Annual Report
2017

OMF is a proud, NZ owned and operated, full service brokerage firm with a strong and established reputation in the financial markets. We have been trading the financial markets since 1987, offering a full range of products available in the foreign exchange, equities, options, futures, CFDs, carbon, dairy and power markets. Operating in these highly competitive and regulated markets requires experience, integrity and superior levels of service.

OMF is guided by three core values: trust, expertise and passion.

Contents

Results in Brief

	2015	2016	2017
Revenue and other income	17,063	22,532	**17,962**
Profit before income tax expense	2,862	3,689	**1,840**
Profit attributable to owners of the Company	2,021	2,606	**1,270**
Total equity	10,323	13,379	**14,074**

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2017 Key Points

Operating revenue:

$19m

Net profit after tax:

$1.3m

Shareholder funds at year end:

$14m

Client assets:

$260m

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Chief Executive Officer's Report

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Chief Executive Officer, Matt Blackwell

The 2017 financial year was very much a transitional year for OM Financial Limited (OMF) and the OM Financial Holdings Group. A new management team was empowered to run the business following the passing of our previous Managing Director and the departure of our longstanding Chief Operating Officer. The firm recruited well bringing in fresh talent with international experience to complement the talent and experience within the firm. We moved our Auckland head office location from Newmarket, where we had been for over 15 years, to a marquee location in the renovated and iconic Australis Nathan building in the Britomart precinct. For the first time in our thirty year history we ventured outside of the geographic confines of New Zealand with the granting of our Australian Financial Services License from ASIC that allowed us to open our Australian office on Kings Street Wharf in the Sydney CBD. As well as this, we invested in and closed a number of significant IT projects that will position our firm well for the future growth we are planning for. It was a busy year and one that will be seen as a significant year in our company's history when we get the chance to reflect.

I am constantly reminded of just how significantly the industry we operate in is subject to upheaval. The financial services industry is undergoing unprecedented change; either regulatory driven change that filters through the industry in the aftermath of the great financial crisis of 2007/08, or as a result of new technology that offers both opportunity and threat depending on which side of the fence you stand. In many respects I believe we are heading back to a pre Glass-Steagall's world where businesses focus on areas they can add value and provide their shareholders a respectable return on equity (ROE). We see this as an exciting period of opportunity and in my view there has never

been a better time this century to be a boutique financial services business. Through technology the world has become more tailored, desiring a bespoke service that large scale "one size fits all" financial services firms are struggling to adapt to. A nimble operating model, responsive staff and a low cost base enables us at OMF to deliver a focused service to our clients and adapt to changing market conditions and delivery channels.

As you will be able to see in our financial results detailed in this annual report, our financial performance was softer over the 2016/17 Financial Year as revenue dipped slightly and we increased our investment spend. This increased spend has already impacted our results given our depreciation policy and will continue to fall over the coming financial year. While the results are not what we aspire to, we believe the investment we have made in the business will benefit us into the future. Our New Zealand businesses have been refocused and we have a clear strategic vision on how we can improve our financial performance in the mature markets that we operate in.

We operate a very diverse business at OMF; we have many competitors in each of the business lines we operate however we do not see any firm that provides the breadth of services we do. We see this as a real strength; the diversity of our business and the information and expertise we can provide to our client base is second to none. We are very focused on providing exceptional client service; this is something we can control in an ever changing world, and our clients are front and center of everything we do. Like us, our clients are also diverse, from high net worth individuals, family offices, institutional clients, global multi-nationals to SME clients in New Zealand and Australia. We have a client base that is growing and one we are extremely proud of.

The Board and Management team have formulated and are working towards achieving a five year strategic plan. We are focused and well organized to achieving these goals we have set for ourselves. At our recent AGM Colin Churchouse stood down as Chairman of the firm and Len Ward was appointed as our new Chairman. I would like to acknowledge Colin's significant contribution to the firm as a former Managing Director, Chairman and now as a Director as well as welcome Len to his role, I look forward to my continued working relationship with them both.

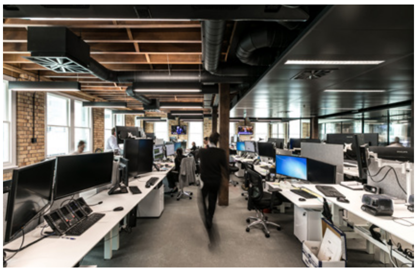
I feel I have a very strong management team to assist me in leading our business, a group with diverse skills and experiences that can collectively lead our business forward. The key members of the team are:

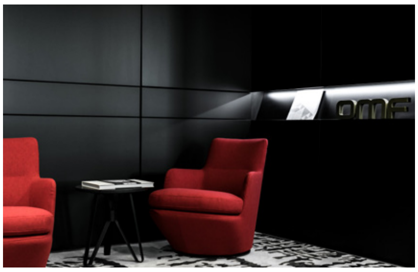
- Nigel Brunel
  Director, Financial Markets
- Kane Bourke
  Director, OMF Australia
- Kenny Campbell
  Managing Director, Wholesale Markets
- Leo Clifford
  Director, Wholesale Markets
- Simon Dick
  Chief Financial Officer
- Sam Twigg
  Director, Wholesale Markets
- Brent Weenink
  General Counsel and Head of Compliance & Regulatory Affairs
- Sam Wylie
  Director, Wholesale Markets

I would like to acknowledge and thank all the staff of OMF for your continued effort in providing exceptional service to our clients. I appreciate the effort you put in each and every day, without this we will not be able to achieve the targets we have set for the firm. We are looking forward to the coming financial year, we have high expectations and a robust plan to follow and I personally look forward to leading the business to deliver results that our clients, staff and shareholders can be proud of.

M J Blackwell

Matt Blackwell
Chief Executive Officer
June 2017





Britomart Head Office

In 2016, we relocated our head office to the Britomart precinct in downtown Auckland in the Australis Nathan Building, located at Level 2, 37 Galway Street, Britomart, Auckland.

The move to Britomart was an important milestone in the firm's 30 year history and represents a new chapter as we position ourselves in the heart of Auckland's Central Business District.

After 16 years, we had outgrown the premises in Newmarket and it was time for us to consider an alternative location. Britomart is the perfect precinct for OMF to call home as it positions us centrally and amongst some of our institutional and corporate client base. With the recent expansion into Australia and the development of our offering, we feel it's a place that accurately reflects the quality, expertise and global reach of our business.

The open plan office provides 44 staff with the opportunity for both work collaboration and social interaction with more space, formal and informal meeting rooms, dedicated break out areas and a café area where client functions can be held. The office has been designed to improve the connection between teams, technology and the organisation and allows closer interaction with clients. We wanted the new office to be a professional space that inspires staff, as well as being inviting and comfortable for clients to call into.

Commercial interior design consultancy firm, PDM International, were engaged to design and construct a modern, expansive, open floor space whilst still retaining some of the original heritage features. The finished result is a functional environment that we are extremely proud of.

Overlooking Takutai Square, the new office is located on level two in the newly refurbished Australis Nathan building on Galway Street. The historic building is the former Entrican Building, or Australis House, and was erected in 1903-1904. It has a history as the trading headquarters of a successful import/export business and underwent a $40m refurbishment in which two historic buildings were integrated into one. Other tenants include luxury brands Tiffany & Co and Chanel on the ground floor, and a number of commercial tenants occupy the four levels above.

Financial Statements

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5.1 Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	March 2017 $000	March 2016 $000
Revenue	3	19,004	22,547
Intercompany commission expense	15	(1,038)	–
Other loss	4	(4)	(15)
Fees to auditors	5	(213)	(150)
Directors' fees		(179)	(130)
Donations		(8)	(20)
Operating lease expense		(481)	(357)
Depreciation, amortisation and impairment charges	6	(1,584)	(899)
Employee costs		(10,005)	(12,010)
Information and communications		(1,990)	(2,089)
System maintenance and support		(689)	(728)
Other expenses		(973)	(2,460)
Profit before income tax expense		**1,840**	**3,689**
Income tax expense	7	(570)	(1,083)
Profit for the year attributable to owners of the Company		**1,270**	**2,606**
Other comprehensive income		–	–
Total comprehensive income attributable to owners of the Company		**1,270**	**2,606**

The accounting policies and notes on pages 18 to 38 form an integral part of these financial statements.

5.2 Statement of Changes in Equity

For the year ended 31 March 2017

	Note	Share Capital $000	Retained Earnings $000	Total Equity $000
Balance at 1 April 2015		**5,771**	**4,552**	**10,323**
Profit for the year		–	2,606	2,606
Other comprehensive income		–	–	–
Total comprehensive income		**–**	**2,606**	**2,606**
Transactions with owners				
Share issue	12	2,597	–	2,597
Dividends	13	–	(2,147)	(2,147)
Balance as at 31 March 2016		**8,368**	**5,011**	**13,379**
Balance as at 1 April 2016		**8,368**	**5,011**	**13,379**
Profit for the year		–	1,270	1,270
Other comprehensive income		–	–	–
Total comprehensive income		**–**	**1,270**	**1,270**
Transactions with owners				
Dividends	13	–	(575)	(575)
Balance as at 31 March 2017		**8,368**	**5,706**	**14,074**

The accounting policies and notes on pages 18 to 38 form an integral part of these financial statements.

5.3 Balance Sheet

As at 31 March 2017

	Note	March 2017 $000	March 2016 $000
Current assets			
Proprietary cash and cash equivalents		6,024	7,243
Client funds held	20	260,247	178,618
Financial derivatives held at fair value	19	–	91
Emission units		83	41
Trade and other receivables	8	7,425	2,584
Loan to related party	15	664	628
Total current assets		**274,443**	**189,205**
Non-current assets			
Property, plant and equipment	9	1,637	1,055
Intangible assets	9	1,313	1,791
Deferred tax assets	10	106	105
Loan to related party	15	1,308	–
Loan to parent	15	454	–
Trade and other receivables	8	322	480
Total non-current assets		**5,140**	**3,431**
Total assets		**279,583**	**192,636**
Less current liabilities			
Trade and other payables	11	5,287	1,403
Client accounts	20	259,151	177,693
Current tax liability		124	161
Financial derivatives held at fair value	19	739	–
Total current liabilities		**265,301**	**179,257**
Less non-current liabilities			
Trade and other payables	11	208	–
Total liabilities		**265,509**	**179,257**
Net assets		**14,074**	**13,379**

The accounting policies and notes on pages 18 to 38 form an integral part of these financial statements.

Balance Sheet Continued

As at 31 March 2017

	Note	March 2017 $000	March 2016 $000
Equity Capital and reserves attributable to owners of the Company			
Share capital	12	8,368	8,368
Retained earnings	13	5,706	5,011
Total equity		**14,074**	**13,379**

The Board of Directors of OM Financial Limited authorised these financial statements for issue on 29 June 2017.

Director
29 June 2017

Director
29 June 2017

The accounting policies and notes on pages 18 to 38 form an integral part of these financial statements.

5.4 Cash Flow Statement

For the year ended 31 March 2017

	Note	March 2017 $000	March 2016 $000
Cash flows from operating activities			
Cash was provided from:			
Net interest receipts	14	2,013	2,484
Commissions	14	15,506	20,550
Net client cash deposits	14	82,198	84,581
Interest received from/(paid to) clients	14	238	(23)
Cash was applied to:			
Payments to suppliers		(4,986)	(6,254)
Payments to employees		(10,002)	(12,288)
Net client bank/broker account deposits	14	(81,517)	(85,488)
Net taxation paid		(608)	(1,007)
Net cash inflows from operating activities		**2,842**	**2,555**
Cash flows from investing activities			
Cash was provided from:			
Fixed assets disposals		20	–
Cash was applied to:			
Fixed asset purchases		(1,094)	(420)
Intangible asset purchases - software		(614)	(1,433)
Net cash outflows from investing activities		**(1,688)**	**(1,853)**
Cash flows from financing activities			
Cash was provided from:			
Share issue	12	–	2,597
Cash was applied to:			
Loan to related party	15	(1,344)	(628)
Loan to parent	15	(454)	–
Payment of dividend		(575)	(2,147)
Net cash outflows from financing activities		**(2,373)**	**(178)**
Net (decrease)/increase in proprietary cash held		(1,219)	524
Opening proprietary cash brought forward		7,243	6,719
Closing proprietary cash carried forward		**6,024**	**7,243**

The accounting policies and notes on pages 18 to 38 form an integral part of these financial statements.

Cash Flow Statement Continued

For the year ended 31 March 2017

	Note	March 2017 $000	March 2016 $000
Reconciliation of profit after tax to net cash flow from operating activities			
Profit after tax for the year		1,270	2,606
Increase/(decrease) in trade and other payables		4,089	(105)
Increase/(decrease) in broker accounts		681	(908)
(Decrease)/increase in net tax liabilities		(38)	76
(Increase) in accounts receivable		(4,744)	(13)
Non-cash items			
Depreciation, amortisation and impairment charges		1,584	899
Net cash inflows from operating activities		**2,842**	**2,555**

The accounting policies and notes on pages 18 to 38 form an integral part of these financial statements.

Notes to the Financial Statements

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Notes to the Financial Statements

1 General Information

Reporting entity
The principal activity of OM Financial Limited (the Company) is to provide its clients access to global financial markets, in order to trade financial instruments that include: futures, options, foreign exchange, contracts for difference, various equity instruments (derivative contracts) and carbon units.

The Company also operates a wholesale inter-bank brokerage operation, where banks execute various financial instruments, resulting in commission revenue. The Company invoices counterparties for commission revenue on a monthly basis.

The Company is 100% owned by its Parent, OM Holdings Limited. Both are limited liability companies incorporated and domiciled in New Zealand. The registered office address of both companies is Level 2, 37 Galway Street, Britomart, Auckland, New Zealand.

These financial statements were approved for issue by the Board of Directors on 29 June 2017. The entity's owners and Board have the power to amend the financial statements after issue.

2 Statement of Accounting Policies

Basis of preparation
The financial statements represented here are for the reporting entity of OM Financial Limited.

OM Financial Limited is a Company registered under the Companies Act 1993. These financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and New Zealand Generally Accepted Accounting Practice (NZGAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for for-profit entities. They also comply with International Financial Reporting Standards (IFRS). The Company is a for-profit entity.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, which are stated at fair value. The functional currency of the Company is the New Zealand dollar. The presentation currency of these financial statements is the New Zealand dollar, rounded to the nearest thousand.

Changes in accounting policy and disclosures
There have been no changes in accounting policies or disclosures during the current year.

Standards adopted in current year
There have been no new accounting standards adopted in the current year.

Standards not yet effective or early adopted
New and amended standards that could be expected to have a material impact on the Company's financial statements, which were available for early adoption but have not been adopted, are stated below.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)
NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

Notes to the Financial Statements

2 Statement of Accounting Policies
Continued

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. The Company intends to adopt NZ IFRS 16 for the year ending 31 March 2020 and while an impact analysis is yet to be fully completed, there is not expected to be a significant impact on the Company.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018).
NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company intends to adopt NZ IFRS 15 for the year ending 31 March 2019 and is currently assessing its full impact. This standard is not expected to significantly impact the Company.

NZ IFRS 9: Financial instruments (Effective date: periods beginning on or after 1 January 2018)
NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company intends to adopt NZ IFRS 9 for the year ending 31 March 2019 while an impact analysis is yet to be fully completed, there is not expected to be a significant impact on the Company.

There are no other new or amended standards that are not issued but not yet effective that are expected to have a material impact on the Company.

Critical accounting estimates and assumptions

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The Company does not have any areas involving a high degree of judgement or complexity. The following estimates and assumptions are made:

Trade and other receivables:
All foreign currency receivables have been converted to New Zealand dollars at the Company's financial year end close rates captured from Reuters. The exchange rate exposure of these receivables is effectively managed at the time the revenue is recognised in the financial statements.

Notes to the Financial Statements

2 Statement of Accounting Policies
Continued

The Company expects the receivables disclosed in note 8 will be paid. These relate primarily to inter-bank deals and institutional deals the Company arranged and is due to receive commission income on. Confirmation between the banks and the Company prove the deal has taken place, so it is purely a matter of the banks paying outstanding invoices, and no impairment is provided.

Foreign currencies
Proprietary monetary assets and liabilities in foreign currency at balance date are converted at rates of exchange at that date. Proprietary foreign currency transactions are converted to New Zealand dollars using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains or losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of proprietary monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income as "other gains" or "other loss".

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of sales-related taxes and clearing fees. Revenue is derived whenever a client trade is executed and the client enters into a contract (trade derivative contracts). This revenue is classified as commission. Revenue generated from facilitating client emission units trading, on a give-up basis and by OMF purchasing and on selling emission units and facing clients directly, are also recognised as commission.

Interest revenue is recognised using the effective interest rate method. Interest revenue is earned on proprietary balances and from the net of interest receipts/payments relating to client cash and trading activity. The netting of this interest is further explained in note 14.

Share capital and dividends
Ordinary shares are classified as equity. Dividend distribution to the Company's shareholder is recognised in the Company's financial statements in the period in which the dividends are declared by the Board.

Property, plant, equipment and depreciation
Property, plant and equipment have been valued at cost less accumulated depreciation and impairment. Depreciation on fixed assets is calculated on a diminishing value basis so as to apportion the cost of each asset to its residual value over its expected useful life. Estimates of useful lives and residual values are made on a regular basis. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income. The following depreciation rates are used in the calculation of depreciation:

Plant and equipment	10%–67%
Leasehold improvements	8%–50%

Intangible assets
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The diminishing rate on computer software is between 50% and 100%. Amortisation is calculated on a diminishing value basis so as to amortise the cost of each asset over its expected useful life. Intangible assets have been valued at cost less accumulated amortisation and impairment.

Notes to the Financial Statements

2 Statement of Accounting Policies
Continued

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Leases
Leases in which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception, at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges, so as to achieve a constant rate on the finance balance outstanding.

The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income 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 property, plant and equipment acquired under a finance lease are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Financial assets
Classification:
The Company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Company's financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell an asset.

Notes to the Financial Statements

2 Statement of Accounting Policies
Continued

Measurement:
Financial assets are recognised at fair value. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation models.

Transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost. The carrying value of all classes of financial assets and liabilities is reasonably approximate to fair value.

The Company assesses at each Balance Sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in the trade receivables accounting policy.

Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount reported on the Balance Sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Client trading accounts
Client accounts are recognised initially at fair value and are subsequently adjusted for the daily mark-to-market of the underlying derivative contracts.

Client funds
Client funds represent client deposits and financial instruments received by the Company as a result of clients providing collateral to trade in derivative contracts and the fair value movement of any open derivative contracts at balance date. All client money is segregated into client bank and client fund accounts as required by Financial Markets Conduct Act 2013 and in accordance with NZX regulations.

Client derivative financial instruments
The Company enters into back-to-back derivative contracts with its clients and counterparties for derivative contracts the client undertakes. An exception is, a timing difference may occur for small positions, for these positions risk is managed or netted internally and subsequently cleared. These instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets. All client derivatives are carried at fair value and reflected in the Client Funds Held and Client Accounts amounts, disclosed in the Balance Sheet. This reflects the Company’s hedging arrangement for contracts clients enter into.

The Company recognises the transaction when the contracts are entered into. Financial instruments on the Balance Sheet include proprietary balances, client accounts, client funds held, accounts payable and other receivables.

Notes to the Financial Statements

2 Statement of Accounting Policies
Continued

Proprietary derivative financial instruments
The Company enters into foreign exchange contracts to effectively manage the foreign currency cash flow timing differences that arise from the clients' trading. These flows are actively managed to allow the Company to hedge exposure that arise from facilitating clients' open contracts.

The cost of entering into these foreign exchange contracts is effectively "swap interest". Swap interest is netted against the interest revenue generated from clients holding derivative contracts open.

At balance date, the Company marks-to-market all open foreign currency contracts.

Emission units
Emission units are initially measured at cost. After initial recognition, the emission units are carried at fair value, with any changes taken to the Statement of Comprehensive Income. Fair value is determined by reference to observable market data.

Trade receivables
Trade and other receivables are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimate future cash flows, discounted at the effective rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Employee share scheme loans
A loan facility is made available for employees of the Company to purchase shares in the Parent company, OM Holdings Limited, via the Futures Employee Share Scheme Trust. The facility maximum is $500,000; maximum per employee is $100,000. Loan terms are for a maximum of 5 years with interest payable at the prevailing IRD prescribed FBT interest rate.

Proprietary cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Cash flow statement
The following definitions are used in the Cash Flow Statement:
- Cash is cash on hand and deposits held on call with banks, net of bank overdrafts.
- Operating activities include all activities that are not investing or financing activities.
- Investing activities relate to the acquisition, holding and disposal of fixed assets and investments.
- Financing activities relate to changes in the Company's capital/debt structure.

Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement. All the Company's employee benefits are expected to be settled within 12 months. The Company does not currently offer any long-term or post-employment benefits.

Notes to the Financial Statements

2 Statement of Accounting Policies

Continued

Goods and services tax (GST)

For the year ended 31 March 2017 the Statement of Comprehensive Income and the Cash Flow Statement have been prepared so that all components are stated exclusive of GST, except where tax incurred is not recoverable. All items in the Balance Sheet are stated net of GST with the exception of receivables and payables which include GST invoiced. The net amount of tax recoverable from, or payable to, Inland Revenue is included in trade and other receivables or trade and other payables.

For the comparative numbers, for the year ended 31 March 2016, the Statement of Comprehensive Income, Cash Flow Statement and the Balance Sheet have been prepared so that all components are stated inclusive of GST.

Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities used for taxation purposes and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by balance date and are expected to apply when the related tax liability (asset) is settled (realised).

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

3 Revenue

	March 2017 $000	March 2016 $000
Commission and margin	16,687	20,135
Interest revenue:		
Proprietary	201	282
Futures	724	866
Foreign exchange	1,154	1,287
Net interest received from/(paid to) clients	238	(23)
Total revenue	**19,004**	**22,547**

Notes to the Financial Statements

4 Other Loss

	March 2017 $000	March 2016 $000
Foreign exchange loss	(4)	(15)
Total other loss	**(4)**	**(15)**

5 Fees to Auditor

	March 2017 $000	March 2016 $000
Audit of financial statements		
Audit of financial statements	56	63
Other services		
NZX capital adequacy calculation assurance	3	3
Client funds assurance	42	34
Assurance over risk management framework	–	21
Financial resource control assurance	21	–
Financial resource specified procedures	3	–
Tax compliance services	88	29
Total other services	**154**	**87**
Total fees paid to auditor	**213**	**150**

6 Depreciation, Amortisation and Impairment Charges

	March 2017 $000	March 2016 $000
Depreciation:		
Plant and equipment	270	220
Leasehold improvements	74	44
Amortisation:		
Computer software	1,092	627
Loss on disposal	148	8
Total depreciation, amortisation and impairment charges	**1,584**	**899**

Notes to the Financial Statements

7 Income Tax Expense

	March 2017 $000	March 2016 $000
Income tax expense		
Profit before tax	1,840	3,689
Taxation thereon at 28%	515	1,033
Non-deductible expenditure	52	45
Prior period tax adjustment	3	5
Income tax recognised in the statement of comprehensive income	**570**	**1,083**
Comprising:		
Current tax	571	1,083
Deferred tax	(1)	–
	570	**1,083**

The amount of imputation credits that are available for subsequent reporting periods is $2.7m at 31 March 2017 (2016: $2.3m). This represents the balance of the imputation credit account at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of the provision for income tax.

8 Trade and other Receivables

	March 2017 $000	March 2016 $000
Trade debtors – banks	1,334	1,353
Interest receivable	133	67
Prepayments	196	599
Employee share scheme loans	448	480
Outstanding carbon settlements	4,173	344
Other receivables	1,463	221
Total trade and other receivables	**7,747**	**3,064**

Notes to the Financial Statements

8 Trade and other Receivables
Continued

	March 2017 $000	March 2016 $000
Split between:		
Current assets	7,425	2,584
Non-current assets	322	480
	7,747	**3,064**

Trade and other debtors past due 31 March 2017: 1–30 days $6,367,000; 31–60 days $419,000; 61–90 days $40,000; over 90 days $144,000. (31 March 2016: 1–30 days $1,281,000; 31–60 days $609,000; 61–90 days $8,000; over 90 days $20,000). No trade and other receivables have been impaired at 31 March 2017 (31 March 2016: $nil).

9 Property, Plant, Equipment and Intangibles

	Plant & Equipment $000	Leasehold Improvements $000	Total $000	Intangibles $000
As at 31 March 2015				
Cost or valuation	1,541	503	2,044	2,173
Accumulated depreciation and amortisation	(1,065)	(72)	(1,137)	(1,188)
Net book value	**476**	**431**	**907**	**985**
Year ended 31 March 2016				
Opening net book value	476	431	907	985
Additions	163	257	420	1,433
Disposals/impairment charges	(8)	–	(8)	–
Depreciation/amortisation cost	(220)	(44)	(264)	(627)
Closing net book value	**411**	**644**	**1,055**	**1,791**
As at 31 March 2016				
Cost or valuation	1,531	760	2,291	3,565
Accumulated depreciation and amortisation	(1,120)	(116)	(1,236)	(1,774)
Net book value	**411**	**644**	**1,055**	**1,791**
Year ended 31 March 2017				
Opening net book value	411	644	1,055	1,791
Additions	682	411	1,093	614
Sale of fixed assets	(8)	(11)	(19)	–
Disposals/impairment charges	(52)	(96)	(148)	–
Depreciation/amortisation cost	(270)	(74)	(344)	(1,092)
Closing net book value	**763**	**874**	**1,637**	**1,313**

Notes to the Financial Statements

9 Property, Plant, Equipment and Intangibles

Continued

	Plant & Equipment $000	Leasehold Improvements $000	Total $000	Intangibles $000
As at 31 March 2017 Cost or valuation	1,707	1,008	2,715	4,075
Accumulated depreciation and amortisation	(944)	(134)	(1,078)	(2,762)
Net book value	**763**	**874**	**1,637**	**1,313**

10 Deferred Tax Asset

	March 2017 $000	March 2016 $000
Balance at beginning of the year	105	105
Statement of comprehensive income change	1	–
Balance at end of the year	**106**	**105**

The deferred tax above is in relation to temporary differences on employee entitlements.

11 Trade and other Payables

	March 2017 $000	March 2016 $000
Trade creditors	1,077	695
Outstanding carbon settlements	3,757	241
Employee entitlements accrued	428	457
Lease incentive	233	10
Total trade and other payables	**5,495**	**1,403**

	March 2017 $000	March 2016 $000
Split between: Current liabilities	5,287	1,403
Non-current liabilities	208	–
	5,495	**1,403**

12 Capital

	March 2017 $000	March 2016 $000
Issued and fully paid-up ordinary shares number 3,822,310 (March 2016: 3,822,310)	8,368	8,368

All ordinary shares rank equally with one vote attached to each share. The Company's ordinary shares have no par value. No additional shares were issued in 2017. (March 2016: 519,450 were issued at $5.00 per share).

Notes to the Financial Statements

13 Retained Earnings

	March 2017 $000	March 2016 $000
Balance at beginning of year	5,011	4,552
Net profit for the year	1,270	2,606
Dividends paid	(575)	(2,147)
Balance at end of year	**5,706**	**5,011**

A dividend of $0.10 per share was declared and paid in July 2016, a dividend of $0.05 per share was declared and paid in December 2016. (2016: $0.25 per share July 2015, $0.30 per share December 2015 and $0.10 per share February 2016. All dividends were based on 3,302,860 shares on issue as they were declared and paid prior to the March 2016 share issue).

14 Net Cash Flows within the Cash Flow Statement

Net interest receipts

The Company operates numerous multi-currency banks and broker accounts and uses foreign exchange contracts to manage its various cash flow commitments. The accounts will at times be in margin deficit and attract interest costs, and most positions will result in interest cash outflows. The costs of funding client open positions and the revenue earned through client funds held with counterparties are netted. As a result, net interest received does contain a component of interest cost.

Interest received from/paid to clients

Clients operate multi-currency accounts. Depending on the interest rate of the underlying currency, the Company pays clients interest on excess funds held in their accounts and charges interest on deficits. This may, over the course of a month, result in positive and negative interest balances. Interest is netted within each account through conversion to the client's base currency. As a result, the interest paid to clients is net of client interest receipts generated by account deficits. The Company manages timing differences in foreign currencies through foreign currency contracts; the cost of these transactions are netted against income derived from the clients holding derivative contracts open.

Purchase/sale of emission units

The net proceeds generated by the Company purchasing and on selling emission units is recognised within commissions.

Net cash movements between clients and the client fund accounts

Clients make deposits and withdrawals throughout the year to facilitate their trading. The Company deposits and withdraws client money to and from the banks and brokers it uses to facilitate clients' trading. It is therefore more informative to net these amounts to show the movement in client funds for the year.

15 Related Party Transactions

Ownership

The Company is a wholly owned subsidiary of OM Holdings Limited, the ultimate parent company. As at 31 March 2017 the Parent owed the Company $454,019. There was no money owing between the Company and its Parent as at 31 March 2016.

Transactions with related parties

OM Financial Limited entered into foreign currency, futures and option contracts and contracts for difference on behalf of some related parties (shareholders of OM Holdings Limited). These transactions are entered into and settled under normal commercial terms. Cash held is treated as client cash and is not secured or guaranteed and has equal security ranking to other client funds.

Notes to the Financial Statements

15 Related Party Transactions
Continued

Len Ward, a Company director was paid $9,700 for legal services, via his company Tusk Legal Services, during the year ended 31 March 2017 (31 March 2016: $nil).

The related party trading account balances at 31 March 2017 totalled $103,894 (31 March 2016: $196,596). Revenue earned in respect of such transactions for the year ended 31 March 2017 was $35,995 (31 March 2016: $207,418). There were no bad debt expenses or provisions made in respect of a related parties for the year ended 31 March 2017 (31 March 2016: $nil).

The Company made the following dividend payments to the Parent;
– $0.10 per share (based on 3,822,310 shares) was declared and paid in July 2016
– $0.05 per share (based on 3,822,310 shares) was declared and paid in December 2016

The Company provided an intercompany loan to support the establishment and capitalisation of a related company in Australia; OMF Australia Pty Limited of $663,750 (March 2016: $627,607). The loan is unsecured and repayable on demand.

Additional subordinated loan of $1,307,751 which was made under normal commercial terms with interest payable on a bi-annual basis in arrears on drawn funds at a commercial interest rate and repayable two years from drawn down, being 1 July 2018.

The Company entered into an Intercompany Service Level Agreement ("SLA"), with OMF Australia Pty Limited, on 1 July 2016. The SLA is automatically renewed on 31 March of each financial year unless amended by agreement between the parties. Under the SLA the Company provides the following services: management, accounting and HR; operations; night desk and execution; compliance and information technology. The Company collects the revenue generated by OMF Australia Pty Limited's wholesale businesses (wholesale interbank, energy and dairy) and passes this back as commission to OMF Australia Pty Limited each month. For the year end 31 March 2017 the commission paid by the Company to OMF Australia Pty Limited totalled NZD 1,038,300 (31 March 2016: nil). In return for the services OMF Australia Pty Limited pay the Company a management fee based on an allocation of head office overheads and indirect costs incurred. As the year ended 31 March 2017 is OMF Australia Pty Limited's first year of operation with an ASIC licence the Company agreed to give OMF Australia Pty Limited a holiday on management fees. Monthly management fees will be charged from 1 April 2017 onwards.

16 Key Management Personnel

The compensation of the directors and other key management personnel of the Company, is set out below:

	March 2017 $000	March 2016 $000
Short-term employee benefits	1,011	1,047

Transactions with key management
Key management trading account balances at 31 March 2017 totalled $108,867 (31 March 2016: $10,301). Revenue earned by key management personnel on trading activities for the year ended 31 March 2017 was $4,447 (31 March 2016: $907). There were no bad debt expenses or provisions made in respect of key management for the year ended 31 March 2017 (31 March 2016: $nil).

Notes to the Financial Statements

17 Financial Risk Factors

Financial risk factors

The Company is exposed to a variety of financial risks. These stem from its clients trading in derivative contracts, client cash deposits and the revenue the Company derives from client trading.

The Company's overall risk management procedures focus on ensuring its clients have sufficient funds in their account to trade and sufficient funds to keep those trades open (open derivative contracts). This is managed through daily (and intra-day) margin calls; the client is required to hold sufficient collateral in their account to provide protection if the market moves against their position. A client's position may be closed out if sufficient cleared collateral is not maintained.

As stated, client positions are generally hedged with the Company's derivative contract providers, and reconciliations are performed daily (and intra-day) to ensure client positions are covered by a corresponding counterparty deal to prevent the Company being exposed to any material positions.

Market risk

Foreign exchange rate risk:

Some of the revenue generated from clients is denominated in foreign currency. The Company may be exposed to adverse exchange rate movement resulting in financial loss. Positions are monitored throughout the day, and conservative intra-day/overnight limits exist. Any gains/losses resulting from market movements are recognised in the Statement of Comprehensive Income as "other gains" or "other loss". Any sensitivity to movements in exchange rates is mitigated by these policies and procedures, and consequently any exchange rate changes are not expected to have any material impact.

Price and other market risk:

The Company has a diverse range of derivative products available for its clients to trade (at their own risk). The Company has no material exposure to price and other market risk, as clients choose to accept a live market quote prior to trading. If an error occurs and the position is not covered, or there is a delay in placing this cover, then the Company is exposed to a change in the market price of that derivative contract. The financial loss or gain resulting from the error or time delay is recognised in the Statement of Comprehensive Income.

Interest rate risk:

The Company does not have any third-party borrowings so any interest rate risks impact on the Company's revenue rather than expenses. The value of the Company's assets and liabilities is not materially impacted by fluctuations in interest rates. The Company's exposure at the balance date to interest rate risk on financial assets and liabilities, which are due within one year, are as follows:

Interest rate risk 31 March 2017	Interest bearing $000	Non interest bearing $000	Total $000
Assets			
Proprietary cash	6,024	–	6,024
Client funds held	260,247	–	260,247
Loan to parent	–	454	454
Loan to related party	1,308	664	1,972
Trade and other receivables	448	7,103	7,551
	268,027	**8,221**	**276,248**

Notes to the Financial Statements

17 Financial Risk Factors
Continued

Interest rate risk 31 March 2017	Interest bearing $000	Non interest bearing $000	Total $000
Liabilities			
Client accounts	150,794	108,357	259,151
Financial derivatives held at fair value	–	739	739
Trade and other payables	–	4,834	4,834
	150,794	**113,930**	**264,724**
	117,232	**(105,709)**	**11,524**

Interest rate risk 31 March 2016	Interest bearing $000	Non interest bearing $000	Total $000
Assets			
Proprietary cash	7,243	–	7,243
Client funds held	178,618	–	178,618
Financial derivatives held at fair value	–	91	91
Loan to related party	–	628	628
Trade and other receivables	480	1,985	2,465
	186,341	**2,704**	**189,045**
Liabilities			
Client accounts	90,283	87,410	177,693
Trade and other payables	–	937	937
	90,283	**88,347**	**178,630**
	96,058	**(85,643)**	**10,415**

Sensitivity analysis
Proprietary cash is held in New Zealand dollars with trading banks; the interest rate applied to the Company's cash is subject to change, as is the amount of proprietary cash held. Interest revenue derived from client funds held is sensitive to the level of client deposit, which can be denominated in various currencies. The interest rate the Company receives on these various currency balances is subject to change. The Company actively manages the rates of interest it pays and charges its clients accordingly. Consequently, the Company's net interest receipts on client funds are influenced mainly by the level and the underlying interest rate of client deposits. Sensitivity to interest rates; is managed by the interest rates it applies and passes on to its clients. At balance date, each 1% movement in interest rates would affect the Company's net profit after tax and equity by approximately $848,736 per annum (31 March 2016: $691,618).

Notes to the Financial Statements

17 Financial Risk Factors
Continued

Credit risk
The Company maintains prudent credit risk procedures in relation to its assets and the counterparties with whom it chooses to deal. Regular credit risk assessment of each counterparty's financial position, its credit rating and the overall assets exposed to each counterparty, help to manage and mitigate potential risks. Assets are spread between counterparties to limit concentration of assets held with any one entity. Of the total client funds held at 31 March 2017 $170.3m were held with counterparties with Standard & Poor's credit ratings of between BBB+ and AA-. Two counterparties, NZ Emission Unit Registry and the NZX, which were unrated, held $53.1m of client assets at 31 March 2017, $36.6m held with Australian Energy Market Operator and $0.3m held in custody with OMF Nominees Limited. (31 March 2016: $151.9m where held with counterparties with Standard & Poor's credit ratings of between BBB- and AA-. Two counterparties, NZ Emission Unit Registry and the NZX, which were unrated, held $26.7m of client assets).

The credit risk imposed on the Company by its clients is limited mainly to overdrawn client accounts. These are reported as the carrying amount, net of any provisions for doubtful debts under current assets on the face of the Balance Sheet. The Company has no provisions for impairment of debt as at 31 March 2017 (31 March 2016: $nil).

The Company does not extend credit to clients other than through timing of margin calls or to facilitate carbon settlements for pre-approved institutional clients. If a client's margin call is not met, their positions are closed. Any resulting loss is normally covered by the initial margin and/or any variation margin payments already received from the client.

Liquidity risk
The Company maintains prudent liquidity risk management by holding surplus cash, above regulatory requirements, having robust trading limits with all counterparties and ensuring it has the legal right to close client positions through its margin call policies and the terms and conditions agreed by the client when the account is opened.

Most cash held is on call; however, the Company has some banking arrangements that require it to maintain proprietary funds with banks, $3.0m at 31 March 2017 (31 March 2016: $5.0m). These funds are placed in term deposit accounts that historically have a term of three months. The term deposit accounts secure its foreign exchange dealing lines and constitute a security interest.

As at 31 March 2017 the Company had 179 open foreign currency derivative positions with maturity ranging from 3 April 2017 to 12 April 2018 and a net notional value of $7.2m. The fair value of the open swaps is an unrealised loss of $739,473. (31 March 2016: 91 open foreign exchange derivatives with a maturity ranging from 1 April 2016 to 2 March 2017 and a net notional value of $8.6m. The fair value of the option foreign exchange derivative contracts was $91,406).

Fair value estimation
The Company is required to disclose a hierarchy of fair value measurements depending on the availability of prices for financial instruments that are measured in the Balance Sheet at fair value. The hierarchy is split into the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for the identical asset or liability

Level 2 – inputs other than quoted prices that are observable for the asset or liability, either directly or derived from Level 1 prices

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

Notes to the Financial Statements

17 Financial Risk Management
Continued

Included in client funds held, overdrawn client accounts and client accounts are fair value estimations. The Company enters into back-to-back derivative contracts with its clients and counterparties for derivative contract the client undertakes, other than small positions resulting from timing differences. At balance date, these instruments are measured at their fair value using quoted market prices in active liquid markets. Therefore these balances are categorised as Level 1 instruments.

The foreign currency swaps the Company enters into in order to manage timing difference in foreign currency cash flows (resulting from client trading activity) are measured at their fair value on balance date. Fair values are obtained from valued based on inputs that are observable in the market and are classified as Level 2 instruments. The quoted market price used for these financial instruments is the current bid.

The Company has no Level 3 financial instruments.

There have been no transfers between the fair value hierarchies. The Directors consider the carrying value of the proprietary cash, trade and other receivables, and trade and other payables are approximate to their respective fair values. These items are either short-term in nature, or reprice frequently, and are of a high credit rating.

Capital management
The capital of the Company is defined as share capital and retained earnings. The capital of the Company is monitored to ensure equity holding and liquidity objectives are met. A key objective is to ensure capital adequacy requirements imposed by regulations are met and that a prudent level of capital is maintained in relation to the level of client funds held. The NZX regulates capital requirements depending on the level of exposure to derivative products of its client and any proprietary positions. The capital adequacy calculations are performed daily and reported to the NZX at the end of each month. The Company maintained capital in excess of NZX requirements throughout the year. At balance date, the Company had excess capital of $2.9m over and above NZX requirements (March 2016: $4.3m).

The Company has meet all Financial Markets Authority (FMA) capital and liquidity requirements during the period. The Net Tangible Assets (NTA), calculated in accordance with Standard Condition 7-10, for the year ended 31 March 2017 was $10,086,290, which is 615% of the of the calculated requirement (March 2016: not applicable).

Notes to the Financial Statements

18 Financial Instruments by Category

31 March 2017	Loans and receivables $000	Assets at fair value $000	Total $000
Assets			
Proprietary cash	6,024	–	6,024
Client funds held	–	260,247	260,247
Loan to parent	454	–	454
Loan to related party	1,972	–	1,972
Trade and other receivables	7,552	–	7,552
	16,002	260,247	276,249

31 March 2017	Liabilities at amortised cost $000	Liabilities at fair value $000	Total $000
Liabilities			
Client accounts	–	259,151	259,151
Financial derivatives held at fair value	–	739	739
Trade and other payables	4,834	–	4,834
	4,834	259,890	264,724

31 March 2016	Loans and receivables $000	Assets at fair value $000	Total $000
Assets			
Proprietary cash	7,243	–	7,243
Client funds held	–	178,618	178,618
Financial derivatives held at fair value	–	91	91
Loan to related party	628	–	628
Trade and other receivables	2,465	–	2,465
	10,336	178,709	189,045

31 March 2016	Liabilities at amortised cost $000	Liabilities at fair value $000	Total $000
Liabilities			
Trade and other payables	937	–	937
Client accounts	–	177,693	177,693
	937	177,693	178,630

Notes to the Financial Statements

19 Offsetting Financial Assets and Financial Liabilities

Offsetting Financial Assets And Financial Liabilities

The following table provides information on the impact of balances subject to enforceable master netting arrangements. Other than as presented in the table below, the Company does not have any material financial assets or liabilities which are subject to enforceable master netting arrangements or similar arrangements.

31 March 2017	Gross amounts $000	Gross amounts offset on the balance sheet $000	Net amounts presented on the balance sheet $000	Amounts subject to enforceable master netting arrangements $000	Net Amount $000
Financial assets					
Financial derivatives	285	(285)	–	–	–
	285	**(285)**	**–**	**–**	**–**
Financial liabilities					
Financial derivatives	1,024	(285)	739	–	739
	1,024	**(285)**	**739**	**–**	**739**

31 March 2016	Gross amounts $000	Gross amounts offset on the balance sheet $000	Net amounts presented on the balance sheet $000	Amounts subject to enforceable master netting arrangements $000	Net Amount $000
Financial assets					
Financial derivatives	516	(425)	91	–	91
	516	**(425)**	**91**	**–**	**91**
Financial liabilities					
Financial derivatives	425	(425)	–	–	–
	425	**(425)**	**–**	**–**	**–**

Notes to the Financial Statements

20 Client Funds

Client Funds
As at 31 March 2017 no client funds were held in a separate segregated client funds account. (March 2016: $36.5m was held in a segregated client funds account to meet future auction purchase commitments on behalf of clients).

	March 2017 $000	March 2016 $000
Client funds held	260,247	142,106
Client funds held - as collateral	–	36,512
Total client funds held	**260,247**	**178,618**
Client accounts	259,151	141,181
Client account - obligations	–	36,512
Total client accounts	**259,151**	**177,693**

21 Commitments and Contingencies

At balance date the Company had the following operating lease commitments:

	March 2017 $000	March 2016 $000
0-1 year	649	425
1-5 years	3,417	3,216
	4,066	**3,641**

At balance date the Company had the following capital commitments, in relation to contracts signed for assets to be purchased:

	March 2017 $000	March 2016 $000
0-1 year	–	314
1-5 years	–	–
	–	**314**

There were no material contingent liabilities as at 31 March 2017 (31 March 2016: $nil). The operating lease commitments are determined by the term and renewal options contained in the terms of the lease. There are no materially adverse clauses or restrictions.

Periodically, the Company is party to litigation including liability claims. To date, such claims have been settled for relatively small monetary amounts, which have either been expensed or covered by insurance.

Notes to the Financial Statements

22 Events Subsequent to Balance Date

There were no material events subsequent to balance date.

Statutory Information

Pursuant to Section 211 (3) of the Companies Act 1993 the Shareholders have agreed to limit the annual report to the following:

- Completed and signed financial statements.
- Audit report.

On behalf of the Board of Directors:

Director
29 June 2017

Director
29 June 2017

7

Independent auditor's report

To the shareholder of OM Financial Limited

OM Financial Limited's financial statements comprise:

- Balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- Cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion the financial statements of OM Financial Limited (the Company), present fairly, in all material respects, the financial position of the Company as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Company in the areas of other assurance, specified procedures and tax related services. The provision of these other services has not impaired our independence as auditor of the Company.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to

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

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page6.aspx

Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Karl Deutschle.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
29 June 2017

Company Particulars

Registered Office
Level 2
Australis Nathan Building
37 Galway Street, Britomart
Auckland

Directors
LE Ward (Chairman)
JJM Stephan
CD Churchouse
MLG Blackwell

Solicitors
Minter Ellison Rudd Watts
Auckland

Auditors
Pricewaterhousecoopers New Zealand
Auckland

Bankers
Bank of New Zealand
Westpac New Zealand Limited

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Contact

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