23 February 2017

ASX Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

EML ANNOUNCES EBITDA UP 226% TO $9.96 MILLION IN FIRST HALF 2017

EML Payments Limited (**ASX: EML**) is pleased to release its First Half 2017 Financial Year Results, as attached to this announcement with its Appendix 4D.

Highlights for the first half of FY2017 include:

- **Revenue** – increased by 207% over the prior corresponding period to $32.4m. In line with our expanded international presence, 85% of revenues were generated offshore and 90% of revenues were recurring in nature (ie. excluding one-time establishment fees).

- **Gaming segment** – the percentage of revenue derived from programs in the gaming segment was 7%, reflecting the diversity that now exists across our more than 850 programs in various sales segments in 13 countries.

- **Revenue growth** – was largely organic in the First Half, driven by an increase in Gross Debit Volume (**GDV**) to $1.93 billion, an increase of 403% across all regions and sales segments. GDV is what we previously referred to as Total Dollars Loaded, but is the more accepted industry terminology globally. Given we ended the period with 11m active accounts, an increase of 389%, and a 168% increase in our Stored Value Balance to $392.8 million, the result reflected positively against all of our key operating metrics.

- **EBITDA** – increased by 226% to AUD$9.96 million, with all regional business units contributing positive EBITDA to the Group results. Depreciation of Sterling relative to the Australian Dollar (circa 25%) lowered our EBITDA result in the First Half by $1.0m, which otherwise would have been $10.96m, with Revenue 7% higher at $34.6m versus our reported $32.4m.

- **Gross margins** – improved by 1.5% to 78.4% and have shown stability at this level over the last several reporting periods.

- **Operating cash flow** – increased significantly to $9.64m, versus $0.3m in the prior corresponding period. We were able to increase our investment in PayWith Worldwide LLC, a technology partner with whom we are working on multiple m-card projects, and still increase our cash on balance sheet by 18% to $31.8m, with all regions reporting positive operating cash flow.

- **Business development** – a number of new business partnerships were announced that will be accretive in FY18 and beyond. The most significant of these is our entry into the Salary Packaging segment in Australia, a segment in which we are offering a differentiated product with a strong customer value proposition. This will become a key vertical for our Australian business going forward, where we expect to initially support more than 120,000 cardholders with GDV of circa $700 million per annum.

- **Product strategy** – we are pleased to advise that we signed our first Reloadable program in Canada, we have launched our first Reloadable program in the United States and the launch of our first Reloadable program in the United Kingdom with bet365 is imminent. We expect that by the end of September 2017, we will be supporting Reloadable and Non-Reloadable products in every country in which we operate, one of the fundamental objectives we had when undertaking our two acquisitions in Europe and North America. We have also focused heavily on the B2B Payments vertical in the United States, a vertical that is unique to that country, but one with significant long-term growth potential.

Please also refer to EML's Investor Presentation lodged with the ASX today for more detailed information.

About EML

EML Payments Limited, Store Financial Europe, Store Financial Canada and Store Financial USA have come together under one exciting new brand: EML. With payment solutions from EML, you will be empowered with more control, transparency and flexibility over your payment processes. Our combined portfolio offers innovative payment technology solutions for payouts, gifts, incentives and rewards, and supplier payments. Together, we issue mobile, virtual and physical card solutions to some of the largest corporate brands around the world, process billions of dollars in payments each year, and manage more than 800 programs across North America, Europe and Australia. Learn more at www.EMLpayments.com

For further information, please contact:

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Rule 4.2A.3

Appendix 4D

Half year report
Half-Year ended 31 December 2016

Introduced 1/1/2003

Name of entity

EML Payments Limited

ABN or equivalent company reference

93 104 757 904

1.

Half year ended (current period)	**Half year ended ('previous corresponding period')**
31 December 2016	31 December 2015

2. Results for announcement to the market

		Movement	**31 December 2016**	**31 December 2015**
			A$'000	A$'000
2.1	Revenues & other income	207%	32,440	10,560
2.2	Profit/(Loss) from ordinary activities after tax attributable to members	119%	1,384	633
2.3	Profit/(Loss) for the period attributable to members	119%	1,384	633

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 2016 $	As at 30 June 2016 $
	Net tangible assets per security [1]	0.23	0.16

[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

INTERIM FINANCIAL REPORT

For the half year ended
31 December 2016

EML PAYMENTS LIMITED

EML Payments Limited
Formerly Emerchants Limited
ABN 93 104 757 904

CORPORATE INFORMATION

EML Payments Limited and Controlled Entities

ABN

93 104 757 904

Company Secretary

Louise Bolger

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 AM (Non-executive Director)
John Toms (Non-executive Director)

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

Commonwealth Bank of Australia
240 Queen Street
Brisbane, QLD 4000
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.emlpayments.com

Securities Exchange Listing

EML Payments Limited is listed on the Australian Securities Exchange (ASX: EML)

TABLE OF CONTENTS

DIRECTORS' REPORT

Your Directors present their report on EML Payments Limited and its subsidiaries (the Group or Company) for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report 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 AM
- John Toms

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

Review and results of operation

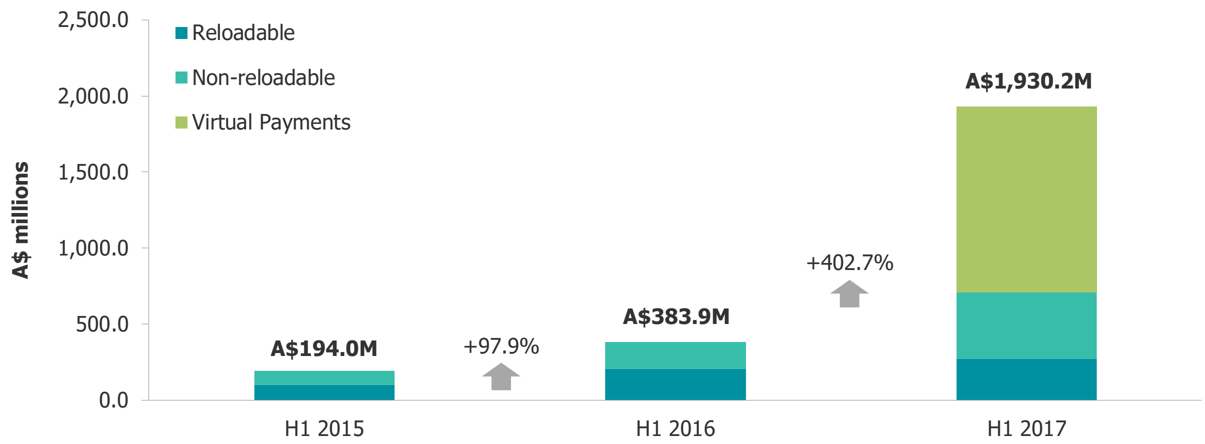
The six months ended 31 December 2016 ('1HFY17') is the strongest financial result that the Company has yet delivered, driven largely by organic growth in our Australian, European and North American business units. It is also the first reporting period in which the full contribution from our North American acquisition is visible in our results providing shareholders with a view of the larger business and how we are positioning ourselves for future growth in some of the largest prepaid debit markets in the world.

The financial results of the Company have always been driven by the performance of our key operating metrics, including the Total Value of Dollar Loads or Gross Debit Volume ('GDV'), the number of Active Accounts on our platform and the Stored Value balances that we retain. Growth in GDV is indicative of growth in payments volumes from existing programs and new programs that have launched, which generate revenue streams including transaction fees, processing fees, load fees, interchange and breakage on non-reloadable cards. The number of Active Accounts is important because it is indicative of the growth in active cards across both new and existing programs, which is an indicator of customer adoption and usage and therefore a predictor of future revenues. Our final key metric is our Stored Value balances, which represent the funds held on behalf of our partners that support our prepaid programs and generates the Company interest revenue, albeit in Europe and North America those revenues are immaterial given prevailing interest rates. That said the Company is well positioned to take advantage of any increase in interest rates in these regions over time.

For the 1HFY17, our performance in these areas was significantly higher than over the prior corresponding period ('PCP'). Gross Debit Volume or GDV was $1.93 billion, an increase of 403% over the PCP. Our number of Active Accounts increased to 11.0 million, an increase of 389% over the PCP and Stored Value Balances increased to $392.8m, an increase of 168% over the PCP. In terms of GDV concentration, our non-reloadable products (B2B incentive cards in Australia and shopping mall gift cards) loaded $438.0m or 23% of total GDV, with typically strong seasonality in our shopping mall segment over the Christmas holiday season. Re-loadable products, also known internationally as General Purpose Re-loadable ('GPR') generated $272.6m or 14% of total GDV and B2B Virtual Payments in North America generated $1,219.5m or 63% of GDV.

Whilst in previous updates we have provided a revenue metric per segment, we feel that as our business expands, this becomes overly complex (given a difference in revenue mix for each product and market specific variables such as interchange that varies by region) and it provides information to competitors that could be detrimental to our growth prospects. On our total GDV of $1.93 billion dollars, our revenue metric was 1.7% (i.e. revenue $32.4m) at a 78.4% gross margin. The revenue metric of 1.7% is related to the emerging significance of B2B virtual payments in North America, which generates a net share of interchange income at +90% gross margin. As B2B virtual payments generate interchange only, it is at a lower metric than our Non-reloadable and GPR products, thus bringing the average weighted number down to 1.7% across the entire $1.93 billion of GDV.

Graph 1: Total Gross Debit Volume by Product Line (A$ millions)



In terms of Active Accounts, across both Non-reloadable and GPR products we ended the half year with 11.0m accounts, comprising 10.8m Non-reloadable and 0.2m GPR accounts, which is reflective of the seasonality in our shopping mall programs and the fact that we only issued GPR cards in Australia. We expect the GPR account numbers to lift significantly, as we continue to see organic growth in our Australian gaming programs, we launch more than 100,000 accounts in the Australian salary packaging market in July 2017 and we launch GPR issuance in the United Kingdom, Canada and the United States. The B2B Virtual payment segment is not measurable by these same criteria so customers in this segment are excluded from this calculation.

These are significant results and auger well for the remainder of the FY17 financial year.

The first half also saw the Company sign new business partnerships that will be important drivers of our future growth, including a partnership with Caesars Entertainment to enhance their "TR" Total Rewards re-loadable prepaid loyalty program across their 50 Casino properties in the United States, a partnership with McMillan Shakespeare Limited in Australia for the provision of re-loadable salary packaging cards and a number of B2B Virtual card programs in the United States, particularly with WOW Cable and Sprint Telecoms. When combined with the imminent launch of our first re-loadable program in the United Kingdom with bet365, we expect these programs alone to generate a minimum of $1.0 billion in incremental GDV in FY18, so we continue to win new business programs across multiple geographies and product lines.

Importantly, whilst some new programs may experience a delay in launch timings, or some programs are more effectively launched and marketed by our partners relative to others, we remain focused on growth that is 3 years out versus 3 months out. As shareholders will see in our investment presentation, subsequent to the end of the first half we announced our first re-loadable program in the Canadian gaming market with Sports Interaction, and we have launched our first re-loadable program in the United States with Lou LaRoe. By the start of the FY18 year we expect to be offering non-reloadable and re-loadable programs in Australia, Europe, Canada and the United States of America. In the second half of the financial year we will be focused on the launch of these new programs so that they provide a springboard for that future growth.

Name Change

Following approval by shareholders at the Company AGM, application was made to ASIC to rename Emerchants Limited to EML Payments Limited. ASIC approval was granted on 18 November 2016. We did this to ensure that we had a consistent brand identity across all regions irrespective of the products we are offering and to provide clarity for customers that we service across multiple countries and regions. The market reaction to the change has been positive.

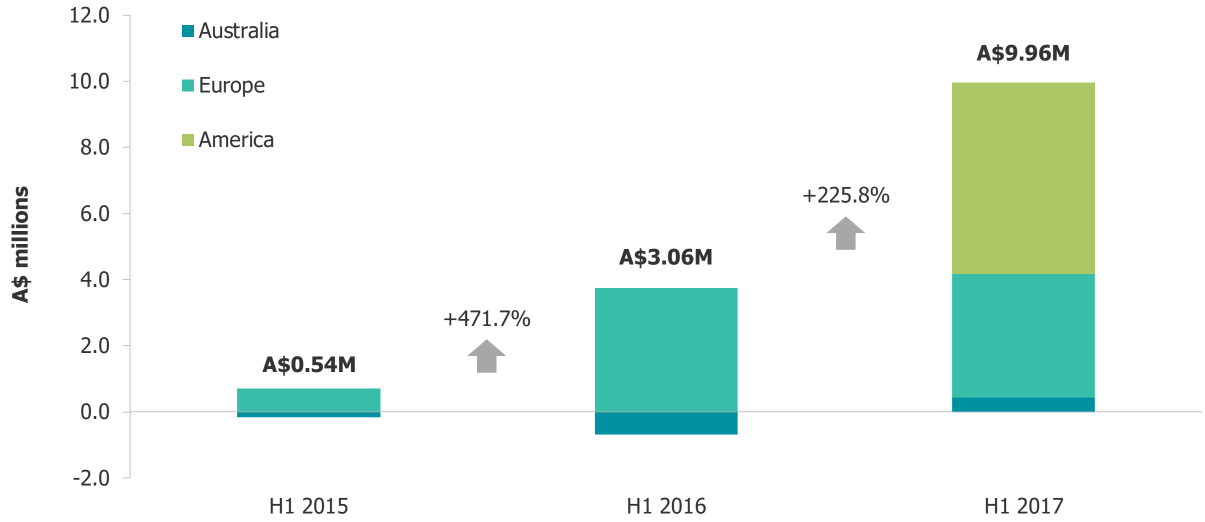
Financial review

The group reported an EBITDA of $9.96m for the first half, an increase of 226% over the PCP, driven by a 207% increase in Revenue to $32.4m, a 1.5% improvement in gross margins to 78.4% and continued management of costs within internal budgets. Whilst overheads have increased substantially, the majority of those costs relate to the inclusion of the North American business for the full six months, with negligible if any increases in operating overheads in our Australian and European operations. All reporting regions generated a positive EBITDA to the Group.

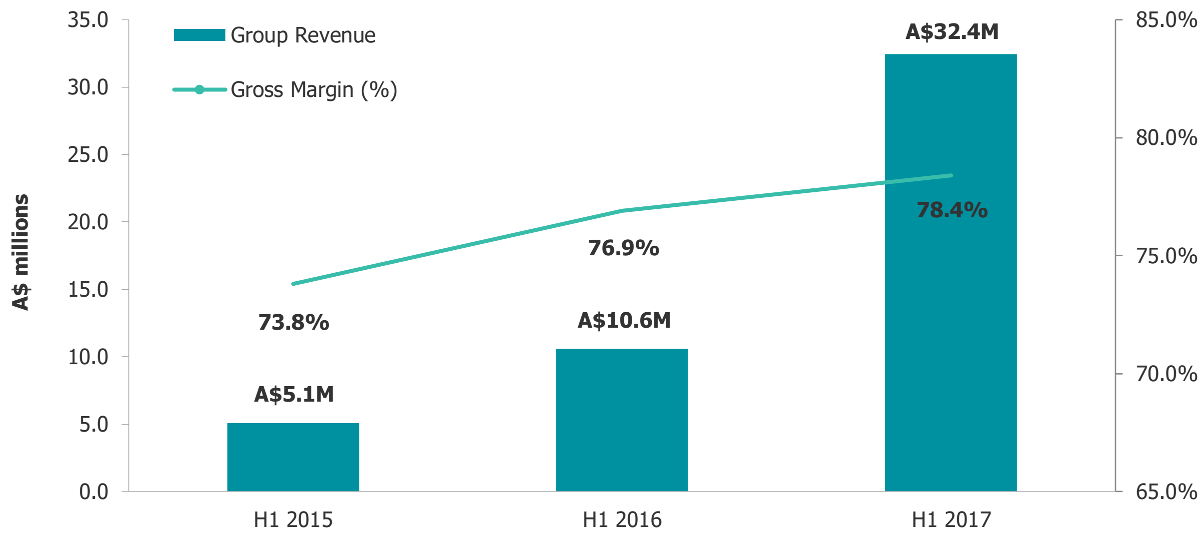
The Group has several revenue streams with 90% of revenues in the first half recurring revenues. The exception is Establishment fees which are one off in nature. In previous financial reports these one-time fees have skewed the overall result but going forward the growth of the Group's revenue streams will be predictable and recurring.

Earnings Before Tax increased by 343% to $1.7m, albeit given we will incur substantial intangible amortisation charges for the next few years associated with the North American acquisition. The Board has previously communicated that EBITDA and EBITDA Per Share ('EBPS') should be the primary measure of success and we are pleased to deliver an EBPS result of $0.041 cents for the first half.

Graph 2: EBITDA by region (A$ millions)



Graph 3: Group Revenue (A$ millions) and Gross Profit (%)



From a cash perspective, operating cash flow for the first half was $9.6m, which includes previously accrued breakage revenues in the PCP, which have largely converted into cash, and we ended the half with cash on our balance sheet of $31.8m, an increase of 18.1% and no debt. We also invested an additional US$2.5m (AU$3.51m) in the first half in PayWith Technologies LLC ('PayWith'), our Canadian technology partner that we are working with on a number of programs including Caesars Entertainment, Salary packaging programs in Australia and a number of other opportunities. PayWith provides technology that allows merchants to make mobile-based incentive offers to consumers by way of either rebates or discounts, which is aligned with our product suite given it encourages card usage and provides a potential incremental revenue stream for EML. We acquired an initial interest in PayWith with our acquisition of Store Financial Services and this now brings our total investment to US$3.5m, which corresponds to a 17% equity stake.

We also invested an additional $216,000 into the expansion of our EachWay cash load product in Australia, expanding the distribution network to be able to support the launch of cash loads for Sportsbet and Ladbrokes in the second half of this financial year, augmenting William Hill and bet365 who are currently in market. Despite these investments, the net cash position on our balance sheet improved by $4.87m.

We remain interested in acquisitions where those acquisitions would meet our established criteria of driving incremental cash flow, gaining access to new markets or segments and/or leveraging technologies, and whilst we have continued to examine some acquisition opportunities in the first half, none met these criteria. We will remain open to the use of our cash on the right acquisition opportunity and in using our cash on a program specific basis to secure materially significant partnerships.

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

	$ Millions			
	1H FY 2017	Growth on prior comparative 6 months	1H FY 2016	Growth on prior comparative 6 months
Revenue	32.44	207%	10.56	108%
Gross profit	**25.43**	**213%**	**8.12**	**117%**
Gross profit %	78%	1%	77%	4%
Other income				
Research and Development tax offset	0.61	(39%)	1.00	43%
Overheads – employment related	(10.54)	180%	(3.78)	44%
Overheads – other	(5.54)	140%	(2.29)	78%
EBITDA*	**9.96**	**226%**	**3.05**	**473%**
Less: Research and Development tax offset	(0.60)	(39%)	(1.00)	43%
Depreciation and amortisation expense	(5.06)	146%	(2.04)	(452%)
Share-based payments	(2.58)	269%	(0.69)	(268%)
Other non-cash charges	0.01	100%	(0.00)	(100%)
Profit/(Loss) for the period before tax	**1.73**	**354%**	**(0.68)**	**(40%)**
Income tax (including Research and Development offset)	(0.35)	127%	1.31	87%
Net Profit for the period	**1.38**	**119%**	**0.63**	**248%**

* EBITDA is reconciled above and disclosed within the Directors' Report and is equivalent to the net profit or 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.

Rounding off of amounts

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor Independence

The auditor's independence declaration is included on page 8 of the half-year report.

Thomas Cregan

Managing Director and Group Chief Executive Officer

23 February 2017

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
EML Payments Limited
26 Commercial Road
NEWSTEAD QLD 4006

23 Feburary 2017

Dear Board Members

EML Payments 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 EML Payments Limited.

As lead audit partner for the review of the financial statements of EML Payments Limited for the half-year ended 31 December 2016, 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 sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2016

		Consolidated ($'000)	
	Notes	31 December 2016	31 December 2015
Revenue	2	32,440	10,560
Cost of sales		(7,007)	(2,439)
Gross Profit		**25,433**	**8,121**
Expenses			
Employee benefits expense		10,540	3,772
Professional fees		1,670	724
Share-based payments		2,576	699
Depreciation and amortisation expense		5,057	2,066
Other expenses	2	3,858	1,536
Total expenses		**23,701**	**8,797**
Profit / (Loss) before income tax		1,732	(675)
Income tax (expense) / benefit	4	(348)	1,308
Net profit for the year		**1,384**	**633**
Other comprehensive income, net of income tax			
Items that will be reclassified subsequently to profit or loss:			
Unrealised foreign currency (loss) on translation of foreign operations		(2,120)	(118)
Other comprehensive income for the year, net of income tax		**(2,120)**	**(118)**
Total comprehensive (loss) / profit for the year		**(736)**	**515**
Profit per share (cents per share)			
Basic (cents per share)		0.57	0.67
Diluted (cents per share)		0.55	0.66

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the half year ended 31 December 2016

		Consolidated ($'000)	
	Notes	31 December 2016	30 June 2016
Current Assets			
Cash and cash equivalents		31,811	26,942
Trade and other receivables		7,929	4,621
Accrued Breakage		13,207	8,816
Receivables from financial institutions		55,234	17,058
Other assets		1,813	1,622
Total Current Assets		**109,994**	**59,059**
Non-Current Assets			
Other receivables		878	605
Available-for-sale financial assets	6	4,929	1,418
Plant and equipment		3,196	2,209
Intangibles	7	64,871	71,408
Deferred tax asset	4	17,948	15,201
Total Non-Current Assets		**91,822**	**90,841**
Total Assets		**201,816**	**149,900**
Current Liabilities			
Trade and other payables		18,062	8,757
Employee benefits		420	459
Provisions		743	581
Liabilities to stored value account holders		55,234	17,058
Total Current Liabilities		**74,459**	**26,855**
Non-Current Liabilities			
Lease incentive		280	397
Deferred income		567	607
Employee benefits		82	100
Deferred Tax Liability	4	4,290	2,735
Total Non-Current Liabilities		**5,219**	**3,839**
Total Liabilities		**79,678**	**30,694**
Net Assets		**122,138**	**119,206**
Equity			
Issued capital	8	138,114	138,043
Reserves		11,919	10,443
Accumulated losses		(27,895)	(29,279)
Total Equity		**122,138**	**119,206**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2016

	Notes	Consolidated ($'000) 31 December 2016	31 December 2015
Cash Flows From Operating Activities			
Receipts from customers		24,653	6,621
Payments to suppliers and employees		(15,819)	(6,730)
Interest received		806	426
Net cash generated by operating activities		**9,640**	**317**
Cash Flows From Investing Activities			
Payments for plant and equipment		(1,356)	(5)
Payments for intangibles	7	(179)	(528)
Interest Paid		-	(10)
Investment in Available-for-sale financial assets	6	(3,353)	-
Net cash used in investing activities		**(4,888)**	**(543)**
Cash Flows From Financing Activities			
Proceeds from issue of shares		204	56
Net cash provided from financing activities		**204**	**56**
Net increase / (decrease) in cash held		4,955	(170)
Cash at beginning of period		26,943	4,264
Impacts of foreign exchange		(87)	-
Cash at end of period		**31,811**	**4,094**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2016

	Notes	Issued Capital	Accumulated Losses	Other Reserve	Foreign Currency Translation Reserve	Total
		$'000				
Balance at 1 July 2016		**138,043**	**(29,279)**	**12,757**	**(2,314)**	**119,206**
Total comprehensive income						
Profit for the period		-	1,384	-	-	1,384
Other comprehensive income:						
- Unrealised foreign currency (loss), net of tax		-	-	-	(2,120)	(2,120)
Transactions recorded directly in equity						
Share-based payments		-	-	2,576	-	2,576
Deferred tax associated with share-based payments		-	-	1,021	-	1,021
Issue of share capital	8	204	-	-	-	204
Issue costs		(133)	-	-	-	(133)
Balance at 31 December 2016		**138,114**	**(27,895)**	**16,354**	**(4,434)**	**122,138**
Balance at 1 July 2015		**70,228**	**(29,367)**	**9,552**	**2,171**	**52,584**
Total comprehensive income						
Profit for the period		-	633	-	-	633
Other comprehensive income:						
- Unrealised foreign currency (loss), net of tax		-	-	-	(118)	(118)
Transactions recorded directly in equity						
Share-based payments		-	-	699	-	699
Deferred tax associated with share-based payments		-	-	1,131	-	1,131
Issue of share capital		56	-	-	-	56
Issue costs		-	-	-	-	-
Balance at 31 December 2015		**70,284**	**(28,734)**	**11,382**	**2,053**	**54,985**

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 company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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 2016 annual financial report for the financial year ended 30 June 2016, 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) 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.

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
Amendments to IAS 1	Disclosure Initiative: Presentation of Financial Statements
AASB 2015-1 Amendments to Australian Accounting Standards	Annual improvements to Australian Accounting Standards 2012-2014 Cycle
Amendments to IFRS 10, IFRS 12 and 28	Investment Entities: Applying the Consolidation Exception

Issued but not yet effective

AASB 9 Financial Instruments	Classification & measurement of financial assets. AASB 9 was further amended by AASB 2010-7 to reflect amendments for accounting for financial liabilities.
AASB 15 Revenue from Contracts with Customers	Replaces all revenue recognition requirements, including AASB 118.

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments for financial liabilities. The effective date of this standard is 1 January 2018, however it is available for early adoption.

AASB 15 Revenue from Contracts with Customers was issued by AASB in January 2015 and replaces all revenue recognition requirements, including those as set out in AASB 118. The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (e.g. leases). The effective date of this standard is 1 January 2018, however it is available for early adoption.

The directors of the Company anticipate that the application of AASB 9 and AASB 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practical to provide a reasonable estimate of the effect of these standards until the Group completes a detailed review.

Note 2. Revenue and expense

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

	Consolidated ($'000)	
	31 December 2016	**31 December 2015**
(a) Revenue includes		
Breakage income	19,166	4,901
Establishment fees	3,358	1,550
Transaction fees	8,969	3,594
Interest received – host based stored value	549	399
Interest received – group funds	256	27
Service fees	142	89
	32,440	**10,560**
(b) Other expenses include		
Risk & Compliance	341	250
Fixed sponsor bank & other related costs	253	53
Marketing & Advertising	248	122
Rent, Buildings & Office Management	826	330
Information Technology Related Costs	1,358	355
Travel & accommodation	795	457
Realised FX Gain/(Loss)	37	(31)
	3,858	**1,536**

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 EML Payments Limited.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Following the acquisition of USA based EML Payments USA, LLC on 1 June 2016, the group now operates in three geographic segments. The prior comparative period has been restated to reflect this change. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographic location of the business operations. The Group's reportable segments under AASB 8 are therefore as follows:

- Australia
- Europe
- Americas (U.S.A. & Canada)

Segment EBITDA represents the gross profit earned by each segment, after cash overheads, inclusive of R&D tax incentive and allocation of central administration costs and Directors' salaries, before share based payments, depreciation & amortization 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:

	$'000							
	Six months ended 31 December 2016				Six months ended 31 December 2015			
	Australia	Europe	Americas	Total	Australia	Europe	Americas	Total
Revenue	5,004	6,665	20,771	32,440	3,606	6,954	-	10,560
Gross Profit	3,608	5,718	16,107	25,433	2,829	5,292	-	8,121
Overheads	(3,771)	(1,978)	(10,326)	(16,075)	(4,521)	(1,542)	-	(6,063)
R&D Tax Incentive Offset	605	-	-	605	997	-	-	997
Segment EBITDA	**442**	**3,740**	**5,781**	**9,963**	**(695)**	**3,750**	**-**	**3,055**
Depreciation & Amortization	(352)	(2,593)	(2,111)	(5,057)	(265)	(1,801)	-	(2,066)
Intergroup transfers	1,490	2,284	(3,774)	-	-	-	-	-
Add back: R&D Tax Incentive Offset	(605)	-	-	(605)	(997)	-	-	(997)
	975	3,430	(104)	4,302	(1,957)	1,949	-	(8)
Share based payments				(2,576)				(699)
Other non-cash charges				6				32
Profit / (Loss) before tax				**1,732**				**(675)**

The following is an analysis of the consolidated entity's assets by reportable operating segment:

	$'000	
	31 December 2016	30 June 2016
Australia	91,969	94,585
Europe	67,612	37,144
Americas	42,235	18,171
Total segment assets	**201,816**	**149,900**

Note 4. Taxation

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

	Consolidated ($'000)	
	31 December 2016	30 June 2016
Current income tax (benefit)	(7)	(290)
Adjustments for current tax of prior periods	483	317
Deferred tax expense relating to the origination and reversal of temporary differences	477	(338)
Refundable R & D tax offset	(605)	(997)
Total income tax expense / (benefit)	**348**	**(1,308)**

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

	$'000	
	31 December 2016	31 December 2015
Profit / (Loss) before income tax	1,731	(675)
Income tax expense / (benefit) using the domestic corporation tax rate of 30% (2016: 30%)	519	(202)
Tax effect of:		
Prior year over/under adjustments	483	317
Non-deductible expenses & permanent differences	(1,486)	438
Temporary differences not recognised as deferred tax assets	-	(696)
Refundable R & D tax offset	(605)	(997)
Effect of change in tax rates[1]	552	(168)
Amounts charged to equity	885	-
Income tax expense / (benefit)	**348**	**(1,308)**

[1] United Kingdom corporate tax rate is 20%, Australian corporate tax rate is 30%, US combined federal & state tax rate is 38.62% and Canadian tax rate is 26.51%.

(c) Deferred Tax Asset[1]

	$'000	
	31 December 2016 Assets	30 June 2016 Assets
Employee Benefits	143	1,940
Share Capital Costs	827	1,369
Recognition of tax losses	12,020	7,103
Goodwill	4,066	4,079
Other	892	710
Deferred Tax Asset	**17,948**	**15,201**

[1] Australian corporate tax rate is 30%

(d) Deferred Tax Liability[1]

	$'000	
	31 December 2016 Liabilities	30 June 2016 Liabilities
Customer Contracts	(733)	(622)
Customer Relationships	(251)	(368)
Accruals	(2,253)	(1,689)
Other Receivables	(1,053)	(56)
Deferred Tax Liability	**(4,290)**	**(2,735)**

[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. Business Combination

On 1 June 2016, the Group acquired 100% of the net assets of EML Payments USA, LLC an unlisted entity based in the United States and its subsidiary company Store Financial Canada, Limited (together SFS) from the shareholders of SFS.

SFS is a prepaid card program manager and payment processor in the US and Canada, largely focused on closed-loop shopping mall card programs. SFS has recently expanded into B2B gift card programs, insurance payments and virtual/digital prepaid programs. The Group acquired SFS because it provides the Company with a presence in the North American prepaid market with demonstrable organic growth and a predictable financial contribution. The Group intends to leverage the Reloadable technology and launch similar programs in North America.

The impact on the group results for the six months ending 31 December 2016 is shown within the segmental disclosure within note 3.

Further disclosure on the acquisition of EML Payments USA, LLC and its subsidiary company Store Financial Canada, Limited is disclosed within note 7 of the Company's annual financial report for the financial year ended 30 June 2016.

Note 6. Available for sale financial assets

	$'000	
	31 December 2016	**30 June 2016**
Investment in Contrarian Holdings, LLC	76	74
Investment in Paywith	4,853	1,344
	4,929	**1,418**

On 16 December 2016, the Group increased its investment in Paywith Worldwide, Inc. a company offering mobile reward program technology, to a total of less than 20% of the issued ordinary share capital for cash consideration of US$ 2,500,000.

The Group holds less than 1% of the ordinary share capital of Contrarian Holdings, LLC, a company that manages employee benefit group captives. The directors of the Company do not consider that the Group is able to exercise significant influence over either entity. Available-for-sale financial assets are held at fair value with gains and losses included in other comprehensive income. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are included in the Available-for-sale asset category.

Note 7. Goodwill & Intangibles

	$'000				
	Software licenses	Customer Relationships	Customer contract	Goodwill	Total
Opening Balances at 1 July 2016					
Cost	25,996	10,307	8,909	33,730	78,942
Accumulated amortisation (including accumulated impairment losses)	(2,348)	(2,150)	(2,282)	-	(6,780)
Accumulated effect of unrealised foreign exchange differences	(2,182)	52	(32)	1,408	(754)
Net carrying amount at 1 July 2016	**21,466**	**8,209**	**6,595**	**35,138**	**71,408**
Additions	179	-	-	-	179
Disposals	-	-	-	-	-
Amortisation	(2,141)	(812)	(1,677)	-	(4,631)
Foreign currency translation adjustment	(1,104)	1	(240)	(742)	(2,085)
Net carrying amount at 31 December 2016	**18,400**	**7,397**	**4,679**	**34,395**	**64,871**
Closing balance at 31 December 2016					
Cost	26,174	10,307	8,909	33,730	79,121
Accumulated amortisation (including accumulated impairment losses)	(4,489)	(2,962)	(3,959)	-	(11,411)
Accumulated effect of unrealised foreign exchange differences	(3,285)	52	(271)	665	(2,839)
Net carrying amount at 31 December 2016	**18,400**	**7,397**	**4,679**	**34,395**	**64,871**
Opening Balances at 1 July 2015					
Cost	2,988	2,056	6,842	28,595	40,481
Accumulated amortisation (including accumulated impairment losses)	(2,174)	(1,259)	(833)	-	(4,266)
Accumulated effect of unrealised foreign exchange differences	-	152	689	1,926	2,767
Net carrying amount at 1 July 2015	**814**	**949**	**6,698**	**30,521**	**38,982**
Additions	23,493	8,496	2,288	5,135	39,412
Disposals	-	-	-	-	-
Amortisation	(659)	(1,135)	(1,671)	-	(3,465)
Foreign currency translation adjustment	(2,182)	(101)	(720)	(518)	(3,521)
Net carrying amount at 30 June 2016	**21,466**	**8,209**	**6,595**	**35,138**	**71,408**
Closing balance at 1 July 2015					
Cost	25,996	10,307	8,909	33,730	78,942
Accumulated amortisation (including accumulated impairment losses)	(2,348)	(2,150)	(2,282)	-	(6,780)
Accumulated effect of unrealised foreign exchange differences	(2,182)	52	(32)	1,408	(754)
Net carrying amount at 30 June 2016	**21,466**	**8,209**	**6,595**	**35,138**	**71,408**

No impairment loss was recognised for the period ended 31 December 2016. 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 ($'000)	
	31 December 2016	30 June 2016
Australia	10,777	10,777
Americas	7,139	6,938
Europe	16,479	17,423
Consolidated Group	**34,395**	**35,138**

As discussed in note 5, on 1 June 2016, the group acquired the net assets of EML Payments USA, LLC and its subsidiary company Store Financial Canada, Limited. Total consideration paid was $46,545,873 with identified net assets at fair value being $41,410,540. No items have been identified requiring adjustment from the original purchase price accounting assessment undertaken as at 30 June 2016. Further disclosure is within note 7 of the Company's annual financial report for the financial year ended 30 June 2016.

Note 8. Issued Capital

	$'000	
	31 December 2016	30 June 2016
245,311,323 fully paid ordinary shares (30 June 2016: 242,419,862)	138,114	138,043

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 2016		30 June 2016	
	No.	$'000	No.	$'000
Movement in issued shares				
Balance at start of the period	242,419,862	138,043	184,537,219	70,227
Issued for cash	-	-	40,350,000	58,508
Share-based payments to Directors & executives[1]	267,553	-	363,636	-
Issued for consideration	-	-	7,903,710	11,460
Options exercised[2]	2,623,908	204	9,265,297	113
Costs associated with the issue of shares	-	(133)	-	(2,265)
Balance at end of the period	**245,311,323**	**138,114**	**242,419,862**	**138,043**

[1] Share based payments:

- 167,553 fully paid ordinary shares were issued to Mr Bruce Stewart for exceptional performance, held in escrow until 23 August 2018. The fair value of the award was $307,460 which will be amortised over the 2017 - 2018 financial years.
- 100,000 fully paid ordinary shares were issued to Mr Richard Anderson, General Manager of Sales for exceptional performance, held in escrow until 23 August 2018. The fair value of the award was $183,500 which will be amortised over the 2017 - 2018 financial years.

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

- 1,341,787 options expiring 30 September 2016, exercise price $0.40;
- 1,212,121 options expiring 30 September 2016, exercise price $0.00;
- 70,000 options expiring 18 November 2105, exercise price $0.56.

	No.	
	31 December 2016	30 June 2016
Options over ordinary shares		
Options on issue at beginning of period	16,534,121	17,812,121
Options issued during the period[1]	505,000	13,730,000
Options exercised during the period	(2,623,908)	(11,600,000)
Options cancelled during the period	(872,530)	(3,408,000)
Options expired during the period	-	-
Options on issue at end of period	**13,542,683**	**16,534,121**

Options issued during the year

(i) 257,500 Performance Based Options

On 8 December 2016, 257,500 options were awarded to selected EML Group employees with an exercise price of $nil. The share options carry no rights to dividends or voting rights. The options will expire on 30 November 2018. The fair value of the option grant using the Black Scholes Model was $368,740. A total expense of $11,996 was recognised in the statement of profit and loss in the period in relation to the award of 257,500 performance based options.

(ii) 157,500 Performance Based Options

On 8 December 2016, 157,500 options were awarded to selected EML Group employees with an exercise price of $1.85. The share options carry no rights to dividends or voting rights. The options will expire on 30 November 2018. The fair value of the option grant using the Black Scholes Model was $59,640. A total expense of $1,940 was recognised in the statement of profit and loss in the period in relation to the award of 157,500 performance based options.

(iii) 90,000 Performance Based Options

On 8 December 2016, 90,000 options were awarded to selected EML Group employees with an exercise price of $nil. The share options carry no rights to dividends or voting rights. The options will expire on 30 November 2018. The fair value of the option grant using the Black Scholes Model was $128,880. A total expense of $4,193 was recognised in the statement of profit and loss in the period in relation to the award of 90,000 performance based options.

			31 December 2016	30 June 2016
Date of Expiry	**Exercise Price**	**Options Series**	**No.**	**No.**
30 September 2016	$0.40	Series 9	-	1,650,000
30 September 2016	-	Series 10	-	1,212,121
18 November 2016	$0.56	Series 11	-	70,000
18 November 2017	$0.56	Series 11	47,000	47,000
30 June 2017	-	Series 12	481,666	500,000
30 June 2018	-	Series 12	481,666	500,000
30 September 2018	$0.87	Series 13	125,000	125,000
30 September 2018	$0.87	Series 14	3,226,562	3,450,000
15 June 2017	-	Series 15	886,666	926,666
15 June 2018	-	Series 15	886,666	926,666
15 June 2019	-	Series 15	886,668	926,668
30 September 2019	$1.45	Series 16	6,015,789	6,200,000
30 November 2018	-	Series 17	257,500	-
30 November 2018	$1.85	Series 17	157,500	-
30 November 2018	-	Series 17	90,000	-
			13,542,683	**16,534,121**

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:

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

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

(iii) 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. 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:

- 167,553 fully paid ordinary shares were issued to Mr Bruce Stewart for exceptional performance, held in escrow until 23 August 2018.

Note 10. Controlled Entities

	Country of Incorporation	Ownership Interest (%)	
		31 December 2016	30 June 2016
Parent Entity			
EML Payments Limited[2]	Australia		
Controlled Entities			
Australasia Gold (SA) Pty Ltd[1]	Australia	100	100
EML Payment Solutions Limited[3]	Australia	100	100
Store Financial Services UK Limited	United Kingdom	100	100
EML Payments USA LLC[4]	United States	100	100
Store Financial 2 LLC	United States	100	100
Store Financial Canada Limited	Canada	100	100

[1] On 17 November 2016, an application was made to ASIC to deregister Australasia Gold (SA) Pty Ltd. ASIC confirmed that Australasia Gold (SA) Pty Ltd was deregistered on 22 January 2017.

[2] Following approval by shareholders at the Company AGM, application was made to ASIC to rename Emerchants Limited to EML Payments Limited. ASIC approval was granted on 18 November 2016.

[3] ASIC approval to rename Emerchants Payment Solutions Limited to EML Payment Solutions Limited was granted on 18 November 2016.

[4] Following resolution by the board of managers on 19 January 2017, application was made to the Kansas Secretary of State to rename Store Financial USA, LLC to EML Payments USA, LLC. Approval by the Kansas Secretary of State was granted the same day therewith.

Note 11. Contingent Liabilities

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

Host-Based Store Value accounts with BIN Sponsors

A number of BIN Sponsors provide depository accounts to the Group to facilitate clients of the Group to deposit funds relating to the provision of prepaid payment products. The BIN Sponsors have sole authority to transact on the licensee depository accounts. Due to the fact that the Group does not have ownership or the right to direct operation of the depository accounts, the account is not recognised as an asset in the financial statements of the Group.

Under the agreements:

(i) In consideration of the BIN Sponsors performing any Authorised Act, the Group will indemnify the BIN Sponsors and the Directors, employees, officers, agent and independent contractors of the Bin Sponsors on demand from time to time; and

(ii) The Group is liable to the BIN Sponsors in respect of any debit balance of the depository account and in respect of any other moneys owing or contingently owing by the Group to the BIN Sponsors under or in connection with the depository account.

Note 12. 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.

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 ($'000)	
	31 December 2016	30 June 2016
Cash and cash equivalents	31,811	26,942
Receivables from Financial Institutions	55,234	17,058
Bank Security deposits	452	423
Other receivables	7,929	4,621
Available-for-sale financial assets	4,929	1,418

Impairment losses

None of the Group's other receivables are past due (2016: 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 2016 ($'000)					
	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Non-interest bearing	18,062	18,062	16,929	1,133	-	-
Payables to stored value account holders	55,234	55,234	55,234	-	-	-
Total	**73,296**	**73,296**	**72,163**	**1,133**		

	30 June 2016 ($'000)					
	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Non-interest bearing	8,757	8,757	8,757	-	-	-
Payables to stored value account holders	17,058	17,058	17,058	-	-	-
Total	**25,815**	**25,815**	**25,815**	**-**	**-**	**-**

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 manages currency risk 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. It is the policy of the Group to enter into forward exchange contracts to cover specific material foreign currency exposures that will impact the Group's cash flow.

The Group has excess USD and GBP funds which are deriving no or low rates of interest revenue due to the low interest rate environment for both USD and GBP deposits. To enhance the return, the Group has converted USD & GBP into AUD and invested in term deposits. To hedge the exchange rate risk at maturity of converting the proceeds of the AUD term deposit back into USD & GBP, the Group has fixed the AUD payable by entering into forward exchange contracts. These hedges have been designated as cash flow hedges.

At 31 December 2016, the aggregate amount of losses under forward exchange contracts recognised in other comprehensive income was $51k (31 December 2015: $nil). This amount was incurred in relation to foreign exchange contracts to hedge the conversion of AUD back into USD or GBP to invest and earn interest on AUD term deposits.

At 31 December 2016, no ineffectiveness has been recognised in profit or loss for outstanding foreign exchange contracts (31 December 2015: $nil).

Foreign currency sensitivity

The sensitivity to a reasonably possible change in GBP, USD or CAD 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 90-120 day rolling periods.

Fair values versus carrying amounts

The Group's financial assets and liabilities are included in the balance sheet at amounts that approximate fair values. The basis for determining fair values is disclosed in the accounting policies as disclosed in the Company's annual financial report for the financial year ended 30 June 2016 in note 1(ad). The fair value at 31 December 2016 of derivative assets held for risk management, which are the Group's only financial instruments carried at fair value, was a net loss of $61k (2015: $nil) which was recognised in other comprehensive income. These financial instruments were measured using Level 2 valuation techniques as described in the fair value hierarchy shown in note 1(ad) of the Company's annual financial report for the financial year ended 30 June 2016. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

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 13. 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.

Directors' Declaration

The Directors declare that:

A. 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

B. 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 Consolidated entity.

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

Brisbane

23 February 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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Independent Auditor's Review Report to the members of EML Payments Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of EML Payments Limited, which comprises the condensed statement of financial position as at 31 December 2016, 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 group 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 9 to 25.

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 2016 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 EML Payments Limited, ASRE 2410 requires that we comply with the ethical requirements that are 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 EML Payments Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

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 EML Payments 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 2016 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, 23 February 2017