emerchants

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ANNUAL REPORT

30 June 2016

Emerchants Limited | ABN 93 104 757 904

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

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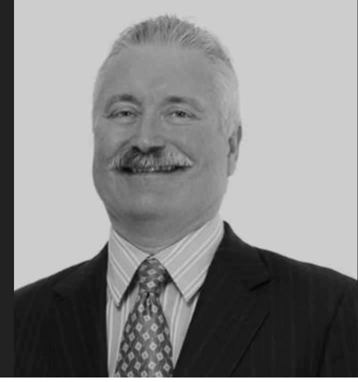

CHAIRMAN'S REPORT

Dear Shareholder

Emerchants has made very significant progress in establishing a robust, globally diversified business in 2016. With the recent acquisition of Store Financial Services, LLC and with the European business growing strongly, 2017 is shaping up as another year of rapid and profitable expansion for the Company.

I am delighted to be able to report that during 2016, Emerchants continued to fulfil its promise to create a significant, globally diversified business in the rapidly growing business of prepaid debit in a variety of business verticals. Even more encouraging is the fact that the growth in business volumes was accompanied by a significant increase in the generation of free or sustainable cash flows, the measure by which a business of this type should be valued. It is also extremely encouraging that these cash flows are coming from a much broader base of products and services spread over a dramatically increased global footprint.

Emerchants' business plan is to grow both by organically generated opportunities and through carefully planned acquisitions. Organic growth in the prepaid space involves extended lead times of up to 18 months or 2 years but the benefits are generally strong margins and long term contracts with key players. We have seen this in Australia with our relationships in the gaming space where all the major operators are clients of Emerchants.

Acquisitions, on the other hand, are more difficult to find and equally as time consuming. For Emerchants, they have to meet strict criteria:

- cash flow positive;
- earnings accretive(as defined by EBITDA per share);
- adding product or market opportunities;
- increasing the global footprint; and
- adding expertise to the management team.

Given the reasonably limited size of the Australian market to deliver rapid growth, it has been clear that the greatest opportunities lie overseas. Australian companies on the whole have been poor at executing a growth strategy that relies significantly on overseas expansion. The question for the Board and management of Emerchants has been how to meet these objectives while actually systematically reducing the operating risks of the company. This is usually a contradiction in terms. Most overseas acquisitions fail the test and the great majority are unsuccessful.

The answer has been provided by our CEO, Tom Cregan, who has extensive international experience in the prepaid world. It is simply to acquire solid companies that you know at the right price, run by people with whom you have done business with for many years and who are looking for the opportunities that can be provided by leveraging a much larger business base. Hence the acquisition of Store Financial Services UK Limited in 2014 with a footprint in 10 countries in Europe followed by Store Financial Services, LLC in June 2016 with a well-established business in the US and Canada. Both businesses benefit from the reloadable prepaid technology developed by Emerchants in Australia and both offer established and growing products and services in other verticals.

The future for the company looks very bright. The cross-fertilisation of products and technology began with the introduction, earlier this financial year, of Australian reloadable technology into the UK online gaming sector via bet365, the largest online player in the world. Other major European clients are also evaluating the product although firm contracts have yet to be secured.

Another exciting initiative resulting from the US acquisition is the entrance of PayWith technology from the US into the Australian market. Emerchants acquired 5% of PayWith when it acquired Store Financial Services, LLC. This is the first time this technology has been offered and it is groundbreaking, providing the ability to use a cash balance on a prepaid card, plus accrued loyalty points converted into cash, and other funding via payment methods such as a credit card at the same time to make a purchase. Australian clients are showing significant interest in this new opportunity. The technology will also be introduced into Europe during 2017.

Once again I must thank our CEO Tom Cregan and his greatly expanded management team for a terrific year in 2016. I'm sure all of our stakeholders including clients, employees and shareholders will benefit from another great year ahead in 2017.

Peter Martin

Peter Martin
Non-executive Chairman

25 August 2016

MANAGING DIRECTOR'S REPORT

Emerchants is pleased to announce full year normalised[1] EBITDA of $5.5M, an improvement of $2.9M or 111% versus FY15, driven by a 72% increase in total loads from $447.5M to $768M, which in turn led to a 62% increase in revenue from $14.4M to $23.3M.

2016 was an exciting year for Emerchants. We saw continued growth in our Reloadable business in Australia and the signing of our first cornerstone gaming partner for our European Reloadable business. In June 2016, we entered the American and Canadian prepaid markets via the acquisition of Store Financial Services, LLC (SFS).

In 2012 Emerchants operated solely in Australia and provided predominantly Non-Reloadable programs. One partner, Edge Loyalty, represented approximately 90% of the $3M in revenues generated that year. Today, we operate over 850 partner programs in 13 countries and in 5 currencies. This includes both Reloadable and Non-Reloadable products under long term supply agreements with no material revenue concentration risk. We have three business units which generated an average gross margin of 78% supported by 9 issuing banks and e-money issuers to launch and support our programs.

We believe the achievements in FY16 will continue to position the Company for sustained growth in 2017. This is driven by organic growth in existing programs, the launch of Reloadable programs in Europe and the contribution from new product launches. Our recently acquired North American business, SFS, will make a significant contribution. Its core business is growing strongly with an expanding sales pipeline across both Non-Reloadable and Reloadable segments.

In acquiring SFS, we gained a highly experienced and motivated team with a portfolio of solid customer relationships. We also gained access to a range of prepaid products and technologies which can be leveraged across our other business units. This includes expertise in digital and virtual payments. It also includes the m-card, a prepaid card technology that allows cardholders to earn loyalty points in participating merchants and to redeem those points instantly at the point of sale in order to pay for merchandise at participating merchants. The m-card is delivered in conjunction with a specialist Canadian mobile loyalty provider, PayWith Technologies, with Emerchants acting as the exclusive payments provider. SFS also held a 5% minority equity holding in PayWith Technologies that has subsequently been assigned to Emerchants. We are excited about the prospects for the m-card product and look forward to updating shareholders on our progress throughout the coming year.

The acquisition of SFS follows on from our expansion into the UK and Europe which is a prepaid market expected to reach US$394B in loads by 2020.[2] In comparison, the American market is the biggest globally, with research indicating that dollar loads will reach US$715B by 2018.[3]

We will continue to update shareholders on our key operating metrics of Total Dollars Loaded, Active Accounts and Stored Value Dollars, as these remain the best indicator of financial health and progress of the Company.

In FY16 we loaded a total of $768M, an improvement of 72% on the prior year. Our Reloadable programs in Australia generated $457M in Loads, an 81% increase over the prior year of $252.2M. We ended the year with programs in place for all of the major online gaming operators in Australia following the launch of William Hill in May 2016. In March 2016 we announced the signing of an agreement with bet365 in the UK and we expect further Reloadable contracts in FY17.

There are a number of positives to take from this result. Transactionally generated, or recurring revenue in the Australian Reloadable segment increased by 66% to $4.26M. Over the medium term this makes our revenue less reliant on one-time Establishment fees which are largely driven by the timing of program signings and implementations. We achieved this growth despite the significant downturn in loads and therefore revenues, from our consumer lending partners in Australia.

Non-Reloadable dollar loads increased to $311M, an increase of 60% over the prior year. Our Australian business was steady but our European business grew significantly. This was driven largely by organic growth in our shopping mall card segment and the launch of new programs in the UK and Europe. We expect to see this trend continue. As reflected in previous shareholder communications we also expect the North American Non-Reloadable segment to load more than $350M in FY17.

We ended the year with accrued breakage across our Australian and European business of $8.8M. With a full year contribution from the North American business in FY17 we expect the breakage accrual to significantly increase in FY17. The accrued breakage together with our Cash and Cash equivalents, totals $35.7M.

[1] Excludes the one off impacts of costs associated with the acquisition of SFS in FY16 which totaled $0.46M and excludes the one off impacts of costs associated with the acquisition of SFUK in FY15 which totaled $0.35M.

[2] 2014 GIA Estimates.

[3] Mercator Group 12th annual US Prepaid cards. Market forecast 2015-2018. December 2015.

This strengthens our balance sheet and positions us favourably to make accretive investments.

During 2016, the number of Active Accounts increased substantially from 1.55M to 5.2M. The acquisition of SFS added 3.5M accounts and we saw year on year growth of 47% in our European accounts. Overall, Reloadable accounts increased by 46% to 182,000.

We have also seen a substantial increase in Stored Value balances after the acquisition of SFS, increasing year on year from $75.3M to $217.1M. We generate interest revenue on the $46.6M balances in Australia. We earn little to no interest income on our European and North American balances given prevailing interest rates.

We have launched our EachWay cash load solution in Australia with two gaming operators on the network and a third that is contracted to launch. We aim to transition other gaming partners to the EachWay network by the end of FY17. We will also be working to expand the distribution footprint to over 4,000 stores by the end of the year.

In the 2017 financial year our focus is on leveraging our expanded capabilities. We have a strong executive team with significant global experience running prepaid companies, and we have depth below them with proven expertise. We intend to build on our investment in the European gaming market and expand our Reloadable presence there and then extend that to other potential markets. We have an expanding sales pipeline and product set, and we need to leverage the value from these across the Group as quickly and efficiently as possible. We now have a strong balance sheet which provides an opportunity to drive further value accretion through smart acquisitions.

The team and I are excited about the year ahead and look forward to providing you with updates during the course of the year.

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Yours sincerely,

Thomas Cregan
Managing Director

25 August 2016

DIRECTORS AND COMPANY SECRETARY

Your Directors submit their report together with the financial statements of the Group (Emerchants) consisting of Emerchants Limited and the entities it controlled during the period for the financial year ended 30 June 2016 (Report). The names of Directors who held office during or since the end of the year and until the date of this Report are as follows:

DIRECTORS

Peter Martin

Chairman, Non-Executive Director

Appointed on 19 April 2012
Appointed as Chairman on 18 February 2015

MBA (Harvard Business School)
B. Civil Engineering (Monash University)

Experience and expertise

Mr. Martin was formerly the Chief Executive Officer of Rothschild Australia Asset Management (Rothschild) and was a director of a number of Rothschild boards in Australia and overseas. Mr. Martin has 35 years international commercial experience in marine construction, finance and investment management.

Other listed company current directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Chair of Board

Interest in shares and options

Ordinary Shares in Emerchants Ltd	9,971,880

Thomas Cregan

Managing Director & Chief Executive Officer

Appointed on 27 August 2012

MBA (Monash University)
B. Bus (Monash University)

Experience and expertise

Prior to joining the Group, Mr. Cregan was the Executive Vice President of NetSpend Corporation in the US. NetSpend is a market leader in the pre-paid card industry which was acquired by Total Systems for $1.6Bn. Previous roles held include Founder and Managing Director of E-pay Australia and New Zealand Pty Ltd, President of E-pay Americas, and Sales and Channel Management positions at Westpac Bank, Singtel Optus Limited and Mobil Oil Australia.

Other listed company current directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Chief Executive Officer

Interest in shares and options

Ordinary Shares in Emerchants Ltd	18,989,297
Options over ordinary shares – Emerchants Ltd	1,212,121

Tony Adcock

Independent Non-Executive Director

Appointed on 21 November 2011

MBA (University of Hull)
B. Sc (Hons) (Keele University)
Fellow of the Institute of Company Directors
AICD "Mastering the Boardroom" Order of Merit

Experience and expertise

Mr Adcock has more than 30 years' experience in banking, capital markets and financial services experience at board, operational and consulting levels across Australia, Asia Pacific, Europe and the US. He has also more than 20 years' experience as a company director and Chairman of companies in the financial services, oil and gas, mining, infrastructure and now FinTech, risk and financial exchange start-ups.

He is a former Partner in PricewaterhouseCoopers consulting, running an AsiaPac business and Treasurer and General Manager in Banking.

Other listed company current directorships

Nil

Former listed compny directorships in last 3 years

Discovery Resources Ltd

Special responsibilities

Member of Audit and Risk Committee

Interest in shares and options

Ordinary Shares in Emerchants Ltd	234,593

David Liddy AM

Independent Non-Executive Director

Appointed on 27 April 2012

MBA (Macquarie University)
Senior Fellow of the Financial Services Institute of Australasia
Fellow of the Australian Institute of Company Directors

Experience and expertise

Mr Liddy has over 43 years' experience in banking, including international postings in London and Hong Kong. He was Managing Director and Chief Executive Officer of Bank of Queensland from April 2001 to August 2011.

He is currently Chairman of Collection House Limited and a Director of Emerchants Limited. He is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

Other listed company current directorships

Collection House Limited
Steadfast Group Limited

Former listed company directorships in last 3 years

Nil

Special responsibilities

Member of Audit and Risk Committee

Interest in shares and options

Ordinary Shares in Emerchants Ltd	1,650,310

Robert Browning

Independent Non-Executive Director

Appointed on 25 February 2011

MBA (University of Phoenix)
MS International Business Management
(Massachusetts Institute of Technology)

Experience and expertise

Mr. Browning has over 30 years' experience in executive management roles. As Managing Director of Alinta Limited for over six years and Austal Limited for three years, he oversaw the successful development of corporate strategy and operational business plans.

Mr. Browning retired as Chairman of the Board on 18 February 2015.

Other listed company current directorships

Bid Energy Limited

Former listed company directorships in last 3 years

Nil

Interest in shares and options

Ordinary Shares in Emerchants Ltd	2,525,905

John Toms

Independent Non-Executive Director

Appointed on 2 July 2011

B. Commerce (UNSW)
Graduate of the Australian Institute of Company Directors

Experience and expertise

Mr. Toms experience includes 17 years as CEO of an Approved Deposit-taking Institution (ADI), Non-executive Director for 17 years of Australian Payments Clearing Association, Non-executive Director of Mercer Nominees, and executive director of Insurance Agents Association of Australia, Consulting Director to government, business and not-for-profits and a senior Commonwealth public servant.

Other listed company current directorships

Nil

Former listed company directorships in last 3 years

Nil

Special responsibilities

Chair of Audit and Risk Committee

Interest in shares and options

Ordinary Shares in Emerchants Ltd	441,598

Louise Bolger

Company Secretary and General Counsel

Experience and expertise

Ms Bolger is a lawyer with more than 15 years' experience across a variety of industry sectors, including financial services, media and telecommunications. Prior to joining Emerchants in April 2014, Louise was General Counsel and Company Secretary at ASX listed companies Southern Cross Media Group Limited and PIPE Networks Limited. Louise is also a Non-executive Director of listed company Superloop Limited.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors attended by each Director during the year ended 30 June 2016 were as follows:

Directors	Number of Board Meetings Held Whilst in Office	Number of Board Meetings Attended*
Tony Adcock	13	10
Robert Browning	13	12
Thomas Cregan	13	13
David Liddy	13	9
Peter Martin	13	13
John Toms	13	13

* A number of special meetings of Directors were held for items requiring specific approvals at short notice during the year. As a result some Directors were unable to attend some of these meetings.

Audit and Risk Committee (AC) Members	Number of AC Meetings Held Whilst on Committee	Number of AC Meetings Attended
Tony Adcock	4	4
David Liddy	4	4
John Toms	4	4

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

Options

The following share options of the Company were granted to Directors and executives of the Company during or since the end of the financial year as part of their remuneration:

Executives		
Alastair Wilkie	(1)Series 13	1,000,000
Andrew Betts	(2)Series 14	300,000
Louise Bolger	(2)Series 14	250,000
Rachelle St Ledger	(2)Series 14	300,000
Stuart Green	(2)Series 14	400,000
Eric Mettemeyer	(3)Series 15	1,000,000
Eric Mettemeyer	(4)Series 16	3,200,000
Matthew Waldie	(3)Series 15	600,000
Matthew Waldie	(4)Series 16	1,600,000

(1) 1,000,000 options were granted to Mr Wilkie on 2 December 2015. On the 9 April 2016 Mr Wilkie ceased employment with Emerchants and retained 125,000 options with 875,000 options being cancelled.

(2) A total of 3,750,000 options were issued under Series 14. The remaining options not disclosed above were issued to non-KMP. Further information on the Group's option plans is disclosed at Note 20.

(3) A total of 2,780,000 options were issued under Series 15. The remaining options not disclosed above were issued to non-KMP. Further information on the Group's option plans is disclosed at Note 20.

(4) A total of 6,200,000 options were issued under Series 16. The remaining options not disclosed above were issued to non-KMP. Further information on the Group's option plans is disclosed at Note 20.

At the date of signing of this report unissued ordinary shares of the Company under option are:

Expiry date	Options series	Exercise price	Number of options	Class of share
Unlisted				
30/9/2016	Series 9	$0.40	1,650,000	Ordinary
30/9/2016	Series 10	$0.00	1,212,121	Ordinary
18/11/2016	Series 11	$0.56	70,000	Ordinary
18/11/2017	Series 11	$0.56	47,000	Ordinary
30/06/2017	Series 12	$0.00	500,000	Ordinary
30/06/2018	Series 12	$0.00	500,000	Ordinary
30/09/2018	Series 13	$0.87	125,000	Ordinary
30/09/2018	Series 14	$0.87	3,450,000	Ordinary
15/06/2017	Series 15	$0.00	926,666	Ordinary
15/06/2018	Series 15	$0.00	926,666	Ordinary
15/06/2019	Series 15	$0.00	926,668	Ordinary
30/09/2019	Series 16	$1.45	6,200,000	Ordinary
			16,534,121	

The following ordinary shares were issued by the Company during or since the end of the financial year as a result of the exercise of options.

Grant date	Options exercised	Issue price	Number of shares issued	Class of share
21/09/2012	8,500,000	$0.00	6,351,730	Ordinary
13/11/2013	450,310	$0.10	450,310	Ordinary
13/11/2013	1,929,690	$0.00	1,743,257	Ordinary
13/11/2013	120,000	$0.10	120,000	Ordinary
19/11/2014	100,000	$0.56	100,000	Ordinary
02/03/2015	500,000	$0.00	500,000	Ordinary
	11,600,000		**9,265,297**	

Dividends

No dividends were declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the entities within the Emerchants Group during the year was the provision of payment services in Australia, Europe and North America.

Review of operations

The full review of operations immediately precedes this report.

OPERATING RESULTS FOR THE YEAR

The net result of operations for the year was a profit after income tax of $87,522 (2015: Profit $2,857,378).

($ Millions)	FY 2016	FY 2015	Growth on prior comparative 12 months
Total dollars loaded (Millions)			
Reloadable	456.93	252.60	81%
Non-Reloadable	311.52	194.91	60%
Total dollars loaded	**768.45**	**447.51**	**72%**
Revenue	23.31	14.4	62%
Gross Profit	**18.20**	**11.28**	**61%**
Gross Profit %	78%	78%	0%
Research and Development tax offset	0.99	0.70	41%
Overheads – employment related	(8.35)	(6.02)	39%
Overheads – acquisition related	(0.46)	(0.35)	30%
Overheads – other	(5.35)	(2.98)	79%
EBITDA*	**5.03**	**2.63**	**92%**
Less			
Research and Development tax offset included above	(0.99)	(0.70)	41%
Depreciation and amortisation expense	(3.69)	(2.69)	37%
Share-based payments	(2.07)	(5.10)	(59%)
Other non-cash charges	(0.03)	0.05	(165%)
(Loss) for the year before tax	**(1.75)**	**(5.81)**	**(70%)**
Tax (including Research and Development tax offset)	1.84	8.67	(79%)
Net Profit for the year	**0.09**	**2.86**	**(97%)**

* 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 Profit or Loss and Other Comprehensive Income. The analysis of results below is primarily based on EBITDA so as to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that EBITDA is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings. The Directors also link the CEO and Senior Executives' short and long term incentives to EBITDA as detailed in the remuneration report.

The key drivers for the movement in the net profit for the year were:

Revenue increased by 62% to $23.31M for the year ended 30 June 2016. This was underpinned by:

- A contribution of $2.6M in revenue for the single month of ownership from the acquisition of the assets of Store Financial Services LLC (SFS) which occurred on 1 June 2016. SFS is an international prepaid card program manager and payment processor, largely focused on gift cards for shopping malls in the USA and Canada. Similar to the acquisition of Store Financial Services UK Limited (SFUK) in 2014, the SFS business is underpinned by multi-year contractual arrangements with its customers, resulting in the development of relatively strong and embedded relationships. Further information regarding the acquisition is disclosed at Note 7.
- A strong contribution from the European business which contributed $12.6M (2015:$5.8M which represented 7 months due to the acquisition occurring in December 2014) in revenue for the full year. The growth has been driven by new malls (Hammersons, MFI and a number of smaller new mall programs in France, Italy, Portugal and Germany), along with a growing client base of existing (e.g. HTA, Pandora) and recently launched non-mall programs, including Didex restaurant choice and BlackHawk open loop. Further information regarding segment information is disclosed at Note 3.

- The Australian operations, contributed $8.1M (2015:$8.6M) in revenue to group revenue with the Australian Reloadable segment generating $4.2M (2015:$3.9M) and Non-Reloadable $4.1M (2015:$4.6M) respectively. The decline in revenues is largely due to having lower upfront establishment fees in 2016 compared to 2015 when we initially signed up a number of the online wagering clients. Offsetting the reduction in establishment fees was an increase in transactional revenue in 2016 as the new client programs began to transact and we experienced further organic growth from established clients. Gross profit margin remained the same as the prior year at 78% despite significant increase in volumes.

The refund from the R&D Tax Concession program has been included in the EBITDA measure as this is a refund of expenditure previously incurred, predominantly as internal employment costs, on qualifying research and development activities that the Group undertakes to ensure we are able to continue offering innovative market leading products. The 41% improvement on the prior year is due to the initiation of new projects during the financial year.

Employment related overhead expenses increased by 39% to $8.35M (2015: $6.02M). This is mainly due to the inclusion of SFS, which had 93 staff for the month of June and a full twelve month contribution from SFUK compared with 7 months in 2015.The Group had a closing headcount of 151 (2015: 54).

One-off SFS acquisition related costs of $0.46M which included an expense of $214,000 relating to hedging the USD purchase price of the SFS acquisition, which had the effect of lowering the purchase price by $2.4M. Further information regarding the acquisition is disclosed at Note 7.

Depreciation and amortisation expense has increased by $1.0M in the current financial year due to:

- an additional $400,000 due to the full year impacts of amortisation expense on Customer relationships and Customer contracts acquired as part of the SFUK acquisition, and
- an additional $700,000 due to the impacts of amortisation expense on Software IP, Customer relationships and Customer contracts acquired as part of the SFS acquisition in June. As detailed in Note 7, the purchase price was $46.6M and the fair value of tangible fixed assets and intangible assets (excluding goodwill) within that price was $35.4M. Therefore the depreciation and amortisation expense for 2016 (and beyond) will be material as these are amortised over their useful lives.

The decrease in the share base payments expense is due to the immediate expensing in the prior year of an award of 5.82M shares with a fair value of $3.49M to two executives of SFUK following the acquisition of SFUK and upon the execution and implementation of customer contracts for Hammersons and MFI, which at the time of the acquisition, were not finalised.

Other overhead expenses have increased due to the due to the inclusion of SFS for the month of June and a full twelve month contribution from SFUK compared with 7 months in 2015.

The large inflow in the tax line in the prior year reflected initial recognition of the cumulative Australian tax losses. Further information regarding the deferred tax asset is disclosed at Note 5.

($ Millions)	FY 2016	FY 2015	Growth on prior comparative 12 months
Summary Financial Position			
Cash and cash equivalents	26.94	4.27	531%
Breakage accrual	8.82	3.96	123%
Receivable from financial institutions	17.06	6.89	148%
Other short term receivables and other current assets	6.24	2.32	169%
Investments and other long term assets	2.02	-	100%
Deferred tax asset	15.20	7.55	101%
Plant and equipment	2.21	0.79	180%
Goodwill and intangibles	71.41	38.98	83%
Total assets	**149.90**	**64.76**	**131%**
Liabilities to cardholders	17.06	6.89	148%
Deferred tax liabilities	2.74	2.06	33%
Other liabilities	10.90	3.23	237%
Total Liabilities	**30.69**	**12.18**	**152%**
Equity	**119.21**	**52.58**	**127%**
Cash flows from operating activities	**1.98**	**(0.35)**	**(665%)**
Cash flows from investing activities	**(34.56)**	**(13.18)**	**162%**
Cash flows from financing activities	**55.38**	**13.29**	**317%**

The Breakage accrual of $8.82M represents the residual portion of funds on Non-Reloadable accounts that the Group has previously sold and expects to convert to Cash within 12 months. The increase over the prior year relates to the inclusion of SFUK for a full year which has experienced considerable growth in 2016.

Receivable from financial institutions and the offsetting amount reflected in Liabilities to cardholders relates to a number of payment programs that are issued directly by SFUK, with the terms of the funding onto the accounts determined between SFUK and the clients, as opposed to a Bank or Authorised Deposit taking Institution.

Deferred tax asset reflects the fact that the Company expects to be generating taxable income in the near future and consequently, under the accounting standards, has recognised it's carried forward tax losses. See Note 5 for further detail.

Cash outflows from investing activities increased due to the acquisition of SFS with the cash consideration paid, net of cash assumed was $33.7M. Further information relating to the acquisition is disclosed at Note 7.

Cash inflows from financing activities increased to $55.38M as a result of a placement to sophisticated and institutional investors of 40.35M million shares at $1.45 in June 2016 less associated share issue costs.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year, other than the acquisition of SFS.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not arisen in the interval between the end of the financial 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to grow volumes by identifying industries that offer significant mass and will benefit from customised payment solutions to improve their offerings or current processes. This strategy has been successfully demonstrated with the recent execution of a number of agreements in the online wagering market and we expect a significant increase in the volumes associated with these Reloadable products in coming financial year. We have identified a number of industries that would offer similar scale to the online wagering market and would benefit from customised functionality. In the coming financial year we will continue to improve our product offerings and actively target clients in high volume industries.

ENVIRONMENTAL LEGISLATION

The Group is not subject to any significant environmental legislation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors and the Company Secretary of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors or Company Secretary of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

REMUNERATION REPORT

The remuneration report outlines the Group's remuneration policy, framework and outcomes for the financial year ended 30 June 2016 for all key management personnel (KMP), including all Non-executive Directors and the Executive Team made up of the Managing Director and CEO and his direct reports. KMP are those persons having authority and responsibility for planning and controlling the activities of the Group, directly and indirectly.

Key Management Personnel

KMP of the consolidated entity during or since the end of the financial year were:

Non-executive Directors	Position
Peter Martin	Chairman
Tony Adcock	Non-executive Director
Robert Browning	Non-executive Director
David Liddy	Non-executive Director
John Toms	Non-executive Director
Executive Director	
Thomas Cregan	Managing Director
Executive	
Andrew Betts	Chief Risk Officer
Louise Bolger	General Counsel and Company Secretary
Stuart Green	Managing Director Europe
David Shewmaker	Chief Executive Officer Europe
Bruce Stewart	Chief Financial Officer and European Chief Operations Officer
Rachelle St Ledger (Appointed 1 December 2015)	Chief Product and Strategy Officer
Eric Mettemeyer (Appointed 3 June 2016)	Chief Executive Officer North America
Matt Waldie (Appointed 3 June 2016)	Chief Operations Officer North America
Alastair Wilkie (Ceased employment 9 April 2016)	Chief Operations Officer Australia

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

Non-executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Extraordinary General Meeting held on 22 July 2010 when shareholders approved an aggregate remuneration of $500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process and in the current year engaged an external consultant to perform the review and make recommendations on the Board fees.

Each Non-executive Director receives a fee for being a Director of the Company. An additional fee is also paid to the Chairman of the Board and the Chairman and members of the Audit and Risk Committee. The payment of additional fees for serving as Chairman, whether on the Board or a committee recognises the additional time commitment required by the Chairman.

Voting and comments made at the company's 2015 Annual General Meeting

The Group passed the resolution on the adoption of the remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Executive and Executive Director Remuneration

Executive remuneration consists of fixed remuneration and at risk or variable remuneration (comprising short-term and long-term incentive plans).

Services from Remuneration consultants

In October 2015 the Board engaged Egan Associates Pty Ltd to review Non-executive Director fees and the CEO's remuneration and to provide recommendations on the fees in comparison to the current market. Egan Associates Pty Ltd was paid $15,750 excluding GST for these services. Egan Associates Pty Ltd has confirmed that any remuneration recommendations have been made free from undue influence by members of the Group's KMP.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Egan Associates Pty Ltd was engaged by, and reported directly to, the Chairman of the Board. The agreement for the provision of remuneration consulting services was executed by the Chairman under delegated authority on behalf of the Board;
- The report containing the remuneration recommendations was provided by Egan Associates Pty Ltd directly to the Chairman; and
- Egan Associates Pty Ltd was permitted to speak to management throughout their engagement to understand Company processes, practices and other business issues and obtain management perspectives. However, Egan Associates Pty Ltd was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the KMP.

No other services have been provided by Egan Associates Pty Ltd throughout the year ending 30 June 2016.

Remuneration policy and link to performance

The Board reviews and determines the Group's remuneration policy and structure annually to ensure it remains aligned to business needs, and meets its remuneration principles. From time to time, the Board may engage external remuneration consultants to assist with its review.

In particular, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Group to attract and retain key talent
- Aligned to the Group's strategic and business objectives and the creation of shareholder value
- Transparent and easily understood; and
- Acceptable to shareholders.

Remuneration Framework

Fixed remuneration (FR)

Purpose	Provide competitive market salary including superannuation and non-monetary benefits.
Performance metrics	Nil
Potential value	Positions at median market rate.
Changes for FY 2016	Reviewed in line with market positioning

Short term incentives (STI)

Purpose	An annual "at risk" bonus designed to reward Executives for meeting or exceeding financial or non-financial objectives.
Performance metrics	**Threshold Financial Measure** Where a surplus is achieved in excess of the Board approved annual EBITDA budget, which is determined at the beginning of each financial year together with exceptional individual performance the Board has the discretion to determine that a bonus pool will be available. **Non-financial Measures** Once a bonus pool has been established the following metrics are applied to individuals: • length of employment during the financial year and being employed at the time of paying the bonus; • completion of the Group's Annual Performance and Development review process and achievement of KPIs The Board will assess the performance of the CEO, while the CEO assesses the performance of Executives.
Potential value	An "at risk" bonus pool provided in cash calculated annually. Eligibility is based on: A maximum tiered percentage of the Executive's annual remuneration. CEO: 30% of FR Execs: 25% of FR COO Australia: 35% of FR
Changes for FY 2016	STIs were not paid during FY15 given the profitability and cash position of the group. FY15 results showed a measured improvement in EBITDA and therefore the Board exercised its discretion to make a partial bonus payment to Executives during FY16 in relation to the FY15 results. Details of the bonus amounts paid to Executives can be found on page 21 of this report.

Long term incentives (STI)

See pages 21 to 26 of this report

Assessing performance and claw-back of remuneration

The Board is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the Board receives detailed reports on performance from management which are based on independently verifiably data such as financial measures, market share and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

Elements of Remuneration

Fixed Remuneration (FR)

The Executive Team and Managing Director are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the group. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The Board and CEO aim to position Executives at or near the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

Superannuation is included in FR.

In FY 2016, fixed remuneration was not increased for Executives.

Structure of the STI Plan

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Maximum opportunity</td><td>MD and CEO can earn up to 50% of his annual FR.
Other Executives can earn up to 25% to 35% of their annual FR.</td></tr>
<tr><td>Performance metrics</td><td>The STI metrics align with the Group's strategic priorities of market competitiveness, operational excellence, shareholder value and fostering talented and engaged people.
<table>
<tr><th>Metric</th><th>Target</th><th>Weighting</th><th>Reason for selection</th></tr>
<tr><td>EBITDA</td><td>Any surplus achieved in excess of the Board approved annual EBITDA budget determined at the beginning of each financial year.</td><td>Determined by the Board</td><td>Reflects improvements in both revenue and cost control. Determines if a bonus pool will be available.</td></tr>
<tr><td>Executive performance</td><td>Specific to individuals</td><td>Determined by the Board (for the CEO) and the CEO (for Executives)</td><td>Targeted metrics have been chosen that are critical to individual roles.</td></tr>
</table></td></tr>
<tr><td>Delivery of STI</td><td>100% of the STI award is paid in cash at the end of the financial year.</td></tr>
<tr><td>Board discretion</td><td>The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes including reducing (down to zero, if appropriate) any deferred STI award. The board may decide that no bonus pool will be available for a particular year.</td></tr>
</table>

Structure of the LTI Plan

Feature	Description
Opportunity/ allocation	CEO, Executives and employees are provided option rights by way of the Group's Employee Share Option Plan (ESOP).
Performance hurdles and exercise price	The LTI Plan is designed to focus Executives and employees on delivering sustainable long-term shareholder returns and attract, motivate and retain Executives and employees. The performance hurdles and exercise price specific to each grant are detailed in note 21 to the financial statements.
Forfeiture and termination	Options will lapse if performance conditions are not met. Options will be forfeited on cessation of employment unless the Board determines otherwise, e.g. in the case of retirement due to injury, disability, death or redundancy.

Remuneration and Company Performance

A key objective of the Executive remuneration policy is to link a proportion of Executive remuneration to the performance of the Company, with an emphasis on the creation of sustainable value for shareholders. Financial performance from continuing operations for the past five years is indicated by the following table:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue	23,311,164	14,436,799	5,184,092	5,033,617	3,771,285
Net loss before tax	(1,749,933)	(5,810,595)	(5,848,454)	(5,853,080)	(10,424,445)
Net profit / (loss) after tax	87,522	2,857,378	(5,412,358)	(5,359,071)	(10,027,335)

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price at start of year	$0.57	$0.64	$0.31	$0.10	$0.75(1)
Share price at end of year	$1.27	$0.57	$0.64	$0.31	$0.10
Interim dividend	n/a	n/a	n/a	n/a	n/a
Final dividend	n/a	n/a	n/a	n/a	n/a
Basic earnings / (loss) cents per share	0.05	1.82	(4.47)	(5.50)	(16.11)
Diluted earnings / (loss) cents per share	0.04	1.72	(4.40)	(5.50)	n/a

(1) Relisted on the ASX on 18 July 2011 after the acquisition of Emerchants Payment Solutions Pty Limited.

SERVICE AGREEMENTS

Emerchants has executive service agreements with each of the members of the Executive team. These agreements may be terminated by written notice from either party or by the Company making a payment in lieu of notice.

The executive service agreements outline the components of remuneration paid to Executives and require the remuneration of Executives to be reviewed annually. The executive service agreements do not require the Company to increase base salary, pay a STI or offer a LTI in any given year.

The table below contains the key terms of the Executive team's service agreements.

Name	Title	Base salary including pension	Termination notice period	Termination payments
Thomas Cregan	Chief Executive Officer	AUD 550,000	3 months either party	Change of control agreement
Andrew Betts	Chief Risk Officer	AUD 218,000	3 months either party	None
Louise Bolger	Company Secretary & General Counsel	AUD 215,000	1 month either party	None
Stuart Green	Managing Director Europe	GBP 105,000	6 months either party	None
David Shewmaker	Chief Executive Officer Europe	USD 253,000	3 months either party	None
Bruce Stewart	Chief Financial Officer and European Chief Operations Officer	GBP 117,130	3 months either party	Change of control agreement
Rachelle St Ledger	Chief Product and Strategy Officer	AUD 240,000	3 months either party	None
Eric Mettemeyer	Chief Executive Officer North America	USD 270,400	14 days either party	If terminated without cause 12 months severance pay
Walter (Matt) Waldie	Chief Operations Officer North America	USD 228,800	14 days either party	If terminated without cause 12 months severance pay

30 June 2016

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based Payments				
	Salary & Fees	Bonuses	Non-Monetary Benefits	Other	Superannuation	Long-service leave	Options	Shares	Total	Performance Related	Value of Share-based payments as a Proportion of Remuneration
Non-executive Directors	$	$	$	$	$	$	$		**$**	%	%
Robert Browning	67,500	-	-	-	6,412	-	-	235,000	**308,912**	-	76%
Tony Adcock	73,500	-	-	-	6,982	-	-	-	**80,482**	-	-
David Liddy	73,500	-	-	-	6,982	-	-	-	**80,482**	-	-
Peter Martin	120,000	-	-	-	11,400	-	-	-	**131,400**	-	-
John Toms	79,500	-	-	-	7,552	-	-	-	**87,052**	-	-
Executive Director											
Thomas Cregan	482,364	70,462	-	-	19,307	-	258,796	-	**830,929**	8%	31%
Executives											
Andrew Betts	199,086	39,558	-	-	19,209	-	51,729	-	**309,582**	13%	17%
Louise Bolger	192,571	26,506	-	-	18,980	-	32,065	88,651	**358,773**	7%	34%
Stuart Green	213,559	-	786	-	9,966	-	140,925	-	**365,236**	-	39%
Eric Mettemeyer (1)	29,875	-	1,859	-	-	-	140,288	-	**172,022**	-	82%
David Shewmaker	365,685	-	-	-	-	-	151,666	-	**517,351**	-	29%
Bruce Stewart	232,903	52,346	-	6,370	6,989	-	15,768	90,691	**405,067**	13%	26%
Rachelle St Ledger(2)	125,320	-	-	50,000	14,792	-	38,478	29,138	**257,728**	-	28%
Matthew Waldie(3)	25,281	-	1,780	-	1,011	-	75,950	-	**104,022**	-	73%
Alastair Wilkie (4)	200,805	24,291	-	-	15,019	-	33,161	62,585	**335,861**	7%	29%
Total KMP compensation (group)	**2,481,449**	**213,163**	**4,425**	**56,370**	**144,601**	**-**	**938,826**	**506,065**	**4,344,899**	**-**	

(1) Eric Mettemeyer was appointed on 3 June 2016.

(2) Rachelle St Ledger was appointed as Chief Product & Strategy Officer on 1 December 2015. She was paid a $50,000 sign on bonus to assist with her relocation to Australia.

(3) Matthew Waldie was appointed on 3 June 2016.

(4) Alastair Wilkie ceased employment on 9 April 2016.

30 June 2015

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based Payments				
	Salary & Fees	Bonuses	Non-Monetary Benefits	Other	Superannuation	Long-service leave	Options	Shares	Total	Performance Related	Value of Share-based payments as a Proportion of Remuneration
Non-executive Directors	$	$	$	$	$	$	$		**$**	%	%
Robert Browning	77,312	-	-	-	7,345	-	-	-	**84,657**	-	-
Tony Adcock	58,000	-	-	-	5,510	-	-	-	**63,510**	-	-
David Liddy	58,000	-	-	-	5,510	-	-	-	**63,510**	-	-
Peter Martin	67,687	-	-	-	6,430	-	-	-	**74,117**	-	-
John Toms	60,000	-	-	-	5,700	-	-	-	**65,700**	-	-
Executive Director											
Thomas Cregan	397,217	-	-	-	18,783	-	595,769	71,634	**1,083,403**	-	62%
Executives											
Andrew Betts	199,217	-	-	-	18,783	-	35,423	-	**253,423**	-	14%
Louise Bolger	196,347	-	-	-	18,653	-	-	51,349	**266,349**	-	19%
Stuart Green (1)	118,524			607	5,531		63,019	1,152,363 (2)	**1,340,044**	-	91%
Steven Nagy (3)	167,782	19,762	-	-	16,643	-	26,452	-	**230,639**	9%	11%
David Shewmaker (4)	181,614	-	-	-	-	-	106,647	2,339,646(5)	**2,627,907**	-	93%
Bruce Stewart	221,217	-	-	-	18,783	-	99,875	69,082	**408,957**	-	41%
Alastair Wilkie(6)	152,307	-	-	-	12,522	-	36,893	41,382	**243,104**	-	32%
Total KMP compensation (group)	**1,955,224**	**19,762**	**-**	**607**	**140,193**	**-**	**964,078**	**3,725,456**	**6,805,320**		

(1) Stuart Green was appointed on 1 December 2014.

(2) Stuart Green was awarded 2,768,624 shares with a value of $1,152,363 for the execution and implementation of customer contracts.

(3) Steven Nagy was internally appointed as Chief Information Officer on 1 May 2015.

(4) David Shewmaker was appointed on 1 December 2014.

(5) David Shewmaker was awarded 3,051,392 shares with a value of $2,339,646 for the execution and implementation of customer contracts.

(6) Alastair Wilkie was appointed on 11 November 2014.

Bonuses and share-based payments granted as compensation for the current year

During the year ended 30 June 2016, the following issued capital transactions occurred with KMP:

Name of KMP	Number of fully paid ordinary shares granted	Value of the share-based payments recognised in the current financial year	Reason for the transaction	Date of release from escrow	Key terms and restrictions of the shares
Robert Browning	250,000	$235,000	Shares issued for exceptional performance.	1/7/2016	No key terms or restrictions
Rachelle St Ledger	113,636	$29,138	Appointment as Chief Product & Strategy Officer	01/12/2017	If Ms St Ledger is deemed to be a Bad Leaver prior to the date the bonus shares are released from escrow, all the shares will be forfeited.

Employee share option plan

The Company operates an ownership-based scheme for Executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at the Annual General Meeting held on 12 November 2015.

Each employee share option converts into one ordinary share of Emerchants Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

The number of options granted is determined by the CEO and is subject to Board approval. The awarding of options to Executives and senior employees rewards employees against the extent of the consolidated entity's and individual's achievement against both qualitative and quantitative requirements.

The options granted generally expire within three years of their issue, or upon the resignation of the Executive or senior employee (unless deemed under a good leaver provision), whichever is the earlier.

The following grants of share-based payment compensation to KMP relate to the current financial year. No share based payment compensation was granted to Non-executive Directors or the Managing Director in the current financial year.

			During the financial year				
Employee	Options Series	Date Granted	No. granted during the year	No. vested during the year	% of grant vested	% of grant forfeited	Share Option Plan
Executives							
Alistair Wilkie	Series 13	02/12/2015	1,000,000(1)	-	-	87.5	ESOP 2
Rachelle St Ledger	Series 14	31/12/2015	300,000	-	-	-	ESOP 2
Andrew Betts	Series 14	31/12/2015	300,000	-	-	-	ESOP 2
Stuart Green	Series 14	31/12/2015	400,000	-	-	-	ESOP 2
Eric Mettemeyer	Series 15 & 16	01/06/2016	4,200,000	-	-	-	ESOP 2
Walter (Matt) Waldie	Series 15 & 16	01/06/2016	2,200,000	-	-	-	ESOP 2
Louise Bolger	Series 14	31/12/2015	250,000	-	-	-	ESOP 2

(1) 1,000,000 options were issued to A Wilkie on 2 December 2015. On the 9 April 2016 A Wilkie ceased employment with Emerchants and retained 125,000 options with 875,000 options being cancelled.

Other transactions

Where Directors had other transactions with the Company, particulars of those transactions, which do not form part of this Remuneration Report, are shown at Note 23(c) to the Financial Statements.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

Employee	Options Series	Value of the options granted at the grant date (1) $	Value of the options exercised at the exercised date(2) $	Value of the options lapsed at the lapsed date $	Share Option Plan
Executives					
Thomas Cregan	Series 6	-	770,000	-	ESOP 2
Rachelle St Ledger	Series 14	213,437	-		ESOP 2
Andrew Betts	Series 6 & 14	213,437	220,000	-	ESOP 2
Bruce Stewart	Series 6	-	770,000	-	ESOP 2
Stuart Green	Series 12 & 14	284,582	135,850	-	ESOP 2
David Shewmaker	Series 12	-	319,000	-	ESOP 2
Alastair Wilkie	Series 11 & 13	581,467	90,000	-	ESOP 2
Eric Mettemeyer	Series 15 & 16	4,403,834	-	-	ESOP 2
Walter (Matt) Waldie	Series 15 & 16	2,317,517	-	-	ESOP 2
Louise Bolger	Series 14	177,864	-	-	ESOP 2

(1) The value of the options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

(2) The value of options exercised at the exercised date was based on the number of shares actually awarded to the KMP at the market value of the shares on the date exercised. Thomas Cregan was awarded 1,305,085 shares, Bruce Stewart was awarded 1,305,085 shares and Andrew Betts was awarded 372,881 shares on 30 September 2015 when the market price of the Company's shares was $0.59. Alastair Wilkie was awarded 100,000 shares on the 13 November 2015 when the market price of the Company's shares was $0.90. Stuart Green was awarded 130,000 shares on 24 March 2016 when the market price of the Company's shares was $1.045. David Shewmaker was awarded 220,000 shares on the 6 June 2016 when the market price of the Company's shares was $1.45.

SHARES UNDER OPTION

Unissued ordinary shares

Unissued ordinary shares of Emerchants Limited under option at the date of this report are as follows:

Options – Series	Share Option Plan	Grant Date	Expiry Date	Fair value at grant date	Number outstanding at date of report	Vest Date	Exercise Price
Series 9	ESOP 2	9/8/2013	30/9/2016	$0.25	1,650,000	1/9/2016	$0.40
Series 10	ESOP 2	13/11/2013	30/9/2016	$0.58	1,212,121	1/9/2016	$0.00
Series 11	ESOP 2	19/11/2014	18/11/2016	$0.33	70,000	11/11/2016	$0.56
Series 11	ESOP 2	19/11/2014	18/11/2017	$0.37	47,000	11/11/2017	$0.56
Series 12	ESOP 2	02/03/2015	30/06/2017	$0.54	500,000	28/02/2017	$0.00
Series 12	ESOP 2	02/03/2015	30/06/2018	$0.54	500,000	28/02/2018	$0.00
Series 13	ESOP 2	02/12/2015	30/09/2018	$0.58	125,000	30/08/2018	$0.87
Series 14	ESOP 2	31/12/2015	30/09/2018	$0.71	3,450,000	30/08/2018	$0.87
Series 15	ESOP 2	01/06/2016	15/06/2017	$1.16	926,666	01/06/2017	$0.00
Series 15	ESOP 2	01/06/2016	15/06/2018	$1.16	926,666	01/06/2018	$0.00
Series 15	ESOP 2	01/06/2016	15/06/2019	$1.16	926,668	01/06/2019	$0.00
Series 16	ESOP 2	01/06/2016	30/09/2019	$1.01	6,200,000	30/08/2019	$1.45

For details of employee share option plans in existence during the year, refer to Note 20 to the Financial Statements.

For details on the valuation of the options, including models and assumptions used, refer to Note 21. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

OPTION SERIES SUBJECT TO PERFORMANCE HURDLES VESTING CONDITIONS:

	Series 9 & 10	Series 12	Series 13	Series 14	Series 16
Financial year in which performance hurdles will be measured	FY16	FY15-FY18	FY18	FY18	FY17- FY19
Hurdles referenced to	Group results	European results only	Australian results only	Group results	North American results only
Financial performance hurdles					
(a) Revenue	n/a	n/a	n/a	=>$40M	n/a
(b) EBITDA	= or > $4.48M	= or > $2.00M	= or > $10.6M	= or > $18M	= or > $5M USD
(c) EBIT	= or > $2.94M	n/a	= or > $8.8M	= or > $16M	n/a
Other performance hurdles					
(d) Total dollars loaded	> $450M	n/a	n/a	>$1.8BN	n/a
(e) Gross margin percentage	> 85%	n/a	n/a	n/a	n/a
(f) Total active accounts	> 1.1M	n/a	n/a	>2.0M	n/a

Number of performance hurdles required for options to vest

Series 9 and 10

Should any of the applicable performance hurdles not be fully achieved, the options will be pro rata vested on a sliding scale, provided the total percentage of the performance hurdles achieved is greater than 90% of the target amount.

Three or more of the performance hurdles must be met, one of which must be either (e) gross margin percentage or (f) total active accounts.

Series 12

Series 12 consists of three tranches, each of 500,000 options. Should the applicable performance hurdles not be fully achieved in each relevant financial year, the performance options will rollover into the following tranche. Where the performance hurdles are not met in the final year, the performance options will be forfeited.

In the period between 1 January 2015 and 31 December 2015 SFUK achieves EBITDA of AUD 2,000,000;

In the period between 1 January 2016 and 31 December 2016 SFUK achieves EBITDA of AUD 2,000,000.

In the period between 1 January 2017 and 31 December 2017 SFUK achieves EBITDA of AUD 2,000,000.

Series 13

For the Company's Australian operations in FY18 either EBITDA equal to or greater than $10.6M and EBIT equal to or greater than $8.8M are compulsory targets.

Series 14

Three or more of the performance hurdles must be met where EBITDA or EBIT must be one of the achieved targets.

Series 16

Series 16 consists of 6,200,000 options. 1/6th of the options will vest and be exercisable on the achievement of USD5m in SFS consolidated EBITDA for any fiscal year ended by 30 June 2019. Further options will vest in increments of 1/6th for each additional USD1m in SFS consolidated EBITDA achieved in any fiscal year ending by 30 June 2019 with 100% of the options being exercisable upon achievement of USD10m in SFS consolidated EBITDA as at 30 June 2019.

SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

Ordinary shares held in Emerchants Limited (number)

30 June 2016	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net change Other	Balance at end of year/ ceasing employment
Non-executive Directors					
Robert Browning	**1,650,375**	250,000	635,156	(9,625)	**2,525,905**
Tony Adcock	**110,549**	-	404,593	(280,549)	**234,593**
David Liddy	**1,200,000**	-	450,310	-	**1,650,310**
Peter Martin	**9,586,320**	-	385,560	-	**9,971,880**
John Toms	**-**	-	437,948	3,650	**441,598**
Executive Director					
Thomas Cregan	**17,614,213**	-	1,305,085	69,999	**18,989,297**
Executives					
Andrew Betts	**100,000**	-	372,881	60,000	**532,881**
Louise Bolger	**250,000**	-	-	-	**250,000**
Stuart Green	**1,978,805**	-	130,000	-	**2,108,805**
David Shewmaker	**11,438,200**	-	220,000	40,741	**11,698,941**
Bruce Stewart	**1,214,713**	-	1,305,085	-	**2,519,798**
Rachelle St Ledger	**-**	113,636	-	-	**113,636**
Eric Mettemeyer	**-**	-	-	926,481	**926,481**
Walter (Matt) Waldie	**-**	-	-	463,240	**463,240**
Alastair Wilkie	**283,214**	-	100,000	-	**383,214**
Total	**45,426,389**	**363,636**	**5,746,618**	**1,273,937**	**52,810,579**

30 June 2015	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net change Other	Balance at end of year/ ceasing employment
Non-executive Directors					
Robert Browning	1,600,375	-	-	50,000	**1,650,375**
Tony Adcock	80,549	-	-	30,000	**110,549**
David Liddy	1,000,000	-	-	200,000	**1,200,000**
Peter Martin	9,486,320	-	-	100,000	**9,586,320**
John Toms	-	-	-	-	**-**
Executive Director					
Thomas Cregan	11,111,109	-	245,614	6,257,490	**17,614,213**
Executives					
Andrew Betts	-	-	-	100,000	**100,000**
Louise Bolger	-	250,000	-	-	**250,000**
Stuart Green	-	1,978,805	-	-	**1,978,805**
Steven Nagy	-	-	-	-	**-**
David Shewmaker	-	3,841,210	-	7,596,990	**11,438,200**
Bruce Stewart	684,385	250,000	180,328	100,000	**1,214,713**
Alastair Wilkie	-	223,214	-	60,000	**283,214**
Total	**23,962,738**	**6,543,229**	**425,942**	**14,494,480**	**45,426,389**

Option holdings of key management personnel

30 June 2016	Opening Balance	Granted as remuneration	Options exercised	Options cancelled	Net change Other	Closing Balance	Balance vested at 30 June 2016	Vested but not exercisable	Vested and exercisable	Options vested during year
Non-executive Directors										
Robert Browning	706,522	-	(706,522)	-	-	-	-	-	-	-
Tony Adcock	450,310	-	(450,310)	-	-	-	-	-	-	-
David Liddy	450,310	-	(450,310)	-	-	-	-	-	-	-
Peter Martin	427,019	-	(427,019)	-	-	-	-	-	-	-
John Toms	465,839	-	(465,839)	-	-	-	-	-	-	-
Executive Director										
Thomas Cregan	2,962,121	-	(1,750,000)	-	-	1,212,121	-	-	-	-
Executives										
Andrew Betts	650,000	300,000	(500,000)	-	-	450,000	-	-	-	-
Louise Bolger	-	250,000	-	-	-	250,000	-	-	-	-
Stuart Green	390,000	400,000	(130,000)	-	-	660,000	-	-	-	-
David Shewmaker	660,000	-	(220,000)	-	-	440,000	-	-	-	-
Bruce Stewart	1,900,000	-	(1,750,000)	-	-	150,000	-	-	-	-
Rachelle St Ledger	-	300,000	-	-	-	300,000	-	-	-	-
Eric Mettemeyer	-	4,200,000	-	-	-	4,200,000	-	-	-	-
Walter (Matt) Waldie	-	2,200,000	-	-	-	2,200,000	-	-	-	-
Alastair Wilkie	300,000	1,000,000	(100,000)	(958,000)	-	242,000	-	-	-	-
Total	**9,362,121**	**8,650,000**	**(6,950,000)**	**(958,000)**	**-**	**10,104,121**	**-**	**-**	**-**	**-**

Option holdings of key management personnel

30 June 2015	Opening Balance	Granted as remuneration	Options exercised	Options cancelled	Net change Other	Closing Balance	Balance vested at 30 June 2015	Vested but not exercisable	Vested and exercisable	Options vested during year
Non-executive Directors										
Robert Browning	3,306,522	-	-	(2,600,000)	-	706,522	706,522	706,522	-	-
Tony Adcock	450,310	-	-	-	-	450,310	450,310	450,310	-	-
David Liddy	450,310	-	-	-	-	450,310	450,310	450,310	-	-
Peter Martin	427,019	-	-	-	-	427,019	427,019	427,019	-	-
John Toms	665,839	-	-	(200,000)	-	465,839	465,839	465,839	-	-
Executive Director										
Thomas Cregan	4,962,121	-	(2,000,000)	-	-	2,962,121	-	-	-	-
Executives										
Andrew Betts	650,000	-	-	-	-	650,000	-	-	-	-
Louise Bolger	-	-	-	-	-	-	-	-	-	-
Stuart Green	-	390,000	-	-	-	390,000	-	-	-	-
Steve Nagy	150,000	-	-	-	-	150,000	-	-	-	-
David Shewmaker	-	660,000	-	-	-	660,000	-	-	-	-
Bruce Stewart	2,900,000	-	(1,000,000)	-	-	1,900,000	-	-	-	-
Alastair Wilkie	-	300,000	-	-	-	300,000	-	-	-	-
Total	**13,962,121**	**1,350,000**	**(3,000,000)**	**(2,800,000)**	**-**	**9,512,121**	**2.500,000**	**2,500,000**	**-**	**-**

Proceedings on behalf of the Company

No persons have applied for leave pursuant to Section 327 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of Emerchants Limited.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 4 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page the next page and forms part of this Directors' report for the year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Peter Martin

Peter Martin
Non-executive Chairman

25 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Emerchants Limited
22 Commercial Road
NEWSTEAD QLD 4006

25 August 2016

Dear Directors

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 audit of the financial statements of Emerchants Limited for the financial year ended 30 June 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 audit; and
(ii) any applicable code of professional conduct in relation to the audit .

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants

STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME

		Consolidated	
	Notes	30 June 2016 $	30 June 2015 $
Revenue	2,3	23,311,164	14,436,799
Cost of sales		(5,110,131)	(3,155,592)
Gross Profit	3	**18,201,033**	**11,281,207**
Expenses			
Employee benefits expense		8,348,301	6,018,407
Professional fees		1,712,983	615,520
Acquisition related expenses	7	456,457	347,055
Share-based payments	19,21	2,073,179	5,104,212
Depreciation and amortisation expense	13,14	3,693,752	2,690,068
Other expenses	2	3,666,295	2,316,540
Total expenses		**19,950,967**	**17,091,802**
Loss before income tax		(1,749,934)	(5,810,595)
Income tax benefit	5	1,837,456	8,667,973
Net profit for the year		**87,522**	**2,857,378**
Other comprehensive income, net of income tax			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(4,484,744)	2,170,742
Other comprehensive income for the year, net of income tax		**(4,484,744)**	**2,170,742**
Total comprehensive profit / (loss) for the year		**(4,397,222)**	**5,028,120**
Profit / (Loss) per share (cents per share)	6		
Basic (cents per share)		0.05	1.82
Diluted (cents per share)		0.04	1.72

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated 30 June 2016 $	30 June 2015 $
Current Assets			
Cash and cash equivalents	8	26,941,704	4,263,672
Breakage accrual		8,816,399	3,959,484
Other receivables	9	4,620,742	1,549,657
Receivable from financial institution	10	17,058,386	6,895,488
Other current assets	11	1,621,699	289,325
Total Current Assets		**59,058,930**	**16,957,626**
Non-Current Assets			
Other receivables	9	606,468	479,633
Available-for-sale financial assets	12	1,417,565	-
Plant and equipment	13	2,208,894	793,261
Intangibles	14	71,407,859	38,982,041
Deferred tax asset	5	15,200,582	7,552,143
Total Non-Current Assets		**90,841,368**	**47,807,078**
Total Assets		**149,900,298**	**64,764,704**
Current Liabilities			
Trade and other payables	15	8,756,795	2,408,625
Employee benefits	16	458,693	361,999
Provisions		580,704	142,416
Liabilities to stored value account holders	17	17,058,386	6,895,488
Total Current Liabilities		**26,854,578**	**9,808,528**
Non-Current Liabilities			
Lease incentive		396,721	164,214
Deferred income		607,479	88,569
Deferred tax liabilities	5	2,735,465	2,063,068
Employee benefits	16	99,619	56,705
Total Non-Current Liabilities		**3,839,284**	**2,372,556**
Total Liabilities		**30,693,862**	**12,181,084**
Net Assets		**119,206,436**	**52,583,620**
Equity			
Issued capital	18	138,043,204	70,227,532
Reserves	19	10,442,637	11,723,015
Accumulated losses		(29,279,405)	(29,366,927)
Total Equity		**119,206,436**	**52,583,620**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	Consolidated 30 June 2016 $	Consolidated 30 June 2015 $
Cash Flows from Operating Activities			
Receipts from customers		16,756,732	9,233,377
Payments to suppliers and employees		(16,456,684)	(10,739,449)
R & D tax offset refunded		988,308	698,033
Acquisition – related expenses		(242,456)	(347,059)
Interest received		931,739	803,095
Net cash used in operating activities		**1,977,639**	**(352,003)**
Cash Flows from Investing Activities			
Payments for plant and equipment	13	(13,955)	(55,225)
Payments for software	14	(664,838)	(669,845)
Payment for financial instrument		(214,001)	-
Refund of security deposit		39,927	-
Payment for business combination, net of cash acquired	7	(33,702,215)	(12,450,000)
Net cash used in investing activities		**(34,555,082)**	**(13,175,070)**
Cash Flows From Financing Activities			
Proceeds from issue of shares	18	58,620,532	14,000,000
Capital raising costs	18	(3,239,905)	(705,151)
Net cash provided from financing activities		**55,380,627**	**13,294,849**
Net increase / (decrease) in cash held		22,803,184	(232,224)
Cash at beginning of year		4,263,672	4,495,896
Impacts of foreign exchange		(125,152)	-
Cash at end of year	8	**26,941,704**	**4,263,672**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Issued Capital	Accumulated Losses	Other Reserve	Foreign Currency Translation Reserve	Total
		$	$	$	$	$
Balance at 1 July 2014		**44,482,683**	**(32,224,305)**	**4,448,060**	**-**	**16,706,438**
Total comprehensive income						
- Profit for the period		-	2,857,378	-	-	2,857,378
Other comprehensive income						
Unrealised foreign currency gain, net of tax		-	-	-	2,170,743	2,170,743
Transactions recorded directly in equity						
- Share-based payments		-		5,104,212	-	5,104,212
- Issue of share capital	18	26,450,000	-	-	-	26,450,000
- Issue costs		(705,151)	-	-	-	(705,151)
Balance at 30 June 2015		**70,227,532**	**(29,366,927)**	**9,552,272**	**2,170,743**	**52,583,620**
Total comprehensive income						
- Profit for the period		-	87,522	-	-	87,522
Other comprehensive income						-
Unrealised foreign currency (loss), net of tax		-	-	-	(4,484,744)	(4,484,744)
Transactions recorded directly in equity						-
- Share-based payments		-	-	3,204,367	-	3,204,367
- Issue of share capital	18	70,080,911	-	-	-	70,080,911
- Issue costs	18	(2,265,239)	-	-	-	(2,265,239)
Balance at 30 June 2016		**138,043,204**	**(29,279,405)**	**12,756,639**	**(2,314,001)**	**119,206,436**

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Emerchants Limited (Company) is a company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or Emerchants).

(b) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Emerchants Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis except where otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

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.

For the purpose of preparing the consolidated financial statements, the company is a for profit entity.

(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 its operations and effective for the current year.

Standards and Interpretations in issue not yet adopted

Standards/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and AASB 2014-7 'Amendments to Australian Accounting Standards Arising from AASB 9'	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and the relevant amending standards	1 January 2018	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-9 'Amendments to Australian Accounting Standards-Scope and Application Paragraphs'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2016	30 June 2017

Standards/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1057 'Application of Australian Accounting Standards'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 16 'Leases'	1 January 2019	30 June 2020

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

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 for the period ended 30 June 2016. The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016.

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. However, it is not practicable to provide a reasonable estimate of the effect of these standards until the Group performs a detailed review. The Directors have determined that there is no impact, material or otherwise, of the remaining 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.

(d) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report was authorised for issue on the date the Directors' Report and declaration was signed.

(e) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 and the results of all subsidiaries for the year then ended.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its return. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations are accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) 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 and intangibles with indefinite useful lives

The Group determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and other intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and other intangibles with indefinite useful lives are discussed in Note 14.

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 (Note 18).

No expense is recognised for awards that do not ultimately vest, 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.

Breakage income

We refer to the portion of the dollar value of prepaid-stored value accounts that account holders do not ultimately redeem as breakage.

Where we expect to be entitled to a breakage amount, we recognise revenue using an estimated residual percentage applied to the funds initially loaded on these applicable accounts each month.

The residual percentage is calculated using the historical data, market-specific trends, escheatment rules and existing economic conditions for each program. 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.

(g) Going Concern

The Directors believe the Group will continue to operate as a going concern for the foreseeable future.

(h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Emerchants Limited.

(i) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

(iii) 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.

(iv) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

Tax consolidation legislation

The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

The Company recognises both its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

(l) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST and Value Added Tax (VAT) except:

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

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the taxation authority.

(m) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(p) Financial instruments

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at Fair Value Through Profit and Loss ("FVTPL") when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group
- manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139

'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note (ad) above.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts and cross currency swaps. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation

(q) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:

  a. has transferred substantially all the risks and rewards of the asset, or

  b. has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of profit and loss and other comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(s) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

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

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of profit and loss and other comprehensive income in the cost of sales line item.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(t) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(u) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

- Software and IP 5 years
- Customer contracts 1 year
- Customer relationships 5 years
- Capitalised development 5 years

(v) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(x) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date, they are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expect future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(y) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to Directors and employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP 1)
- the Employee Share Option Plan (ESOP 2)

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in Note 21.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Emerchants Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant director or employee becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit and loss and other comprehensive income charge or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified.

In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the director or employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. 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 award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(z) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(aa) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Parent entity financial information

The financial information for the parent entity, Emerchants Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Emerchants Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ac) Foreign Currency Translation

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Disposal of foreign operations

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(ad) Determination of fair values

A number of the Group's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes to the specific to the asset or liability. Assets and liabilities for which are determination of fair value is required are as follows:

- Plant and Equipment – Note 13
- Intangibles – 14
- Liability to stored value account holders – Note 17

Financial Instruments

The following summarises the major methods and assumptions used in estimating fair values for measurement and disclosure purposes:

Fair value measurements hierarchy

In valuing financial instruments, the Group uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted market price (unadjusted) in an active market for identical assets and liabilities;

Level 2: valuation techniques on observable inputs, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

(ae) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year

NOTE 2 REVENUE AND OTHER EXPENSES

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

	Consolidated	
	2016 $	2015 $
(a) Revenue includes		
Breakage income	9,984,572	5,504,941
Establishment income	3,487,483	3,211,058
Transaction fees	8,541,683	4,617,210
Interest income – host based stored value	894,475	813,857
Interest income – group funds	65,640	118,927
Service fees	337,311	170,806
	23,311,164	**14,436,799**
(b) Other expenses include		
Risk & Compliance	492,794	358,458
Fixed Sponsor Bank and Other Related Costs	335,737	90,827
Marketing & Advertising	195,098	163,127
Rent, Buildings & Office Management	753,990	489,782
Information Technology Related Costs	954,185	559,044
Travel & Accommodation	881,079	394,913
Realised FX Gain/Loss	23,558	92,224
Other	29,854	168,165
	3,666,295	**2,316,540**

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 year ended 30 June 2015, operated in two geographical segments Australia and Europe. As of 3 June 2016, following the acquisition of a US based operation, the Group now operates in three geographical locations, being Australia, Europe and North America. 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
- North America

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 directly by each segment without allocation of central administration costs and Directors' salaries and income tax expense. EBITDA is disclosed within the Directors' Report and is equivalent to the Net (loss) / profit for the period included within the Statement of of Profit or Loss and Other Comprehensive Income, excluding Share-based payments, Depreciation and amortisation expense. The measures below are 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 results by reportable operating segment for the years under review:

	Revenue	Gross profit	Intergroup transfers	EBITDA	Net (loss) / profit
Year ended 30 June 2016	**$**	**$**	**$**	**$**	**$**
Australia Reloadable	4,153,905	3,192,872	n/a	n/a	n/a
Australia Non-Reloadable	4,100,518	3,625,065	n/a	n/a	n/a
Adjustments and eliminations	(120,480)	(205,891)	1,409,540	(201,531)	(2,194,354)
Australia segments	**8,133,943**	**6,612,046**	**1,409,540**	**(201,531)**	**(2,194,354)**
Europe	12,561,995	9,435,490	(1,430,502)	4,687,417	1,622,681
Europe segments	**12,561,995**	**9,435,490**	**(1,430,502)**	**4,687,417**	**1,622,681**
North America	2,615,226	2,153,497	-	553,926	659,195
North America segments	**2,615,226**	**2,153,497**	**-**	**553,926**	**659,195**
Total segments	**23,311,164**	**18,201,033**	**(20,962)**	**5,039,812**	**87,522**
Year ended 30 June 2015					
Australia Reloadable	3,915,885	2,586,519	-	n/a	n/a
Australia Non-Reloadable	4,602,684	4,098,801	-	n/a	n/a
Adjustments and eliminations	118,927	118,927	-	(402,163)	(90,343)
Australia segments	**8,637,496**	**6,804,247**	**-**	**(402,163)**	**(90,343)**
Europe Reloadable	5,799,303	4,476,960	-	3,032,267	2,947,723
Europe segments	**5,799,303**	**4,476,960**	**-**	**3,032,267**	**2,947,723**
North America Reloadable	-	-	-	-	-
North America segments	**-**	**-**	**-**	**-**	**-**
Total segments	**14,436,799**	**11,281,207**	**-**	**2,630,104**	**2,857,378**

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 AUDITOR'S REMUNERATION

	Consolidated	
	2016 $	2015 $
(a) Audit services (current auditor):		
Deloitte Touche Tohmatsu Australian firm:		
Statutory audit and review of financial reports	237,138	194,880
Total remuneration for audit services	**237,138**	**194,880**
(b) Non-audit services (current auditor):		
Deloitte Touche Tohmatsu Australian firm:		
Other assurance services	23,650	27,500
Other consulting services	-	-
Total remuneration for Non-audit services	**23,650**	**27,500**
Total (current auditor)	**260,788**	**222,380**

NOTE 5 TAXATION

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

	Consolidated	
	2016 $	2015 $
Current income tax expense	(220,671)	680,119
Deferred tax expense relating to the origination and reversal of temporary differences	1,067,763	7,289,820
Refundable R & D tax offset	990,364	698,033
Total income tax benefit	**1,837,456**	**8,667,973**

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

Loss before income tax	(1,749,934)	(5,810,595)
Income tax benefit using the domestic corporation tax rate of 30% (2015: 30%)	524,980	1,743,178
Tax effect of:		
Non-deductible expenses	(662,011)	(1,991,681)
Temporary differences not recognised as deferred tax assets	-	1,265,566
Refundable R & D tax offset	990,364	698,033
Effect of differences in tax rates(1)	502,315	80,555
Recognition of unused tax losses(2)	481,808	6,872,022
Income tax benefit	**1,837,456**	**8,667,973**

(1) United Kingdom corporate tax rate is 20%, Australian corporate tax rate is 30%, US tax rate is 38.62% and Canadian tax rate is 26.51%.

(2) The Group is recognising a deferred tax asset arising from unused carried forward losses of the UK operating group following the recognition of an asset related to the Australian operating group in the prior year. The Group has assessed that sufficient future taxable profit will be available against which the unused tax losses will be able to applied. The deferred tax assets and liabilities are not offset due to arising in different tax jurisdictions.

(c) Deferred Tax asset

	2016 Assets	2016 Liabilities	2016 Net	2015 Assets	2015 Liabilities	2015 Net
Plant & Equipment	9,062	(7,658)	1,405	-	(324,180)	(324,180)
Employee Benefits	1,939,643	-	1,939,643	160,359	-	160,359
Breakage Provision	-	-	-	512,273	-	512,273
Other Provisions	256,047	-	256,047	133,770	-	133,770
Accruals	-	(95,306)	(95,306)	141,173	-	141,173
Lease Amortization Asset	-	-	-	49,265	-	49,265
Share Capital Costs	1,369,126	-	1,369,126	263,561	-	263,561
Other	487,802	-	487,802	-	-	-
Recognition of tax losses	7,102,782	-	7,102,782	6,872,022	-	6,872,022
Goodwill	4,078,842	-	4,078,842	-	-	-
Intangibles				-	(256,100)	(256,100)
Customer Relationships	10,789	-	10,789	-	-	-
Customer Contracts	49,452	-	49,452	-	-	-
Deferred Tax Asset	**15,303,545**	**(102,964)**	**15,200,582**	**8,132,423**	**(580,280)**	**7,552,143**

(d) Deferred Tax liability

	2016 Assets	2016 Liabilities	2016 Net	2015 Assets	2015 Liabilities	2015 Net
Customer Contracts	-	(622,250)	(622,250)	-	(1,326,915)	(1,326,915)
Customer Relationships	-	(367,483)	(367,483)	-	(189,867)	(189,867)
Accruals	-	(1,689,367)	(1,689,367)	-	-	-
Other Receivables	-	(56,365)	(56,365)	-	-	-
Foreign Currency Translation Reserve	-	-	-	-	(546,286)	(546,286)
Deferred Tax Liability	**-**	**(2,735,465)**	**(2,735,465)**	**-**	**(2,063,068)**	**(2,063,068)**

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

NOTE 6 EARNINGS PER SHARE

	Consolidated	
	2016 Cents per share	**2015 Cents per share**
(a) From continuing operations attributable to shareholders		
Basic earnings per share	0.05	1.82
Diluted earnings per share	0.04	1.72
(b) Profit used in calculating basic and diluted loss per share	**87,522**	**2,857,378**
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	193,953,493	156,950,630
Adjustment for shares deemed to be issued at nil consideration in respect of option rights entitlements	3,688,561	9,608,098
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share(1)	197,642,054	166,558,729

(1) The options included in the above calculation are options for Series 9, Series 10, Series 11, Series 12, Series 13, Series 14, Series 15 and Series 16.

NOTE 7 BUSINESS COMBINATION

On 1 June 2016, the Group acquired 100% of the net assets of Store Financial Services, LLC an unlisted entity based in the United States and its subsidiary company Store Financial Services of 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.

Consideration transferred

	$
Cash consideration(1)	34,494,087
Cash consideration in lieu of shares(3)	591,406
Total cash element	**35,085,493**
Shares issued at fair value (2)	11,460,380
Total consideration	**46,545,873**

The acquisition price of 35,000,000 USD comprised of 26,250,000 USD cash consideration and 8,750,000 USD in shares.

(1) The Group paid 26,250,000 USD as 75% of the consideration for the 100% interest in Store Financial Services LLC. The Group hedged the USD payable at a rate of 0.761 resulting in a net outflow of $34,494,087. This is described in Note 26.

(2) The Group issued 7,903,710 ordinary shares as 25% of the share consideration for the 100% interest in Store Financial Services LLC. The fair value of the shares is calculated with reference to the quoted price of the shares of the company at the date of acquisition which was $1.45 AUD per share. The fair value of the consideration given was therefore $11,460,380 AUD.

(3) The Group agreed to pay 8,750,000 USD as share consideration but agreed to issue a maximum number of shares of 7,908,710 at an agreed price of $1.45 AUD per share. On the date of acquisition the fair value of the 7,903,710 EML share consideration was $11,460,380 AUD which converted to $8,298,461 USD at the spot rate on the date of acquisition. The difference between the share consideration of 8,750,000 USD and the value of the shares issued on close 8,298,461 USD was paid to the vendors in cash. The amount of cash consideration in lieu of shares was therefore 451,539 USD which equated to 591,406 AUD converted at the hedged exchange rate on the date of acquisition. Details of the hedge are shown in Note 26.

Acquisition related costs of $242,456 and hedging costs of $214,001 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss for the year, within the 'Acquisition related expense – cash payments' line item. The attributable costs to the issuance of the shares to fund the acquisition of SFS of $2,265,239 have been charged to equity as a reduction to issued capital.

Analysis of cashflows on acquisition

	$
Transaction Costs of the acquisition (included in cash flows from operating activities)	(242,456)
Hedging Costs of the acquisition (included in cash flows from investing activities)	(214,001)
Transaction Costs attributable to issuance of shares (included in cash flows from financing activities, pre-tax)	(2,265,239)
Net cash acquired with the business combination(included in cash flows from investing activities)	1,383,278
Net cash flow from acquisition	**(1,338,418)**

Assets acquired and liabilities assumed

The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

Fair value recognised on acquisition

	Notes	$
Cash and cash equivalents		1,383,278
Other short term receivables and other current assets		3,330,144
Investments and other long term assets		1,631,421
Deferred tax asset		4,220,268
Plant and equipment	13	1,738,442
Intangibles	14	33,611,720
Total assets		**45,915,274**
Other liabilities		(3,934,431)
Deferred tax liabilities		(423,481)
Deferred income		(146,822)
Total Liabilities		**(4,504,734)**
Total identifiable net assets at fair value		41,410,540
Goodwill arising on acquisition		5,135,333
Purchase consideration transferred		**46,545,873**

Goodwill represents the expected synergies from combining operations of the acquirer and the acquirer.

The goodwill above does not comprise the value of the software licences, customer relationships and customer contracts as these are separately recognised as they meet the criteria for recognition as an intangible asset under AASB 138. The Group bought a vanilla option to purchase USD8,750,000. The option was purchased, as the equity portion of the consideration required a payment should the AUDUSD exchange rate fall below a specified level. If the AUDUSD exchange rate was in excess of the specified level, no payment would be required. These hedges were designated as effective cash flow hedges. There was a positive impact of $2,361,647 in relation to this option to hedge the purchase of USD and consequently this has reduced the Goodwill balance.

Impact of acquisition on the results of the Group

From the date of the acquisition, SFS contributed $2,615,226 of revenue and $659,195 to Net profit after tax of the Group.

Had the acquisition of SFS been effected at 1 July 2015, the revenue contributed to the Group from continuing operations for the year ended 30 June 2016 would have extrapolated to $31,382,712 and the net profit after tax for the year would have been $7,910,340.

The Directors of the Company consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a yearly basis and to provide a reference point for comparison in future years.

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 $	2015 $
Cash on hand and at bank	10,227,057	2,216,015
Short-term deposits	16,714,647	2,047,657
	26,941,704	**4,263,672**

Cash at bank earns interest at floating rates on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTE 9 OTHER RECEIVABLES

	Consolidated	
Current	2016 $	2015 $
Interest receivable	228,318	182,184
Other receivables	4,392,424	1,367,473
	4,620,742	**1,549,657**
Non-current		
Security deposit(1)	430,054	419,908
Long term accounts receivable	169,010	-
Other	7,404	59,725
	606,468	**479,633**

(1) Security Deposit required in regard to obligations under Cuscal Limited Standard Terms and Conditions for the provision of services, a deposit placed for the issue of bank guarantee to the lessor of premise located at 26 Commercial Road, Newstead QLD.

No receivables are overdue.

NOTE 10 RECEIVABLE FROM FINANCIAL INSTITUTIONS

	Consolidated	
	2016 $	2015 $
Receivable from financial institution	**17,058,386**	**6,895,488**

Receivable from financial institution represents funds on deposit with a financial institution in respect of stored value accounts issued by the Company that have in turn been funded by external account holders. The liability to the external account holders is disclosed in Note 17.

NOTE 11 OTHER CURRENT ASSETS

	Consolidated	
	2016 $	2015 $
Prepayments	852,498	271,692
Other	769,201	17,633
	1,621,699	**289,325**

NOTE 12 AVAILABLE-FOR-SALE ASSETS

Available-for-sale financial assets include the following assets:

	Consolidated	
	2016 $	2015 $
Investment in Pareto	73,200	-
Investment in Paywith	1,344,365	-
	1,417,565	**-**

The Group holds 5% of the ordinary share capital of Paywith Inc, a company offering mobile reward program technology and less than 1% of the ordinary share capital of Pareto Captive Services 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.

Information about the Group's exposure to credit and market risks, and fair value measurement is included in Note 26.

NOTE 13 PLANT AND EQUIPMENT

The useful life of the assets was estimated as follows for both 2015 and 2016:	
Computer Equipment	4 years
Office Equipment	10 years
Leasehold Improvements	6 – 7 years
Low Value Pool	2 – 3 years

	Consolidated				
	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Low Value Pool $	Total $
Year ended 30 June 2016					
At 1 July 2015, net of accumulated depreciation and impairment	544,836	84,975	163,450	-	793,261
Additions	6,946	7,009	-	-	13,955
Acquired as part of a business combination (Note 7)	682,935	1,015,268	40,239	-	1,738,442
Depreciation charge for the year	(171,797)	(31,166)	(77,842)	-	(280,805)
Effect of unrealised foreign currency exchange differences	(27,232)	(27,595)	(1,132)	-	(55,959)
At 30 June 2016, net of accumulated depreciation and impairment	**1,035,688**	**1,048,491**	**124,715**	**-**	**2,208,894**
At 1 July 2015					
Cost	1,309,112	194,437	420,124	-	1,923,673
Accumulated depreciation and impairment	(764,276)	(109,462)	(256,674)	-	(1,130,412)
Net carrying amount	**544,836**	**84,975**	**163,450**	**-**	**793,261**
At 30 June 2016					
Cost	1,850,509	1,123,712	459,232	-	3,433,453
Accumulated depreciation and impairment	(814,821)	(75,221)	(334,517)	-	(1,224,559)
Net carrying amount	**1,035,688**	**1,048,491**	**124,715**	**-**	**2,208,894**

	Consolidated				
	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Low Value Pool $	Total $
Year ended 30 June 2015					
At 1 July 2014, net of accumulated depreciation and impairment	669,442	59,118	231,244	4,180	963,984
Additions	139,665	37,410	1,210	695	178,980
Disposals	-	-	-	(4,875)	(4,875)
Effect of unrealised foreign currency exchange differences	2,022	3,424	-	-	5,446
Depreciation charge for the year	(266,293)	(14,977)	(69,004)	-	(350,274)
At 30 June 2015, net of accumulated depreciation and impairment	**544,836**	**84,975**	**163,450**	**-**	**793,261**
At 1 July 2014					
Cost	1,169,707	87,112	418,914	27,498	1,703,231
Accumulated depreciation and impairment	(500,265)	(27,994)	(187,670)	(23,318)	(739,247)
Net carrying amount	**669,442**	**59,118**	**231,244**	**4,180**	**963,984**
At 30 June 2015					
Cost	1,309,112	194,437	420,124	-	1,923,673
Accumulated depreciation and impairment	(764,276)	(109,462)	(256,674)	-	(1,130,412)
Net carrying amount	**544,836**	**84,975**	**163,450**	**-**	**793,261**

NOTE 14 INTANGIBLES

	Consolidated				
	Software licenses $	Customer Relationships $	Customer contracts $	Goodwill $	Total $
Balance at 1 July 2015					
At 1 July 2015, net of accumulated amortisation and impairment	814,114	949,334	6,697,576	30,521,017	38,982,041
Additions	664,838	-	-	-	664,838
Acquired as part of a business combination (Note 7)	22,827,728	8,495,641	2,288,351	5,135,333	38,747,053
Disposals	-	-	-	-	-
Amortisation charge for the year	(659,142)	(1,135,012)	(1,670,651)	-	(3,464,805)
Effect of unrealised foreign currency exchange differences	(2,181,312)	(101,383)	(719,862)	(518,711)	(3,521,268)
At 30 June 2016, net of accumulated amortisation and impairment	**21,466,226**	**8,208,580**	**6,595,414**	**35,137,639**	**71,407,859**
At 30 June 2016					
Cost or fair value	23,814,226	10,358,349	8,877,586	35,137,639	78,187,800
Accumulated amortisation and impairment	(2,348,000)	(2,149,769)	(2,282,172)	-	(6,779,941)
Net carrying amount	**21,466,226**	**8,208,580**	**6,595,414**	**35,137,639**	**71,407,859**

No impairment loss was recognised for continuing operations for the year ended 30 June 2016.

	Consolidated				
	Software licenses $	Customer Relationships $	Customer contracts $	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	676,198	2,056,161	6,796,601	17,817,791	27,346,751
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	**814,114**	**949,334**	**6,697,576**	**30,521,017**	**38,982,041**
At 30 June 2015					
Cost or fair value	2,987,769	2,056,161	6,841,601	28,595,164	40,480,695
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	**814,114**	**949,334**	**6,697,576**	**30,521,017**	**38,982,041**

Carrying amount of goodwill, allocated to the cash generating units

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of each cash generating unit is compared against the allocated goodwill to determine if any indicators of impairment exist at each reporting period end.

	Carrying amount of goodwill allocated to CGU	
	2016 $	2015 $
Australia		
Reloadable	7,147,536	7,147,536
Non-Reloadable	3,629,837	3,629,837
	10,777,373	**10,777,373**
Europe		
Europe	**17,423,325**	**19,743,644**
North America		
North America	**6,936,941**	**-**
Consolidated Group	**35,137,639**	**30,521,017**

The recoverable amount of the Groups cash generating units has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management and the Directors covering a 4 year period and a terminal rate of 4.5% into perpetuity. As the North American Business was recently acquired (see Note 7), the recoverable amount of the cash generating unit has been deemed to represent the fair value of assets and liabilities acquired. As such key assumptions have not been detailed separately within this note.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 14.3% for Australian and 11.5% for Europe that reflects current market assessments of the time value of money and the risks specific to the cash generating units.

Key assumptions used in value-in-use calculations for the cash generating units at 30 June 2016.

Feature	Description		
Forecast revenues	The basis used to determine the value assigned to the forecast revenues is the volume growth in the key metrics and the forecasted pricing terms for each client. A probability factor was applied to $ Loaded values (the major driver of revenues) following consideration of recent contracts and the sales pipeline and ultimately the following reloadable transaction volume growth rates, which represent the lower end of the growth rate scenarios, was the resulting output for the purpose of the value in use assessment:		
		Actual FY 16	**Forecast FY17-FY20 CAGR**
	Australian Reloadable $ Loaded growth	80.9%	24.0%
	Australian Non-Reloadable $ Loaded growth	5.2%	5.1%
	Europe $ Loaded growth	30.3%	30.8%
Forecast Growth	Actual and forecast growth in the FY16 and FY17 financial years is driven primarily by customer programs which were launched during financial year FY16 and growth increases in FY17 represent the full year equivalent growth. Forecast growth represent management's best estimates of loads related to new customer contracts which have been signed but are will commence in FY17.		
Forecast gross margin	The basis used to determine the value assigned to the forecasted gross margins is the average gross margins achieved in FY16, conservatively decreased for margin erosion thereafter. Thus, values assigned to gross margins reflect past experience, with provision for margin erosion based on increased sales volumes.		
Interest Income	Interest income on Stored value is based on the relevant Central Bank overnight lending rate at the beginning of the budgeted year, less the specific yield charged by each ADI.		
Exchange rates	Exchange rates are based on the relevant market rates at the beginning of the FY17 year		
Weighted Average Cost of Capital (WACC)	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate applied to the cash flows of each of the Group's CGU's is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2016, adjusted for a risk premium to reflect both the increased risk of investing in equities. In making this adjustment, inputs required are the equity markets risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the Group relative to the market as a whole, giving rise to the Group's Cost of Equity Capital. The Group's WACC is calculated with reference to its Cost of Equity Capital, based on a theoretical long-term capital structure for the Group (comprising 80% equity and 20% debt).		

Sensitivity to changes in key assumptions

The Group has conducted sensitivity analysis on the assumptions above to assess the effect on recoverable amount of changes in the key assumptions.

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2016. The recoverable amount is most sensitive to revenue growth assumptions and the Directors believe that the likelihood of a reduction in anticipated growth to a level where carrying value would exceed recoverable amount, is remote.

NOTE 15 TRADE AND OTHER PAYABLES

	Consolidated	
	2016 $	**2015 $**
Trade and other payables	**8,756,795**	**2,408,625**

All payables are non-interest bearing and are normally settled on 30 day terms.

NOTE 16 EMPLOYEE BENEFITS

	Consolidated	
Current	**2016 $**	**2015 $**
Employee benefits	458,693	361,999
Non-current		
Employee benefits	99,619	56,705
	558,312	**418,704**

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(x).

NOTE 17 LIABILITIES TO STORED VALUE ACCOUNT HOLDERS

	Consolidated	
	2016 $	**2015 $**
Liabilities to stored value account holders	**17,058,386**	**6,895,488**

Liabilities to stored value account holders represents funds received for stored value accounts issued by the Company that have in turn been deposited by the Company with a financial institution. The receivable from the financial institution is disclosed in Note 10.

NOTE 18 ISSUED CAPITAL

	Consolidated	
	2016 $	**2015 $**
242,419,862 fully paid ordinary shares (30 June 2015:184,537,219)	**138,043,204**	**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.

Movement in issued shares	2016 No	2016 $	2015 No	2015 $
Balance at start of the year	184,537,219	70,227,532	124,668,047	44,482,683
Issued for cash(1)	40,350,000	58,507,500	28,000,000	14,000,000
Issued for consideration(2)	7,903,710	11,460,380	24,900,000	12,450,000
Share-based payments to directors & executives(3)	363,636	-	6,543,230	-
Options exercised(4)	9,265,297	113,031	425,942	-
Costs associated with the issue of shares	-	(2,265,239)	-	(705,151)
Balance at end of the year	**242,419,862**	**138,043,204**	**184,537,219**	**70,227,532**

(1) Issued for cash:

(i) 40,350,000 fully paid ordinary shares issued at a price of $1.45 on 3 June 2016 which comprised a placement of $58,507,500 to institutional and sophisticated investors.

(2) Issued for consideration:

(i) Relates to acquisition of SFS in 2016. Refer to Note 7 for further information.

(3) Share based payments:

(i) 113,636 fully paid ordinary shares were issued to Ms Rachelle St Ledger upon appointment as Chief Product Officer. The fair value of the award was $100,000 which will be amortised over the 2016 and 2017 financial years.

(ii) 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 year.

(4) Options exercised. The following options on issue were exercised during the period and issued for shares:

(i) 6,351,730 ordinary shares issued following the exercise of 8,500,000 options expiring 30 September 2015, exercise price $0.15;

(ii) 100,000 ordinary shares issued following the exercise of 100,000 options expiring 18 November 2015, exercise price $0.56;

(iii) 500,000 ordinary shares issued following the exercise of 500,000 options expiring 30 June 2016, nil exercise price;

(iv) 2,313,567 ordinary shares issued following the exercise of 2,500,000 options expiring 31 March 2016, exercise price $0.10.

	Consolidated	
Options over ordinary shares	**2016 No.**	**2015 No.**
Options on issue at beginning of year	17,812,121	25,362,121
Options issued during the year(1)	13,730,000	1,800,000
Options exercised during the year	(11,600,000)	(3,000,000)
Options cancelled during the year	(3,408,000)	(350,000)
Options expired during the year	-	(6,000,000)
Options on issue at end of year	**16,534,121**	**17,812,121**

(1) Options issued during the year :

(i) 1,000,000 Performance based options

On 2 December 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 are not listed, 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 $14,846 in the statement of profit and loss in the period in relation to the award of 1,000,000 performance based options.

(ii) 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 are not listed, 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. A total expense was recognised of $442,498 in the statement of profit and loss in the period in relation to the award of 3,750,000 performance based options.

(iii) 2,780,000 Non-performance based options

On 1 June 2016 2,780,000 options were awarded to senior employees of the Company's wholly owned subsidiary Store Financial USA LLC. No exercise price was attached. The share options are not listed, carry no rights to dividends or voting rights. The options were granted in three tranches and expire on 15 June of the 2017, 2018 and 2019 year. The fair value of the three tranches at grant date using the Black Scholes Model was $3,213,680. A total expense was recognised of $161,418 in the statement of profit and loss in the period in relation to the award of 2,780,000 non-performance based options.

(iv) 6,200,000 Performance based options

On 1 June 2016 6,200,000 options were awarded to senior employees of the Company's wholly owned subsidiary Store Financial USA LLC. The options were granted with an exercise price of $1.45 per option. The share options are not listed, carry no rights to dividends or voting rights. The options will expire on 30 September 2019. The fair value of the option grant using the Black Scholes Model was $6,292,678. A total expense of $159,308 was recognised in the statement of profit or loss during the year in relation to the award of 6,200,000 performance based options.

			Consolidated	
			2016 No.	2015 No.
Date of Expiry	**Exercise Price**	**Options Series**		
30 September 2015	$0.15	Series 6	-	8,500,000
30 September 2015	$0.15	Series 7	-	1,750,000
18 November 2015	$0.56	Series 11	-	100,000
31 March 2016	$0.10	Series 8	-	2,500,000
30 September 2016	$0.40	Series 9	1,650,000	2,050,000
30 September 2016	-	Series 10	1,212,121	1,212,121
18 November 2016	$0.56	Series 11	70,000	100,000
18 November 2017	$0.56	Series 11	47,000	100,000
30 June 2016	-	Series 12	-	500,000
30 June 2017	-	Series 12	500,000	500,000
30 June 2018	-	Series 12	500,000	500,000
30 September 2018	$0.87	Series 13	125,000	-
30 September 2018	$0.87	Series 14	3,450,000	-
15 June 2017	-	Series 15	926,666	-
15 June 2018	-	Series 15	926,666	-
15 June 2019	-	Series 15	926,668	-
30 September 2019	$1.45	Series 16	6,200,000	-
Options on issue at end of year			**16,534,121**	**17,812,121**

NOTE 19 RESERVES

	Consolidated	
Reserves	**30 June 2016 $**	**30 June 2015 $**
Share and options reserve	12,756,638	9,552,272
Foreign currency translation reserve (net of tax)	(2,314,001)	2,170,743
Balance at end of the period	**10,442,637**	**11,723,015**

Share and options reserve	Consolidated 2016 $	2015 $
Balance at beginning of the financial year	9,552,272	4,448,060
Issue of share to employee share trust	1,131,187	-
Bonus shares	506,056	3,725,457
Share-based payments	1,567,123	1,378,754
Balance at end of the year	**12,756,638**	**9,552,272**

The share and share options reserve arises on the grant and/or issue of shares and share options. Amounts are transferred out of the reserve to accumulated losses when the shares or share options lapse or expire. When shares and share options are exercised, amounts carried in the reserve related to those particular shares and share options are dealt with based on their origination. If cash-related those amounts may be transferred out of the reserve to issued capital. If not cash-related the amounts are transferred out of the reserve to accumulated losses.

NOTE 20 SHARE OPTION PLAN

(a) Employee Share Option Plan (1) ("ESOP 1")

The Group has an equity-based compensation plan for employees which has been in existence since December 2006. In accordance with the provisions of ESOP 1, as approved by shareholders at an Annual General Meeting, Directors may issue options to purchase shares in the Company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No Directors participate in ESOP 1.

In accordance with the terms of ESOP 1, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

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

The expense recognised in the statement of profit and loss and other comprehensive income in relation to share-based payments made under ESOP 1 is $0 (2015: $0).

(b) Employee Share Option Plan (2) ("ESOP 2")

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 expense recognised in the statement of profit and loss and other comprehensive income in relation to share-based payments made under ESOP 2 is $1,318,449 (2015: $1,268,457).

The following share-based payment arrangements were in existence during the year under the ESOP 2:

Options	Grant date	Number	Vest Date	Expiry Date	Exercise Price	Fair value at Grant date
ESOP 2(1)						
Series 6	21/9/2012	8,500,000	21/9/2015	30/9/2015	$0.15	$0.03
Series 7	13/11/2012	1,750,000	21/9/2015	30/9/2015	$0.15	$0.07
Series 9	9/8/2013	2,050,000	01/9/2016	30/9/2016	$0.40	$0.25
Series 10	13/11/2013	1,212,121	01/9/2016	30/9/2016	$0.00	$0.58
Series 11	19/11/2014	100,000	11/11/2015	18/11/2015	$0.56	$0.26
Series 11	19/11/2014	100,000	11/11/2016	18/11/2016	$0.56	$0.33
Series 11	19/11/2014	100,000	11/11/2017	18/11/2017	$0.56	$0.37
Series 12	02/03/2015	500,000	28/02/2016	30/06/2016	$0.00	$0.54
Series 12	02/03/2015	500,000	28/02/2017	30/06/2017	$0.00	$0.54
Series 12	02/03/2015	500,000	28/02/2018	30/06/2018	$0.00	$0.54
Series 13	02/12/2015	1,000,000	30/08/2018	30/09/2018	$0.87	$0.58
Series 14	31/12/2015	3,750,000	30/08/2018	30/09/2018	$0.87	$0.71
Series 15	01/06/2016	926,666	01/06/2017	15/06/2017	$0.00	$1.16
Series 15	01/06/2016	926,666	01/06/2018	15/06/2018	$0.00	$1.16
Series 15	01/06/2016	926,668	01/06/2019	15/06/2019	$0.00	$1.16
Series 16	01/06/2016	6,200,000	30/08/2019	30/09/2019	$1.45	$1.01

(1) The weighted average of fair value of options granted during the year under ESOP 2 is $0.9949 per option (2015: $0.6517).

The following reconciles outstanding issued employee share options at the beginning and end of the financial year under ESOP 2:

	Consolidated			
	2016		2015	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	15,312,121	$0.3661	22,862,121	$0.5554
Issued during the financial year	13,730,000	$0.9558	1,800,000	$0.0933
Exercised during the financial year(1)	(9,100,000)	($0.146)	(3,000,000)	($0.50)
Cancelled during the financial year	(3,408,000)	($0.438)	(350,000)	($0.40)
Lapsed during the financial year	-	-	(6,000,000)	($1.45)
Balance at end of the financial year(2)	**16,534,121**	**$0.9620**	**15,312,121**	**$0.3661**

(1) Options exercised during the financial year:

(i) 8,500,000 Series 6 options with an exercise price of $0.15, 100,000 Series 11 options with an exercise price of $0.56 and 500,000 series 12 options with an exercise price of $0.00 were exercised during the financial year.

(2) Options outstanding at end of the financial year:

(i) Issued share options outstanding at the end of the financial year had a weighted average exercise price of $0.9620 (2015: $0.3661) and a weighted average remaining contractual life of 794 days (2015: 153 days).

NOTE 21 SHARE-BASED PAYMENTS

The fair value of equity-settled share options is estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted.

	Series 6	Series 7	Series 8	Series 9	Series 10
Share option plan	ESOP 2	ESOP 2	n/a	ESOP 2	ESOP 2
Number at the end of financial year	-	-	-	1,650,000	1,212,121
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	99%	124%	100%	147%	100%
Risk-free interest rate	2.52%	2.52%	2.92%	3.24%	2.92%
Expected life of option (years)	3.02 years	2.88 years	2.38 years	3.15 years	2.88 years
Vesting date	21/9/2015	21/9/2015	(3)	1/9/2016	1/9/2016
Expiry date	30/9/2015	30/9/2015	31/3/2016	30/9/2016	30/9/2016
Exercise price	$0.15	$0.15	$0.10	$0.40	$0.00
Grant date share price	$0.07	$0.13	$0.58	$0.39	$0.58
Fair value of option	$0.03	$0.07	$0.40	$0.25	$0.58
Performance measures	(1)	(1)	n/a	(2)	(3)

	Series 11	Series 11	Series 11	Series 12	Series 12	Series 12
Share option plan	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2
Number at the end of financial year	-	70,000	47,000	-	500,000	500,000
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	158%	158%	158%	159%	159%	159%
Risk-free interest rate	2.78%	2.78%	2.78%	2.07%	2.07%	2.07%
Expected life of option (years)	1.00	2.00	3.00	1.33	2.33	3.33
Vesting date	11/11/2015	11/11/2016	11/11/2017	28/02/2016	28/02/2017	28/02/2018
Expiry date	18/11/2015	18/11/2016	18/11/2017	30/06/2016	30/06/2017	30/06/2018
Exercise price	$0.56	$0.56	$0.56	$0.00	$0.00	$0.00
Grant date share price	$0.56	$0.56	$0.56	$0.67	$0.67	$0.67
Fair value of option	$0.26	$0.33	$0.37	$0.54	$0.54	$0.54
Performance measures	n/a	n/a	n/a	(4)	(4)	(4)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(1) In accordance with the terms of the share-based arrangements, the options are exercisable subject to at least two of three specific financial performance criteria being achieved in the financial year ending 30 June 2015, unless the Board have elected to remove the performance criteria for eligible employees. The specific details of the financial performance criteria have been disclosed in the Remuneration report.

(2) In accordance with the terms of the share-based arrangements, the options are exercisable subject to at least three of five specific financial performance criteria being achieved in the financial year ending 30 June 2016, one of which must be either Gross margin percentage or Total active accounts. The specific details of the financial performance criteria have been disclosed in the Remuneration report.

(3) In accordance with the terms of the share-based arrangements, the options vested in three tranches on 18 April 2012, 18 April 2013 and 18 April 2014.

(4) Series 12 consists of three tranches, each of 500,000 options. Should the applicable performance hurdles not be fully achieved in each relevant financial year, the performance options will rollover into the following tranche. Where the performance hurdles are not met in the final year, the performance options will be forfeited.

	Series 13	Series 14	Series 15	Series 15	Series 15	Series 16
Share option plan	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2
Number at the end of financial year	125,000	3,450,000	926,666	926,666	926,668	6,200,000
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	163%	164%	168%	168%	168%	168%
Risk-free interest rate	2.28%	2.24%	1.82%	1.82%	1.82%	1.82%
Expected life of option (years)	2.83	2.75	1.04	2.04	3.04	3.33
Vesting date	30/08/2018	30/08/2018	01/06/2017	01/06/2018	01/06/2019	30/08/2019
Expiry date	30/09/2018	30/09/2018	15/06/2017	15/06/2018	15/06/2019	30/09/2019
Exercise price	$0.87	$0.87	$0.00	$0.00	$0.00	$1.45
Grant date share price	$0.87	$1.05	$1.45	$1.45	$1.45	$1.45
Fair value of option	$0.58	$0.71	$1.16	$1.16	$1.16	$1.01
Performance measures	(5)	(6)	n/a	n/a	n/a	(7)

(5) In accordance with the terms of the share-based arrangements, the options are exercisable subject to the achievement of at least three of five specific financial performance criteria being achieved in the financial year ending 30 June 2018. The specific details of the financial performance criteria have been disclosed in the Remuneration Report.

(6) In accordance with the terms of the share-based arrangements, the options will vest on the achievement of an EBITDA per share of at least AUD 0.091 and at least three of five specific financial performance criteria being achieved in the financial year ending 30 June 2018. The specific details of the financial performance criteria have been disclosed in the Remuneration Report.

(7) 1/6th of the options will be vest on the achievement of USD5m in SFS EBITDA for any fiscal year ending 30 June 2019. Further options will vest in increments of 1/6th for each additional USD1m in SFS EBITDA achieved for any fiscal year ending 30 June 2019 with 100% of the options being exercisable upon achievement of USD10m in EBITDA as at 30 June 2016.

NOTE 22 STATEMENT OF CASH FLOWS

Reconciliation of operating profit after income tax to net cash used in operating activities

	Consolidated	
	2016 $	2015 $
Operating profit after income tax	87,522	2,857,378
Add: Non-cash items		
Depreciation and amortisation	3,693,752	2,690,068
Loss on disposal of plant and equipment	-	(4,179)
Share-based payments	2,073,179	5,104,212
Breakage accrual	(4,913,966)	(2,961,362)
Change in operating assets and liabilities		
(Increase) / decrease in other current assets	(396,622)	(740,868)
(Increase) / decrease in other receivables	(958,586)	(1,206,409)
(Increase) / decrease in deferred tax asset	(1,859,047)	(7,552,143)
Increase / (decrease) in trade and other payables	2,875,737	1,696,550
Increase / (decrease) in employee benefits	139,608	53,255
Increase / (decrease) in provisions	80,113	(288,506)
Increase / (decrease) in deferred tax liabilities	785,517	-
Increase / (decrease) in lease incentive	(17,586)	-
Increase / (decrease) in deferred income	388,018	-
Net cash used in operating activities	**1,977,639**	**(352,003)**

NOTE 23 RELATED PARTY DISCLOSURES

(a) Equity Interests in related parties

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 24 to the financial statements.

(b) Transactions within wholly owned group

The wholly owned group includes:

(i) The ultimate parent entity in the wholly-owned group; and

(ii) The wholly-owned controlled entities

The ultimate parent entity in the wholly-owned group is Emerchants Limited.

During the financial year Emerchants Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of loans under arm's length terms.

(c) Transactions with key management personnel

There were no transactions with key management personnel in the 2016 financial year.

NOTE 24 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		2016 %	2015 %
Parent Entity(1)			
Emerchants Limited	Australia		
Controlled Entities			
Australasia Gold (SA) Pty Ltd	Australia	100	100
Emerchants Payment Solutions Limited	Australia	100	100
Store Financial Services UK Limited	United Kingdom	100	100
Store Financial USA LLC[2]	United States	100	-
Store Financial 2 LLC[2]	United States	100	-
Store Financial Canada Limited[2]	Canada	100	-

(1) There is no significant restrictions or financial support from the parent entity to the controlled entities. The transactions related to the intercompany loan from Emerchants Limited to Emerchants Payment Solutions Limited are eliminated according to the Group's accounting policy, refer to Note 1(e).

(2) Incorporated during the year to facilitate the acquisition of the net assets of SFS.

NOTE 25 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Other Expenditure Commitments

Commitments contracted for at balance date but not recognised as liability are as follows:

	Consolidated	
	2016 $	2015 $
Not later than one year	133,000	300,977
Later than one year but not later than five years	240,000	497,741
	373,000	**798,718**

The Group has the following material commitments:

1. Service agreement with Cuscal Limited. The terms are 60 months and are due to expire in June 2019.
2. Service agreement with Heritage Bank Limited. The terms are 24 months and are due to expire in August 2017.

(b) Operating Lease Commitments

Commitments for minimum lease payments and outgoings (excluding GST) are:

	Consolidated	
	2016 $	2015 $
Not later than one year	1,110,993	401,883
Later than one year but not later than five years	4,115,593	946,804
More than five years	-	-
	5,226,586	**1,348,687**

The Group has the following non-cancellable operating leases:

1. Rental of office premise in Brisbane, Australia from Trust Company (Australia) Pty Limited. The terms are 84 months and are due to expire in August 2018.
2. Rental of office premise in Birmingham, UK from Hortons Limited. The terms are 60 months and are due to expire in April 2019.
3. Rental of office premise in Kansas City, USA from Eastward Holdings LLC. The terms are 66 months and are due to expire in April 2022.
4. Rental of office premises in Kansas City, USA from 95 Metcalfe SPE, LLC. The terms are 36 months and are due to expire in October 2016.

(c) Finance Lease Commitments

The group leases plant and equipment with a carrying amount of $1,175,984 (2015 – $128,174) under finance leases expiring within three years. There are no residual payments under the lease terms.

Commitments in relation to finance leases are payable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
Not later than one year	346,310	52,844	328,272	48,976
Later than one year and not later than five years	254,083	101,672	242,022	75,195
Later than five years	-	-	-	-
	600,393	**154,516**	**570,294**	**124,171**
Less future finance charges	(30,099)	(30,345)	-	-
Present value of minimum lease payments	**570,294**	**124,171**	**570,294**	**124,171**

Fair Value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

(d) 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 26 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:

	Consolidated	
	Carrying amount	
	2016 $	2015 $
Cash and cash equivalents	26,941,704	4,263,672
Receivables from Financial Institutions	17,058,386	6,895,488
Bank Security deposits	423,328	419,908
Other receivables	4,620,742	1,549,657
Available-for-sale	1,417,565	-

Impairment Losses

None of the Group's other receivables are past due (2015: 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:

30 June 2016

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
Non-interest bearing	8,756,795	8,756,795	8,756,795	-	-	-
Payables to stored value account holders	17,058,386	17,058,386	17,058,386	-	-	-
Total	**25,815,181**	**25,815,181**	**25,815,181**	**-**	**-**	**-**

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.

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.

In the current year, the Group has designated certain forward exchange contracts as cash flow hedges with respect to hedging the risk of converting USD into AUD at a forward date.

The Group has excess USD which are not deriving any interest revenue due to the low interest rate environment for USD deposits. To enhance the return, the Group has converted the USD into AUD and invested in a term deposit. To hedge the exchange rate risk at maturity of converting the proceeds of the AUD term deposit back into USD, the Group has fixed the AUD payable by entering into forward exchange contracts. These hedges have been designated as cash flow hedges.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

Outstanding contracts	Average Exchange Rate		Foreign Currency		Notational Value		Fair Value Adjustment	
Cash flow hedges	30/06/2016	30/06/2015	30/06/2016 USD$	30/06/2015 USD$	30/06/2016 $	30/06/2015 $	30/06/2016 $	30/06/2015 $
Buy USD	0.7409	-	8,000,000	-	10,797,678	-	(42,288)	-

At 30 June 2016, the aggregate amount of gains under forward exchange contracts recognised in other comprehensive income was $2,319,359.

There was a negative impact of $42,288 in relation to the forward exchange contracts at the end of the reporting period to hedge the conversion of AUD back into USD, originally converted from USD to AUD to invest in AUD term deposits.

There was a positive impact of $2,361,647 in relation to hedges taken out to hedge the purchase of USD to complete the acquisition of the assets of Store Financial Services, LLC and Store Financial Services of Canada Limited. To hedge this exposure, the Group entered into a forward exchange contract to buy USD26,500,000. In addition to this, the Group bought a vanilla option to purchase USD8,750,000. The option was purchased, as the equity portion of the consideration required a payment should the AUDUSD exchange rate fall below a specified level. If the AUDUSD exchange rate was in excess of the specified level, no payment would be required. These hedges were designated as cash flow hedges.

At 30 June 2016, no ineffectiveness has been recognised in profit or loss for outstanding forward exchange contracts.

Foreign currency sensitivity

The sensitivity to the Group's Profit and Loss to a reasonably possible change in GBP and USD exchange rates, with all other variables held constant, is immaterial.

The impact on Equity for a 10% increase/decrease of the AUD against the GBP, USD and CAD exchange rates, with all other variables held constant is:

Sensitivity	GBP		USD		CAD		Total	
	30/06/2016 $	30/06/2015 $	30/06/2016 $	30/06/2015 $	30/06/2016 $	30/06/2015 $	30/06/2016 $	30/06/2015 $
10% increase of AUD	(2,777,194)	(2,263,636)	(552,181)	-	(232,416)	-	(3,561,791)	(2,263,636)
10% decrease of AUD	3,394,348	2,766,667	674,888	-	284,064	-	4,353,300	2,766,667

The impact of the movement in GBP, USD and CAD is attributable to the Group's investment in foreign operations.

In addition, translation of the net investment hedges would result in a decrease in equity of $2,717,569 (2015:$nil), for a 10% increase in AUD or an increase in equity of $2,895,376 (2015:$nil) for a 10% decrease in AUD. However, there would be no net effect on equity because there would be an offset in the currency translation of the foreign operations.

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:

	Consolidated	
	Carrying amount	
	2016 $	2015 $
Variable rate instruments		
Financial assets – cash and cash equivalents	26,941,704	4,263,672
Bank Security deposits	423,328	419,908
	27,365,032	**4,683,580**

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 $
30 June 2016				
Variable rate instruments	269,417	(269,417)	269,417	(269,417)
Bank Security Deposits	4,233	(4,233)	4,233	(4,233)
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 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 note 1(ad). The fair value at 30 June 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 $42,288 (2015:$nil) which was recognised in other comprehensive income. These financial instruments were measured using Level 2 valuation techniques as defined in the fair value hierarchy shown in note 1(ad). The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

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 27 PARENT ENTITY DISCLOSURES

Financial position	30 June 2016 $	30 June 2015 $
Assets		
Current assets	498,654	1,833,262
Non-current assets	122,996,995	53,036,556
Total assets	**123,495,649**	**54,869,818**
Liabilities		
Current Liabilities	493,751	316,810
Total Liabilities	**493,751**	**316,810**
Net Assets	**123,001,897**	**54,553,008**
Equity		
Issued capital	138,043,203	70,227,532
Reserves	14,631,276	11,712,129
Accumulated losses	(29,672,582)	(27,386,653)
Total equity	**123,001,897**	**54,553,008**

	30 June 2016 $	30 June 2015 $
Financial performance		
Profit/(Loss) after income tax for the year	(2,285,929)	(2,216,900)
Other comprehensive income	1,874,637	2,109,856
Total comprehensive profit(loss) for the year	**(411,292)**	**(107,044)**

Commitments and Contingencies – refer Note 25.

Operating lease commitments referred to the Parent Entity.

NOTE 28 SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial 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

1. In the opinion of the Directors of Emerchants Limited (the "Company"):

(a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

i. giving a true and fair view of the Group's financial position at 30 June 2016 and of its performance for the year then ended; and

ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

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

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 1(d).

2. This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.

Peter Martin

Peter Martin
Chairman

25 August 2016

Deloitte.

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Independent Auditor's Report
to the members of Emerchants Limited

Report on the Financial Report

We have audited the accompanying financial report of Emerchants Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 69.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(d), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Emerchants Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(d).

Report on the Remuneration Report

We have audited the Remuneration Report included in 15 to 26 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Emerchants Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, Queensland
25 August 2016

ASX ADDITIONAL INFORMATION

Additional information as required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1.1 Share Information

As at 16 September 2016 the Company only has one class of shares, fully paid ordinary share. Therefore all holders listed hold fully paid ordinary shares. There are no unlisted securities and there is currently no on-market buy-back.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

1.2 Distribution of Shares (as at 16 September 2016)

No.	No of Shareholders	Fully Paid Shares
1-1,000	371	143,456
1,001-5,000	707	2,099,686
5,001-10,000	455	3,656,375
10,001-50,000	646	15,218,426
50,001-100,000	118	8,689,885
100,001-over	152	212,984,974
Total	**2,449**	**242,792,802**
Unmarketable Parcels	**171**	**3,667**

1.3 Substantial Shareholders (as at 16 September 2016)

The following shareholders are recorded as substantial shareholders:

Name	Fully Paid Shares
	Number
National Nominees Limited	23,943,848
JP Morgan Nominees Australia Limited	23,821,052
Citicorp Nominees Pty Limited	22,905,099
HSBC Custody Nominees (Australia) Limited	19,425,232
Total	**90,095,231**

1.4 Holders of Unquoted Equity Securities (at 16 September 2016)

A total of 15,630,000 unlisted options are on issue. All unlisted options are held by employees under the Company's Employee Share Options Plan.

1.5 Twenty Largest Shareholders (as at 16 September 2016)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
NATIONAL NOMINEES LIMITED	23,943,848	9.86%
J P MORGAN NOMINEES AUSTRALIA LIMITED	23,821,052	9.81%
CITICORP NOMINEES PTY LIMITED	22,905,099	9.43%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,425,232	8.00%
BT PORTFOLIO SERVICES LIMITED	9,586,320	3.95%
DAVID SHEWMAKER	7,816,990	3.22%
TACDBM PTY LTD	7,373,104	3.04%
BNP PARIBAS NOMS PTY LTD	6,937,063	2.86%
PACIFIC CUSTODIANS PTY LIMITED	5,627,540	2.32%
MS DIANA BARTON CREGAN	5,555,555	2.29%
WILDWOOD CAPITAL PTY LTD	4,378,490	1.80%
THOMAS ANTHONY CREGAN	3,888,888	1.60%
DKS INVESTMENTS LLC	3,881,951	1.60%
UBS NOMINEES PTY LTD	3,748,285	1.54%
BNP PARIBAS NOMINEES PTY LTD	3,215,297	1.32%
ACK PTY LTD	3,200,000	1.32%
WULURA INVESTMENTS PTY LTD	3,087,314	1.27%
MR ROBERT BARRETT BROWNING	2,525,905	1.04%
MR IVAN TANNER & MRS FELICITY TANNER	2,282,568	0.94%
BT PORTFOLIO SERVICES LIMITED	1,971,111	0.81%
Total	**165,171,612**	**68.03%**

1.6 Share Buy-Backs

There is no current on-market buy-back scheme.

2. Other Information

Emerchants Limited, incorporated and domiciled in Australia, is a public listed company limited by Shares.

emerchants
empowering | Your Money

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