emerchants

19 February 2016

ASX Market Announcements
Australian securities Exchange
20 Bridge Street
SYDNEY NSW 2000

APPENDIX 4D AND INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Please find attached the Appendix 4D and the 1HY16 Interim Financial Report for emerchants Limited (emerchants).

ABOUT EMERCHANTS

Emerchants is a payments solutions provider of prepaid financial card products and services in Australia and Europe. By using their proprietary payments software and processing platform, the Company provides its clients with innovative financial service payment solutions for Reloadable and Non-reloadable prepaid card programs, in Australia and in the United Kingdom and Europe through its wholly owned subsidiary, Store Financial Europe. Emerchants has offices in Brisbane, Australia and Birmingham, United Kingdom.

For more information please visit: www.emerchants.com.au

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For more information, please contact:

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CFO / European COO
Emerchants Limited
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Rule 4.2A.3

Appendix 4D

Half year report
Half-Year ended 31 December 2015

Introduced 1/1/2003

Name of entity

Emerchants Limited

ABN or equivalent company reference

93 104 757 904

1.

Half year ended (current period)	Half year ended ('previous corresponding period')
31 December 2015	31 December 2014

2. Results for announcement to the market

$A

		Movement	**31 December 2015**	**31 December 2014**
			$A	$A
2.1	Revenues & other income	107.9%	10,559,747	5,079,435
2.2	Profit/(Loss) from ordinary activities after tax attributable to members	247.5%	632,874	(428,983)
2.3	Profit/(Loss) for the period attributable to members	247.5%	632,874	(428,983)

Dividends (distributions)		Amount per security	Franked amount per security
2.4	Final dividend *(Preliminary final report only)*	N/A	N/A
2.4	Interim dividend *(Half yearly report only)*	N/A	N/A
2.5	Record date for determining entitlements to the dividend	N/A	

2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Refer to the review of operations report in the half year financial report.

3. NTA backing		As at 31 December 2015 $	As at 30 June 2015 $
	Net tangible assets per security [1]	0.07	0.06

[1] Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie: all liabilities, preference shares, outside equity interest etc).

4. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of gain of control	N/A
4.3	Consolidated profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.3	Loss from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of loss of control	N/A
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Dividends / Distributions

Date the dividend (distribution) is payable	N/A
Amount per security of foreign source dividend	N/A

6. Total Dividends /Distributions

Ordinary securities	N/A
Preference securities	N/A

Dividend or distribution investment plans in operation: N/A	
The last date(s) for receipt of election notices for the dividend or distribution reinvestment plans	N/A

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate/joint venture:	N/A	
Holding in entity	N/A	
Group's share of associates' and joint venture entities':	Current period $A'000	Previous corresponding period - $A'000
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Profit (loss) from ordinary activities after tax	N/A	N/A
Extraordinary items net of tax	N/A	N/A
Net profit (loss)	N/A	N/A
Adjustments	N/A	N/A
Share of net profit (loss) of associates and joint venture entities	N/A	N/A

8. Foreign Entities

Which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)	International Accounting Standards

9. All Entities

A description of Accounts subject to audit dispute or qualification: N/A

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EMERCHANTS LIMITED

ABN 93 104 757 904

Interim Financial Report

For the half year ended 31 December 2015

Corporate Information

Emerchants Limited and Controlled Entities

ABN	93 104 757 904
Directors	Peter Martin (Non-executive Chairman) Thomas Cregan (Managing Director and Chief Executive Officer) Tony Adcock (Non-executive Director) Robert Browning (Non-executive Director) David Liddy (Non-executive Director) John Toms (Non-executive Director)
Company Secretary	Louise Bolger
Registered Office and Principal Place of Business	Level 2, 26 Commercial Road Newstead QLD 4006 Telephone: (07) 3607 0100 Facsimile: (07) 3607 0111
Auditors	Deloitte Touche Tohmatsu Level 25, Riverside Centre, 123 Eagle Street Brisbane QLD 4000 Telephone: (07) 3308 7000 Facsimile: (07) 3308 7004
Bankers	Bank of Western Australia Ltd (Bankwest) 25 Cantonment Street Fremantle WA 6160 Heritage Bank Limited (Heritage) 305 Queen Street Brisbane QLD 4000
Share Register	Link Market Services Limited Level 15, 324 Queen Street Brisbane, QLD 4000 Telephone: (within Australia): 1300 554 474 Facsimile: (02) 9287 0303
Website	www.emerchants.com.au
Securities Exchange Listing	Emerchants Limited is listed on the Australian Securities Exchange (ASX: EML)

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Director's Report

The Directors of Emerchants Limited submit herewith the financial report of Emerchants Limited and its subsidiaries (the Group or Company) for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the half-year are:

- Peter Martin (Chairman)
- Robert Browning
- Tony Adcock
- Thomas Cregan
- David Liddy
- John Toms

The above named Directors held office during and since the end of the half-year.

Review and results of operation

The six months ended 31 December 2015 ('1HFY16') was a period of positive momentum for the Company where it combined growth in existing programs in Australia, implemented new reloadable programs in our target segments and signed a number of key new business agreements. The Group also invested heavily in technology and the product development of the EachWay® cash loads solution in Australia and the UK, and the reloadable solution for gaming operators in the United Kingdom and Europe.

In the second half of the financial year we expect to see a continuation of the same theme, with the launch of programs in Australia for William Hill and Cash Converters Corporate Group, the launch of EachWay® in Australia, expansion in non-reloadable programs in the UK and Europe and we remain optimistic of securing initial agreements with gaming operators in the UK and European market. We incurred incremental expenses in the first half associated with these activities and we will incur additional sales-related expenses in the second half associated with our selling activities in Europe.

Financial review

The group financial results were significantly improved in the first half, with revenue increasing by 108% to $10.56M (December 2014: $5.08M) and a 117% improvement in gross profit to $8.12M (December 2014: $3.75M).

The Company generated a positive EBITDA for the half year period of $3.05M, an improvement of 473% (December 2014: $0.54M) and also improved upon its net profit/(loss) from a loss of $0.43M in the prior comparative period to a Net Profit of $0.63M after tax at 31 December 2015. We achieved this EBITDA result despite incurring an increase in the above-mentioned technology and sales expenses, a decision by the Board to approve a short term incentive payment totalling $0.38M (the first such incentive payment paid based on the achievement of our inaugural EBITDA in FY15) and a deterioration in loads from our online payday lending clients which impacted our gross margin by approximately $0.2M. Establishment fees in the reloadable segment were also $1.1M lower than for the prior comparative period when significant establishment fees were earnt ahead of the program launches of Ladbrokes Visa, Sportsbet and Crownbet.

The Board of Directors consider a strong balance sheet critical for building market confidence in the Company. The Group ended the half-year with $4.09M in cash. As important was the increase in our breakage accrual which increased from $3.96M at the end of FY15 to $5.64M for the 1HFY16. This is reflective of growth in the number of gift cards being issued, particularly in our European operation, which we expect to increase year on year due to organic growth and new partnerships. The $5.64M will convert to cash over the course of the next 12 months and provides an assured source of future cash flow for the Group.

Australian operations

Gaming and wagering vertical

In the Gaming and Wagering vertical, the Company successfully launched both the bet365 and Crownbet programs in the period, having previously launched both the Ladbrokes Visa and Sportsbet programs in the prior year. Load volumes in this segment are subject to a number of factors, including cardholder adoption rates and customer win rates, and our loads in this segment increased from $13M in 1HFY15 to $90M in 1HFY16 and we would expect to see similar growth rates for the remainder of the financial year and into FY17.

The Company also announced the signing of its fifth gaming partner, William Hill in late December 2015 and the program launch is on track to occur during Q4FY16. William Hill is the second largest online gaming operator in Australia so we would expect to see this contribute to future growth in this segment.

The first half was also one in which we focused significant I.T and management resources on the development of our EachWay® cash loads solution for our gaming partners. Whilst we would have liked to have launched the program in the first half, we are well positioned to launch in Q4FY16 and have signed agreements with William Hill, bet365 and Ladbrokes to launch the solution and discussions are continuing with our other partners in this vertical.

Consumer lending vertical

In the Consumer Lending vertical, load volumes through our online lending partners were lower than forecast and 44% lower than in the 1HFY15, reflecting industry specific factors including increased regulatory oversight, negative media commentary and the exit by Westpac of being a provider of banking services to the industry and access to funding. It is noteworthy that load volumes from Cash Converters Investment Group ("CCIG") were maintained and were in line with management's expectations. We remain optimistic that load volumes through our online lending partners will recover and be in line with management's expectations but the impact in the 1HY16 is circa $0.2M and will be double that for the FY16 if load volumes do not recover. As at the end of January 2016 we have not seen a recovery in load volumes so it is realistic to expect a full year negative gross margin impact of circa $0.4M.

As previously announced in the 1HFY16 we signed a multi-year agreement with Cash Converters Corporate Group to implement a program through 70 owned and operated stores and through their online lending division. We are pleased to announce that the program was implemented across all stores on 1 February 2016 and that customer and employee reactions are very positive. We have commenced the sell-in to the remaining 55 franchise operated locations and we will advise shareholders in our annual report as to the take up across these franchise locations.

Credit Corp also launched its program in early December 2015, which was signed in 2HFY15.

Commercial prepaid vertical

The Commercial prepaid vertical consists of other reloadable programs that are outside of either the Gaming vertical or the Consumer lending vertical, and a large percentage of growth in this vertical is due to the growth of loads with Ingogo, a leader in the taxi payments market. We are continuing to explore other reloadable growth verticals in Australia but the reality is that the opportunities in gaming in Australia, through our current programs and the provision of new solutions like EachWay®, and the gaming opportunity in the UK and Europe far outweigh other domestic opportunities and is where our business development efforts are focused.

Emerchants Europe

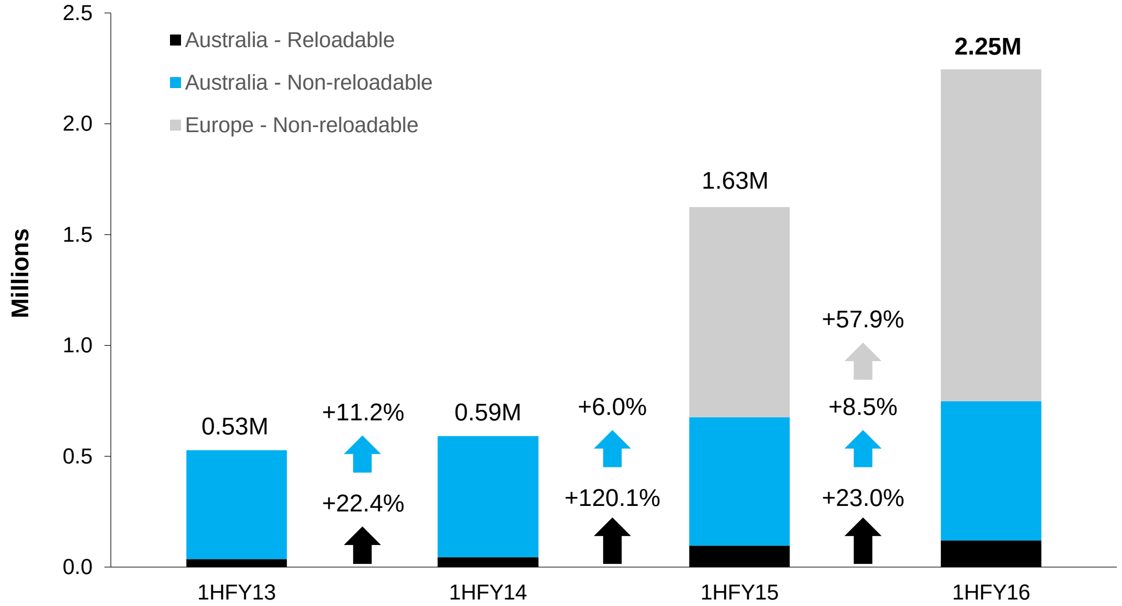
Our European business exhibited double digit same store sales growth in mall cards and we expanded our portfolio of programs through launches with Blackhawk in the United Kingdom, a Business to Business ("B2B") program in the UK with Redeem, and strong results for B2B cards in the Italian market. We will be expanding into B2B gift card programs in the United Kingdom in FY17 and within two years we expect this to contribute the same amount financially to the Group, if not more, than it currently does in Australia.

Operating key metrics

Key metrics for the Group are reflected in the graphs below.

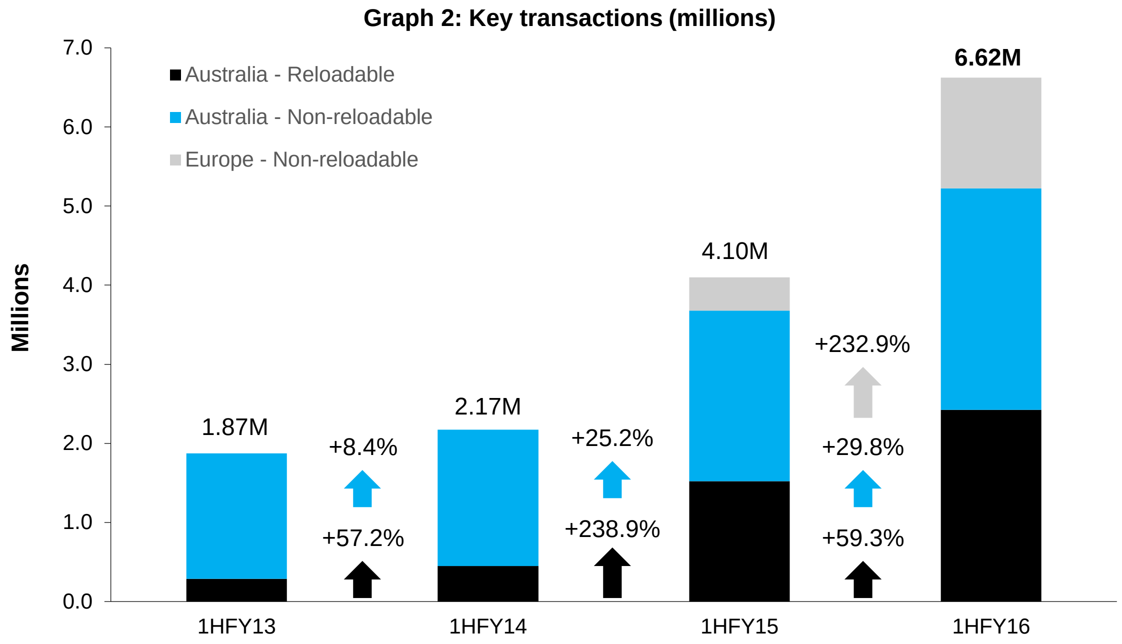
As Graph 1 below illustrates, for the period ended 31 December 2015, strong growth continues to be generated in the Australian product range with active accounts increasing by 38% against the prior comparative period to 2.25M active accounts.

Graph 1: Total number of active accounts (millions)

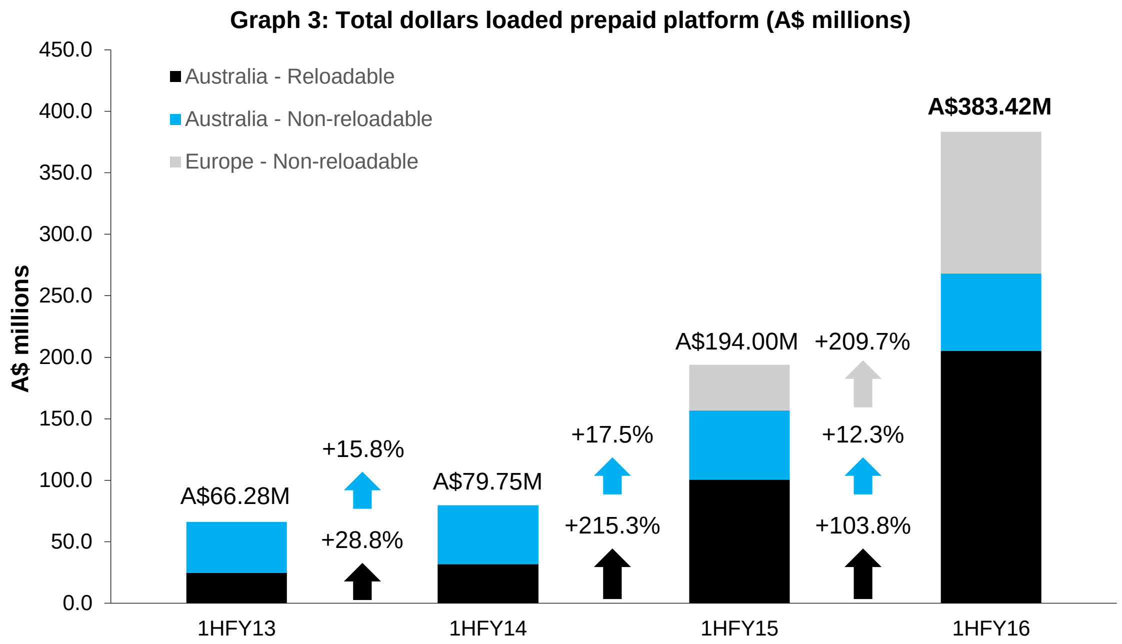


SFUK contributed 1.49M active cards to the portfolio at the end of December 2015. December is a key sales month for SFUK and shopping mall gift cards and the business out-performed management's expectations.

The Company processed 6.62M transactions in the half year ended 31 December 2015, with total transactions growing by 62%. Reloadable transactions grew by 59% against the comparative period to 2.42M. Australian non-reloadable transactions grew in comparison by 30% to 2.80M transactions as indicated in Graph 2 below. Europe contributing a full six months of results in 1HFY16 compared to one month in the prior comparative period and added 1.40M of non-reloadable transactions. December is a key month for SFUK business in terms of issuance and transactions as consumers redeem their gift cards for purchases in store.

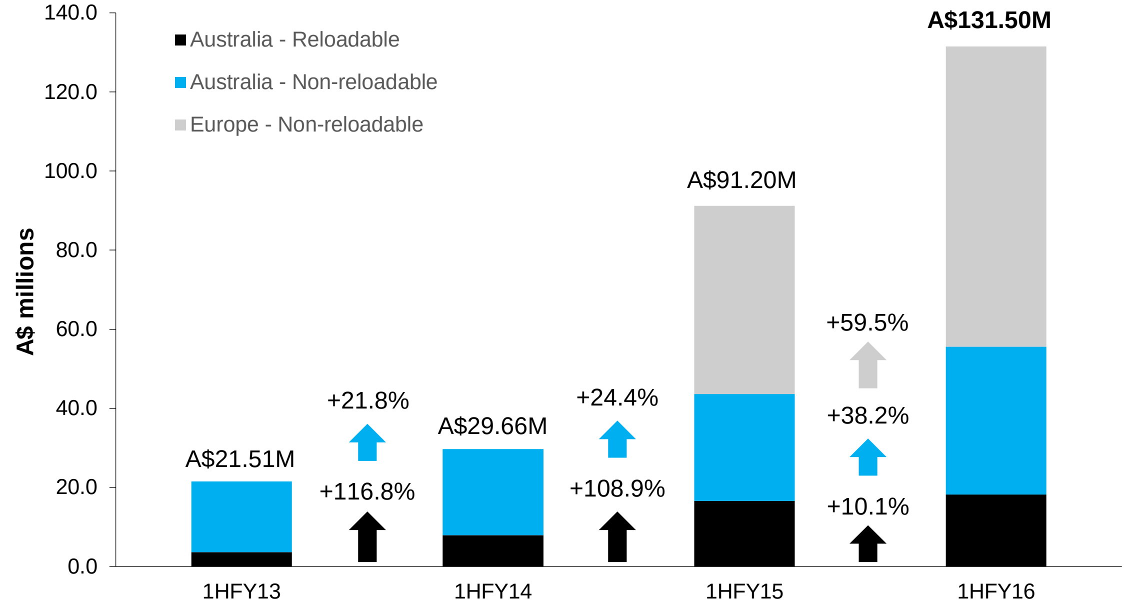


The period ended 31 December 2015 saw the Group finish strongly with $383.42M in total funds loaded, a growth of 98% against the prior comparative period as shown in Graph 3 below. Reloadable funds loaded contributed approximately $204.98M in loaded funds, up 104% against the prior period. Australian non-reloadable products added $63.14M and SFUK added $115.29M in loaded funds respectively for the half year period, a total growth of 222% against the prior comparative period. At 31 December 2015, reloadable funds loaded represented 53% of the overall funds loaded, Europe represented 30% and Australian non-reloadable represented 17%. This further demonstrates the Group's transformation which has occurred over the past two years in Australia and supports the vision of launching reloadable programs in the United Kingdom and Europe.



The Group ended 1HY2015 with total stored value of $131.50M, an increase of 44% on the prior comparative period. As shown in Graph 4 below, reloadable stored value represented $18.20M in stored value, growing 10% against 31 December 2014. The non-reloadable sector, including Europe, contributed $113.29M in stored value given the December key trade period for gift cards. This is in line with expectations given the velocities of funds loaded and used in reloadable products are faster, whereas with non-reloadable cards there is a lag between the cards being purchased and the cards being used.

Graph 4: Stored value (A$ millions)



Stored value balances are the driver of interest revenues, which form a component of overall revenue of the Company. In Australia, the Company invested stored value funds at interest rates which averaged approximately 30bps over and above the RBA cash rate. The Group will continue to focus on maximising interest yield where possible. Given comparatively lower interest rates in Europe, SFUK generates minimal interest revenue despite holding stored value of $75.9M at 31 December 2015. The Group will continue to look at maximising interest yields where possible.

A summary of our financial performance for the half-year is tabled below:

($ Millions)	1H FY 2016	Growth on prior comparative 6 months	1H FY 2015	Growth on prior comparative 6 months
Revenue	10.56	108%	5.08	111%
Gross profit	**8.12**	**117%**	**3.75**	**86%**
Gross profit %	77%	4%	74%	(12%)
Other income				
Research and Development tax offset	1.00	43%	0.70	60%
Overheads – employment related	(3.78)	44%	(2.62)	11%
Overheads – other	(2.29)	78%	(1.29)	(12%)
EBITDA*	**3.05**	**473%**	**0.54**	**140%**
Less: Research and Development tax offset	(1.00)	43%	(0.70)	60%
Depreciation and amortisation expense	(2.04)	(452%)	(0.58)	61%
Share-based payments	(0.69)	(268%)	(0.41)	(6%)
Other non-cash charges	(0.00)	(100%)	(0.03)	(6%)
Loss for the year before tax	**(0.68)**	**(40%)**	**(1.13)**	**57%**
Income tax (including Research and Development offset)	1.31	87%	0.70	60%
Net Profit/(Loss) for the year	**0.63**	**248%**	**(0.43)**	**77%**

* EBITDA is reconciled above and disclosed within the Directors' Report and is equivalent to the Net loss for the period excluding Share-based payments, Depreciation and amortisation expense, included within the Statement of Comprehensive income and has been subject to review by our auditors.

Auditor Independence

The auditor's independence declaration is included on page 9 of the half-year report.

Thomas Cregan
Managing Director

18 February 2016

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Emerchants Limited
26 Commercial Road
NEWSTEAD QLD 4006

18 February 2016

Dear Board Members

Emerchants Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Emerchants Limited.

As lead audit partner for the review of the financial statements of Emerchants Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

	Notes	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Revenue	2	10,559,747	5,079,435
Cost of sales		(2,438,594)	(1,333,351)
Gross Profit		**8,121,153**	**3,746,084**
Other income		-	-
Expenses			
Employee benefits expense		3,771,615	2,621,148
Acquisition related expenses		-	292,172
Share-based payments		698,886	409,781
Depreciation and amortisation expense		2,065,851	580,887
Other expenses	2	2,260,205	969,112
Total expenses		**8,796,557**	**4,873,100**
Loss before income tax		(675,404)	(1,127,016)
Income tax benefit	4	1,308,278	698,033
Net profit / (loss) for the period		**632,874**	**(428,983)**
Other comprehensive income, net of income tax			-
Items that will not be reclassified subsequently to profit or loss:			
Unrealised foreign currency gain/(loss) on translation of foreign operations		(118,149)	405,285
Other comprehensive income for the year, net of income tax		**(118,149)**	**405,285**
Total comprehensive loss for the period		**514,725**	**(23,698)**
Profit/(Loss) per share (cents per share)			
Basic (cents per share)		0.67	(0.32)
Diluted (cents per share)		0.66	(0.32)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

For the half year ended 31 December 2015

	Notes	Consolidated 31 December 2015 $	Consolidated 30 June 2015 $
Current Assets			
Cash and cash equivalents		4,093,639	4,263,672
Trade and other receivables		3,660,054	1,549,657
Accrued Breakage		5,648,371	3,959,484
Receivables from financial institutions		31,395,279	6,895,488
Other assets		1,470,084	289,325
Total Current Assets		**46,267,427**	**16,957,626**
Non-Current Assets			
Other receivables		462,728	479,633
Plant and equipment	5	642,956	785,176
Intangibles	7	37,686,298	38,990,125
Deferred tax asset	4	8,656,494	7,552,143
Total Non-Current Assets		**47,448,476**	**47,807,078**
Total Assets		**93,715,903**	**64,764,704**
Current Liabilities			
Trade and other payables		4,526,159	2,408,625
Employee benefits		517,931	361,999
Provisions		157,234	142,416
Liabilities to stored value account holders		31,395,279	6,895,488
Total Current Liabilities		**36,596,603**	**9,808,528**
Non-Current Liabilities			
Lease incentive		138,285	164,214
Deferred income		100,730	88,569
Employee benefits		83,191	56,705
Deferred Tax Liability	4	1,812,676	2,063,068
Total Non-Current Liabilities		**2,134,882**	**2,372,556**
Total Liabilities		**38,731,485**	**12,181,084**
Net Assets		**54,984,418**	**52,583,620**
Equity			
Issued capital	8	70,283,532	70,227,532
Reserves	9	13,434,939	11,723,015
Accumulated losses		(28,734,053)	(29,366,927)
Total Equity		**54,984,418**	**52,583,620**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

	Notes	Consolidated	
		31 December 2015 $	31 December 2014 $
Cash Flows From Operating Activities			
Receipts from customers		6,621,230	2,486,537
Payments to suppliers and employees		(6,729,992)	(4,653,799)
R & D tax offset refunded		-	698,033
Interest received		425,606	363,443
Acquisition related expenses		-	(292,172)
Net cash used in operating activities		**316,844**	**(1,397,958)**
Cash Flows From Investing Activities			
Payments for plant and equipment	5	(5,010)	(7,271)
Payments for intangibles	7	(527,808)	(263,300)
Interest Paid		(10,059)	
Payment for subsidiary, net of cash acquired		-	(10,834,201)
Net cash used in investing activities		**(542,877)**	**(11,104,772)**
Cash Flows From Financing Activities			
Repayment of borrowings		-	-
Proceeds from issue of shares		56,000	14,000,000
Payment for share issue costs	8	-	(705,151)
Net cash provided from financing activities		**56,000**	**13,294,849**
Net increase / (decrease) in cash held		(170,033)	792,119
Cash at beginning of period		4,263,672	4,495,896
Cash at end of period		**4,093,639**	**5,288,015**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Notes	Issued Capital	Accumulated Losses	Other Reserve	Foreign Currency Translation Reserve	Total
		$	$	$	$	$
Balance at 1 July 2015		**70,227,532**	**(29,366,927)**	**9,552,272**	**2,170,743**	**52,583,620**
Total comprehensive income						
- Profit/(Loss) for the period		-	632,874	-	-	632,874
- Other comprehensive income						
- Unrealised foreign currency gain/(loss), net of tax		-	-	-	(118,149)	(118,149)
Transactions recorded directly in equity						
- Share-based payments		-	-	698,886	-	698,886
- Deferred tax associated with share-based payments		-	-	1,131,187	-	1,131,187
- Issue of share capital	8	56,000	-	-	-	56,000
- Issue costs		-	-	-	-	-
Balance at 31 December 2015		**70,283,532**	**(28,734,053)**	**11,382,345**	**2,052,594**	**54,984,418**
Balance at 1 July 2014		**44,482,683**	**(32,224,305)**	**4,448,060**	**-**	**16,706,438**
Total comprehensive income						
- Loss for the period		-	(428,984)	-	-	(428,984)
- Other comprehensive income						
- Unrealised foreign currency gain/(loss), net of tax		-	-	-	405,285	405,285
Transactions recorded directly in equity						
- Share-based payments		-	-	409,781	-	409,781
- Issue of share capital		26,450,000	-	-	-	26,450,000
- Issue costs	8	(705,151)	-	-	-	(705,151)
Balance at 31 December 2014		**70,227,532**	**(32,653,289)**	**4,857,841**	**405,285**	**42,837,369**

The accompanying notes form part of these financial statements

Notes to Condensed Consolidated Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(a) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are the provision of payment services.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI.

If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating retained.

(c) Adoption of new and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies. The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no adjustments will be necessary as a result of applying these revised accounting standards.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting
Amendments to IAS 1	Disclosure Initiative: Presentation of Financial Statements
Amendments to IFRS 10, IFRS 12 and 28	Investment Entities: Applying the Consolidation Exception

(d) Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates 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 profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(e) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. There have been no events or circumstances during the period that indicate that the assets are impaired.

Share-based payment transactions

Equity-settled transactions

The Group measures the cost of equity-settled transactions with employees and Directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in reserves under equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit within profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised separately in share-based payments expense.

Any expense recognised for awards that do not ultimately vest are reversed through profit and loss upon vesting period conclusion, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Acquisition Accounting

The determination of fair values on acquisition requires estimates and judgements, A valuer was engaged to determine the fair value of separately identifiable intangible assets. Amortisation periods for these assets are:

(i) Customer contracts 5 years

(ii) Customer relationships 1 year

Breakage income

Breakage income is recognised following the funds being loaded onto Non-reloadable cardholder accounts based on agreed terms and the residual percentage of the initial load amount that is expected to be left on a card upon expiry.

The residual percentage is calculated using the historical data of residual funds remaining on Non-reloadable accounts after their expiration over the funds initially loaded on these Non-reloadable accounts each month. The calculated residual percentage is reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

Recovery of deferred tax assets

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

NOTE 2 REVENUE AND EXPENSES

The following revenue and expense items are relevant in explaining the financial performance for the period

	Consolidated	
(a) Revenue includes	**31 December 2015 $**	**31 December 2014 $**
Breakage income	4,900,681	1,319,325
Establishment fees	1,549,990	1,493,671
Transaction fees	3,594,050	1,738,065
Interest received – host based stored value	398,653	379,866
Interest received – other entities	26,953	71,117
Service fees	89,420	77,391
	10,559,747	**5,079,435**
(b) Other expenses include		
Advertising	121,805	80,925
Consultancy and advisory services	724,092	122,434
Travel & entertainment	446,422	285,728
Rent & Buildings	252,628	222,647
Recruitment	57,200	70,576
Software subscriptions and support	248,076	154,893
Other	409,982	31,909
	2,260,205	**969,112**

NOTE 3 SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Emerchants Limited.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group, for the six months ended 31 December 2015, operated in two geographical segments, being Australia and Europe. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for the type of accounts and the geography of the customer. The Group's reportable segments under AASB 8 are therefore as follows:

- Australia reloadable
- Australia non-reloadable
- Europe non-reloadable

The reportable segment Reloadable refers to accounts that can be loaded with funds as many times as desired within applicable limits. The reportable segment Non-Reloadable refers to accounts that can only be loaded once with funds within applicable limits.

Segment gross profit represents the gross profit earned by each segment without allocation of central administration costs and Directors' salaries, investment revenue and finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The following is an analysis of the Group's revenue and results by reportable operating segment for the half-years under review:

	Australia reloadable	Australia non-reloadable	Australia adjustments and eliminations	Australia segments	Europe non-reloadable	Total segments
Six months ended 31 December 2015	$	$	$	$	$	$
Revenue	1,690,567	1,866,516	49,270	3,606,353	6,953,394	**10,559,747**
Gross profit	1,213,979	1,628,426	(12,920)	2,829,485	5,291,668	**8,121,153**
EBITDA	n/a	n/a	n/a	(695,319)	3,750,790	**3,055,471**
Net (loss) / profit	n/a	n/a	n/a	(1,384,099)	2,016,973	**632,874**
Six months ended 31 December 2014						
Revenue	2,075,312	1,693,607	71,117	3,840,036	1,239,399	**5,079,435**
Gross profit	1,235,039	1,526,590	65,696	2,827,325	918,759	**3,746,084**
EBITDA	n/a	n/a	n/a	(163,465)	698,007	**534,542**
Net (loss) / profit	n/a	n/a	(1,125,913)	(1,144,979)	696,930	**(428,983)**

Central administration costs, Directors' salaries, investment revenue, finance costs and income tax expense relating to the Australian operations are not allocated to the underlying reloadable or non-reloadable Australian segments as these are managed on an overall geographical basis. These are included in the Australia adjustments and eliminations disclosures above.

Assets and liabilities are not reported to the chief operating decision maker at a segment level but are managed on an overall group basis.

NOTE 4 TAXATION

(a) Recognised in the statement of Profit or Loss and Other Comprehensive income

	Consolidated	
	31 December 2015 $	30 June 2015 $
Current income tax expense	290,008	680,119
Adjustments for current tax of prior periods	(316,842)	-
Deferred tax expense relating to the origination and reversal of temporary differences	338,532	7,289,820
Refundable R & D tax offset	996,580	698,033
Total income tax benefit	**1,308,278**	**8,667,973**

(b) Reconciliation between income tax expense and pre-tax profit/ (loss)

Profit / (Loss) before income tax	(675,404)	(5,810,595)
Income tax expense / (benefit) using the domestic corporation tax rate of 30% (2015: 30%)	(202,621)	(1,743,178)
Tax effect of:		
Prior year over/under adjustments	316,842	
Non-deductible expenses	438,091	1,991,681
Temporary differences not recognised as deferred tax assets	(696,166)	(1,265,566)
Refundable R & D tax offset	(996,580)	(698,033)
Effect of change in tax rates[1]	(167,844)	(80,555)
Recognition of unused tax losses[2]	-	(6,872,022)
Income tax benefit	**(1,308,278)**	**(8,667,973)**

[1] United Kingdom corporate tax rate is 20%

[2.] The Group recognised the deferred tax asset in full arising from unused carried forward losses of the Australian operating group. The Group has assessed that sufficient future taxable profit will be available against which the unused tax losses will be able to applied.

(c) Deferred Tax Asset[1]

	Assets	Liabilities	Net
Plant and Equipment	-	(274,401)	(274,401)
Intangibles	-	(374,537)	(374,537)
Employee Benefits	114,123	-	114,123
Breakage Provision	468,624	-	468,624
Other Assets	137,726	-	137,726
Other Provisions	-	(2,666)	(2,666)
Accruals	41,249	-	41,249
Lease Amortisation Asset	41,486	-	41,486
Share and Option Reserves	968,933		968,933
Share Capital Costs	300,659	-	300,659
Deferred Tax Asset Recognised	7,235,298	-	7,235,298
Deferred Tax Asset	**9,308,098**	**(651,604)**	**8,656,494**

[1.] Australian corporate tax rate is 30%

(d) Deferred Tax Liability[1]

	Assets	Liabilities	Net
Customer Contracts	-	1,408,065	1,408,065
Customer Receipts	-	-	-
Foreign Currency Translation Reserve	-	404,611	404,611
Deferred Tax Liability	**-**	**1,812,676**	**1,812,676**

[1.] United Kingdom corporate tax rate is 20%

The deferred tax assets and liabilities are not offset due to arising in different tax jurisdictions.

NOTE 5 PLANT AND EQUIPMENT

The useful life of the assets was estimated as follows:

Computer Equipment	4 years
Office Equipment	10 years
Leasehold Improvements	6 – 7 years
Low Value Pool	2 – 3 years

	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Total $
Balance at 31 December 2015				
At 1 July 2015 net of accumulated depreciation and impairment	536,789	60,632	187,755	785,176
Additions	5,010	-	-	5,010
Disposals	-	(54,956)	63,152	8,196
Depreciation charge for the period	(115,389)	(402)	(39,635)	(155,426)

	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Total $
At 31 December 2015, net of accumulated depreciation and impairment	**426,410**	**5,274**	**211,272**	**642,956**
At 31 December 2015				
Cost	1,184,845	8,119	546,882	1,739,846
Accumulated depreciation and impairment	(758,435)	(2,845)	(335,610)	(1,096,890)
Net carrying amount	**426,410**	**5,274**	**211,272**	**642,956**
At 30 June 2015				
Cost	1,301,065	63,075	551,431	1,915,626
Accumulated depreciation and impairment	(764,276)	(2,443)	(363,676)	(1,130,412)
Net carrying amount	**536,789**	**60,632**	**187,755**	**785,176**

NOTE 6 GOODWILL

	Notes	Consolidated	
		31 December 2015 $	31 December 2014 $
Balance at beginning of the period		30,521,017	10,777,373
Additional amounts recognised from business combinations occurring during the period		-	17,817,791
Effect of foreign currency exchange differences		43,128	480,009
Balance at end of the period		**30,564,145**	**29,075,173**
Accumulated impairment losses			
Balance at beginning of the period		-	-
Impairment losses		-	-
Balance at end of the period		**-**	**-**
Net book value			
At the beginning of the period		29,075,173	10,773,373
At the end of the period		**30,564,145**	**29,075,173**

NOTE 7 INTANGIBLES

	Software licenses $	Customer Relationships $	Customer contract $	Goodwill $	Total $
Balance at 1 July 2015					
At 1 July 2015, net of accumulated amortisation and impairment	822,198	949,334	6,697,576	30,521,017	38,990,125
Additions	527,808	-	-	-	527,808
Disposals	(8,031)	-	-	-	(8,031)
Amortisation charge for the period	(135,914)	(993,342)	(781,497)	-	(1,910,753)
Effect of unrealised foreign currency exchange differences	-	44,707	(686)	43,128	87,149
At 31 December 2015, net of accumulated amortisation and impairment	**1,206,061**	**699**	**5,915,393**	**30,564,145**	**37,686,298**
At 31 December 2015					
Cost or fair value	3,060,555	2,056,161	6,841,601	28,595,164	40,553,481
Accumulated amortisation and impairment	(1,854,494)	(2,266,268)	(1,623,023)	-	(5,743,785)
Accumulated effect of unrealised foreign currency exchange differences	-	210,806	696,815	1,968,981	2,876,602
Net carrying amount	**1,206,061**	**699**	**5,915,393**	**30,564,145**	**37,686,298**

			Consolidated		
	Software licenses $	Customer Relationships $	Customer contract $	Goodwill $	Total $
Balance at 1 July 2014					
At 1 July 2014, net of accumulated amortisation and impairment	400,510	-	45,000	10,777,373	11,222,883
Additions	684,282	2,056,161	6,796,601	17,817,791	27,354,835
Disposals	(14,850)	-	-	-	(14,850)
Amortisation charge for the year	(247,744)	(1,259,439)	(832,611)	-	(2,339,794)
Effect of unrealised foreign currency exchange differences	-	152,612	688,586	1,925,853	2,767,051
At 30 June 2015, net of accumulated amortisation and impairment	**822,198**	**949,334**	**6,697,576**	**30,521,017**	**38,990,125**
At 30 June 2015					
Cost or fair value	2,995,853	2,056,161	6,841,601	28,595,164	40,488,779
Accumulated amortisation and impairment	(2,173,655)	(1,259,439)	(832,611)	-	(4,265,705)
Accumulated effect of unrealised foreign currency exchange differences	-	152,612	688,586	1,925,853	2,767,051
Net carrying amount	**822,198**	**949,334**	**6,697,576**	**30,521,017**	**38,990,125**

No impairment loss was recognised for the period ended 31 December 2015.

Goodwill and intangible assets are assessed for impairment at least annually or more frequently if events and circumstances dictate.

Carrying amount of goodwill, allocated to the cash generating units

	Carrying amount of goodwill allocated to CGU	
	31 December 2015 $	30 June 2015 $
Australia		
Reloadable	7,147,536	7,147,536
Non-reloadable	3,629,837	3,629,837
	10,777,373	**10,777,373**
Europe		
Non-reloadable	19,786,772	19,743,644
Consolidated Group	**30,564,145**	**30,521,017**

NOTE 8 ISSUED CAPITAL

	31 December 2015 $	30 June 2015 $
191,352,585 fully paid ordinary shares (30 June 2015: 184,537,219)	**70,283,532**	**70,227,532**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

	31 December 2015		30 June 2015	
Movement in issued shares	**No.**	**$**	**No.**	**$**
Balance at start of the period	184,537,219	70,227,532	124,668,047	44,482,683
Issued for cash	-	-	28,000,000	14,000,000
Share-based payments to Directors & executives[1]	363,636		6,543,230	-
Issued as consideration	-	-	24,900,000	12,450,000
Options exercised[2]	6,451,730	56,000	425,942	-
Costs associated with the issue of shares	-	-	-	(705,151)
Balance at end of the period	**191,352,585**	**70,283,532**	**184,537,219**	**70,227,532**

[1.] Share based payments:

- 113,636 fully paid ordinary shares were issued to Ms Rachelle St Ledger upon appointment as Chief Strategy Officer. The fair value of the award was $100,000 which will be amortised over the 2016 - 2018 financial years.
- 250,000 fully paid ordinary shares were issued to Mr Bob Browning as a bonus for the successful acquisition of Store Financial Services UK Limited following shareholder approval at the Annual General Meeting in November 2015. The fair value of the award was $235,000 which will be amortised over the 2016 financial years.

[2.] Options exercised. The following options on issue were exercised during the period and issued for shares:

- 8,500,000 options expiring 30 September 2015, exercise price $0.15;
- 100,000 options expiring 25 November 2105, exercise price $0.56.

Options over ordinary shares	**31 December 2015 No.**	**30 June 2015 No.**
Options on issue at beginning of period	17,812,121	25,362,121
Options issued during the period[1]	4,750,000	1,800,000
Options exercised during the period	(8,600,000)	(3,000,000)
Options cancelled during the period	(2,150,000)	(350,000)
Options expired during the period	-	(6,000,000)
Options on issue at end of period	**11,812,121**	**17,812,121**

[1.] Options issued during the year

- 1,000,000 Performance Based Options

On 12 November 2015, Mr Alastair Wilkie was awarded 1,000,000 performance based options per his Executive Services Agreement with Emerchants Payment Solutions Pty Limited. The options were granted with an exercise price of $0.87 per option. The share options carry no rights to dividends or voting rights. The options will expire on 30 September 2018. The fair value of the option grant using the Black Scholes Model was $581,465. A total expense was recognised of $17,450 in the statement of profit and loss in the period in relation to the award of 1,000,000 performance based options.

- 3,750,000 Performance Based Options

On 31 December 2015, 3,750,000 options were awarded to selected EML Group employees with an exercise price of $0.87. The share options carry no rights to dividends or voting rights. The options will expire on 30 September 2018. The fair value of the option grant using the Black Scholes Model was $2,667,956. No expense was recognised in the statement of profit and loss for the period.

Date of Expiry	**Exercise Price**	**31 December 2015 No.**	**30 June 2015 No.**
30 September 2015	$0.15	-	8,500,000
30 September 2015	$0.15	-	1,750,000
25 November 2015	$0.56	-	100,000
31 March 2016	$0.10	2,500,000	2,500,000
30 September 2016	$0.40	1,650,000	2,050,000
30 September 2016	-	1,212,121	1,212,121
25 November 2016	$0.56	100,000	100,000
25 November 2017	$0.56	100,000	100,000
30 June 2016	-	500,000	500,000
30 June 2017	-	500,000	500,000
30 June 2018	-	500,000	500,000
30 September 2018	$0.87	1,000,000	-
30 September 2018	$0.87	3,750,000	-
		11,812,121	**17,812,121**

Employee share trust

The Group established an equity-based compensation plan for employees which was approved by shareholders at an Extraordinary General Meeting held on 29 June 2011. ESOP 2 is open to any person who is a full-time or permanent part-time employee or Director of the Company or a related body corporate of the Company. Options may not be granted to a Director or his or her associates under ESOP 2 unless approval of the grant is given by shareholders in general meeting in accordance with the requirements of the ASX Listing Rules.

The Board has broad discretions under ESOP 2, including (without limitation) as to:

(a) the timing of making an offer to participate in ESOP 2;

(b) identifying persons eligible to participate in ESOP 2; and

(c) the terms of issue of options (including vesting conditions, if any).

The share options are not listed, carry no rights to dividends and no voting rights.

Since the current reporting period, the employee share option plan is also administered by the Emerchants Employee Share Trust.

Shares issued by the Trust to the employees upon vesting of options are generally acquired on market prior to the issue but may be acquired via other mechanisms where necessary. Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as Treasury Shares in the financial statements. The number of shares issued to the employee is the number of options vesting by the closing market price at which the Company's shares are traded on the Australian Stock Exchange on that day.

NOTE 9 RESERVES

Reserves	31 December 2015 $	30 June 2015 $
Option reserve	11,382,345	9,552,272
Foreign currency translation reserve	2,052,594	2,170,743
Balance at end of the period	**13,434,939**	**11,723,015**

Option Reserve	31 December 2015 $	30 June 2015 $
Balance at beginning of the period	9,552,272	4,448,060
Bonus Shares	169,423	3,725,475
Share-based payments	529,463	1,378,754
Deferred tax associated with share based payments	1,131,187	-
Balance at end of the period	**11,382,345**	**9,552,272**

The option reserve arises on the grant and/or issue of share options. Amounts are transferred out of the reserve to accumulated losses when the options lapse or expire. When options are exercised, amounts carried in the reserve related to those particular options are dealt with based on their origination.

Foreign Currency Translation Reserve	31 December 2015 $	30 June 2015 $
Balance at beginning of the period	2,170,743	-
Unrealised foreign currency gain/(loss) on translation of foreign operations, net of tax	(118,149)	2,170,743
Balance at end of the period	**2,052,594**	**2,170,743**

NOTE 10 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.
During the half-year, the following issued capital transactions occurred with key management personnel:

- 113,636 fully paid ordinary shares were issued to Ms Rachelle St Ledger upon appointment as Chief Strategy Officer;
- 250,000 fully paid ordinary shares were issued to Mr Bob Browning as a bonus for the successful acquisition of Store Financial Services UK Limited;
- 1,000,000 performance based options were issued to Mr Alastair Wilkie expiring on 30 September 2018;
- 400,000 performance based options were issued to Mr Stuart Green, expiring on 30 September 2018;
- 300,000 performance based options were issued to Mr Andrew Betts, expiring on 30 September 2018;
- 200,000 performance based options were issued to Mr Steven Nagy, expiring on 30 September 2018;
- 250,000 performance based options were issued to Ms Louise Bolger, expiring on 30 September 2018;

NOTE 11 RELATED PARTY DISCLOSURES

	Expenditure Related Parties		Amounts Owed to Related Parties	
Non-executive Directors	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
John Toms	30,000	33,912	-	-
Robert Browning	27,500	52,111	-	-
Tony Adcock	29,000	31,852	-	-
David Liddy	29,000	31,755	-	-
Peter Martin	45,000	30,112	-	-
	160,500	**179,742**		

NOTE 12 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		31 December 2015 %	**30 June 2015 %**
Parent Entity			
Emerchants Limited	Australia		
Controlled Entities			
Australasia Gold (SA) Pty Ltd[1]	Australia	100	100
Emerchants Payment Solutions Limited	Australia	100	100
Store Financial Services UK Limited	United Kingdom	100	100
Emerchants Employee Share Trust	Australia	100	-

[1.] There was no activity for this entity for the period ended 31 December 2015.

NOTE 13 CONTINGENT LIABILITIES

Estimates of the potential financial effect of contingent liabilities that may become payable:

Host-Based Store Value (HBSV) account with Cuscal Limited (Cuscal)

Cuscal provides a HBSV account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to the provision of prepaid payment products. Cuscal has sole authority to transact on the licensee HBSV account.

Due to the fact that the licensee does not have ownership or the right to direct operation of the HBSV account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 31 December 2015 is $42,324,846 (2015: $31,927,154).

Under the agreement:

(i) In consideration of Cuscal performing any Authorised Act, the licensee will indemnify Cuscal and the Directors, employees, officers, agent and independent contractors of Cuscal on demand from time to time, and

(ii) The licensee is liable to Cuscal in respect of any debit balance of the HBSV account and in respect of any other moneys owing or contingently owing by the licensee to Cuscal under or in connection with the HBSV account.

Under the agreement:

(i) Emerchants Payment Solutions Limited shall indemnify defend and hold Bankwest harmless against any losses incurred by Bankwest arising from any and all claims and actions brought by and third party (including legal costs on a full indemnity basis), and

(ii) The licensee is liable to Bankwest in respect of any debit balance of the HBSV account and in respect of any other moneys owing or contingently owing by the licensee to Bankwest under or in connection with the HBSV account.

Prepaid Card Deposit (PCD) account with Heritage Bank Limited (Heritage)

Heritage provides a PCD account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to the provision of prepaid payment products. Heritage has sole authority to transact on the licensee PCD account. Due to the fact that the licensee does not have ownership or the right to direct operation of the PCD account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 31 December 2015 is $14,691,657 (2015: $11,551,827).

Under the agreement:

(i) Emerchants Payment Solutions Limited will indemnify Heritage and its representatives, against all losses, damages, liabilities, claims and expenses (including legal costs) incurred by Emerchants Payment Solutions Limited and Representatives, arising out of or in connection with any negligence, default, fraud or dishonesty of Emerchants Payment Solutions Limited or its officers, employees or agents in performing the duties and obligations imposed on Heritage under the agreement.

(ii) The licensee is liable to Heritage in respect of any debit balance of the PCD account and in respect of any other moneys owing or contingently owing by the licensee to Heritage under or in connection with the PCD account agreement.

NOTE 14 FINANCIAL INSTRUMENTS

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. At the balance date there were no significant concentrations of credit risk.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

The Group where necessary establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2015 $	30 June 2015 $
Cash and cash equivalents	4,093,639	4,263,672
Receivables from Financial Institutions	31,395,279	6,895,488
Bank Security deposits	462,727	419,908
Other receivables	3,660,054	1,549,657

Impairment losses

None of the Group's other receivables are past due (2014: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the Group's contractual maturities of financial liabilities, including estimated interest payments:

31 December 2015

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
Non-interest bearing	797,573	797,573	797,573	-	-	-
Payables to stored value account holders	31,395,279	31,395,279	31,395,279	-	-	-
Total	**32,192,852**	**32,192,852**	**32,192,852**	**-**	**-**	**-**

30 June 2015

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
Non-interest bearing	2,408,625	2,408,625	2,408,625	-	-	-
Payables to stored value account holders	6,895,488	6,895,488	6,895,488	-	-	-
Total	**9,304,113**	**9,304,113**	**9,304,113**	**-**	**-**	**-**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Company does not use derivatives to mitigate these exposures. The Company manages these risks by ensuring that the operating revenue and expenses are incurred in the same currency and the Company intentionally seeks to generate earnings in currencies other than Australian dollars.

Foreign currency sensitivity

The sensitivity to a reasonably possible change in GBP exchange rates, with all other variables held constant, is immaterial.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposit at interest rates maturing over 90 day rolling periods.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	31 December 2015 $	30 June 2015 $
Variable rate instruments		
Financial assets – cash and cash equivalents	4,093,639	4,263,672
Bank Security deposits	250,000	419,908
Bank guarantee deposit	172,821	169,908
	4,516,460	**4,853,488**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Company	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
31 December 2015				
Variable rate instruments	40,936	(40,936)	40,936	(40,936)
Bank Security Deposits	4,627	(4,627)	4,627	(4,627)
30 June 2015				
Variable rate instruments	42,637	(42,637)	42,637	(42,637)
Bank Security Deposits	4,199	(4,199)	4,199	(4,199)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities are equivalent of carrying value.

Capital Management

Capital is defined as the equity of the Group.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future working capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to continue its operations. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

The Group encourages employees to be shareholders through Share Option Plans.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group is not subject to externally imposed capital requirements.

NOTE 15 SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial periods.

DIRECTOR’S DECLARATION

The Directors declare that:

1. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
2. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Peter Martin
Chairman

18 February 2016

Independent Auditor's Review Report to the members of Emerchants Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerchants Limited, which comprises the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 29.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Emerchants Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Emerchants Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, 18 February 2016