 March 2012

In respect of the financial year ended 31 March 2012, the Directors ("the Directors") present their report on the consolidated entity (referred to hereafter as the Group) consisting of OzForex Pty Limited and the entities it controlled at the end of, or during the year. The following report is made out in accordance with a resolution of the Directors.

DIRECTORS

The following persons have held office as Directors of the Group during the year, until the date of this report, unless otherwise stated:

Matthew Richard Gilmour
Neil Helm
Gary Donald Lord
Eric Schimpf
Ryan Sweeney
Thomas Wickwire (resigned 15 February 2012)
William Allen (appointed 15 February 2012)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year ended 31 March 2012 were the provision of foreign exchange services.

RESULT

The profit from ordinary activities after income tax attributable to ordinary equity holders, under Australian Accounting Standards, for the financial year ended 31 March 2012 was \$ 13,117,000 (2011: \$13,240,000).

DIVIDENDS AND DISTRIBUTIONS

Fully franked dividends of \$8,000,000 (2011: \$7,475,600) were paid during the financial year.

No other dividends or distributions were declared or paid during the financial year.

STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report.

REVIEW OF OPERATIONS

The profit from ordinary activities after income tax attributable to ordinary equity holders of the Group for the year ended 31 March 2012 was \$13,117,000, a decrease of 1 percent from \$13,240,000 in the previous year.

Net operating income for the year ended 31 March 2012 was \$41,662,000, an increase of 13 percent on the prior year.

Total operating expenses for the year to 31 March 2012 were \$23,031,000, 28 percent up on the prior year.

EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report, the Directors are not aware of any matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 31 March 2012 not otherwise disclosed in this report.

LIKELY DEVELOPMENTS, BUSINESS STRATEGIES AND PROSPECTS

Disclosure of information relating to the future developments in the operations, business strategies and prospects for future financial years of the Group have not been included in the report because the Directors believe it may result in unreasonable prejudice to the Group.

DIRECTORS' REPORT (continued)

For the financial year ended 31 March 2012

DIRECTORS' INDEMNIFICATION

Under the Company's Constitution, the Company indemnifies all past and present Directors and Secretaries of the Company, including at this time the Directors named in this report and the Secretary or Secretaries, against every liability incurred by them in, and all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which they become involved because of, their respective capacities unless:

- The liability is owed to the Company or to a related body corporate;
- The liability did not arise out of the conduct of good faith;
- The liability is for a pecuniary penalty order or a compensation order under the *Corporations Act 2001* ("the Act");
- In the case of legal costs, the costs are incurred in defending or resisting a liability excluded above, criminal proceedings in which the person is found guilty or proceedings brought by the Australian Securities and Investments Commission or a liquidator where grounds for a court order are established (but excluding costs relating to investigations before commencement of proceedings for the court order), or the costs are incurred in relation to proceedings for relief to the person under the *Corporations Act 2001* in which the court denies relief;
- The Company is forbidden by statute to indemnify the person against the liability or legal costs; or
- An indemnity by the Company of the person against the liability or legal costs would, if given, be made void by statute.

ENVIRONMENTAL REGULATIONS

The Group has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Directors have determined that there has not been any material breach of those obligations during the financial year.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration, as required under section 307C of the Act, is set out on page 5 following this report.

DIRECTORS' REPORT (continued) For the financial year ended 31 March 2012

ROUNDING OF AMOUNTS

In accordance with Australian Securities and Investments Commission Class Order 98/0100 (as amended), amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

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



Neil Helm
Director

Sydney

Date: 5/7/2012

The financial report was authorised for issue by the Directors on 05 July 2012
The Company has the power to amend and reissue the financial report.



Auditor's Independence Declaration

As lead auditor for the audit of OzForex Pty Limited for the year ended 31 March 2012, 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 OzForex Pty Limited and the entities it controlled during the period.


C J Heath
Partner
PricewaterhouseCoopers

Sydney
5 July 2012

OzForex Pty Limited

Financial Report

Income statement

For the financial year ended 31 March 2012

	Notes	Consolidated		Parent entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Interest and similar income	2	2,097	1,961	2,097	1,961
Interest expense and similar charges	2	-	-	(38)	-
Net interest income		2,097	1,961	2,059	1,961
Fee and commission income	2	44,222	37,393	44,235	37,389
Fee and commission expense	2	(3,013)	(2,747)	(10,463)	(7,494)
Net fee and commission income		41,209	34,646	33,772	29,895
(Loss)/gain on foreign exchange derivatives		(1,856)	268	(1,857)	268
Foreign exchange gains		212	135	(170)	746
Net operating income		41,662	37,010	33,804	32,870
Employment expenses	2	(12,545)	(10,159)	(10,031)	(8,326)
Occupancy expenses	2	(897)	(834)	(535)	(522)
Non-salary technology expenses	2	(895)	(574)	(765)	(496)
Other operating expenses	2	(8,694)	(6,426)	(5,203)	(4,657)
Total operating expenses		(23,031)	(17,993)	(16,534)	(14,001)
Operating profit before income tax		18,631	19,017	17,270	18,869
Income tax expense	3	(5,514)	(5,777)	(5,197)	(5,558)
Profit from ordinary activities after income tax		13,117	13,240	12,073	13,311
Profit attributable to ordinary equity holders of OzForex Pty Limited		13,117	13,240	12,073	13,311

The above income statement should be read in conjunction with the accompanying notes.

OzForex Pty Limited

Statement of comprehensive income For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit from ordinary activities after income tax for the year	13,117	13,240	12,073	13,311
Total other comprehensive income / (expense) for the year	-	-	-	-
Total comprehensive income for the year	13,117	13,240	12,073	13,311
Total comprehensive income for the year is attributable to:				
Ordinary equity holders of OzForex Pty Limited	13,117	13,240	12,073	13,311

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

OzForex Pty Limited

Statement of financial position As at 31 March 2012

	Notes	Consolidated		Parent entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Assets					
Cash and cash equivalents	5	79,867	75,579	69,512	58,101
Derivative financial instruments – positive values	6	4,253	7,766	4,253	7,766
Other assets	7	568	303	338	225
Due from related entities	8	-	-	-	4,165
Property, plant and equipment	9	770	755	440	516
Investments in subsidiaries	10	-	-	5,049	3
Deferred income tax assets	11	807	764	793	757
Total assets		86,265	85,167	80,385	71,533
Liabilities					
Derivative financial instruments – negative values	6	2,012	3,669	2,012	3,669
Other liabilities	12	54,400	56,301	39,370	43,969
Current tax liabilities		1,549	1,468	1,321	1,399
Due to related parties	13	-	-	11,345	-
Provisions	14	1,694	1,371	1,503	1,212
Deferred income tax liabilities	11	695	1,229	672	1,229
Total liabilities		60,350	64,038	56,223	51,478
Net assets		25,915	21,129	24,162	20,055
Equity					
Ordinary share capital	16	360	360	360	360
Foreign currency translation reserve		(68)	297	-	-
Share option reserve	22	55	21	55	21
Retained earnings	17	25,568	20,451	23,746	19,674
Total capital and reserves attributable to equity holders of OzForex Pty Limited		25,915	21,129	24,162	20,055
Total equity		25,915	21,129	24,162	20,055

The above statement of financial position should be read in conjunction with the accompanying notes.

OzForex Pty Limited

Statement of changes in equity For the financial year ended 31 March 2012

Consolidated

		Contributed equity	Retained earnings	Foreign currency translation reserve	Share option reserve	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2010		360	14,686	(102)	-	14,944
Total comprehensive income for the year		-	13,240	399	-	13,639
Transactions with equity holders in their capacity as equity holders:						
Movement in foreign currency translation reserve		-	-	-	-	-
Dividends and distributions paid	4	-	(7,475)	-	-	(7,475)
Employee share options – value of employee services	22	-	-	-	21	21
Balance at 31 March 2011		360	20,451	297	21	21,129
Total comprehensive income for the year		-	13,117	-	-	13,117
Transactions with equity holders in their capacity as equity holders:						
Movement in foreign currency translation reserve		-	-	(365)	-	(365)
Dividends and distributions paid	4	-	(8,000)	-	-	(8,000)
Employee share options – value of employee services	22	-	-	-	34	34
Balance at 31 March 2012		360	25,568	(68)	55	25,915

The above statement of changes in equity should be read in conjunction with the accompanying notes.

The foreign currency translation reserve and the share option reserve are non-distributable reserves of the Group.

Parent entity

		Contributed equity	Retained earnings	Share option reserve	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2010		360	13,838	-	14,198
Total comprehensive income for the year		-	13,311	-	13,311
Transactions with equity holders in their capacity as equity holders:					
Dividends and distributions paid	4	-	(7,475)	-	(7,475)
Employee share options – value of employee services	22	-	-	21	21
Balance at 31 March 2011		360	19,674	21	20,055
Total comprehensive income for the year		-	12,073	-	12,073
Transactions with equity holders in their capacity as equity holders:					
Dividends and distributions paid	4	-	(8,000)	-	(8,000)
Employee share options – value of employee services	22	-	-	34	34
Balance at 31 March 2012		360	23,746	55	24,162

The above statement of changes in equity should be read in conjunction with the accompanying notes.

The foreign currency translation reserve is a non-distributable reserve of the Company.

OzForex Pty Limited

Statement of cash flows For the financial year ended 31 March 2012

	Notes	Consolidated		Parent entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash flows from operating activities					
Interest received		2,097	1,961	2,097	1,961
Interest and other costs of finance paid		-	-	-	-
Fees and other non-interest income received		7,490,114	7,088,889	5,533,035	5,470,502
Payments to suppliers and employees		(7,473,512)	(7,069,021)	(5,520,328)	(5,454,283)
Income tax paid		(6,010)	(5,365)	(5,868)	(5,186)
Net cash flows from operating activities	19	12,689	16,464	8,936	12,994
Cash flows from investing activities					
Payments for property, plant and equipment		(458)	(512)	(239)	(295)
Investment in subsidiary undertakings		-	-	(5,049)	-
Net cash flows used in investing activities		(458)	(512)	(5,288)	(295)
Cash flows from financing activities					
Proceeds from repayments of loans by related parties		-	161	4,165	-
Loan from/(proceeds to) related party balances		-	-	11,730	(9,612)
Repayment of balances		-	-	-	-
Dividends paid		(8,000)	(7,475)	(8,000)	(7,475)
Net cash flows used in financing activities		(8,000)	(7,314)	7,895	(17,087)
Net increase/(decrease) in cash		4,231	8,638	11,543	(4,388)
Cash and cash equivalents at the beginning of the financial year		75,579	66,386	58,101	61,725
Exchange gains on cash and cash equivalents		57	555	(132)	764
Cash and cash equivalents at the end of the financial year	5	79,867	75,579	69,512	58,101

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies

i) **Basis of preparation**

The principal accounting policies adopted in the preparation of this financial report and that of the previous financial year are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (which includes Australian Interpretations by virtue of AASB 1048 *Interpretation and Application of Standards*) and the *Corporations Act 2001*.

Compliance with IFRS as issued by the IASB

Compliance with Australian Accounting Standards ensures that the financial report complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Consequently, this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities (including derivative instruments) at fair value.

Critical accounting estimates and significant judgements

The preparation of the financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company and its subsidiaries (the Group) and the consolidated financial report such as:

- fair value of financial instruments (Note 1(vii) and 25).
- recoverability of deferred tax assets (Notes 1(v), 3 and 11).
- fair value of share options (Notes 1(xi) and 22).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported and therefore it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could require an adjustment to the carrying amounts of the assets and liabilities reported.

New Accounting Standards, amendments to Accounting Standards and Interpretations that are not yet effective

When a new accounting standard is first adopted, any change in accounting policy is accounted for in accordance with the specific transitional provisions (if any), otherwise retrospectively.

The Group's and parent entity's assessment of the impact of the key new Accounting standards, amendments to Accounting Standards and Interpretations is set out below:

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

New Accounting Standards, amendments to Accounting Standards and Interpretations that are not yet effective (continued)

AASB: 2010-7: Amendments to Australian Accounting Standards arising from AASB 9

- In December 2010, the AASB re-issued AASB *Financial Instruments*, which is effective for annual reporting periods beginning on or after 1 January 2015. Early adoption is permitted if all the requirements are applied at the same time. The revised AASB 9 includes the classification and measurement requirements for financial liabilities, and the recognition and derecognition requirements for financial instruments, in addition to the classification and measurement requirements for financial assets that appeared in the December 2009 version of the standard.
- Under new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise to cash flows on specified dates that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value.
- Changes in the fair value of instruments in equity securities that are not part of a trading activity may be reported directly in other comprehensive income (OCI), but upon realization those accumulated changes in value are not recycled to the income statement. Dividends on such investments are recognized in the profit and loss, rather than OCI, unless they clearly represent a recovery of the cost of the investment. Changes in the fair value of all other financial assets carried at fair value are reported in the income statement.
- In respect of financial liabilities, the change in fair value (for financial liabilities designated at fair value through profit and loss) due to changes in an entity's own credit risk is to be presented in OCI, unless such presentation would create an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of changes in the credit risk of the liability) are presented in the income statement. All other key requirements for classification and measurement of financial liabilities have been carried forward unamended from AASB 139 *Financial Instruments: Recognition and Measurement*. The recognition and derecognition requirements in AASB 139 have also been retained and relocated to the revised AASB 9 unamended. The Consolidated Entity will first apply AASB 9 in the financial year beginning 1 April 2015. The impact of AASB 9 on the Consolidated Entity's financial statements on initial application has not yet been assessed.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

- The AASB has decided to remove the Individual Key management Personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognized in the financial statements. The amendments are effective for annual reporting periods on or after 1 July 2013 and cannot be adopted early.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

- The amendment requires items in other comprehensive income to be segregated into two categories, based on whether they may be recycled to income statement in the future. Items that will never recycle (such as revaluation reserve) will be presented separately from items that may recycle in the future (such as cash flow hedge reserves and the foreign currency translation reserve). The amendments are effective for annual periods beginning on or after 1 July 2012.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities and revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures

- The AASB has issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.
- These new standards are effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. Early adoption is permitted, however these standards must be adopted as a package, that is, all as of the same date, except that an entity may early adopt the disclosure provisions for AASB 12.

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

i) Basis of preparation (continued)

New Accounting Standards, amendments to Accounting Standards and Interpretations that are not yet effective (continued)

(without adopting the other new standards). The Consolidated Entity currently intends to first apply these Standards in the financial year beginning 1 April 2013.

- **AASB10** replaces the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements* and *Interpretation 112 Consolidation – Special Purpose Entities*. The core principle that a Consolidated Entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have power, rights or exposure to variable returns and ability to use the power to affect the returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights, de-facto control and on agent versus principal relationships. The impact of AASB 10 on the consolidated Entity's financial statements on initial application is being assessed.
- **AASB 11** introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The impact of AASB11 on the Consolidated Entity's financial statements on initial application is being assessed.
- **AASB12** sets out the required disclosures for interests in entities that are subsidiaries, associates, joint ventures and unconsolidated structured entities. Application of this standard by the Consolidated Entity will not effect any of the amounts recognised in the financial, but will impact the type of information disclosed in relation to the Consolidated Entity's investments. Systems may need to be developed to capture all the necessary information.
- Whilst the new standard will not affect any of the amounts recognized in the financial statements, it will require additional disclosures of interests in subsidiaries, associates, joint ventures and consolidated structured entities.
- **AASB 127** is renamed *Separate Financial Statements* and now deals solely with separate financial statements. Initial application of this standard by the consolidated Entity and the Company is not expected to result in any material impact.
- Amendments to **AASB 128** clarify that an entity continues to apply the equity method for its retained interest where on a change of ownership a joint venture becomes an associate, and vice versa. The amendments also clarify that where part of an associate or joint venture is to be sold, an entity accounts for the part to be sold under *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*, and continues to apply the equity method on the retained portion until the portion held for sale is sold. The Consolidated Entity is still assessing the impact of these amendments, although it is not expected to result in any material impact.

AASB 13 Fair Value Measurement

- AASB 13 has been issued by the AASB and is effective for annual reporting periods beginning on or after 1 January 2013
- AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The impact of AASB 13 on the Consolidated Entity's financial statements on initial application has not yet been assessed.
- The Consolidated Entity intends to first apply the standard prospectively from 1 April 2013.

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

ii) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OzForex Pty Limited ("the Company") as at 31 March 2012 and the results of all subsidiaries for the year then ended. OzForex Pty Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(xiv)).

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 Pty Limited in accordance with AASB127 Consolidated and Separate Financial Statements.

iii) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The company consolidated entity's financial statements are presented in Australian dollars, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as a result of meeting cash flow hedge or net investment hedge accounting requirements.

Translation differences on non-monetary items (such as equities) held at fair value through profit or loss, are reported as part of the fair value gain or loss in the income statement. Translation differences on non-monetary items (such as equities) classified as available-for-sale financial assets are included in the AFS reserve in equity, unless they perform part of fair value hedge relationships in which case the translation differences are recognised in the income statement..

iv) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major revenue stream as follows:

Interest income

Interest income arising from loans and deposits is brought to account using the effective interest method. The effective interest method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs associated with loans are capitalised and included in the effective interest rate and recognized in the income statement over the expected life of the instrument. Interest income on finance leases is brought to account progressively over the life of the lease consistent with the outstanding investment balance.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

iv) Revenue (continued)

Fee and commission income

Brokerage fees charged in respect of services provided are brought to account as work is completed and a fee is agreed with clients.

Dividends and distributions

Dividends and distributions are recognised as income when the entity becomes entitled to the dividend or distribution.

v) Income tax

The income tax expense for the financial year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets are recognised when temporary differences arise between the tax base of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or where a benefit arises due to unused tax losses, but are only recognised in both cases to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts being payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled.

vi) Dividends

Provision for dividends to be paid by the Group are recognised on the statement of financial position as a liability and a reduction in retained earnings when the dividend has been declared.

vii) Derivative instruments

Derivative instruments entered into by the Group include forward rate agreements and options in the foreign exchange markets. These derivative instruments are principally used for the risk management of existing financial assets and liabilities.

All derivatives, including those used for statement of financial position hedging purposes, are recognised on the statement of financial position and are disclosed as an asset where they have a positive fair value at balance date or as a liability where the fair value at balance date is negative.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Movements in the carrying amounts of derivatives are recognised in the income statement, unless the derivative meets the requirements for cash flow or net investment hedge accounting.

The best evidence of a derivative's fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Where such alternative evidence exists, the Group recognises profits immediately when the derivative is recognised.

viii) Investments and other financial assets

Classification

With the exception of derivatives which are classified separately in the statement of financial position, the remaining investments in financial assets are classified in the following categories: other financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for

OzForex Pty Limited 2012 Financial Report

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

viii) Investments and other financial assets (continued)

which the investments were acquired, which is determined at initial recognition and, except for fair value through profit or loss, is re-evaluation at each reporting date.

(i) Other financial assets at fair value through profit or loss

This category includes only those financial assets which have been designated by management as held at fair value through profit or loss on initial recognition. The policy of management is to designate a financial asset as such if the asset contains embedded derivatives which must otherwise be separated and carried at fair value; if it is part of a group of financial assets managed and evaluated on a fair value basis; or if by doing so eliminates, or significantly reduces, a measurement or recognition inconsistency that would otherwise arise. Interest income on debt securities designated as at fair value through profit or loss is recognised in the income statement in interest income using the effective interest method as disclosed in Note 1 (iv).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. A regular way of purchase or sale of a financial asset under contract is a purchase or sale that requires delivery of the assets within the period established generally by regulation or convention in the market place.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'other financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

Impairment

Impairment is assessed at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the statement of

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

viii) Investments and other financial assets (continued)

comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale can not be reversed.

If there is evidence of impairment for any of the financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

ix) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Assets are reviewed for impairment at each reporting date. Historical cost includes expenditure directly attributable to the acquisition of the asset.

Depreciation on assets is calculated on a straight-line basis to allocate the difference between their cost and their residual values over their estimated useful lives, at the following rates:

- Furniture and fittings 10 per cent to 20 per cent
- Leasehold improvements * 20 per cent
- Computer equipment and software 33 per cent
- Plant and equipment 20 per cent to 33 per cent

* Where remaining lease terms are less than five years, leasehold improvements are depreciated over the lease term.

Useful lives and residual values are reviewed annually and reassessed in light of commercial and technological developments. If an asset's carrying value is greater than its recoverable amount due to an adjustment to its useful life, residual value or impairment, the carrying amount is written down immediately to its recoverable amount. Adjustments arising from such items and on disposal of fixed assets are recognised in the income statement.

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised in the income statement.

x) Provisions

Employee benefits

A liability for employee benefits is recognised by the entity that has the obligation to the employee. Generally, this is consistent with the legal position of the parties to the employment contract.

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the statement of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be settled. In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using rates on high quality corporate bonds, except where there is no deep market in which case rates on Commonwealth Government securities are used. Such discount rates have terms that match as closely as possible to the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Group is legally released from the obligation and do not retain a constructive obligation.

xi) Performance based remuneration

Share based payments

OzForex Pty Limited (the ultimate chief entity of the Company) operates a share based compensation plan, which includes options granted to employees and employees of its subsidiaries. The Company recognises a share option expense in relation to options granted to its employees with the offsetting adjustment recognised as a contribution of capital from the shareholders. The options are measured at their grant dates based on their fair value and using the number expected to vest. This amount is recognised as an expense evenly over the respective vesting periods.

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

xii) Performance based remuneration (continued)

The fair value of each option is estimated on the date of grant using a trinomial option pricing framework. No grants were made in the current financial year. The following key assumptions have been adopted for grants made in the current financial year:

- risk free interest rate: 2011: 5.5 per cent weighted average prices
- expected life of options: 2011: 7 years
- volatility of share price: 2011: 35 per cent; and
- dividend yield: 2011: nil

Where options are issued by the Company to employees of subsidiaries, the Company recognises the equity provided as an investment in the subsidiary.

The Company annually revises its estimates of the number of options that are expected to become exercisable. Where appropriate, the impact of revised estimates are reflected in the income statement over the remaining vesting period, with a corresponding adjustment to the share option reserve.

Profit share remuneration

The Group recognises a liability and an expense for profit share based on a formula that takes into consideration OzForex Group's earnings before interest and tax. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

xiii) Cash and cash equivalents

Cash and cash equivalents include cash and balances with central banks.

xiv) Leases

Leases entered into by the Group as lessee, are operating leases. The total fixed payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

xv) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

xvi) GST

Revenues, expenses and fixed assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amounts of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. 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.

xvii) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

xviii) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 1. Summary of significant accounting policies (continued)

xix) Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 (as amended), relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars unless otherwise indicated.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 2. Profit for the financial year				
Net interest income				
Interest and similar income received/receivable				
Other related entities	-	187	-	187
Other entities	2,097	1,774	2,097	1,774
Interest expense and similar charges paid/payable				
Other related entities	-	-	(38)	-
Net interest income	2,097	1,961	2,059	1,961
Net fee and commission income				
Fee and commission income				
Other entities	44,222	37,393	44,235	37,389
Fee and commission expense				
Parent entity	-	(266)	-	(266)
Other related entities	-	(478)	-	(5,499)
Other entities	(3,013)	(2,003)	(10,463)	(1,729)
Net fee and commission income	41,209	34,646	33,772	29,895
Net gain on foreign exchange derivatives	(1,856)	268	(1,857)	268
Foreign exchange gains	212	135	(170)	746
Net operating income	41,662	37,010	33,804	32,870
Employment expenses				
Salary, salary related costs including commissions, superannuation and performance-related profit share	(11,832)	(9,164)	(9,555)	(7,391)
Retention payments	(866)	(2,402)	(866)	(2,402)
Provision for annual leave	(100)	(63)	(89)	(48)
Provision for long service leave	(57)	(13)	(57)	(14)
Recoveries	866	2,402	866	2,402
Total compensation expense	(11,989)	(9,240)	(9,701)	(7,453)
Other employment expenses including on-costs, staff procurement and staff training	(556)	(919)	(330)	(873)
Total employment expenses	(12,545)	(10,159)	(10,031)	(8,326)
Recoveries received during the year were from Macquarie Equities Limited.				
Occupancy expenses				
Operating lease rentals	(539)	(509)	(320)	(320)
Depreciation: furniture, fittings and leasehold	(158)	(151)	(119)	(116)
Other occupancy expenses	(200)	(174)	(96)	(86)
Total occupancy expenses	(897)	(834)	(535)	(522)

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 2. Profit for the financial year (continued)				
Non-salary technology expenses				
Depreciation: computer equipment (Note 9)	(285)	(201)	(181)	(145)
Other non-salary technology expense	(610)	(373)	(584)	(351)
Total non-salary technology expenses	(895)	(574)	(765)	(496)
Other operating expenses				
Communication expenses	(365)	(236)	(173)	(170)
Professional fees	(419)	(965)	(230)	(892)
Advertising promotional expenses	(5,085)	(2,976)	(2,395)	(1,668)
Compliance expenses	(515)	(307)	(383)	(244)
Insurance expenses	(339)	(252)	(257)	(211)
Travel expenses	(160)	(134)	(135)	(127)
Bad and doubtful debts expense	(587)	(474)	(587)	(474)
Non recoverable GST	(331)	(234)	(331)	(234)
Other expenses	(893)	(848)	(712)	(637)
Total other operating expenses	(8,694)	(6,426)	(5,203)	(4,657)
Note 3. Income tax expense				
a) Income tax expense				
Current tax expense	(6,091)	(5,982)	(5,790)	(5,760)
Deferred tax benefit	577	205	593	202
Total income tax expense	(5,514)	(5,777)	(5,197)	(5,558)
Deferred income tax revenue included in income tax expense comprises:				
Increase in deferred tax assets	43	282	36	282
Decrease/(Increase) in deferred tax liabilities	534	(77)	557	(80)
Total deferred income tax revenue	577	205	593	202
b) Reconciliation of income tax expense to prima facie tax payable				
Prima facie income tax expense on operating profit*	(5,589)	(5,711)	(5,181)	(5,666)
Tax effect of amounts adjusted in calculating taxable income:				
Other items	75	(66)	(16)	108
Total income tax expense	(5,514)	(5,777)	(5,197)	(5,558)

* Prima facie income tax on operating profit is calculated at the rate of 30 percent (2011: 30 percent). The Group has a tax year ending on 30 September.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 4. Dividends paid and distributions paid or provided for				
Dividends paid				
Interim dividend paid (\$22.22 (2011: \$20.76) per share)*	(8,000)	(7,475)	(8,000)	(7,475)
Total dividends paid	(8,000)	(7,475)	(8,000)	(7,475)
* These dividends were 100 percent franked at the 30 percent corporate tax rate.				
Franked dividends				
Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%)	8,288	5,723	8,288	5,723
The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax				
Note 5. Cash and cash equivalents				
Cash at bank	79,867	75,579	69,512	58,101
Total cash and cash equivalents	79,867	75,579	69,512	58,101
Note 6. Derivative financial instruments at fair value through profit and loss				
Value of forward contracts – positive values	4,253	7,766	4,253	7,766
Value of forward contracts – negative values	(2,012)	(3,669)	(2,012)	(3,669)
Total derivative financial instruments at fair value through profit and loss	2,241	4,097	2,241	4,097
Note 7. Other assets (current assets)				
Prepayments	340	240	199	172
Other debtors	228	63	139	53
Total other assets	568	303	338	225
Note 8. Due from related entities				
Loans and advances				
Due from other entities	-	-	-	4,165
Total due from subsidiaries	-	-	-	4,165

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 9. Property, plant and equipment (non-current assets)				
Furniture, fittings and leasehold improvements				
Cost	929	756	633	618
Less accumulated depreciation	(666)	(508)	(536)	(417)
Total furniture, fittings and leasehold improvements	263	248	97	201
Software				
Cost	370	306	248	184
Less accumulated depreciation	(210)	(119)	(137)	(76)
Exchange adjustment	(2)	-	-	-
Total Software	158	187	111	108
Computer equipment				
Cost	976	750	695	535
Less accumulated depreciation	(625)	(430)	(463)	(328)
Exchange adjustment	(2)	-	-	-
Total computer equipment	349	320	232	207
Total property, plant and equipment	770	755	440	516

Reconciliation of the movement in the Group's property, plant and equipment at their written-down value:

	Furniture, fittings and leasehold improvements	Software	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000
Balance 31 March 2011	248	187	320	755
Acquisitions	173	66	224	463
Depreciation expense	(158)	(93)	(193)	(444)
Exchange adjustment	-	(2)	(2)	(4)
Balance at 31 March 2012	263	158	349	770

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 9. Property, plant and equipment (non-current assets) (continued)

Reconciliation of the movement in the Company's property, plant and equipment at their written-down value:

	Furniture, fittings and leasehold improvements	Software	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2011	201	108	207	516
Acquisitions	14	64	160	238
Disposals	-	-	-	-
Depreciation expense	(118)	(61)	(135)	(314)
Balance at 31 March 2012	97	111	232	440

	2012 \$'000	2011 \$'000
Note 10. Investments in subsidiaries (non-current assets)		
Investments at cost less impairment	5,049	3
Total investments in subsidiaries	5,049	3

The material subsidiaries of the Company, based on contribution to the Company's profit from ordinary activities, the size of the investment made by the Company or the nature of the activities conducted by the subsidiary, are:

- UKForex Limited, which is 100% owned, incorporated in the United Kingdom and has a reporting date of 31 March. This entity has been wholly owned since incorporation, and has issued share capital (ordinary shares) of GBP £2.
- CanadianForex Limited, which is 100% owned, incorporated in Canada and has a reporting date of 31 March. This entity has been wholly owned since incorporation, and has issued share capital (ordinary shares) of CAD \$100.
- NZForex Limited, which is 100% owned, incorporated in New Zealand and has a reporting date of 31 March. This entity has been wholly owned since incorporation, and has issued share capital (ordinary shares) of NZD \$100.
- OzForex (HK) Limited, which is 100% owned, incorporated in Hong Kong and has a reporting date of 31 March. This entity has been wholly owned since incorporation, and has issued share capital (ordinary shares) of HKD \$ 30,000,000
- USForex LLC, which is 100% owned, incorporated in the United States of America and has a reporting date of 31 March. This entity has been wholly owned since incorporation, and has no share capital.
- USForex Inc, which is 100% owned, was incorporated in the United States of America on 15 July 2011 and has a reporting date of 31 March. This entity has been wholly owned since incorporation, and has a share capital of USD \$3 and share premium of USD \$1,499,997

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 11. Deferred income tax assets/(liabilities)				
Deferred income tax assets				
The balance comprises temporary differences attributable to:				
Provisions and accrued expenses	807	764	793	757
Total deferred income tax assets*	807	764	793	757
* Of the above \$30,300 (2011: \$46,700) is expected to be recovered more than twelve months after the reporting date.				
Deferred income tax liabilities				
Financial instruments	(695)	(1,229)	(672)	(1,229)
Total deferred income tax liabilities*	(695)	(1,229)	(672)	(1,229)
Net deferred income tax liabilities	(112)	(465)	(121)	(472)

*Unless otherwise stated the material portion of the balance represents amounts expected to be settled within twelve months after the reporting date.

The principles of the balance sheet method of tax effect accounting have been adopted whereby the income tax expense for the financial year is the tax payable on the current period's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax assets relating to deductible temporary differences are not carried forward as an asset unless the benefit is probable of realisation.

The deferred tax assets have been applied against deferred tax liabilities to the extent that they are expected to be realised in the same period, within the same tax paying entity.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 12. Other liabilities (current liabilities)				
Due to brokers and customers	52,186	54,175	37,739	42,427
Accrued charges and sundry provisions	1,691	1,542	1,249	1,343
Other	523	584	382	199
Total other liabilities*	54,400	56,301	39,370	43,969

Note 13. Due to related parties

Related entities

Controlled entities	-	-	11,345	-
Total due to related parties	-	-	11,345	-

*Unless otherwise stated the material portion of the balance represents amounts expected to be settled within twelve months after the reporting date.

Note 14. Provisions

Current - provision for employee entitlements

Annual Leave	515	417	453	364
Employee Benefits	966	798	837	692
	1,481	1,215	1,290	1,056

Non-current - provision for employee entitlements

Long Service Leave	213	156	213	156
Total provisions	1,694	1,371	1,503	1,212

Note 15. Capital

The Group's capital management strategy is to maximise shareholder value through optimising the level and use of capital resources.

The Group's capital management objectives are to:

- Ensure sufficient capital resource to support the Group's business and operational requirements
- Maintain sufficient capital to exceed externally imposed capital requirements
- Safeguard the Group's ability to continue as a going concern.

Periodic reviews of the entity's capital requirements are performed to ensure the Group is meeting its objectives.

Capital is defined as share capital plus reserves.

The Group has satisfied its externally imposed capital requirements throughout the year.

Under the term of its Australian Financial Services Licence, the Company is required to maintain a minimum of net tangible assets ("NTA") and \$50,000 surplus liquid funds ("SLF") at all times. The Company's NTA and SLF positions and compliance with the licence's capital requirements is managed on an ongoing basis with formal testing performed on a monthly basis.

During the current period, the Group has continued to meet its capital requirements under the licence and no breaches have occurred.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	2012 Number of shares	2011 Number of shares	2012 \$'000	2011 \$'000
Note 16. Contributed equity				
Ordinary share capital				
Opening balance of fully paid ordinary shares	204,840	360,000	205	360
Converted to class A shares	-	(155,160)	-	(155)
Closing balance of fully paid ordinary shares	204,840	204,840	205	205
Class A share capital				
Opening balance of fully paid class A shares	155,160	-	155	-
Converted from ordinary shares	-	155,160	-	155
Closing balance of fully paid class A shares	155,160	155,160	155	155
Total equity contribution	360,000	360,000	360	360

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of the company in a liquidity event in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the class A shares.

Each ordinary shareholder is entitled to one vote per share held.

Class A shares

Class A shares entitle the holder to participate in dividends and the proceeds of the company in a liquidity event in proportion to the number of and amounts paid on the shares held. This is subject to the liquidity preference that enables the holder of the class A share to recover the amount of their initial investment prior to any distribution to ordinary share holders.

Each class A shareholder is entitled to one vote per share held.

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 17. Retained earnings				
Balance at the beginning of the financial year	20,451	14,686	19,674	13,838
Profit attributable to ordinary equity holders of OzForex Pty Limited	13,117	13,240	12,073	13,311
Dividends paid	(8,000)	(7,475)	(8,000)	(7,475)
Balance at the end of the financial year	25,568	20,451	23,747	19,674

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Note 18. Commitments				
Operating leases				
The Group leases offices under a non-cancellable operating leases expiring within one to five years. The leases have escalating clauses and renewable rights. On renewal, the terms of the leases are renegotiated.				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows				
Not later than one year*	432	542	84	333
Later than one year and not later than five years*	779	951	-	84
Later than five years*	-	-	-	-
Total capital and other expenditure commitments	1,211	1,493	84	417

* An adjustment has been made to the prior year numbers as a result of the lease for a property at 20 Bridge Street not being finalised or signed. There are no commitments in place for this property and therefore the numbers have been adjusted in retrospect.

Note 19. Notes to the statement of cash flows Reconciliation of cash

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash and cash equivalents	79,867	75,579	69,512	58,101
Cash and cash equivalents at the end of the financial year	79,867	75,579	69,512	58,101
Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities				
Profit from ordinary activities after income tax	13,117	13,240	12,073	13,311
Adjustments to profit from ordinary activities				
Depreciation on property, plant and equipment	444	351	314	261
Foreign exchange valuation	(213)	-	170	(764)
Loss on disposal of property, plant and equipment	-	1	-	1
Fair value changes on financial assets and liabilities at fair value through profit or loss	1,857	(403)	1,857	(249)
Changes in assets and liabilities				
Decrease/(increase) in debtors and prepayments	(265)	158	(113)	119
(Increase) in deferred tax assets	(43)	(281)	(36)	(281)
(Decrease)/increase in accrued charges and creditors	(2,078)	2,149	(5,011)	(558)
(Decrease)/increase in deferred tax liabilities	(534)	77	(557)	80
Increase in provisions for employee entitlements	323	556	297	501
Increase/(decrease) in tax provision	81	616	(58)	573
Net cash flows from operating activities	12,689	16,464	8,936	12,994

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 20. Related party information

Up until 19 November 2010, the immediate parent entity was Macquarie Equities Limited, and the ultimate chief entity was Macquarie Group Limited (MGL). Subsequent to 19 November 2010, OzForex Pty Ltd was the ultimate chief entity.

Transactions with related parties

During the financial year, the following transactions were made with related entities:

- Referral fees of nil (2011: \$266,413) were paid to Macquarie Equities Limited
- Referral fees of nil (2011: \$15,381) were paid to Macquarie Equities New Zealand Limited
- Referral fees of nil (2011: \$139,591) were paid to Macquarie Investment Management Limited
- Referral fees of nil (2011: \$245,762) were paid to Macquarie Bank Limited
- Referral fees of nil (2011: \$6,249) were paid to Macquarie Investments Services Limited
- Referral fees of nil (2011: \$1,182) were paid to Macquarie Finance Limited
- Recharges for management services of nil (2011: \$364,416) were paid to Macquarie Equities Limited
- Dividends of nil (2011: \$3,590,400) were paid to Macquarie Equities Limited

Amounts receivable and payable to related parties are shown in Note 8 and 13 to the financial statements. All trading receivables from and payables to related parties are interest free. The Company entered into a HK\$30,000,000 loan facility on 23 June 2011 with its wholly owned subsidiary OzForex (HK) Limited. The facility attracts interest of 3 month HIBOR plus 1 per cent margin, is unsecured and has no fixed term of repayment.

Directors and parent entities of OzForex Pty Limited may from time to time have investments in entities which transact with OzForex Pty Limited. These transactions are based on normal commercial terms and conditions.

All other transactions with related entities were made on normal commercial terms and conditions and at market rates.

Note 21. Key management personnel disclosure

Key management personnel

The following persons were those having authority and responsibility for planning, directing and controlling the activities of the Group (Key Management Personnel – KMP) during the past two financial years ended 31 March 2012 and 31 March 2011, unless otherwise indicated:

Matthew Richard Gilmour
Steven Mark Halpern (resigned 19 November 2010)
Neil Helm (appointed 19 November 2010)
Gary Donald Lord
Julian Frederick Stuart Potter (resigned 19 November 2010)
Eric Schimpf (appointed 19 November 2010)
Ryan Sweeney (appointed 19 November 2010)
Thomas Wickwire (appointed 19 November 2010 and resigned 15 February 2012)
William Allen (appointed 15 February 2012)

The above KMPs are also the Directors of the Group and the ultimate parent entity.

Simon Griffin (appointed 19 November 2010)
Chris Humphrey (appointed 19 November 2010)
Thomas Rundle (appointed 19 November 2010)

The above KMPs are also Directors of the Group, but not the ultimate parent entity

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 21. Key management personnel disclosure (continued)

Lionel Docker (appointed 19 November 2010)
David Higgins (appointed 19 November 2010)
Mark Ledsham (appointed 19 November 2010)
Chris Minehan (appointed 19 November 2010)
Jason Rohloff (appointed 19 November 2010)
Adam Smolders (appointed 19 November 2010, resigned 12 March 2012)
Jim Vrontas (appointed 19 November 2010)
Michael Ward (appointed 16 January 2012)

Key management personnel remuneration

	Short-term remuneration	
	2012	2011
	\$	\$
Salaries and short-term employee benefits*	3,725,759	3,466,164
Share based payments*	34,232	20,532
Termination payments	20,080	-
Total remuneration paid to key management personnel	3,780,071	3,486,696

The KMP's did not receive any other benefits or consideration in connection with the management of the Group.

*The prior year's numbers were prepared on a cash basis. The policy has changed to an accrual basis in the current financial year. Therefore, the prior year's numbers have been adjusted to reflect this change.

Note 22. Employee equity participation

Option plan

During the period ended 31 March 2012, the Company had one equity settled share-based payment arrangement, which is described below.

Type of arrangement	Senior management share option plan
Date of grant	19 November 2010
Number granted	18,000
Contractual life	7 years
Vesting conditions	The options vest in four equal tranches on each anniversary of the plan for the next 4 years. The employee must be still in service as at the anniversary.

The estimated fair value of each share option granted in the plan is \$15.91. This was calculated by applying a binomial option pricing model. The model inputs were the underlying share price at grant date of \$158, exercise price of \$472.23, expected volatility of 35%, no expected dividends, contractual life of 7 years and a risk-free interest rate of 5.5%.

The Company is unlisted and as such does not have access to the historical information to calculate assumed volatility rates. The volatility in the pricing model has been based on that of Western Union, a similar payments and foreign exchange business. The assessed volatility of Western Union was 21.05% over 4 years. Given that the Company's stock and options are less liquid, the volatility was adjusted upward to 35%.

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 22. Employee equity participation (continued)

Further details of the share option plan are as follows:

	Number of options	2012 Weighted average exercise price	Number of options	2011 Weighted average exercise price
		\$		\$
Outstanding at start of year	18,000	472.23	-	-
Granted	-	-	18,000	472.23
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at end of year	18,000	472.23	18,000	472.23
Exercisable at end of year	4,500	472.23	-	-

The options outstanding at 31 March 2012 had an exercise price of \$472.23 (2011: \$472.23), and a weighted average remaining contractual life of 5.63 years (2011: 6.63 years).

	2012 \$	2011 \$
Expense arising from share option plans	34,232	20,532

Note 23. Contingent liabilities and assets

The Group has no contingent assets and liabilities.

Note 24. Financial risk management

Risk Management

Risk is an integral part of the OzForex Group's businesses. The main risks faced by the Group are market risk, credit risk, liquidity risk, operation risk, legal compliance risk and documentation risk. Responsibility for management of these risks lies with the individual businesses giving rise to them. It is the responsibility of the Leadership Team and the Risk Committee to ensure appropriate assessment and management of these risks.

The risks which the Group is exposed to are managed on a globally consolidated basis for OzForex Pty Limited as a whole, including all subsidiaries, in all locations. OzForex's approach to risk ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions at the parent entity level (i.e. not differentiating where the risk is taken within OzForex).

Note 24.1 Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due.

Credit risk within the Group is managed on a group basis by the Leadership Team. At an entity level the Group actively monitors the forward positions of its counterparties to ensure adequate collateral is held against a client position.

The balances disclosed in the credit risk tables below exclude financial assets that are subject to risks other than credit risk, such as equity investments or banknotes and coin.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.1 Credit risk (continued)

Maximum exposure to credit risk

The table below details the concentration of credit exposure of the Group's assets to significant geographical locations and counterparty types. The amounts shown represent the maximum credit risk of the Group's assets. In all cases this is equal to the carrying value of the assets with the exception of derivatives which are recorded at the maximum credit exposure

Consolidated	2012			
	Cash and cash equivalents \$'000	Derivative financial instruments – positive values \$'000	Other assets \$'000	Total \$'000
Australia				
Financial institutions	44,761	180	-	44,941
Other	1	1,560	231	1,792
Total Australia	44,762	1,740	231	46,733
New Zealand				
Financial institutions	6,567	195	-	6,762
Other	-	378	-	378
Total New Zealand	6,567	573	-	7,140
Asia				
Financial institutions	1,763	-	-	1,763
Other	-	15	20	35
Total Asia	1,763	15	20	1,798
Europe				
Financial institutions	14,182	1,443	-	15,625
Other	-	258	136	394
Total Europe	14,182	1,701	136	16,019
North America				
Financial institutions	12,695	16	-	12,711
Other	-	195	74	269
Total North America	12,695	211	74	12,980
Other				
Financial institutions	5	-	-	5
Other	-	13	-	13
Total Other	5	13	-	18
Total gross credit risk	79,974	4,253	461	84,688

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.1 Credit risk (continued)

Maximum exposure to credit risk

Consolidated	Cash and cash equivalents \$'000	2011 Derivative financial instruments – positive values \$'000	Other assets \$'000	Total \$'000
Australia				
Financial institutions	36,540	96	-	36,636
Other	1	6,242	172	6,415
Total Australia	36,541	6,338	172	43,051
New Zealand				
Financial institutions	6,792	-	-	6,792
Other	-	68	-	68
Total New Zealand	6,792	68	-	6,860
Asia				
Financial institutions	1,897	-	-	1,897
Other	-	43	-	43
Total Asia	1,897	43	-	1,940
Europe				
Financial institutions	22,123	571	-	22,694
Other	-	556	78	634
Total Europe	22,123	1,127	78	23,328
North America				
Financial institutions	8,220	2	-	8,222
Other	-	185	53	238
Total North America	8,220	187	53	8,460
Other				
Financial institutions	6	-	-	6
Other	-	3	-	3
Total Other	6	3	-	9
Total gross credit risk	75,579	7,766	303	83,648

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.1 Credit risk (continued)

Maximum exposure to credit risk

The table below details the concentration of credit exposure of the Company's assets to significant geographical locations and counterparty types. The amounts shown represent the maximum credit risk of the Company's assets. In all cases this is equal to the carrying value of the assets with the exception of derivatives which are recorded at the maximum credit exposure

Company	2012			
	Cash and cash equivalents \$'000	Derivative financial instruments – positive values \$'000	Other assets \$'000	Total \$'000
Australia				
Financial institutions	44,682	180	-	44,862
Other	1	1,560	231	1,792
Total Australia	44,683	1,740	231	46,654
New Zealand				
Financial institutions	6,567	195	-	6,762
Other	-	378	-	378
Total New Zealand	6,567	573	-	7,140
Asia				
Financial institutions	1,648	-	-	1,648
Other	-	15	-	15
Total Asia	1,648	15	-	1,663
Europe				
Financial institutions	7,955	1,443	-	9,398
Other	-	258	-	258
Total Europe	7,955	1,701	-	9,656
North America				
Financial institutions	8,761	16	-	8,777
Other	-	195	-	195
Total North America	8,761	211	-	8,972
Other				
Financial institutions	5	-	-	5
Other	-	13	-	13
Total Other	5	13	-	18
Total gross credit risk	69,619	4,253	231	74,103

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.1 Credit risk (continued)

Maximum exposure to credit risk

Company

		2011		
	Cash and cash equivalents \$'000	Derivative financial instruments – positive values \$'000	Other assets \$'000	Total \$'000
Australia				
Financial institutions	35,527	96	-	35,623
Other	1	6,242	173	6,416
Total Australia	35,528	6,338	173	42,039
New Zealand				
Financial institutions	6,792	-	-	6,792
Other	-	68	-	68
Total New Zealand	6,792	68	-	6,860
Asia				
Financial institutions	1,727	-	-	1,727
Other	-	43	-	43
Total Asia	1,727	43	-	1,770
Europe				
Financial institutions	8,718	571	-	9,289
Other	-	556	-	556
Total Europe	8,718	1,127	-	9,845
North America				
Financial institutions	5,330	2	52	5,384
Other	-	185	-	185
Total North America	5,330	187	52	5,569
Other				
Financial institutions	6	-	-	6
Other	-	3	-	3
Total Other	6	3	-	9
Total gross credit risk	58,101	7,766	225	66,092

Credit quality of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings.

The table below shows the credit quality by class of financial asset for loan related statement of financial position lines.

Credit Quality - 2012

	Neither past due nor impaired			
	Investment Grade	Below Investment Grade	Unrated	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
- Financial institutions	78,491	-	1,376	79,867
Derivative financial instruments - positive values				
- Financial institutions	1,836	-	-	1,836
- Other	-	-	2,417	2,417
Other assets				
- Other	-	-	461	461
Total	80,327	-	4,254	84,581

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.1 Credit risk (continued)

Credit Quality - 2011	Neither past due nor impaired			
	Investment Grade	Below Investment Grade	Unrated	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
- <i>Financial institutions</i>	74,619	-	960	75,579
Derivative financial instruments - positive values				
- <i>Financial institutions</i>	669	-	-	669
- <i>Other</i>	-	-	7,097	7,097
Other assets				
- <i>Other</i>	-	-	303	303
Total	75,288	-	8,360	83,648

The table below shows the credit quality by class of financial asset for loan related statement of financial position lines. Included in the past due category are balances overdue by one day or more.

Credit Quality - 2012	Neither past due nor impaired			
	Investment Grade	Below Investment Grade	Unrated	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
- <i>Financial institutions</i>	68,138	-	1,374	69,512
Derivative financial instruments - positive values				
- <i>Financial institutions</i>	1,836	-	-	1,836
- <i>Other</i>	-	-	2,417	2,417
Other assets				
- <i>Other</i>	0	-	231	231
Total	69,974	-	4,022	73,996

Credit Quality - 2011	Neither past due nor impaired			
	Investment Grade	Below Investment Grade	Unrated	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
- <i>Financial institutions</i>	57,325	-	776	58,101
Derivative financial instruments - positive values				
- <i>Financial institutions</i>	669	-	-	669
- <i>Other</i>	-	-	7,097	7,097
Other assets				
- <i>Other</i>	52	-	173	225
Total	58,046	-	8,046	66,092

Included in the past due category are balances overdue by one day or more.

There are no balances past date or impaired as at 31 March 2012.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.2 Liquidity risk

Liquidity risk is the risk of an entity encountering difficulty in meeting obligations with financial liabilities. Liquidity risk within the Group is managed on a group basis by Group Treasury.

Contractual undiscounted cash flows

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

Derivatives (other than those designated in a hedging relationship) and trading portfolio liabilities are included in the less than 3 months column at their fair value. 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.

2012	On demand \$'000	3 months or less \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Other liabilities	(728)	(52,357)	(2,700)	(695)	-	(56,480)
Derivative financial instruments						
Inflows	-	336,734	43,911	-	-	380,645
(Outflows)	-	(334,015)	(44,390)	-	-	(378,405)
Total	(728)	(49,638)	(3,179)	(695)	-	(54,240)
2011	On demand \$'000	3 months or less \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Other liabilities	(497)	(54,842)	(2,267)	(1,304)	-	(58,910)
Derivative financial instruments						
Inflows	-	314,854	57,045	-	-	371,899
(Outflows)	-	(311,542)	(56,260)	-	-	(367,802)
Total	(497)	(51,530)	(1,482)	(1,304)	-	(54,813)

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

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.2 Liquidity risk (continued)

2012	On demand	3 months or less	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other liabilities	(666)	(37,600)	(2,285)	(12,401)	-	(52,952)
Derivative financial instruments						
Inflows	-	336,734	43,911	-	-	380,645
(Outflows)	-	(334,015)	(44,390)	-	-	(378,405)
Total	(666)	(34,881)	(2,764)	(12,401)	-	(50,712)
2011	On demand	3 months or less	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other liabilities	(444)	(42,590)	(1,954)	(1,304)	-	(46,292)
Derivative financial instruments						
Inflows	-	314,854	57,045	-	-	371,899
(Outflows)	-	(311,542)	(56,260)	-	-	(367,802)
Due to related body corporate	-	-	-	-	-	-
Total	(444)	(39,278)	(1,170)	(1,304)	-	(42,196)

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

Note 24.3 Market risk

Market risk is the exposure to adverse changes in the value of Group's trading portfolios as a result of changes in market prices or volatility. The Group is exposed to the following risks in each of the major markets in which it trades:

- *foreign exchange*: changes in spot and forward exchange rates and the volatility of exchange rates;
- *interest rates*: changes in the level, shape and volatility of yield curves, the basis between different interest rate securities and derivatives and credit margins;

Market risk of the Group is managed on a globally consolidated basis for the Group as a whole, including all subsidiaries, in all locations. OzForex's internal approach to risk (i.e. not differentiating where the risk is taken within OzForex) ensures that risks in subsidiaries are subject to the same rigour and risk acceptance decisions at the parent entity level.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.3 Market risk (continued)

Interest Rate Risk

The Group also has exposure to non-traded interest rate risk generated by cash and cash equivalents.

The table below indicates the Group's exposure to movements in interest rates as at 31 March.

		2012	2011
	Movement in basis points	Sensitivity of profit before tax	Sensitivity of profit before tax
	%	\$'000	\$'000
AUD	+50	254	244
CAD	+50	9	18
EUR	+50	11	17
GBP	+50	27	33
NZD	+50	15	17
SGD	+50	6	9
USD	+50	55	29
Other	+50	23	11
		<u>400</u>	<u>378</u>

		2012	2011
	Movement in basis points	Sensitivity of profit before tax	Sensitivity of profit before tax
	%	\$'000	\$'000
AUD	-50	(254)	(244)
CAD	-50	(9)	(18)
EUR	-50	(11)	(17)
GBP	-50	(27)	(33)
NZD	-50	(15)	(17)
SGD	-50	(6)	(9)
USD	-50	(55)	(29)
Other	-50	(23)	(11)
		<u>(400)</u>	<u>(378)</u>

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.3 Market risk (continued)

Interest Rate Risk

The Company also has exposure to non-traded interest rate risk generated by cash and cash equivalents.

The table below indicates the Company's exposure to movements in interest rates as at 31 March.

		2012	2011
	Movement in basis points	Sensitivity of profit before tax	Sensitivity of profit before tax
	%	\$'000	\$'000
AUD	+50	248	209
CAD	+50	6	4
EUR	+50	-	3
GBP	+50	24	29
NZD	+50	15	16
SGD	+50	5	8
USD	+50	40	16
Other	+50	10	6
		348	290

		2012	2011
	Movement in basis points	Sensitivity of profit before tax	Sensitivity of profit before tax
	%	\$'000	\$'000
AUD	-50	(248)	(209)
CAD	-50	(6)	(4)
EUR	-50	-	(3)
GBP	-50	(24)	(29)
NZD	-50	(15)	(16)
SGD	-50	(5)	(8)
USD	-50	(40)	(16)
Other	-50	(10)	(6)
		(348)	(291)

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.3 Market risk (continued)

Foreign Currency Risk

The table below indicates the Group's exposure to movements in foreign currency exchange rates as at 31 March 2012 and 31 March 2011.

		2012	2011
	Movement in exchange rate	Sensitivity of profit before tax	Sensitivity of profit before tax
	%	\$'000	\$'000
CAD	+10	102	20
EUR	+10	(1)	22
GBP	+10	(28)	(14)
NZD	+10	23	3
SGD	+10	4	5
USD	+10	(3)	20
OTHER	+10	59	38
		<u>156</u>	<u>94</u>
CAD	-10	(102)	(20)
EUR	-10	1	(22)
GBP	-10	28	14
NZD	-10	(23)	(3)
SGD	-10	(4)	(5)
USD	-10	3	(20)
OTHER	-10	(59)	(38)
		<u>(156)</u>	<u>(94)</u>

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 24.3 Market risk (continued)

Foreign Currency Risk

The table below indicates the Company's exposure to movements in foreign currency exchange rates as at 31 March 2012 and 31 March 2011.

		2012	2011
	Movement in exchange rate	Sensitivity of profit before tax	Sensitivity of profit before tax
	%	\$'000	\$'000
CAD	+10	371	(93)
EUR	+10	(59)	(109)
GBP	+10	351	143
NZD	+10	149	31
SGD	+10	(8)	72
USD	+10	(12)	39
OTHER	+10	(197)	(73)
		<u>595</u>	<u>10</u>
CAD	-10	(371)	93
EUR	-10	59	109
GBP	-10	(351)	(143)
NZD	-10	(149)	(31)
SGD	-10	8	(72)
USD	-10	12	(39)
OTHER	-10	197	73
		<u>(595)</u>	<u>(10)</u>

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 25 Fair values of financial assets and liabilities

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Financial instruments measured at fair value are categorised in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments:

- Liabilities, financial assets and liabilities at fair value through profit or loss, derivative financial instruments and other transactions undertaken for trading purposes are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated periodically to test that outputs reflect prices from observable current market transactions in the same instrument or other available observable market data. To the extent possible, models use only observable market data (e.g. for OTC derivatives), however management is required to make assumptions for certain inputs that are not supported by prices from observable current market transactions in the same instrument, such as volatility and correlation. Changing these assumptions to reasonably possible alternative assumptions, for those financial instruments for which fair values were determined in whole or in part using valuation techniques based on such assumptions (e.g. for certain exotic or structured financial instruments), would not significantly change the fair values recognised in the financial statements.

The following methods and significant assumptions have been applied in determining the fair values of financial instruments which are carried at amortised cost:

- The fair values of liquid assets and other instruments maturing within 3 months approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- The fair value of demand deposits with no fixed maturity is approximately their carrying amount as they are short term in nature or are payable on demand.
- The fair values of balances due from/to related entities are approximated by their carrying amount as the balances are generally receivable/payable on demand.

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 25 Fair values of financial assets and liabilities (continued)

The table below summarises the carrying value and fair value of all financial instruments of the Group at 31 March.

	2012 Carrying amount \$'000	2012 Fair value \$'000	2011 Carrying amount \$'000	2011 Fair value \$'000
Assets				
Due from banks	79,867	79,867	75,579	75,579
Due from related entities	-	-	-	-
Derivative financial instruments – positive values	4,253	4,253	7,766	7,766
Total financial assets	84,120	84,120	83,345	83,345
Liabilities				
Due to related entities	-	-	-	-
Derivative financial instruments – negative values	2,012	2,012	3,669	3,669
Total financial liabilities	2,012	2,012	3,669	3,669

The following table summarises the levels of the fair value hierarchy for financial instruments measured at fair value of the Group at 31 March:

	2012 Level 2 \$'000	2012 Total \$'000	2011 Level 2 \$'000	2011 Total \$'000
Assets				
Derivative financial instruments – positive values	4,253	4,253	7,766	7,766
Total assets	4,253	4,253	7,766	7,766
Liabilities				
Derivative financial instruments – negative values	2,012	2,012	3,669	3,669
Total liabilities	2,012	2,012	3,669	3,669

The table below summarises the carrying value and fair value of all financial instruments of the Company at 31 March.

	2012 Carrying amount \$'000	2012 Fair value \$'000	2011 Carrying amount \$'000	2011 Fair value \$'000
Assets				
Due from banks	69,512	69,512	58,101	58,101
Due from related entities	-	-	4,165	4,165
Derivate financial instruments – positive values	4,253	4,253	7,766	7,766
Total financial assets	73,765	73,765	70,032	70,032
Liabilities				
Due to controlled entities	-	-	-	-
Due to related entities	-	-	-	-
Derivative financial instruments – negative values	2,012	2,012	3,669	3,669
Total financial liabilities	2,012	2,012	3,669	3,669

OzForex Pty Limited

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 25 Fair values of financial assets and liabilities (continued)

The following table summarises the levels of the fair value hierarchy for financial instruments measured at fair value of the Company at 31 March:

	2012 Level 2 \$'000	2012 Total \$'000	2011 Level 2 \$'000	2011 Total \$'000
Assets				
Derivative financial instruments – positive values	4,253	4,253	7,766	7,766
Total assets	4,253	4,253	7,766	7,766
Liabilities				
Derivative financial instruments – negative values	2,012	2,012	3,669	3,669
Total liabilities	2,012	2,012	3,669	3,669

Notes to the financial statements (continued) For the financial year ended 31 March 2012

Note 26. Audit and other services provided by PricewaterhouseCoopers (“PwC”)

The costs of auditor's remuneration for auditing services and other services for the Group were \$140,555 for the financial period ended 31 March 2012 (2011: \$126,241). The auditors received no other benefits.

Note 27. Events occurring after balance sheet date

There were no material post balance sheet events occurring after the reporting date requiring disclosure in these financial statements.

Directors' Declaration

In the Directors' opinion

- (a) the financial statements and notes set out on pages 6 to 43 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of OzForex Pty Limited's financial position as at 31 March 2012 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that OzForex Pty Limited will be able to pay its debts as and when they become due and payable.

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



Neil Helm
Director

Sydney

Date: 5/7/2012.



Independent auditor's report to the members of OzForex Pty Limited

Report on the financial report

We have audited the accompanying financial report of OzForex Pty Limited (the company), which comprises the balance sheet as at 31 March 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both OzForex Pty Limited and the OzForex Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of OzForex Pty Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'C J Heath', written over the printed name.

C J Heath
Partner

Sydney
5 July 2012