

# Appendix 4D

For the half year ended 30 September 2019

## OFX Group Limited

ABN 12 165 602 273

Results for announcement to the market

For the half year ended 30 September 2019 ("reporting period")

		30 September 2019	% Change from 6 months ended 30 September 2018	30 September 2018 <sup>1</sup> (previous corresponding period)
		A\$'000	%	A\$'000
<b>Revenue</b> from ordinary activities	Up	65,888	0%	65,628
<b>Net profit</b> for the period attributable to members of parent (before non-controlling interest)	Down	8,342	(8%)	9,038
<b>Underlying net profit</b> for the period attributable to members of parent (before non-controlling interest)	Down	8,627	(5%)	9,038

Statutory net profit after tax for the half year was \$8.3 million, down 8% from \$9.0 million in the prior corresponding period. The Group achieved underlying net profit after tax (adjusted for the one-off impacts of corporate actions) of \$8.6 million for the half year. The underlying net profit was 5% lower than the \$9.0 million in the prior corresponding period.

Dividend information	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2019 final dividend (paid 21 June 2019)	3.28	3.28	30%
2020 interim dividend (determined 12 November 2019)	2.35	1.65	30%

### 2020 interim dividend dates

Ex-dividend date	27 November 2019
Record date	28 November 2019
Payment date	13 December 2019

	30 September 2019 (cents)	31 March 2019 <sup>1</sup> (cents)
<b>Net tangible asset backing</b> per ordinary security <sup>2</sup>	23.49	24.15

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half year ended 30 September 2019. Information should be read in conjunction with OFX Group Limited's 2019 Annual Report and the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half year ended 30 September 2019 which has been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the Interim Report.

<sup>1</sup> Financial information for the 30 September 2018 and 31 March 2019 periods has been restated due to changes in accounting policies as set out on page 12 of the Interim Financial Report.

<sup>2</sup> Assumes that 242,609,289 shares on issue at 30 September 2019 were on issue at 31 March 2019.

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OFX Group Limited

ABN 12 165 602 273

Interim Financial Report

Half Year Ended 30 September 2019



The Company's registered office is:  
Level 19  
60 Margaret Street  
Sydney NSW 2000  
Australia

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# OFX Group Limited

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# OFX Group Limited

## Directors' Report

The Directors present their report together with the financial statements of the consolidated entity (the "Group"), being OFX Group Limited (the "Company") and its controlled entities, for the half year ended 30 September 2019 and the Independent Auditor's Review Report thereon.

### Directors

The names of the Directors of the Group in office during the half year and up to the date of this report unless otherwise stated are as follows:

Steven Sargent	Chairman
John Alexander ('Skander') Malcolm	Chief Executive Officer and Managing Director
Connie Carnabuci (appointed 1 April 2019)	Non-Executive Director
Douglas Snedden	Non-Executive Director
Grant Murdoch	Non-Executive Director
Lisa Frazier	Non-Executive Director

### Principal activities

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

### Dividend and distributions

Dividends paid or determined by the Company during and since the end of the half year are set out in Note 7 to the Financial Statements.

	2020 interim dividend	2019 final dividend
Per share (cents)	2.35	3.28
Total amount (\$'000)	5,848	8,219
Franked <sup>1</sup>	70%	100%
Payment date	13 December 2019	21 June 2019

### Operating and financial review

A summary of financial results for the half year ended 30 September 2019 is below. The Group's statutory financial information for the half year ended 30 September 2019 and for the comparative periods ended 31 March 2019 and 30 September 2018 present the Group's performance in compliance with statutory reporting obligations.

To assist shareholders and other stakeholders in their understanding of the Group's financial information, additional underlying financial information for the periods ended 30 September 2019 and 31 March 2019 are provided in the Operating and Financial Review section of this Report. A reconciliation of the Company's statutory and underlying financial information is included on page 4. The reconciliation and the underlying information have not been audited.

Statutory results	Half year	Half year	Half year
	30 September	31 March	30 September
	2019	2019	2018
	\$'000	\$'000	\$'000
Net operating income <sup>2</sup>	59,544	58,876	59,867
EBITDA <sup>3</sup>	16,149	15,491	16,144
EBITDA margin	27.1%	26.3%	27.0%
Net profit (after tax)	8,342	8,031	9,038
Earnings per share (basic) (cents)	3.44	3.31	3.75

<sup>1</sup> Dividends are franked at the Australian corporate tax rate of 30%.

<sup>2</sup> Net Operating Income is the combination of interest income, other income and net income.

<sup>3</sup> The Group actively uses its cash balances as part of its hedging strategy, making the interest income integral to its earnings. For this reason, the Group regularly uses EBITDA (earnings before interest expense, taxation, depreciation and amortisation) as a measure of performance. EBITDA is a non-IFRS unaudited measure.

# OFX Group Limited

## Directors' Report (continued)

The results were impacted by a significant item. The table below sets out the underlying financial results for the half year ended 30 September 2019 which has been adjusted for the significant item. An explanation of the significant item and reconciliation to statutory results is provided below.

<b>Underlying results</b>	<b>Half year 30 September 2019 \$'000</b>	Half year 31 March 2019 \$'000	Half year 30 September 2018 \$'000
Net operating income <sup>4</sup>	<b>59,544</b>	58,876	59,867
Underlying EBITDA <sup>5</sup>	<b>16,514</b>	19,809	16,144
EBITDA margin	<b>27.7%</b>	33.6%	27.0%
Underlying net profit (after tax)	<b>8,627</b>	11,384	9,038
Underlying earnings per share (basic) (cents)	<b>3.56</b>	4.70	3.75

"Underlying" measures of profit exclude significant items of revenue and expenses in order to highlight the underlying financial performance across reporting periods. The Company incurred \$0.4 million in adviser and legal fees associated with corporate actions. The following table reconciles underlying earnings measures to statutory results.

<b>\$'000</b>	<b>Half year 30 September 2019</b>				<b>Half year 31 March 2019</b>			
	<b>EBITDA</b>	<b>Profit before tax</b>	<b>Income tax</b>	<b>Profit after tax</b>	<b>EBITDA</b>	<b>Profit before tax</b>	<b>Income tax</b>	<b>Profit after tax</b>
<b>Statutory profit</b>	16,149	10,335	(1,993)	8,342	15,491	10,282	(2,251)	8,031
Corporate action costs	365	365	(80)	285	4,318	4,318	(965)	3,353
<b>Underlying profit</b>	<b>16,514</b>	<b>10,700</b>	<b>(2,073)</b>	<b>8,627</b>	<b>19,809</b>	<b>14,600</b>	<b>(3,216)</b>	<b>11,384</b>

The Group operated in a challenging market with continued Brexit uncertainty, and ongoing US-China trade wars. This has resulted in a decline in cross border spot volume over the period, contributing to an overall decline in Net Operating Income (NOI) of 0.5%. Despite this fall, OFX clients continued to use the service more, with transactions per active client up 9.3%, and overall transactions up 5.2%. Average Transaction Value (ATV) declined 9.3% leading to a 5.0% reduction in turnover. NOI margins were stable at 56 basis points excluding International Payment Services. The Group achieved active client growth in North America and Corporate, in line with our strategic priorities. Overall active clients decreased 3.0% during the 12 months to 30 September 2019.

Underlying operating expenses were down 1.6% on the previous corresponding period reflecting disciplined expense management. Increased efficiency in promotional expenditure resulted in a 14.5% reduction in the cost per registration and an overall decrease of 25.1% in promotional expenditure. Bad and doubtful debts increased in the half as a result of growth in North America – additional controls have been implemented to address this.

The Group is focused on growing the Corporate and Enterprise segments to build intrinsic value. Corporate revenue grew 9.7% which includes a 24.5% increase in revenue from our Global Currency Account. The Group also signed its first new Enterprise client in five years – an exclusive arrangement to provide the Australian clients of Link Market Services cross border payment solutions for dividends and other registry transactions. This is a five-year partnership and is expected to launch in March 2020.

The Group has invested in technology to deliver a better client experience with changes to our website and mobile applications and enhancements to the Global Currency Account – all implemented during the half. The Group remains committed to achieving annual positive operating leverage on an underlying EBITDA basis.

We continue to see significant growth in our North American business. Fee and trading income increased 19.3% in the half driven by a strong result in the US which was up 25.2%, and a turnaround in Canada. We are also seeing our investment pay off with segment EBITDA for North America of \$1.5 million being up 115.0% on the previous corresponding period.

<sup>4</sup> Net Operating Income is the combination of interest income, other income and net income.

<sup>5</sup> The Group actively uses its cash balances as part of its hedging strategy, making the interest income integral to its earnings. For this reason, the Group regularly uses EBITDA (earnings before interest expense, taxation, depreciation and amortisation) as a measure of performance. EBITDA is a non-IFRS unaudited measure.

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# OFX Group Limited

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## Directors' Report (continued)

A reconciliation of EBITDA to Net Profit After Tax (NPAT) is provided as follows:

	<b>Half year 30 September 2019 \$'000</b>	Half year 31 March 2019 \$'000	Half year 30 September 2018 \$'000
<b>EBITDA</b>	<b>16,149</b>	15,491	16,144
Less interest expense	<b>(907)</b>	(648)	(653)
Less income tax expense	<b>(1,993)</b>	(2,251)	(2,217)
Less depreciation and amortisation	<b>(4,907)</b>	(4,561)	(4,236)
<b>NPAT</b>	<b>8,342</b>	8,031	9,038

	<b>As at 30 September 2019 \$'000</b>	As at 31 March 2019 \$'000	As at 30 September 2018 \$'000
Cash and cash equivalents	<b>263,337</b>	181,263	207,969
Deposits due from financial institutions	<b>32,149</b>	32,457	17,115
Total cash	<b>295,486</b>	213,720	225,084
Cash held for subsequent settlement of client liabilities	<b>(243,963)</b>	(155,151)	(158,512)
<b>Net cash held</b>	<b>51,523</b>	58,569	66,572

The Group's financial position remains strong. The balance sheet consists predominantly of cash and client liabilities, with a cash position net of client liabilities of \$51.5 million at 30 September 2019, down from \$66.6 million at 30 September 2018. The Group currently has no external debt. The financial position provides a good platform to pursue future growth opportunities and, coupled with our regulatory record, provides our banking partners with assurance on our capability and diligence.

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# OFX Group Limited

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## Directors' Report (continued)

### Rounding amounts

The Group is of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that instrument, amounts in the Directors' Report and the Interim Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half year ended 30 September 2019 is on page 7 of this report.

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

On behalf of the Board



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Steven Sargent  
Chairman



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Skander Malcolm  
Chief Executive Officer and Managing Director

12 November 2019

## *Auditor's Independence Declaration*

As lead auditor for the review of OFX Group Limited for the half-year ended 30 September 2019, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Elizabeth O'Brien  
Partner  
PricewaterhouseCoopers

Sydney  
12 November 2019

# OFX Group Limited

## Consolidated Statement of Comprehensive Income For the half year ended 30 September 2019

	Notes	Half year 30 September 2019 \$'000	Half year 30 September 2018 \$'000
Fee and trading income		65,255	64,956
Fee and commission expense		(6,344)	(5,761)
<b>Net income</b>		<b>58,911</b>	<b>59,195</b>
Interest and other income		633	672
<b>Net operating income</b>		<b>59,544</b>	<b>59,867</b>
Employment expenses		(26,776)	(26,674)
Promotional expenses		(7,093)	(9,476)
Information technology expenses <sup>1</sup>		(2,827)	(2,506)
Occupancy expenses <sup>1</sup>		(338)	(431)
Other operating expenses	3	(6,361)	(4,636)
<b>Earnings before interest expense, tax, depreciation and amortisation (EBITDA)</b>		<b>16,149</b>	<b>16,144</b>
Depreciation and amortisation expense <sup>1</sup>		(4,907)	(4,236)
Interest expense <sup>1</sup>		(907)	(653)
<b>Net profit before income tax</b>		<b>10,335</b>	<b>11,255</b>
Income tax expense	4	(1,993)	(2,217)
<b>Net profit attributable to ordinary equity holders of the Company</b>		<b>8,342</b>	<b>9,038</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit and loss</i>			
Exchange differences on translation of foreign operations, net of hedging <sup>1</sup>		(122)	248
<b>Total comprehensive income attributable to ordinary equity holders of the Company</b>		<b>8,220</b>	<b>9,286</b>
<b>Earnings per share attributable to ordinary equity holders of the Company:<sup>1</sup></b>			
Basic		3.44	3.75
Diluted		3.35	3.65

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

<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

# OFX Group Limited

## Consolidated Statement of Financial Position As at 30 September 2019

	Notes	As at 30 September 2019 \$'000	As at 31 March 2019 \$'000
<b>Assets</b>			
Cash held for own use		19,374	26,112
Cash held for subsequent settlement of client liabilities		243,963	155,151
Deposits due from financial institutions		32,149	32,457
Derivative financial assets		16,989	9,118
Prepayments		3,790	3,346
Other receivables		4,015	3,585
Property, plant and equipment		2,812	3,202
Intangible assets		12,307	11,019
Right-of-use assets <sup>1</sup>		12,882	14,662
Current tax assets		8,070	2,796
Deferred income tax assets		431	206
<b>Total assets</b>		<b>356,782</b>	<b>261,654</b>
<b>Liabilities</b>			
Client liabilities		246,911	157,194
Derivative financial liabilities		13,094	6,419
Lease liabilities <sup>1</sup>		16,108	17,230
Other creditors and accruals <sup>1</sup>		5,938	5,000
Provisions <sup>1</sup>		5,433	5,832
Deferred income tax liabilities		-	379
<b>Total liabilities</b>		<b>287,484</b>	<b>192,054</b>
<b>Net assets</b>		<b>69,298</b>	<b>69,600</b>
<b>Equity</b>			
Share capital	6	28,774	29,113
Retained earnings <sup>1</sup>		40,229	40,106
Foreign currency translation reserve <sup>1</sup>		(115)	7
Share based payments reserve		410	374
<b>Total equity attributable to shareholders</b>		<b>69,298</b>	<b>69,600</b>

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

<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

# OFX Group Limited

## Consolidated Statement of Changes in Equity For the half year ended 30 September 2019

	Notes	Share capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Share based payments reserve \$'000	Total equity \$'000
<b>Balance at 1 April 2018</b>		24,360	37,608	184	842	62,994
Change in accounting policy	1	–	(983)	(65)	–	(1,048)
<b>Restated total equity at 1 April 2018</b>		24,360	36,625	119	842	61,946
Net profit		–	9,038	–	–	9,038
Other comprehensive income		–	–	248	–	248
<b>Total comprehensive income</b>		–	9,038	248	–	9,286
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	7	–	(7,233)	–	–	(7,233)
Proceeds relating to shares issued pursuant to the executive share plan		4,753	–	–	–	4,753
Share based payment expense		–	–	–	530	530
		4,753	(7,233)	–	530	(1,950)
<b>Balance at 30 September 2018</b>		29,113	38,430	367	1,372	69,282
<b>Balance at 1 April 2019</b>		29,113	40,106	7	374	69,600
Net profit		–	8,342	–	–	8,342
Other comprehensive income		–	–	(122)	–	(122)
<b>Total comprehensive income</b>		–	8,342	(122)	–	8,220
Transactions with equity holders in their capacity as equity holders:						
Dividends paid	7	–	(8,219)	–	–	(8,219)
Acquisition of treasury shares		(339)	–	–	–	(339)
Share based payment expense		–	–	–	36	36
		(339)	(8,219)	–	36	(8,522)
<b>Balance at 30 September 2019</b>		28,774	40,229	(115)	410	69,298

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

# OFX Group Limited

## Consolidated Statement of Cash Flows For the half year ended 30 September 2019

	Notes	Half year 30 September 2019 \$'000	Half year 30 September 2018 \$'000
<b>Cash flows from operating activities</b>			
Profit from ordinary activities after income tax <sup>1</sup>		8,342	9,038
<b>Adjustments to profit from ordinary activities</b>			
Depreciation and amortisation <sup>1</sup>		4,907	4,236
Share based payment expense		36	530
Foreign exchange revaluation		524	1,016
Fair value changes on financial assets and liabilities through profit or loss		(1,196)	(732)
Movement in foreign currency translation reserve		(122)	248
<b>Operating cash flow before changes in working capital</b>		<b>12,491</b>	<b>14,336</b>
Changes in assets and liabilities:			
(Increase) in debtors and prepayments		(873)	561
(Increase) in deferred tax assets		(225)	(216)
(Increase) in cash held for client liabilities		(88,812)	(2,686)
Increase in amounts due to customers		89,717	2,535
Increase in accrued charges and creditors <sup>1</sup>		938	1,415
(Decrease) in deferred tax liabilities		(379)	(92)
(Decrease)/increase in provisions		(398)	242
(Increase)/decrease in tax provision		(5,274)	1,768
<b>Net cash flows from operating activities</b>		<b>7,185</b>	<b>17,863</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(406)	(448)
Payments for intangible assets		(3,620)	(3,700)
Cash received from/(deposited with) financial institutions		308	(6,926)
<b>Net cash flows from investing activities</b>		<b>(3,718)</b>	<b>(11,074)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	7	(8,219)	(7,233)
Payments for lease liabilities <sup>1</sup>		(1,123)	(1,088)
(Payments for acquisition)/proceeds from sale of treasury shares		(339)	4,753
<b>Net cash flows from financing activities</b>		<b>(9,681)</b>	<b>(3,568)</b>
<b>(Decrease)/increase in cash held for own use</b>		<b>(6,214)</b>	<b>3,221</b>
Cash held for own use at the beginning of the period		26,112	47,252
Exchange (loss) on cash held for own use		(524)	(1,016)
<b>Cash held for own use at the end of the period</b>		<b>19,374</b>	<b>49,457</b>
<b>Including cash held for settlement of client liabilities</b>			
Cash held for settlement of client liabilities at the beginning of the period		155,151	155,826
Cash inflows from clients		11,491,707	11,420,037
Cash outflows to clients		(11,398,767)	(11,419,027)
Exchange (loss)/gain on cash held for client liabilities		(4,128)	1,676
<b>Cash held for settlement of client liabilities at the end of the period</b>		<b>243,963</b>	<b>158,512</b>
<b>Total cash and cash equivalents</b>		<b>263,337</b>	<b>207,969</b>

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

<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

# OFX Group Limited

## Note 1. Basis of preparation

This condensed consolidated interim financial report for the half year ended 30 September 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2019 and any public announcements made by OFX Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended accounting standards as set out below.

### New and amended accounting standards adopted by the Group

#### AASB16 Leases

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

#### (a) Adjustments recognised on adoption of AASB 16

On adoption, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. On application, the Group recognised a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

The impact on the Group's financial statements resulting from the adoption of AASB 16 arises from property lease contracts. Adopting the standard has resulted in the recognition of a right-of-use asset with a value of \$12.9 million and a corresponding liability of \$16.1 million at 30 September 2019 (31 March 2019: \$14.7 million right-of-use asset and \$17.2 million corresponding liability). Total right-of-use asset depreciation expense was \$1.7 million and interest expense was \$0.9 million for the period ended 30 September 2019 (30 September 2018: \$1.3 million depreciation expense and \$0.7 million interest expense).

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

#### Balance sheet 31 March 2019 (extract)

	31 March 2019 \$'000	Increase/ (Decrease) \$'000	31 March 2019 (Restated) \$'000
Right-of-use asset	-	14,662	14,662
<b>Total assets</b>	<b>246,992</b>	<b>14,662</b>	<b>261,654</b>
Lease liabilities	-	17,230	17,230
Other creditors and accruals	6,162	(1,162)	5,000
Provisions	5,474	358	5,832
<b>Total liabilities</b>	<b>175,628</b>	<b>16,426</b>	<b>192,054</b>
Retained earnings	41,586	(1,480)	40,106
Foreign currency translation reserve	291	(284)	7
<b>Total equity</b>	<b>71,364</b>	<b>(1,764)</b>	<b>69,600</b>

# OFX Group Limited

## Note 1. Basis of preparation (continued)

### New and amended accounting standards adopted by the Group (continued)

#### AASB16 Leases (continued)

#### (a) Adjustments recognised on adoption of AASB 16 (continued)

#### Balance sheet 30 September 2018 (extract)

	30 September 2018	Increase/ (Decrease)	30 September 2018 (Restated)
	\$'000	\$'000	\$'000
Retained earnings	39,736	(1,306)	38,430
Foreign currency translation reserve	432	(65)	367
<b>Total equity</b>	<b>70,653</b>	<b>(1,371)</b>	<b>69,282</b>

#### Income statement 30 September 2018 (extract)

	30 September 2018	Increase/ (Decrease)	30 September 2018 (Restated)
	\$'000	\$'000	\$'000
Occupancy expense	(2,103)	1,672	(431)
<b>Earnings before interest expense, tax, depreciation and amortisation (EBITDA)</b>	<b>14,472</b>	<b>1,672</b>	<b>16,144</b>
Depreciation and amortisation expense	(2,894)	(1,342)	(4,236)
Interest expense	-	(653)	(653)
<b>Net profit before income tax</b>	<b>11,578</b>	<b>(1,995)</b>	<b>9,583</b>
<b>Net profit attributable to ordinary equity holders of the Company</b>	<b>9,361</b>	<b>(323)</b>	<b>9,038</b>

#### Cash flow statement 30 September 2018 (extract)

	30 September 2018	Increase/ (Decrease)	30 September 2018 (Restated)
	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Profit from ordinary activities after income tax	9,361	(323)	9,038
<b>Adjustments to profit from ordinary activities</b>			
Depreciation and amortisation	2,894	1,342	4,236
<b>Operating cash flow before changes in working capital</b>	<b>13,317</b>	<b>1,019</b>	<b>14,336</b>
Increase in accrued charges and creditors	1,346	69	1,415
<b>Net cash flows from operating activities</b>	<b>16,775</b>	<b>1,088</b>	<b>17,863</b>
<b>Cash flows from financing activities</b>			
Payments for finance lease liabilities	-	(1,088)	(1,088)
<b>Net cash flows from financing activities</b>	<b>(2,480)</b>	<b>(1,088)</b>	<b>(3,568)</b>

## Note 1. Basis of preparation (continued)

### New and amended accounting standards adopted by the Group (continued)

#### AASB16 Leases (continued)

##### (a) Adjustments recognised on adoption of AASB 16 (continued)

##### (i) Impact on segment disclosures and earnings per share

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

	<b>30 September 2018 Adjusted EBITDA \$'000</b>	<b>31 March 2019 Segment assets \$'000</b>	<b>Segment liabilities \$'000</b>
A&NZ	766	9,865	11,179
Europe	81	940	967
North America	564	1,833	2,235
Asia	261	2,024	2,045
	<b>1,672</b>	<b>14,662</b>	<b>16,426</b>

Basic and diluted earnings per share for the previous period have also been restated. The amount of the restatement for both basic and diluted earnings per share was a decrease of 0.1 cents per share.

##### (ii) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

##### (b) The Group's leasing activities and how these are accounted for

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

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

## Note 1. Basis of preparation (continued)

### **New and amended accounting standards adopted by the Group (continued)**

#### *AASB 16 Leases (continued)*

#### *(b) The Group's leasing activities and how these are accounted for (continued)*

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

Note 2. Segment information

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

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

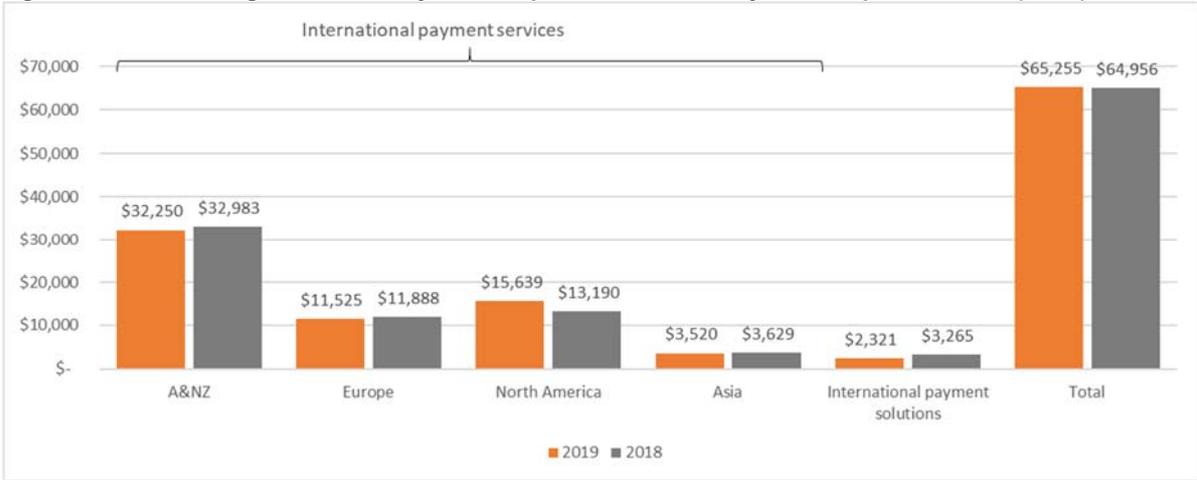
The two products are international payment services and international payment solutions:

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

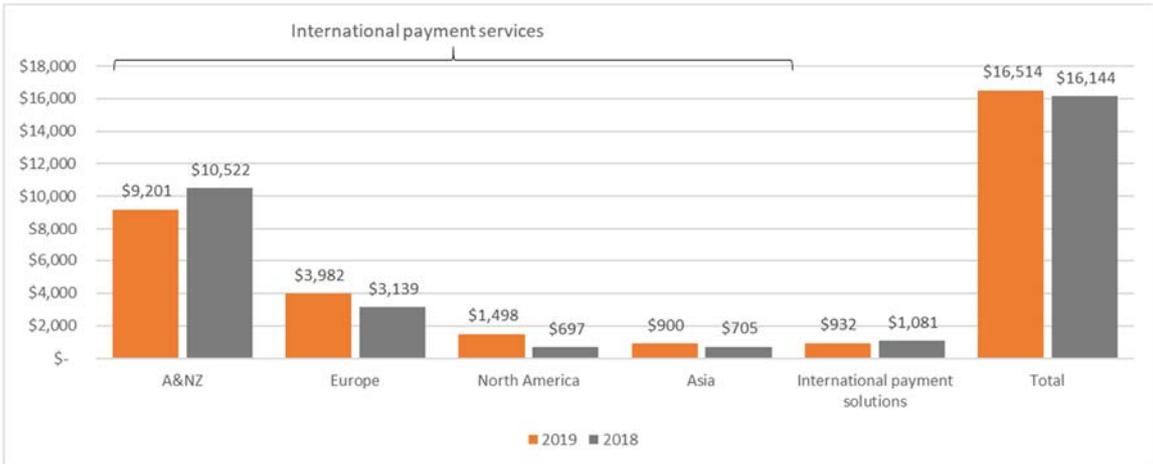
Segments are managed on an underlying basis. Segment EBITDA excludes \$365,000 of corporate action costs.

During the previous 12 months, Presidents were appointed in each region. As part of this appointment, the chief operating decision makers have reviewed how each segment is managed and reassigned key customer relationships to the region responsible. The comparative information has been restated to conform with the presentation of the revised segment structure in the current period.

**Segment fee and trading income – half year 30 September 2019 v half year 30 September 2018 (\$'000)<sup>1</sup>**



**Segment EBITDA – half year 30 September 2019 v half year 30 September 2018 (\$'000)<sup>1</sup>**



<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

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## Note 2. Segment information (continued)

	Half year 30 September 2019 \$'000	Half year 30 September 2018 \$'000
<b>Group underlying EBITDA<sup>1</sup></b>	<b>16,514</b>	16,144
Depreciation and amortisation <sup>1</sup>	(4,907)	(4,236)
Interest expense <sup>1</sup>	(907)	(653)
Net profit before income tax	10,700	11,255
Income tax expense	(1,993)	(2,217)
Corporate action costs	(365)	-
<b>Statutory net profit</b>	<b>8,342</b>	9,038

	International payment services				International Payment Solutions \$'000	Consolidated \$'000
	Australia & New Zealand \$'000	Europe \$'000	North America \$'000	Asia \$'000		
<b>30 September 2019</b>						
Segment assets	246,775	47,735	53,137	29,450	-	377,097
Intergroup eliminations	-	(14,205)	-	(6,541)	-	(20,746)
Deferred tax assets						431
<b>Total assets</b>						<b>356,782</b>
Segment liabilities	(199,459)	(29,681)	(63,513)	(15,577)	-	(308,230)
Intergroup eliminations	-	-	-	-	-	20,746
Deferred tax liabilities						-
<b>Total liabilities</b>						<b>(287,484)</b>
<b>31 March 2019</b>						
Segment assets	149,247	41,338	57,863	31,606	-	280,054
Intergroup eliminations	-	(3,946)	(6,541)	(8,119)	-	(18,606)
Deferred tax assets						206
<b>Total assets</b>						<b>261,654</b>
Segment liabilities	(122,827)	(31,150)	(40,742)	(15,562)	-	(210,281)
Intergroup eliminations	18,606	-	-	-	-	18,606
Deferred tax liabilities						(379)
<b>Total liabilities</b>						<b>(192,054)</b>

<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

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## Note 3. Other operating expenses

	Half year 30 September 2019 \$'000	Half year 30 September 2018 \$'000
<b>Other operating expenses</b>		
Compliance	(1,145)	(941)
Professional fees	(1,362)	(847)
Travel	(858)	(793)
Insurance	(585)	(460)
Communication	(251)	(301)
Bad and doubtful debts	(1,159)	(582)
Non-recoverable GST	(107)	(103)
Other expenses	(894)	(609)
<b>Total other operating expenses</b>	<b>(6,361)</b>	<b>(4,636)</b>

## Note 4. Income tax expense

	Half year 30 September 2019 \$'000	Half year 30 September 2018 \$'000
Current tax expense	2,915	2,704
Adjustments to current tax of prior years	(318)	(180)
Total current tax expense	2,597	2,524
Deferred income tax (benefit)	(604)	(307)
<b>Total income tax expense</b>	<b>1,993</b>	<b>2,217</b>

### Reconciliation of income tax expense to prima facie tax payable

Net profit before income tax	10,335	11,255
Prima facie income tax expense at 30% (2018: 30%)	3,101	3,377
Effect of lower tax rates in overseas jurisdictions	(284)	(231)
Decrease in tax expense as a result of operating as an OBU in the current period <sup>1</sup>	(105)	(350)
Research and development tax credits <sup>1</sup>	(70)	(180)
Adjustments to current tax of prior years	(318)	(180)
Recognition of previously unrecognised deductible temporary differences	(113)	-
Other items <sup>1</sup>	(218)	(219)
<b>Total income tax expense</b>	<b>1,993</b>	<b>2,217</b>

<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

# OFX Group Limited

## Note 5. Fair values of assets and liabilities

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement:

Level	Instruments	Valuation process
Level 1 – Traded in active markets and fair value is based on recent unadjusted quoted prices.	Cash and cash equivalents, amounts due from financial institutions, client liabilities, creditors and receivables.	These instruments are held at amortised cost. Fair values are considered to approximate to their carrying amounts as they are short term in nature.
Level 2 – Not actively traded and fair value is based on valuation techniques which maximise the use of observable market prices.	Over the counter derivatives.	Foreign currency forward contract valuations are based on observable spot exchange rates and the yield curves of the respective currencies.
Level 3 – Not actively traded and fair value is based on at least one input which is not observable in the market due to illiquidity or complexity.	None – the Group does not hold any of these instruments.	Not applicable.

All derivative financial instruments held by the Group at fair value are categorised within Level 2.

## Note 6. Share capital

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

There are 242,609,289 fully paid ordinary shares (2018: 242,522,677). Ordinary shares entitle the holder to vote and to receive dividends and the proceeds of the Company if it is liquidated in proportion to the number of shares held.

There are 5,978,105 (2018: 5,739,018) restricted ordinary shares issued to key management personnel in connection with the Executive Share Loan Plan.

## Note 7. Dividends paid or provided for

Dividends are recognised as a liability and a reduction to retained earnings when declared. All dividends paid in the period were fully franked (2018: all).

	<b>Half year 30 September 2019 \$'000</b>	Half year 30 September 2018 \$'000
Final dividend from the preceding year \$0.0328 (2018: \$0.030) per share	<b>(8,219)</b>	(7,233)
<b>Total dividends recognised and paid</b>	<b>(8,219)</b>	<b>(7,233)</b>

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# OFX Group Limited

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## Note 7. Dividends paid or provided for (continued)

On 12 November 2019, the Board determined a dividend of \$0.0235 per share (\$5,848,073) as the interim dividend for 2020. This dividend was determined after 30 September 2019 and so is not reflected in this financial report. As the Company is a holding company with no trading profits, this dividend will be funded through the profits of the subsidiaries. The dividend will be 70% franked.

Ex-dividend date	27 November 2019
Record date	28 November 2019
Payment date	13 December 2019

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	2019 \$'000	2018 \$'000
<b>Franked dividends</b>		
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%) <sup>1</sup>	2,692	(2,432)

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The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for the franking credits that will arise from paying the current tax liability, but before taking account of the interim declared dividend for 2019.

## Note 8. Events occurring after balance sheet date

Other than the dividends presented in Note 7, there were no material post balance sheet events occurring after the reporting date requiring disclosure in these financial statements.

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<sup>1</sup> Comparative information has been restated to conform with presentation in the current period.

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# OFX Group Limited

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## Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes for the half year ended 30 September 2019 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 the consolidated entity's financial position as at 30 September 2019 and of its performance for the financial period ended on that date, and

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

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

On behalf of the Board:



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Steven Sargent  
Chairman



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Skander Malcolm  
Chief Executive Officer and Managing Director

12 November 2019



## **Independent auditor's review report to the members of OFX Group Limited**

### ***Report on the half-year financial report***

We have reviewed the accompanying half-year financial report of OFX Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 30 September 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the half-year financial report***

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of OFX Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of OFX Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 September 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Elizabeth O'Brien'.

Elizabeth O'Brien  
Partner

Sydney  
12 November 2019

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# OFX Group Limited

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## Corporate Information

Directors	Mr Steven Sargent (Chairman) Mr John ('Skander') Malcolm (Chief Executive Officer and Managing Director) Mr Douglas Snedden Mr Grant Murdoch Ms Lisa Frazier Ms Connie Carnabuci (appointed 1 April 2019)
Company Secretary	Ms Elisabeth Ellis (appointed 30 September 2019)
Registered office and principal place of business in Australia	Level 19 60 Margaret Street Sydney NSW 2000 Australia  Ph +61 2 8667 8000 Fax +61 2 8667 8080 Email <a href="mailto:investors@ofx.com.au">investors@ofx.com.au</a>
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000  Ph +61 1300 554 474 (toll free within Australia) Email <a href="mailto:registrars@linkmarketservices.com.au">registrars@linkmarketservices.com.au</a>
Auditor	PricewaterhouseCoopers One International Towers Sydney Watermans Quay Barangaroo NSW 2000 Australia
Securities exchange listing	OFX Group Limited shares are listed on the Australian Securities Exchange: OFX
Website address	<a href="http://www.ofx.com">www.ofx.com</a>