MahiFX Limited

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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COMPANY DIRECTORY

Directors:	David Laurence Cooney Susan Mary Cooney Paul Nathan James Park
Registered Office:	Level 3 50 Victoria Street Christchurch New Zealand
Auditors:	Ernst & Young Christchurch New Zealand
Bankers:	Westpac New Zealand Limited Christchurch New Zealand National Australia Bank Ballarat Victoria Australia

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the annual report of MahiFX Limited, incorporating the financial statements and the auditor's report, for the year ended 31 March 2018.

The shareholders of the Company have exercised their right under section 211(3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a) and (e) to (j) of section 211(1) of the Companies Act 1993.

The Board of Directors of the Company authorise the financial statements presented on pages 3 to 28 for issue on the 31st day of July 2018.

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Director	Director
31 July 2018	31 July 2018

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018		2017	
Revenue:					
Software development		$	2,023,492	$	1,597,668
Revenue on FX trading		$	632,280	$	759,079
Brokerage fees		$	387,510	$	654,123
Finance income		$	36,197	$	39,064
Service fees		$	321,862	$	317,504
Other revenue		$	5,792	$	21,825
Total revenue		**$**	**3,407,133**	**$**	**3,389,263**
Cost of sales:					
IT and communication expenses		$	782,542	$	683,487
Development, consulting and design services		$	13,373	$	43,466
Employee benefit expenses		$	820,642	$	813,583
Sub-total cost of sales		**$**	**1,616,557**	**$**	**1,540,536**
Other expenses:					
Administrative expenses		$	273,881	$	1,556,670
Hedging losses		$	451,328	$	268,949
FX trading expenses		$	180,952	$	490,129
Fees to auditor	17	$	54,400	$	69,100
Depreciation		$	13,264	$	13,889
Occupancy expenses		$	52,646	$	51,662
FX losses/(gains) on non-FX trading operations		$	77,845	$	246,047
Other expenses		$	37,022	$	52,742
Sub-total other expenses		**$**	**1,141,338**	**$**	**2,749,188**
Profit/(loss) before income tax expense		**$**	**649,238**	**$**	**(900,461)**
Income tax expense	8	$	0	$	0
Total Comprehensive income/(loss)		**$**	**649,238**	**$**	**(900,461)**

* The accompanying notes form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Note	Share Capital	Retained Earnings/ (Deficit)	Shareholder's Capital Contribution	Total Equity
As at 1 April 2016		**$ 7,500,000**	**$ (3,615,907)**	**$ 556,649**	**$ 4,440,742**
Shareholder's contribution provided/ (received) by the Company				$ (365,872)	$ (365,872)
Total comprehensive income/(loss)			$ (900,461)		$ (900,461)
As at 31 March 2017		**$ 7,500,000**	**$ (4,516,368)**	**$ 190,777**	**$ 3,174,409**
Shareholder's contribution provided/ (received) by the Company	13			$ 1,399,743	$ 1,399,743
Total comprehensive income/(loss)			$ 649,238		$ 649,238
As at 31 March 2018		**$ 7,500,000**	**$ (3,867,130)**	**$ 1,590,520**	**$ 5,223,390**

* The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018		2017	
Current Assets					
Cash and cash equivalents	10, 11	$	1,858,053	$	2,803,651
Derivatives	10	$	88,443	$	69,042
Accounts receivable		$	547,396	$	896,440
Other receivables		$	11,507	$	11,652
Trading collateral	10	$	0	$	111,594
Prepayments		$	28,156	$	38,076
Related party receivables	10, 15	$	2,886,853	$	1,125,354
Total Current Assets		$	5,420,408	$	5,055,809
Non Current Assets					
Property, plant and equipment		$	16,825	$	24,673
Total Non Current Assets		$	16,825	$	24,673
Total Assets		**$**	**5,437,233**	**$**	**5,080,482**
Current Liabilities					
Trade and other payables and accruals	10	$	205,487	$	541,560
Trading Collateral	10	$	8,356	$	0
Related party payables	10	$	0	$	1,364,513
Total Current Liabilities		$	213,843	$	1,906,073
Total Liabilities		**$**	**213,843**	**$**	**1,906,073**
Net Assets		**$**	**5,223,390**	**$**	**3,174,409**
Equity					
Share capital		$	7,500,000	$	7,500,000
Retained earnings/(deficit)		$	(3,867,130)	$	(4,516,368)
Shareholder's Capital Contribution		$	1,590,520	$	190,777
Equity	6	**$**	**5,223,390**	**$**	**3,174,409**

* The accompanying notes form an integral part of these financial statements.

The Board of Directors of MahiFX Limited authorised these financial statements for issue on the 31st July 2018.

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Director
31 July 2018

Director
31 July 2018

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018		2017	
Cashflows from Operating Activities:					
Cash was Provided from:					
Receipts from customers		$	1,218,204	$	662,951
Interest received		$	35,971	$	40,766
Sub-total		$	1,254,175	$	703,717
Cash was Applied to:					
Payments to suppliers and employees		$	(2,385,723)	$	(3,663,000)
Income tax	8	$	13,143	$	0
Sub-total		$	(2,372,580)	$	(3,663,000)
Net Cash Inflow/(Outflow) from Operating Activities		**$**	**(1,118,405)**	**$**	**(2,959,283)**
Cashflows from Investing Activities:					
Cash was Applied to:					
Advance to related parties	15	$	(3,562,349)	$	(3,964,306)
Purchase of fixed assets		$	(5,416)	$	(18,160)
Net Cash Inflow/(Outflow) From Investing Activities		**$**	**(3,567,765)**	**$**	**(3,982,466)**
Cashflows From Financing Activities:					
Cash was Provided from:					
Advance from related parties	15	$	2,469,351	$	6,600,164
Shareholder advance		$	1,410,625	$	(365,872)
Net Cash Inflow/(Outflow) From Financing Activities		**$**	**3,879,976**	**$**	**6,234,292**
Net increase/(decrease) in cash held		$	(806,194)	$	(707,457)
Foreign exchange movement		$	(139,404)	$	(365,064)
Add balance of cash at start of year		$	2,803,651	$	3,876,172
Cash at End of Year		**$**	**1,858,053**	**$**	**2,803,651**

* The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

Reconciliation of Net Profit/(Loss) to Net Cash Flows from Operating Activities	Note	2018		2017	
Profit/(loss) for the year		$	649,238	$	(900,461)
Add/(deduct) non-cash items:					
Foreign exchange movement		$	139,404	$	365,064
Depreciation and loss on disposal		$	13,264	$	17,253
		$	801,906	$	(518,144)
Add/(deduct) movements in working capital items:					
(Increase)/decrease in trade and other receivables		$	(1,751,189)	$	(1,926,471)
(Increase)/decrease in prepayments		$	9,920	$	(17,514)
(Increase)/decrease in income tax and withholding taxes		$	13,143	$	0
(Increase)/decrease in accounts payable and accruals		$	(192,185)	$	(497,154)
Net Cash Inflow/(Outflow) from Operational Activities		**$**	**(1,118,405)**	**$**	**(2,959,283)**

* The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. CORPORATE INFORMATION

The financial statements of MahiFX Limited (**MahiFX** or the **Company**) for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors on 31 July 2018.

MahiFX is a limited company incorporated in New Zealand under the Companies Act 1993. Its registered office address is Level 3, 50 Victoria Street, Christchurch, New Zealand.

MahiFX obtained its Derivatives Issuer Licence from the Financial Market Authority (**FMA**) on 20 January 2015 pursuant to section 396 of the Financial Markets Conduct Act 2013. The Company is also registered in Australia with the Australian Securities and Investments Commission (**ASIC**) and is an Australian Financial Services Licensee (**AFSL**) pursuant to section 913B of the Corporations Act 2001.

The principal activity of MahiFX is to provide its clients with access to global currency markets in order to trade foreign exchange, gold and silver. The Company also provides software development and administrative services to related entities.

The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company comply with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**). The financial statements of the Company also comply with International Financial Reporting Standards (**IFRS**).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (**NZ GAAP**). For the purposes of complying with NZ GAAP, the entity is a for-profit entity.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

(b) Current versus non-current classification

The Company presents assets and liabilities in the Statement of Financial Position based on the current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve-months after the reporting period; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve-months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to or by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Gain on FX trading

Gain on foreign exchange (**FX**) trading is recognised in respect of all spot FX, gold or silver contracts (the **Derivative Contracts**) - for both customers and hedging counterparties - in real-time as currencies and values fluctuate. Gain on FX trading is regarded as realised when the Derivative Contract is settled with the counterparty. All fluctuations in fair value attributable to unsettled Derivative Contracts are regarded as unrealised and are also included in gain on FX trading at year end.

Software development revenue

Software development revenue is recognised when the Company has performed the services and has a definitive entitlement to bill for the work undertaken.

Service fees revenue

Service fees revenue in relation to administrative and support services provided to related entities is recognised when the Company has performed the services and has a definitive entitlement to bill for the work undertaken.

Brokerage revenue

Brokerage revenue is recognised when a customer's order is filled and the customer has entered into a Derivative Contract, and the Company has a definitive entitlement to charge its hedging counterparty a brokerage fee in respect of that Derivative Contract.

Interest revenue

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (**EIR**) method. The EIR method is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(e) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Goods and Services Tax (**GST**)*

Expenses and assets are recognised net of the amount of GST, except:

- when the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

(f) Foreign currencies

The functional and reporting currency of the Company is the New Zealand dollar (**NZD**).

Transactions in foreign currencies are initially recorded by the Company at spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(g) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through the profit or loss, or loans and receivables, as appropriate. The Company has no “held-to-maturity” investments or “available-for-sale” financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through the profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement
For the purposes of subsequent measurement, financial assets are classified in following categories:

- financial assets at fair value through the profit or loss; and
- loans and receivables.

Financial assets at fair value through the profit or loss
Financial assets at fair value through the profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the near term. Derivatives are also classified as held for trading.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category applies to cash and cash equivalents, trade and other receivables and related party receivables.

Derecognition
A financial asset is derecognised (i.e., removed from the Company's Statement of Financial Position) primarily when the rights to receive cash flows from the asset have expired.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the Statement of Comprehensive Income. Interest income (recorded as finance income in the Statement of Comprehensive Income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans, and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- financial liabilities at fair value through the profit or loss; and
- financial liabilities at fair value through the profit or loss, including financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchase in the near term. This category also includes derivative financial instruments entered into by the Company.

Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income.

This category generally applies to interest-bearing loans and borrowings and related party payables.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis and to realise the assets and settle the liabilities simultaneously.

The Company offsets all unrealised gains and losses arising from unsettled Derivative Contracts with customers and hedging counterparties.

(h) Derivative financial instruments

Initial recognition and subsequent measurement

The Company's customers enter into spot FX, gold and silver contracts (Derivative Contracts) on a margin basis with the Company. The settlement date for unsettled contracts (open positions) at 5 pm New York (EST) time is automatically rolled over by the Company to the next business day. The rolled-over Derivative Contracts, therefore, could be viewed as in substance synthetic forward foreign exchange contracts. The Company in turn enters into equal and opposite Derivative Contracts with one of its related parties, Mahi Capital Ltd (BVI), in order to hedge price fluctuations as part of its risk management strategy.

The Company operates as a "market maker" and continuously offers prices for the buying and selling of currencies, gold and silver. Customers can only settle Derivative Contracts by entering into equal and opposite Derivative Contracts with the Company at its quoted prices. The Derivative Contracts are initially recognised at fair value on the date on which a derivative financial instrument is entered into using the contract price that the Company offers the equal and opposite Derivative Contract and are subsequently re-measured at fair value using the same methodology. Derivative Contracts are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss.

(i) Cash and short-term deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Taxes
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has $3,806,966 (2017: $4,322,616) of tax losses carried forward. These losses relate to operating losses the Company has incurred as it develops its business and market share and do not expire (unless the Company breaches the shareholder continuity rules in the Income Tax Act 2007).

While the Directors of the Company believe it will become profitable, at this time, given the start-up nature of the Company's business, considerable uncertainty regarding the timing and magnitude of future profits exists. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by $1,065,951 (2017: $1,210,332).

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the financial statements for the year ended 31 March 2018 are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 March 2017.

6. CAPITAL MANAGEMENT

The capital of the Company is defined as share capital, shareholder's capital contribution and retained earnings. The capital of the Company is monitored to ensure the capital adequacy and financial resources requirements imposed by regulations are achieved and that a prudent level of capital is maintained in relation to the level of customer funds held and the operational requirements of the Company. The Company satisfied all regulatory capital adequacy, liquidity, and financial resources requirements during the year to 31 March 2018.

It is a requirement of both the Company's New Zealand Derivative Issuers Licence and AFSL that it is solvent at all times and:

- for the purposes of its AFSL, has net tangible assets of at least AUD $1 million or 10% of average revenue of the Company (whichever is greater), and that it must hold at least 50% of the required net tangible assets in cash and cash equivalents and 50% in liquid assets; and
- for the purposes of its New Zealand Derivatives Issuers Licence, has net tangible assets of at least NZD $1 million or 10% of average revenue of the Company (whichever is greater), and that it must hold at least 50% of the required net tangible assets in cash and cash equivalents and the remainder in liquid assets.

Net tangible assets calculation		2018		2017
Total Assets	$	5,437,233	$	5,080,482
Less: Excluded Assets	$	(2,797,691)	$	(2,040,622)
Adjusted Assets	$	2,639,542	$	3,039,860
Less: Adjusted Liabilities	$	(213,843)	$	(1,906,074)
Net Tangible Assets	**$**	**2,425,699**	**$**	**1,133,786**

Management is continually reviewing growth and strategic alliance opportunities with the objective of growing the Company's customer base and increasing its profitability.

7. FAIR VALUE MEASUREMENT

Management has assessed that cash and short-term deposits, trade and other receivables, related party receivables, related party payables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Company enters into derivative financial instruments with various customers, institutional counterparties and with its related party Mahi Capital Ltd (BVI). Derivative Contracts are valued at the rate offered by the Company to enter into equal and opposite Derivative Contracts to settle those contracts or close-out the positions. The Company's valuation techniques use market observable inputs such as quoted spot exchange rates from liquidity providers and other parties, and interest rates. The valuation technique used for Derivative Contracts that have their settlement date rolled-over is the forward pricing and swap model, using interest and present value calculations. All Derivative Contracts are fully cash collateralised, thereby eliminating both counterparty and the Company's own non-

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performance risk. The marked-to-market value of derivative asset positions as at 31 March 2018 excludes a credit valuation adjustment attributable to derivative counterparty default risk.

Derivatives are Level 2 in the fair value measurement hierarchy.

8. INCOME TAX

	2018		2017	
Profit/(Loss) per financial statements	$	649,238	$	(900,461)
Add Permanent and Timing Differences:				
Annual leave accrual	$	(5,651)	$	(14,965)
Employee Bonus Accrual	$	(132,750)	$	145,274
Non-deductible entertainment expense	$	1,512	$	(1,871)
Write off of overseas tax credits	$	3,300	$	3,806
Deferred tax assets not recognised	$	0	$	768,217
Use of brought forward tax losses	$	(515,649)	$	0
Taxable Profit/(Loss)	**$**	**0**	**$**	**0**
Provision for tax @ 28%	$	0	$	0
Tax Expense	**$**	**0**	**$**	**0**
Less Tax Credits:				
Provisional tax paid	$	0	$	0
Foreign tax credits	$	0	$	0
	$	0	$	0
Tax Payable/(Refund Due)	**$**	**0**	**$**	**0**
Plus Prior Tax Payable	$	0	$	0
Taxation Payable/(Refund) Due as at 31 March	**$**	**0**	**$**	**0**
Comprising:				
Current tax	$	0	$	0
Deferred tax	$	0	$	0
Taxation Payable/(Refund) Due as at 31 March	**$**	**0**	**$**	**0**

The Company has $3,806,966 (2017: $4,322,616) of tax losses carried forward. The unrecognised deferred tax on the losses carried forward is $1,065,951 (2017: $1,210,332).

9. IMPUTATION CREDITS

	2018		2017	
Opening balance	$	53	$	53
Add:				
Income tax paid	$	0	$	0
Withholding tax paid	$	0	$	0
Less:				
Imputation credits attached to dividends paid	$	0	$	0
Closing balance	**$**	**53**	**$**	**53**

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, other than Derivative Contracts, comprise related party payables, trade and other payables. The Company's principal financial assets include related party receivables, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company enters into derivative transactions with its retail customers and into equal and opposite derivative transactions with a related party, Mahi Capital Ltd (BVI), for hedging purposes. The Company also has a number of institutional counterparties with whom it enters into FX trading, hedging and collateral arrangements.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include related party payables, accounts receivable, cash and cash equivalents and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2018 and 2017. The sensitivity of the relevant Statement of Comprehensive Income item is the effect of the assumed changes in respective market risks.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the cash and cash equivalents with floating interest rates and derivatives, and is insignificant.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue

or expenses are denominated in a different currency from the Company's presentation currency and to FX trading by its customers.

The Company manages its FX risk from Derivative Contracts with its retail customers by entering into equal and opposite Derivative Contracts with its related party, Mahi Capital Ltd (BVI). The Company also has a number of institutional counterparties with whom it enters into FX trading, hedging and collateral arrangements. As a consequence, fluctuations in FX rates resulting in a FX trading gains or losses will be offset by equal and opposite hedging losses and gains such that there is no net impact on the profit or loss.

Foreign currency sensitivity
The following tables demonstrate the sensitivity to a reasonably possible change in AUD, GBP and USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including foreign currency derivatives. The Company's exposure to foreign currency changes for all other currencies is not material.

2018	Currency	NZD Amount	Effect on Profit before Tax	
			+10%	-10%
Cash and cash equivalents	AUD	$ 1,398,097	$ 155,344	$ (127,100)
	GBP	$ 102,820	$ 11,424	$ (9,347)
	USD	$ 216,106	$ 24,012	$ (19,646)
Related party balance - MahiFX (UK) Ltd	GBP	$ 2,145,644	$ 238,405	$ (195,059)
Settlement funds in trust account	GBP	$ 75,041	$ 8,338	$ (6,822)
	USD	$ 288,063	$ 32,007	$ (26,188)

2017	Currency	NZD Amount	Effect on Profit before Tax	
			+10%	-10%
Cash and cash equivalents	AUD	$ 1,498,324	$ 166,480	$ (136,211)
	GBP	$ 80,840	$ 8,982	$ (7,349)
	USD	$ 409,127	$ 45,459	$ (37,193)
Related party balance - MahiFX (UK) Ltd	GBP	$ 36,388	$ 4,043	$ (3,308)
Settlement funds in trust account	GBP	$ 163,740	$ 18,193	$ (14,885)
	USD	$ 187,226	$ 20,803	$ (17,021)

The Company holds customer margin monies of $49,687 (2017: $206,573) (which forms part of the "Trade and Other Payables and Accruals" on the Statement of Financial Position) and recognises an equal and opposite receivable amount (which forms part of "Accounts Receivable" on the Statement of Financial Position). The FX gains and losses on these two items offset one another such that the Company is not exposed to any currency movements in respect of these balances and, therefore, they have been excluded from the above table.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (trade and related party receivables) and from deposits with banks and financial institutions. The Company adopts a prudent credit analysis in relation to its assets and the counterparties with whom it chooses to deal. Regular analysis of each counterparty's financial position, its credit rating and the overall assets exposed to each counterparty, help to manage and minimise potential risks.

Trade receivables
Customer credit risk is managed by requiring customers to post margin against unsettled Derivative Contracts (open positions). Some or all of a customer's positions are closed once posted margin falls below 50% of the required amount, which significantly reduces the Company's exposure to credit risk on trade receivables.

Related party receivables
The Company is exposed to credit risk on its related party receivables should the related party become insolvent. The Company monitors the creditworthiness of its related parties and level of indebtedness, and seeks further assurance from their shareholders of their willingness to support those companies, to ensure its exposures remain within its risk management policy.

Cash deposits
Credit risk from balances with banks and financial institutions is managed by senior management in accordance with the Company's policy. Cash deposits are made with Westpac New Zealand Ltd and National Australia Bank (**NAB**) whose Standard & Poor's ratings are respectively AA- and AA-.

Client funds are held with NAB.

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The following table shows the gross amounts of recognised financial assets and liabilities (i.e., before offsetting) and the amounts offset in the balance sheet:

As at 31 March 2018	Gross amounts of recognised financial assets (liabilities)	Amounts set off	Net amount presented in the Statement of Financial Position
Collateral asset	$ 1,738,695	$ (1,738,695)	$ 0
Collateral liability	$ 1,747,051	$ (1,738,695)	$ 8,356

As at 31 March 2018, liability of: $8,356 (2017: asset of $111,594).

(c) Liquidity risk

The Company adopts prudent liquidity risk management by maintaining surplus cash, above regulatory requirements, having robust trading limits with all counterparties and ensuring it has the legal right to

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close client positions through its margin policies and the terms and conditions agreed to by customers when an account is opened.

Although most cash held is on call, the Company has some banking arrangements that require it to maintain funds with banks, currently AUD $1.298m (2017: AUD $1.296m). These funds are placed on term deposit accounts that historically have had terms of three-months or less. The term deposit accounts secure the Company's credit card merchant facilities, straight-through processing requirements, and credit card debt.

Maturity Profile of Receivables - 2018	Maturity			
	Less than 3 months		More than 3 months	
Accounts receivable	$	6,903	$	0
Cash and cash equivalents	$	1,858,053	$	0
Customer margin accounts	$	49,687	$	0
Derivatives	$	88,443	$	0
Receivables - MahiFX settlement accounts	$	490,806	$	0
Related party receivables	$	2,886,853	$	0
Total	**$**	**5,380,745**	**$**	**0**

Maturity Profile of Receivables - 2017	Maturity			
	Less than 3 months		More than 3 months	
Accounts receivable	$	13,475	$	0
Cash and cash equivalents	$	2,803,651	$	0
Customer margin accounts	$	206,573	$	0
Derivatives	$	69,042	$	0
Receivables - MahiFX settlement accounts	$	676,392	$	0
Related party receivables	$	1,125,354	$	0
Total	**$**	**4,894,487**	**$**	**0**

Maturity Profile of Payables - 2018	Maturity			
	Less than 3 months		More than 3 months	
Accounts payable	$	72,211	$	0
Trades and other payables and accruals	$	54,504	$	0
Employee entitlements	$	29,085	$	0
Related party payables	$	0	$	0
Customer margin	$	49,687	$	0
Total	**$**	**205,487**	**$**	**0**

Maturity Profile of Payables - 2017	Maturity			
	Less than 3 months		More than 3 months	
Accounts payable	$	112,998	$	0
Trades and other payables and accruals	$	54,504	$	0
Employee entitlements	$	167,485	$	0
Related party payables	$	1,364,513	$	0
Customer margin	$	206,573	$	0
Total	**$**	**1,906,073**	**$**	**0**

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company has concentration risks associated with the software development services it provides to a related party (Trufine Finance Inc.) by virtue of Trufine Finance Inc. being its sole customer for these services. The Company also has concentration risk associated with the hedging and platform services it receives from a related party (Mahi Capital Ltd (BVI)) as Mahi Capital Ltd (BVI) is its sole provider of these services for the retail business.

Collateral

The Company has deposits with NAB of AUD $1,297,522 (2017: AUD $1,296,758) to support its credit card merchant facility, straight-through processing requirements, and credit cards. The Company has deposited NZD $236,159 (2017: NZD $849,129) with Mahi Capital Ltd (BVI) to support its hedging facility. The Company has also deposited NZD$2,974,609 (2017: NZD $3,047,250) with and holds collateral of NZD$2,887,060 (2017: NZD $2,935,657) from an additional liquidity provider in order to support its institutional hedging facilities.

11. CASH AND SHORT-TERM DEPOSITS

	2018		2017	
Cash at bank and on hand	$	482,616	$	1,391,337
Short term deposits with an original maturity of 90-days or less	$	1,375,803	$	1,419,231
Deposits with an original maturity of greater than 90-days	$	0	$	0
Credit cards	$	(366)	$	(6,916)
Total	**$**	**1,858,053**	**$**	**2,803,652**

12. CLIENT FUNDS

At balance date, the Company held the following amounts in its trust accounts with NAB:

Customer trust account with NAB:	2018	2017
Customer deposit accounts	$ 508,910	$ 672,980
Customer margin accounts	$ 49,687	$ 206,573
Receivables - MahiFX settlement accounts	$ 490,806	$ 676,392
Total	**$ 1,049,403**	**$ 1,555,945**

The “customer deposit accounts” are not included in the Company's Statement of Financial Position, as the Company is not entitled to the rewards and does not suffer the risks of ownership in connection with these amounts. “Customer margin accounts” are recognised as an asset and an equal amount as a liability on the Statement of Financial Position. “Receivables - MahiFX settlement accounts” are recognised on the Statement of Financial Position as a receivable.

Customers deposit funds to enable foreign exchange trading. All customer money is segregated into trust bank accounts as required by the FMA and ASIC. When a customer enters into a Derivative Contract with the Company, funds are appropriated from the “customer deposit accounts” to the “customer margin accounts” to cover the customers’ margin requirements. Adjustments are made between these accounts when trades are settled and closed-out. Customers may withdraw amounts held in “customer deposit accounts”, less provisions for unrealised losses on unsettled Derivative Contracts or open positions, at any time.

13. ISSUED CAPITAL AND SHAREHOLDER’S CAPITAL CONTRIBUTION

Share capital comprises of 10,000 ordinary shares issued and fully paid (2017: 10,000) and NZD$1,590,520 (2017: $190,777) of shareholder’s capital contribution.

14. COMMITMENTS AND CONTINGENCIES

Annual commitments consists of:	2018	2017
Occupancy		
1 year	$ 30,000	$ 30,000
1 - 5 years	$ 120,000	$ 120,000
> 5 years	$ 10,000	$ 37,500
Total Commitments	**$ 160,000**	**$ 187,500**

There were no contingent liabilities or assets as at 31 March 2018 (2017: $nil).

15. RELATED PARTY TRANSACTIONS

The Company is affiliated with the Mahi group of companies due to common beneficial shareholders. During the year ended 31 March 2018, the Company had dealings with Mahi Capital Ltd (BVI), Mahi Technologies Ltd, Mahi Technologies (NL) B.V., MahiFX (UK) Ltd, and Trufine Finance Inc.

The Company obtains foreign currency hedging and FX platform services from Mahi Capital Ltd (BVI). The Company maintains a deposit with Mahi Capital Ltd (BVI) as collateral and on account of hedging transactions undertaken with Mahi Capital Ltd (BVI). The Company receives brokerage fees from Mahi Capital Ltd (BVI).

MahiFX (UK) Ltd provides administrative services to the Company and receives fees for these services.

The Company provides software development services to Trufine Finance Inc. The Company is entitled to fees for these services.

The Company received consulting advice and administration services and made key management personnel compensation and fee payments during the year to related parties.

Advances and accounts receivable from and payable to related parties are repayable on demand. No interest is charged on these balances.

Mahi Capital Limited (BVI)	2018		2017	
Opening balance	$	1,075,826	$	690,652
Gain/(loss) on hedging FX trading activity	$	(451,328)	$	(268,949)
FX trading expenses	$	0	$	0
Brokerage fees	$	387,510	$	654,123
Advance provided/(received) by the Company	$	(381,830)	$	0
Closing balance	**$**	**630,178**	**$**	**1,075,826**

MahiFX (UK) Limited	2018		2017	
Opening balance	$	36,388	$	1,383,564
Advance provided/(received) by the Company	$	3,259,898	$	(42,738)
Group debt offset	$	757,078	$	0
FX revaluation	$	106,039	$	0
Administrative services provided to the Company	$	(2,013,759)	$	(1,304,438)
Closing balance	**$**	**2,145,644**	**$**	**36,388**

Mahi Markets Limited	2018	2017
Opening balance	$ (389,408)	$ (389,408)
Group debt offset	$ 389,408	$ 0
Closing Balance	**$ 0**	**$ (389,408)**

Mahi Technologies Limited	2018	2017
Opening balance	$ (975,105)	$ (885,798)
Advance provided/(received) by the Company	$ 317,360	$ (389,307)
Administrative services provided by the Company	$ 300,000	$ 300,000
Group debt offset	$ 357,745	$ 0
Closing Balance	**$ 0**	**$ (975,105)**

Mahi Technologies (NL) B.V.	2018	2017
Opening balance	$ 13,140	$ 0
Administration and analytic services provided by the Company	$ 21,863	$ 17,504
Advance provided/(received) by the Company	$ 77,486	$ (4,364)
FX Revaluation	$ (1,459)	$ 0
Closing Balance	**$ 111,030**	**$ 13,140**

Trufine Finance Inc.	2018	2017
Opening balance	$ 0	$ 0
Software development services provided by the Company	$ 2,023,492	$ 1,597,668
Advance provided/(received) by the Company	$ (2,023,492)	$ (1,597,668)
Closing Balance	**$ 0**	**$ 0**

16. FUTURE ACCOUNTING DEVELOPMENTS

A number of International Accounting Standards Board (**IASB**) pronouncements have been issued and have been adopted by the NZ Accounting Standards Board (**NZASB**) but are not effective for this financial year. The standards considered most relevant to the entity are as follows:

IFRS 9 Financial Instruments – effective Accounting periods beginning on or after 1 January 2018

IFRS 9 was endorsed by the NZASB in November 2016 and subsequent amendment endorsed in March 2018. The standard will lead to changes in the accounting for financial instruments. IFRS 9 will be implemented in the financial statements for the year ending 31 March 2019 and will replace IAS 39 Financial Instruments: Recognition and Measurement. It includes requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

MahiFX has assessed the impact of the standard and concluded it is not expected to have a significant impact.

IFRS 15 Revenue from Contracts with Customers - effective Accounting periods beginning on or after 1 January 2018

IFRS 15 was endorsed by the NZASB in September 2016 and subsequent clarifications endorsed in October 2017. The standard applies to all contracts with customers but does not apply to financial instruments, lease contracts, insurance contracts and certain non-monetary exchanges. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied.

MahiFX has assessed its revenue streams and determined that the implementation of IFRS 15 will have no significant impact on the recognition of income.

IFRS 16 Leases – effective Accounting periods beginning on or after 1 January 2019

IFRS 16 was endorsed by the NZASB in October 2017. Under the new standard, accounting for finance leases will remain substantially the same. Operating leases will be brought on-balance sheet through the recognition of assets representing the contractual rights of use and liabilities will be recognised for the contractual payments. This treatment may impact the timing of the recognition of expenditure on leased assets. Lessees will recognise interest expense on the lease liability and a depreciation charge on the right-of-use asset.

MahiFX is currently working on the implementation of the new requirements and assessing the impact of the standard. Existing lease commitments that are likely to be included on balance sheet following implementation of IFRS 16 are shown in note 14.

17. AUDITORS' REMUNERATION

Fees to auditors consists of:	2018		2017	
Audit of financial statements	$	31,500	$	45,000
AML/CFT, ASIC and FMA compliance assurance services	$	22,900	$	24,100
Total fees to auditors	**$**	**54,400**	**$**	**69,100**

18. EVENTS AFTER THE REPORTING PERIOD

There have been no other material events arising after balance date.

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Independent auditor's report to the Shareholder of MahiFX Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MahiFX Limited ("the Company") on pages 3 to 26, which comprise the statement of financial position of the Company as at 31 March 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 3 to 26 present fairly, in all material respects, the financial position of the Company as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholder. Our audit has been undertaken so that we might state to the Company's shareholder those matters 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.

Basis for opinion

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

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

We provide Australian Financial Services Licence assurance services and Financial Markets Conduct Regulations 2014 assurance services to the Company. We have no other relationship with, or interest in, MahiFX Limited.

Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

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

If, based upon the work we have performed on the other information 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.

Directors' responsibilities 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 New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, 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 on behalf of the Company, 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 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 International Standards on Auditing (New Zealand) 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 website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Christchurch
1 August 2018