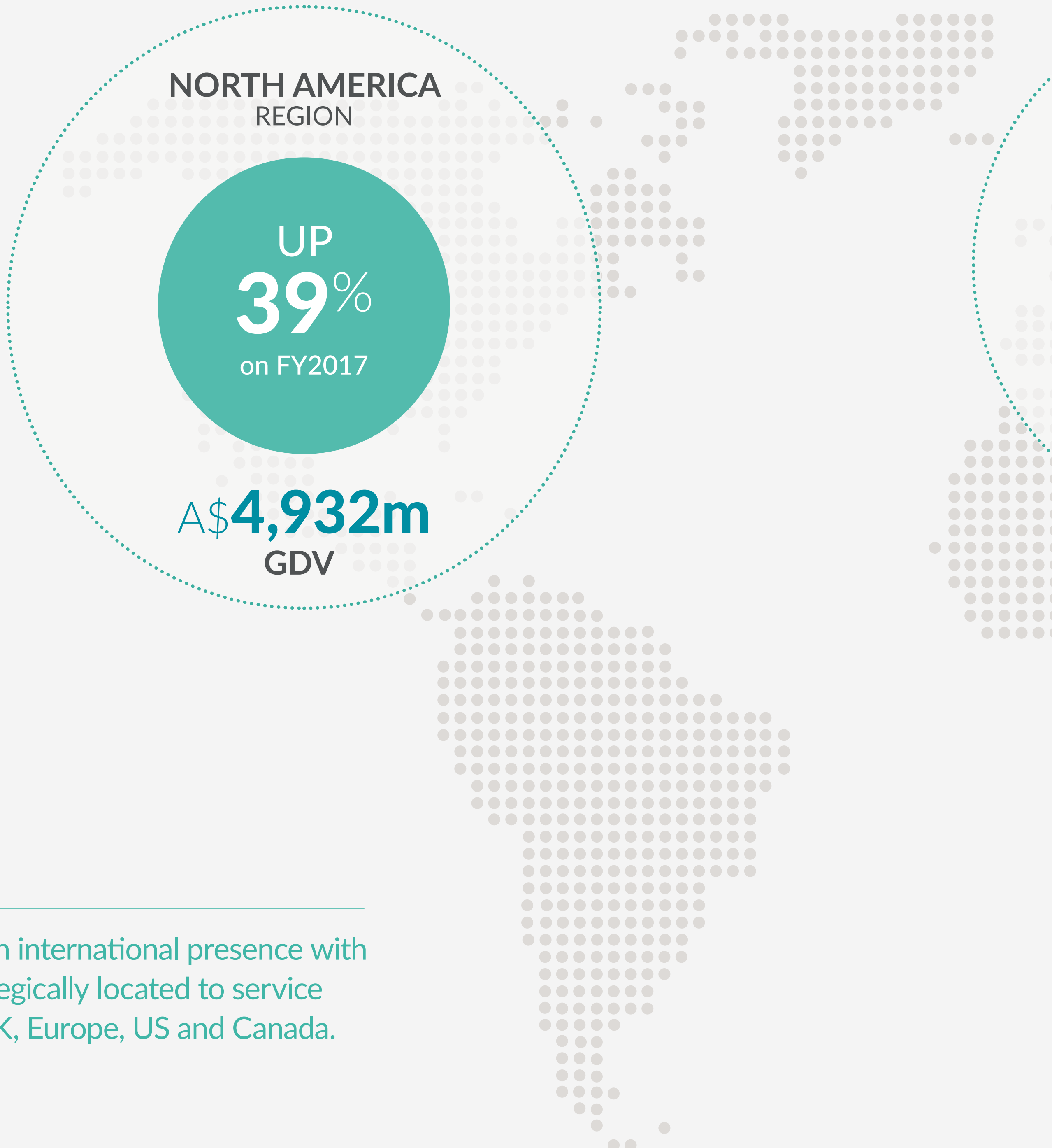
EML
empowering your payments

2018 Annual Report

We create awesome, instant and secure payment solutions that connect our customers to their customers, anytime, anywhere, wherever money is in motion...

We are currently managing:

Approximately **1,200** card programs in **21** countries



EML have an international presence with offices strategically located to service Australia, UK, Europe, US and Canada.

FY18 Highlights

GROUP GDV

$6.75bn

↑ 53%

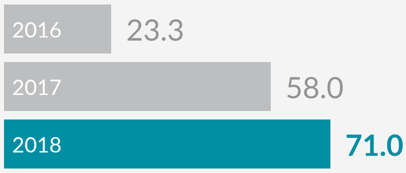
EBTDA

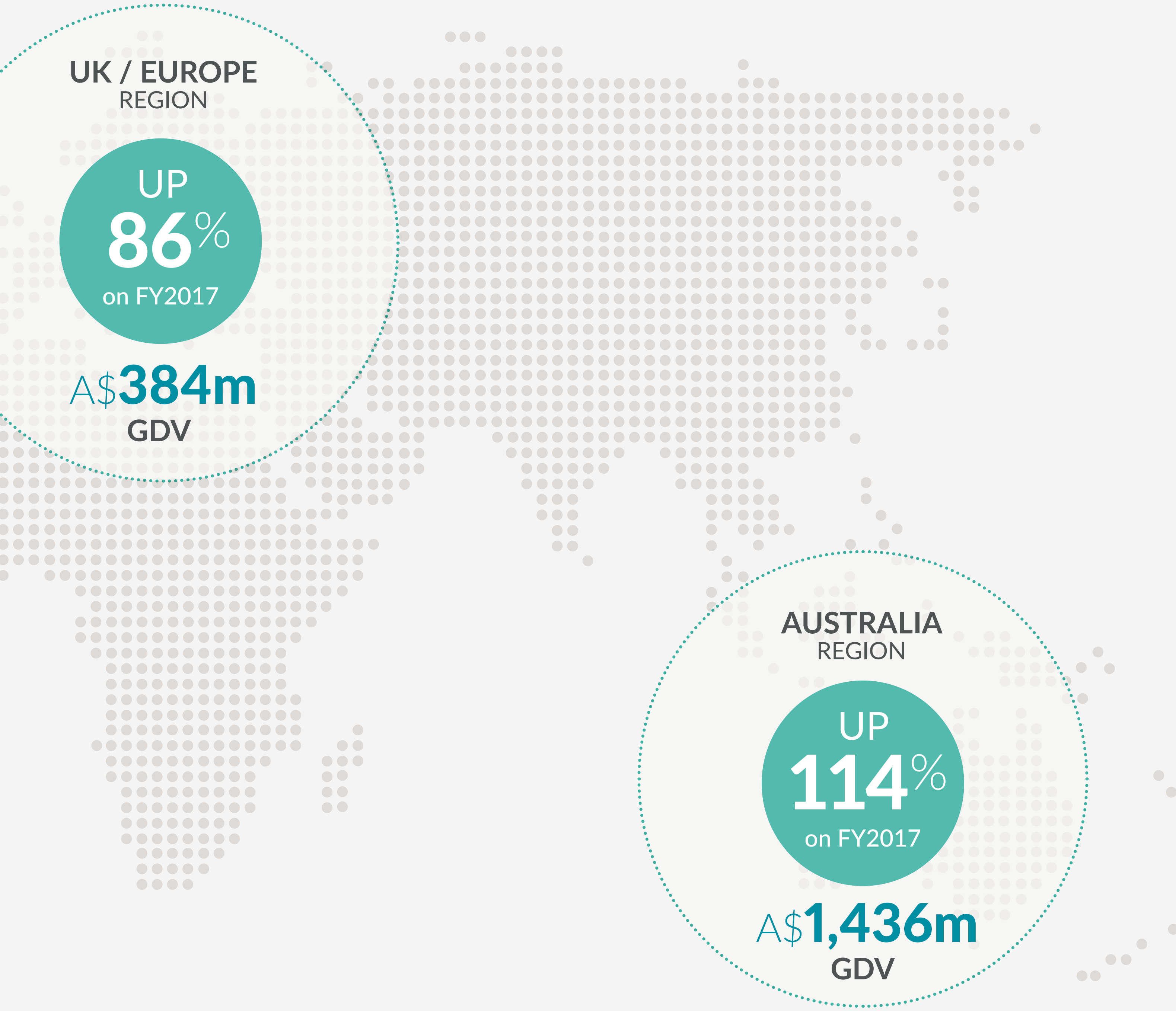
$20.8m

↑ 43%

Refer to page 14

GROUP REVENUE (A$m)





Contents

Chairman's Report

EML Payments Ltd (EML) has continued to grow strongly in 2018. It has been a year of major accomplishments across our business units in Australia, the US and Europe. We have added significant capability in the payment solutions we offer, expanded our global footprint and enhanced our executive and non-executive talent.

EML is focused on long term value creation for our shareholders. In that regard maintaining our growth momentum is very important. Equally important is doing so in a sustainable way by creating a strong and diversified international business base.

In this regard our footprint has grown substantially from 1000 programmes in place in 13 countries in 2017 to 1200 programmes in place with clients in 21 countries at 2018 financial year end.

The company's financial results continue to show significant momentum which will continue apace in 2019. Our headline results show revenue growth of 23% to $70.1 million with EBITDA increasing 43% to $20.8 million on the back of Gross Debit Volume growth of 53% to $6.75 billion. Gross margins remain steady at 75%. Our Balance Sheet remains very strong with cash of $39 million and no debt.

We have continued to expand our capabilities and global footprint through strategic acquisitions. We acquired Presend Nordic AB in February, giving EML a presence in the Nordic countries for the first time. This was followed by 75% of Irish company Perfectcard DAC in July. Perfectcard is Ireland's first eMoney licence holder which adds significant strategic capability to EML in Europe. We will continue to pursue organic & inorganic growth opportunities during 2019, subject to meeting our strict investment criteria.

During 2018 we secured some major new business partnerships in Europe including ECE, the largest shopping mall operator in Germany. Once the ECE rollout is complete our gift cards will be present in over 330 malls across Europe. We also added substantial reloadable programmes with online betting organisations such as the giant GVC amongst others. GVC operates in 20 countries and has 20 sub-brands including notable names such as Ladbrokes, bwin, Coral and Sportingbet.

In Australia our salary packaging vertical continues to expand and is strongly profitable as is our on-line gaming business. We now dominate both markets in Australia. New products such as our Pays programme including Apple Pay, Samsung Pay and Google Pay are also being rolled out.

Our US business unit has continued to perform solidly, but EBTDA growth of 14% is below our expectations due to a structural decline in the US strip mall vertical. In late 2018 we have recruited two experienced senior executives focussed on the rapidly growing Reloadable payments segment to drive further growth and we expect this to pay dividends in future years.

The EML management team and staff under CEO Tom Cregan has, once again, performed admirably during 2018. In anticipation of the increasing scale and international spread of our business we have significantly increased the bench strength of our executive team both in the US, as mentioned above, as well as in Europe and Australia.

New senior executives include Brandon Thompson, formerly a senior executive at payments specialist Netspend in the US, as Chief Commercial Officer reporting to Tom Cregan and responsible for all operating units worldwide. Paul Wenk, a former partner in Herbert Smith Freehills, has joined as General Counsel and Kristen Shaw in the role of Chief People Officer.

I was also delighted to welcome two new non-Executive Directors to EML in 2018 following the retirement of Bob Browning from the Board in February 2018. Melanie Wilson and Kirstin Ferguson add extensive commercial experience and capability to the Board. Kirstin has taken on the role of Chairman of the Remuneration and Nominations Committee. Melanie will Chair a newly formed Investments Committee.

On behalf of the Board I'd like to thank our clients, staff and shareholders for their support during 2018 and look forward to a similarly exciting period of growth for EML in 2019 and beyond.

Peter Martin

Peter Martin
Non-executive Chairman

20 August 2018

Managing Director's Report

EML Payments is pleased to announce full year 2018 EBTDA of $20.8M, an increase of $6.3M or 43% versus FY17 EBTDA. GDV continued to increase strongly, up 53% to $6.75 billion whilst revenues increased 23% to $71.0M.

Our FY2018 results

EBTDA

$20.8m

↑ $6.3m

up 43% versus FY17 EBTDA

Gross Debit Volume

$6.75bn

↑ 53%

up from $4.42bn in FY17

Revenue

$71.0m

↑ 23%

up from $58.0m in FY17

The 2018 financial year was a positive one for the Company, continuing our history of year-on-year Revenue and EBTDA growth, whilst continuing to lay the foundations for future success in the years to come.

Our strategy at EML is simple but our investor narrative hasn't always been simple, and it is something we've worked on over time and we will continue to refine. We support over 1,200 customers across 21 countries and we are a heavily regulated business, but at its core, we are a provider of payment technology solutions being Non-Reloadable Prepaid programs, Reloadable Prepaid programs and Virtual commercial payments.

In our Non-Reloadable segment our products include cards sold at Shopping malls, cards sold at major retailers and cards provided to an individual as a cash back incentive or reward card. Whether those programs operate in Norway, Nova Scotia or New South Wales, they are the same solution with a different use case, and as a B2B provider our role is to continue to find new use cases that can drive future growth and to work with our customers to drive growth in their existing programs.

Similarly, in our Reloadable segment, we have continued to establish our position in the gaming market with contract wins in Europe and Australia, we launched programs into the Salary Packaging market in Australia, we launched a program in the USA where our cards are used by sales agents for commission and payments and we launched our program with Caesars Entertainment in the USA casino market. Whether these programs run in London, California or Melbourne, they are fundamentally the same product with different use cases and our objective is then the same – to launch programs, find new use cases and work with our customers to drive growth in their existing programs.

This is reflective of our new mission statement, "EML creates awesome, instant and secure payment solutions, used by our customers to stay connected to their customers, anytime, anywhere, wherever money is in motion".

We have signed numerous contracts in the financial year across our various regions, including Reloadable contracts with Instabank, NEDS, GVC, Betsson, Wildcard, ImpactPay, QPay and MyCryptoWallet, to name but a few. In the Non-Reloadable segment we signed contracts with ECE, the largest mall operator in Germany and one of the largest in Europe, and Nordiska Kompaniet, the largest department store retailer in Stockholm and Sweden. In the Virtual B2B payments segment we closed the year with more than 50 programs in market, up from 14 at the half-year.

We also had some significant program launches, including several Salary Packaging partners in Australia and Caesars Entertainment in the USA.

A common question asked by shareholders relates to the length of our sales cycle and why they are so long, and it is a valid question. All of those customers above, whether public or private, have invested significant monies into building their brand, and EML is operating a payment product for them with their brand on it, used by their

customers. It is logical to expect that they will undertake extensive due diligence on EML, across every facet of our business, to get the comfort necessary that their brand and customer experience is going to be enhanced and not jeopardised. The Caesars Entertainment program took two years to launch but when you consider that in January 2018 the value of the "Total Rewards" loyalty program was USD$1 billion, it's not going to be a quick sales cycle or implementation cycle. The flip side is that once customers have undertaken those integrations with us, there is little appetite to repeat the process again, which is evident in our retention rate.

As we continue to add value to our products, we aren't adding complexity to the business. For example, our Salary Packaging cardholders benefit from a range of discounts from participating merchants who want to incentivise them to shop at their store. EML doesn't generate significant revenue from this merchant network, but it does result in a superior user experience and longer-term loyalty, which drives our revenues over the long term. It does not mean we are now a loyalty company, but one where a loyalty solution adds value to our customers and helps them connect with their customers.

We have invested significant resources this year into moving towards supporting our programs on a mobile device, including Apple Pay, Google Pay or Samsung Pay. Whether the transaction is initiated with a mobile device, a card, or a wearable device, it is the same fundamental product technology with a different use case. We provide our customers the choice to provide their customers a cash back reward via a card or directly to their phone, or our Salary Packaging customers, for example, can provide their customers with a fully mobile solution with no need to plastic at all.

What has also been core to our strategy is diversification. We fundamentally believe a business will generate long term sustainable returns for shareholders where an isolated negative impact remains isolated, and doesn't threaten the foundations of the Company. We have diversity in our revenue sources, currencies, geographies and key customers, with minimal revenue concentration. We have diversity in our product set and that has expanded this year with the addition of mobile payments capabilities and merchant coalition offerings. We also have diversity across our regulatory and compliance function, with the ability to self-issue in Australia and now Europe with the recent acquisition of PerfectCard DAC in Ireland.

On behalf of the team at EML, I'd like to thank our customers, suppliers, employees, and shareholders for your support over the last 12 months and we look forward to continuing our progress in the year ahead.

Yours sincerely,

Thomas Cregan
Managing Director

20 August 2018

UK/Europe Operations

OUR BUSINESS

In Europe our product offering has expanded to include Non-Reloadable, Reloadable and Virtual cards providing services for the likes of bet365, Pandora and distribution partners including Epipoli and Blackhawk.

During the year we acquired Presend Nordic AB ('Presend'), a leading provider of Non-Reloadable cards in the Nordics, and post year end in July 2018 we acquired Perfectcard DAC, Irelands first authorised eMoney institution and a FinTech company providing incentive and corporate expense solutions.

Focus

Our core Non-Reloadable mall business continues to perform well with new customers launched in FY18. The contract with German shopping mall operator ECE Projektmanagement G.m.b.H & Co. KG ('ECE') to provide services to 87 of their malls will be launched in FY19. The addition of ECE cements our position as the leader in the Non-Reloadable mall sector in the UK and Europe.

In FY18 our first European Reloadable winnings card product was launched with bet365. It has continued to grow strongly following its soft launch in April 2017. In the year we signed contracts Bettsson, Fortuna and GVC that we expect to launch in FY19. Key to our expansion strategy is to leverage regional relationships and build those globally to provide solutions for new and existing partners.

In the coming year we will focus on the successful launch of ECE, multiple gaming programs and finalising integration of our two acquisitions.

GDV

Both GDV (up 86% to $384m) and Stored Value (up 39% to $80.7m at 30 June 2018) have increased over the prior year due to growth in our client base. As expected there has been a significant product mix shift towards the Reloadable segment with growth in our Reloadable programs with bet365 & Epipoli.

Revenue

Revenue increased by 39% on the prior year to $14 million with revenue sourced from breakage declining as a percentage of total revenue due to faster growth rates in our Reloadable programs. Despite the recent contract success with ECE, breakage as a % of
total revenue is expected to decline further in FY19.

EBTDA

EBTDA for the 2018 year was up 25% on the prior year due to continued strong organic growth. Our acquisition of Presend in February is expected to contribute in FY19 as we will own the business through the seasonal peak for its Non-Reloadable programs.

At a glance

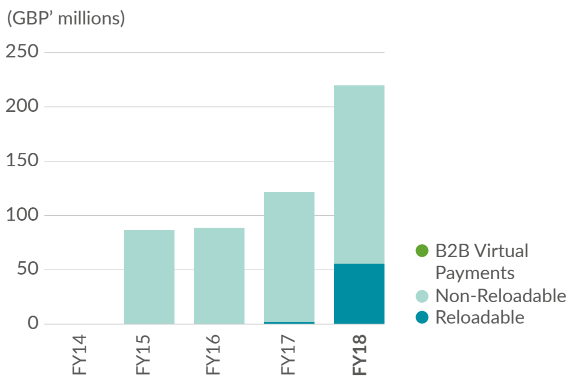
Revenue
$14.0m ↑ 39%

Gross profit
$11.1m ↑ 38%

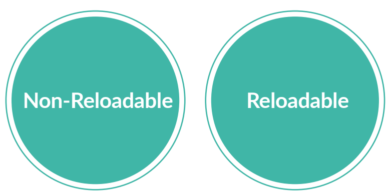
EBTDA
$5.63m ↑ 25%

Stored value
$80.7m ↑ 39%

Regional (Europe):
Total Gross Debit Volume 2018
GBP**219million**



Region sales segments




Manage Priority of Funds
Drag and drop your benefits to manage the order in which funds are drawn for card payments
1 $0.00 Meal Entertainment
2 $128.00 Living Expenses
Reset to Default Order

Australia Operations

OUR BUSINESS

Since 2011 the Australian business has diversified across both product and client verticals. The current product suite includes Non-Reloadable, Reloadable, Virtual cards and the Cash Top Up loading system. We market leading positions in support of Salary Packaging, Gaming, Corporate Disbursements and a large number of commercial customers in our gift card and consumer promotional business. Gaming partnerships originating in Australia have been key to expansion into other markets, with existing partners and new ones.

Focus

During the year, we invested significant resource effort in continuing to build the product and client base in particular on The Pays – Samsung Pay, Google Pay and Apple Pay. We successfully launched the Salary Packaging vertical in July 2017 with a specialised product for the vertical. This has been transformational for the Australian business and we continue to build our product offering to further enhance our market leading solution. During FY18 Australia also launched several programs on self issued Mastercard which results in greater control, speed to market and a stronger commercial return for EML.

GDV

Overall GDV increased 114% on the prior year to $1.44 billion driven by Reloadable volumes from Salary Packaging alongside continued growth in gaming volumes. We now support more than 122,000 Salary Packaging customers each month and GDV run rate for Gaming alone in excess of $500 million per annum. As a result of this growth, Stored Value has grown by 28% on the prior year with $95.7 million in deposits at our banking partners.

Revenue

GDV has converted to revenue at an average rate of 122bps, down from the prior year due to the product mix shifting to Reloadable programs for Salary Packaging & Gaming in particular. Transactional fees and interest on Stored Value have continued to increase in proportion to breakage on cards, now forming less than 6% of Australia's revenue and providing better cashflow profile to the Australian earnings.

EBTDA

Gross margins have remained in line with the prior year despite the shift to Reloadable programs due to increased processing efficiencies with higher volumes and increasing volumes on our self-issued product under our Mastercard licence. Cost control has remained tight, resulting in EBTDA increasing 2,147% on the prior year.

At a glance

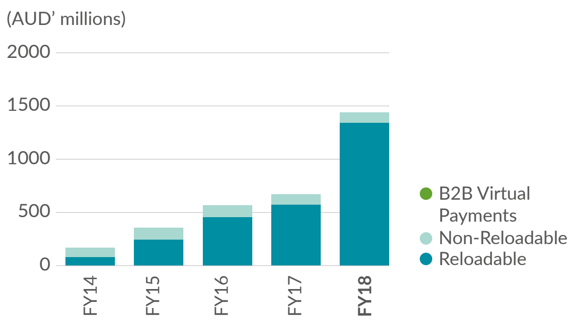
Revenue
$17.5m ↑ 79%

Gross profit
$12.7m ↑ 79%

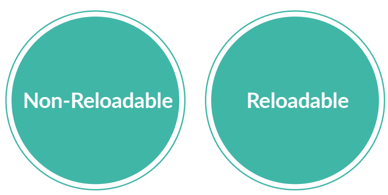
EBTDA
$3.56m ↑ 2147%

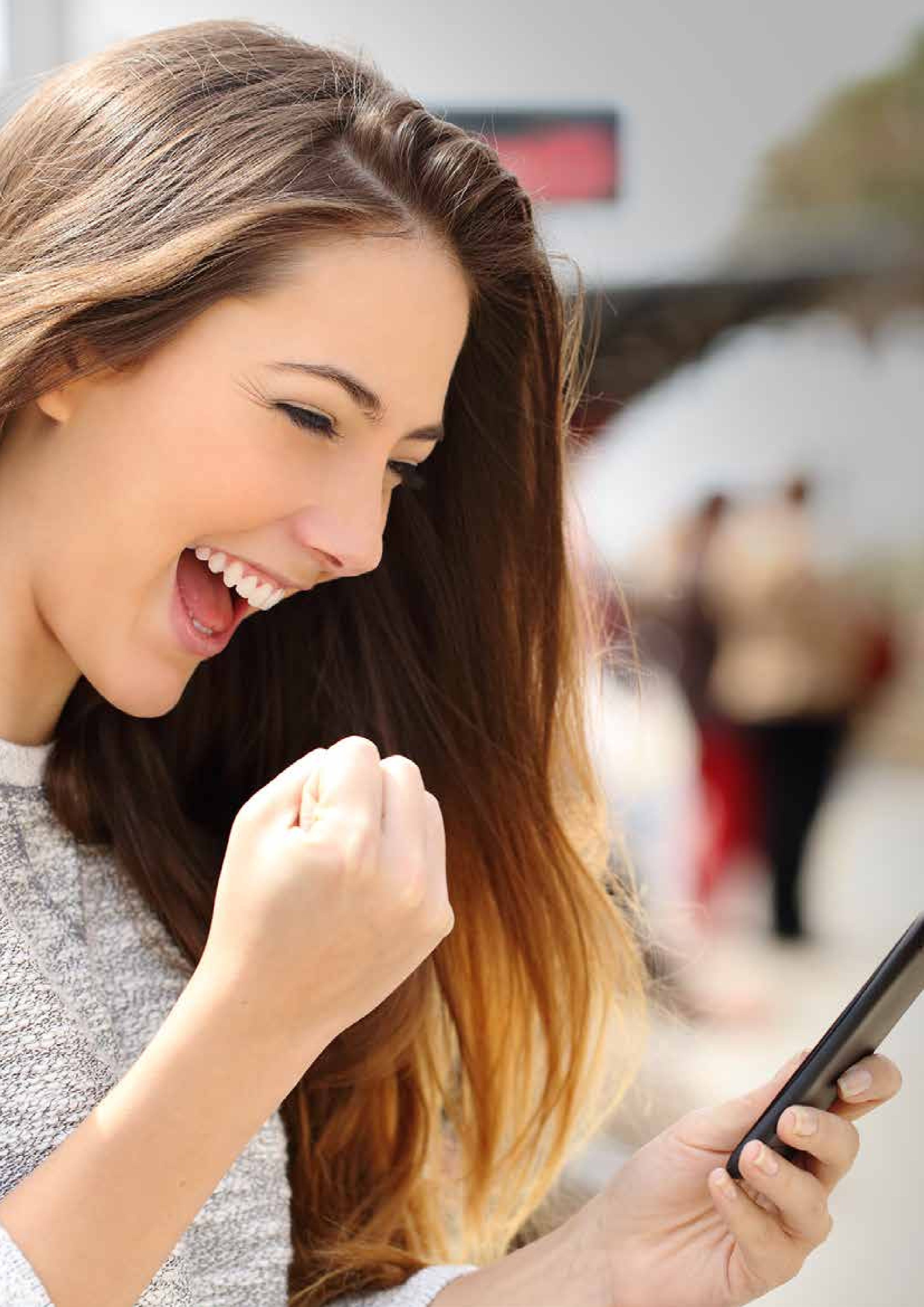
Stored value
$95.7m ↑ 28%

Regional (Australia):
Total Gross Debit Volume 2018
AUD**1.44billion**



Region sales segments





North America Operations

OUR BUSINESS

In June 2016 EML purchased the North America business, which at that time was providing gift card solutions to shopping malls and providing processing only services for B2B Virtual Payments. In the full financial year that EML has owned the business, we have expanded our offerings to include Reloadable products and a full suite of B2B Virtual Payments offerings.

Focus

During the year we faced headwinds in our shopping mall segment as the sector adjusted to reduced footfall resulting from growth in e-commerce and retailer closures. We support 300+ malls across Canada and the USA and the negative trading conditions disproportionately impacted our US based malls. Whilst we expect the macro drivers in the segment to remain challenging, we will implement account management strategies to provide innovative products to our customers to maximise returns.

We remain excited about the potential growth of our incentive and promotions business with enhancements to our platform to complement our core functionality to targer this thriving market. We are also keyed in on our Reloadable segment in particular and are exploring opportunities to introduce our globally successful winnings card product to the US market following the US Supreme Court ruling allowing for the legalisation of online sports gambling at the state level in May 2018. We look forward to supporting new and current partners as the market continues to expand.

GDV

In the second year of ownership, the business has continued to grow with the full year impact of the launch of our innovative Reloadable solutions including a program for LuLaRoe and growth in our B2B Virtual Payments segment. In total, GDV increased 43% to reach US$3.83 billion for the year.

Revenue

Revenue increased on the prior year despite challenging conditions in our US shopping malls which were impacted disproportionately by e-commerce and retailer closures. GDV growth exceeded revenue growth as a result of significant volumes coming from our B2B segment, which includes processing only programs earning 5-10bps and our Reloadable program with LuLaroe which generates 20-30bps. Whilst Non-Reloadable GDV declined on the prior year, our breakage accrual increased due to differences in timing of cash conversion.

EBTDA

Gross profit margins were in line with the prior year reflecting successes in adjusting the business to declines in shopping mall volumes, and growth in other segments. Significant effort has been invested by the IT team in developing tools that will improve our ability to automate processes, integrate acquisitions and successfully scale the business.

At a glance

Revenue
$39.5m ↑ 4%

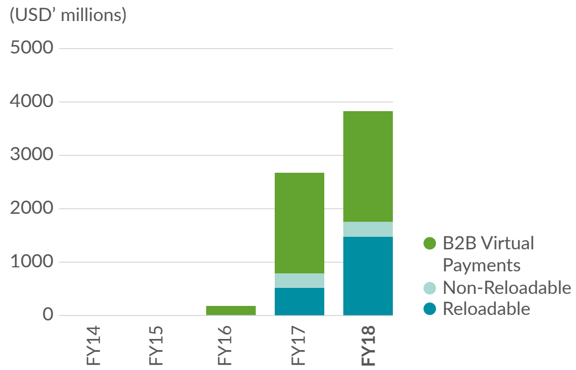
Gross profit
$29.5m ↑ 1%

EBTDA
$11.6m ↑ 14%

Stored volume
$234.7m ↑ 39%

Regional (North America): Total Gross Debit Volume 2018

US**3.83billion**



Region sales segments

Performance Overview

The net result of operations for the year was a profit after income tax of $2,208,000 (2017: $9,000).

($ Millions)	FY 2018	Growth	FY 2017
Total Gross Debit Volume			
Reloadable	3,348.46	163%	1,272.37
Non-Reloadable	737.37	12%	661.01
B2B Virtual Payments	2,666.38	7%	2,489.40
Total Gross Debit Volume	**6,752.21**	53%	**4,422.78**
Revenue	71.02	23%	57.96
Gross Profit	**53.30**	20%	**44.25**
Gross Profit %	75%	(1%)	76%
Research and Development tax offset	1.38	(4%)	1.44
Overheads – employment related	(21.95)	5%	(20.91)
Overheads – other	(11.97)	17%	(10.26)
EBTDA*	**20.76**	43%	**14.52**
Less			
Research and Development tax offset included above	(1.38)	(4%)	(1.44)
Depreciation and amortisation expense	(8.80)	(13%)	(10.08)
Share-based payments	(4.99)	(6%)	(5.32)
Other non-cash items	(0.60)	(400%)	0.20
Profit/(loss) for the year before tax	**4.99**	(335%)	**(2.12)**
Tax (including Research and Development tax offset)	(2.78)	(231%)	2.13
Net Profit for the year	**2.21**	24433%	**0.00**

* EBTDA is reconciled above and disclosed within the Directors' Report and is equivalent to the net profit/(loss) for the period including R&D tax offset and excluding share-based payments, depreciation and amortisation expense and non-cash unrealised foreign exchange included within the Statement of Profit or Loss and Other Comprehensive Income. The analysis of results below is primarily based on EBTDA 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 EBTDA 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 Group CEO and Senior Executives' short and long term incentives to EBTDA as detailed in the remuneration report.

Performance Overview

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

- Volumes processed on our payment platforms increased 53% on the prior year to $6,752M and converted to revenue at 105bps. The decline in revenue conversion metric was expected as GDV from our Reloadable segment increased faster than growth in the Non-Reloadable segment.
- Revenue increased by 23% to $71.0M for the year ended 30 June 2018 primarily driven by growth in our Australian operations.
- Significant organic contract wins in Australia have resulted in revenue growth of 79% to $17.5M for the year ended 30 June 2018. The growth has primarily been within the Reloadable segment across both Salary Packaging and Gaming verticals.
- Gross profit was generated at a healthy 75%. It is a slight decline from the prior year at 76% primarily due to the continued growth of the Reloadable vertical in North America but the gross margin is slightly less than the group average.
- Employment related overhead expenses increased by 5% to $21.9M (2017: $20.9M). This is due mainly to inflationary increases, the acquisition of Presend (Note F6) and additional resources to assist the group manage its increasing scale and complexity.
- Other overhead expenses have increased by 17% to $12.0M due to the impact of inflationary cost increases, the acquisition of Presend, increased travel costs and including $0.3M in relation to acquisition expenses.
- Total overheads (including employment related overheads & other overheads) as a % of Revenue fell to 48% of Revenue (2018: 54%) as the Group continues to leverage its growing scale.
- The refund from the R&D Tax Concession program has been included in the EBTDA 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.
- Depreciation and amortisation expense has decreased by $1.3M to $8.9M in the current financial year. The Group is not capital intensive and therefore the underlying depreciation will be relatively small. Of the total $8.9M expense, only $1.6M related to maintenance capital expenditure and $7.2M related to amortisation on assets resulting from the "purchase price allocation" of our previous business acquisitions the Group has made in acquiring Presend Nordic AB (February 2018), the North American business (June 2016), and the European business (December 2014). When the acquisitions are completed we are required to allocate the purchase price paid for the entire business between the fair value of the assets and liabilities acquired.
- As the businesses the group has acquired are not capital intensive and typically have low book net asset values, a significant amount of intangibles result from this "purchase price allocation" which we are required to amortise over the estimated useful lives of these intangibles. The total expense of $7.2M relating to the "purchase price allocation" comprises:
  - Amortisation of $0.1M on Customer contracts acquired as part of the Presend Nordic AB acquisition;
  - Amortisation of $1.3M on Customer contracts acquired as part of the European acquisition;
  - Amortisation of $4.1M on Software, $1.6M on Customer relationships and $0.1M on Customer contracts acquired as part of the North America acquisition.
- The share-based payments expense is amortisation of performance options awarded to management. A large portion was granted in June 2016 to the management of the North America business as part of the initial acquisition agreement. A total of 6.2M options were granted and will vest by FY2019 conditional on the North America business achieving certain EBTDA targets. The expense in the current financial year relating to this grant amounted to $1.8M. See Note F3 for further detail.

Performance Overview

($ Millions)	FY 2018	FY 2017	Growth on prior comparative 12 months
Summary Financial Position			
Cash and cash equivalents	39.01	39.87	(2%)
Breakage accrual	19.83	13.33	49%
Receivable from financial institutions[1]	67.71	37.57	80%
Other short term receivables and other current assets	12.30	9.16	30%
Investments and other long term assets	12.66	5.76	120%
Deferred tax asset	18.78	18.83	-%
Plant and equipment	3.48	2.85	22%
Goodwill and intangibles	65.77	60.13	9%
Total assets	**239.54**	**187.50**	28%
Liabilities to stored value account holders[1]	67.71	37.57	80%
Deferred tax liabilities	5.41	3.48	24%
Other liabilities	36.65	25.87	43%
Total Liabilities	**109.77**	**66.92**	63%
Total Equity	**129.77**	**120.58**	8%
Cash flows from operating activities	6.37	19.26	(67%)
Cash flows from investing activities	(6.64)	(6.48)	2%
Cash flows from financing activities	0.03	0.20	(85%)

1 Receivable from financial institutions and liabilities to stored value account holders offset and relate to products where EML has self-issued the card.

The Breakage accrual of $19.8M represents the residual portion of funds on Non-Reloadable accounts that the Group has previously sold and expects to convert to cash. The increase over the prior year relates to the North American operations as their Non-Reloadable vertical has longer programs which accumulate Account Management Fees for approximately 12 - 48 months from activation. North American De-Recognition breakage is materially received into cash within 12 months of activation.

Receivable from financial institutions and the offsetting amount reflected in liabilities to stored value account holders relates to a number of payment programs that are issued directly,

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 A3 for further detail.

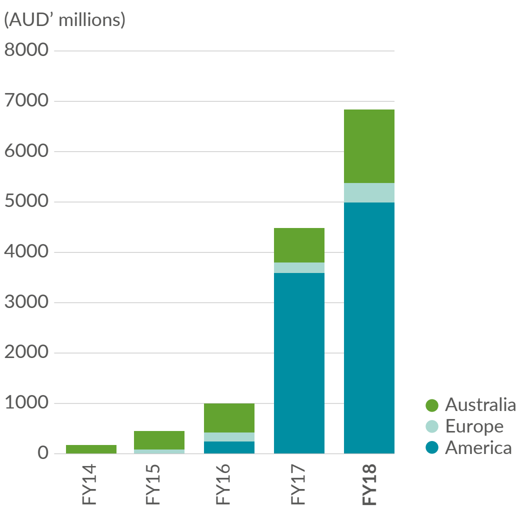
Cash inflows from operating activities totalled $6.4M due to the Group generating EBTDA of $20.8M, the payment of the 2017 build-up in short term payables of partner share of breakage ($7.6m) and one-off transition assistance payments ($1.7m) for certain Salary Packaging customers.

Cash outflows from investing activities consisted predominantly of capitalisation of internal development of the UK based processor ($2.9M), and update of Computer equipment in the Brisbane office ($1.3M). During 2018, the Group acquired PreSend Nordic AB, which was a strategic acquisition to geographically expand its programs into 8 countries, 6 of which EML had no prior presence and expansion into a further 90 shopping mall and town mall programs (refer Note F6).

Performance Overview

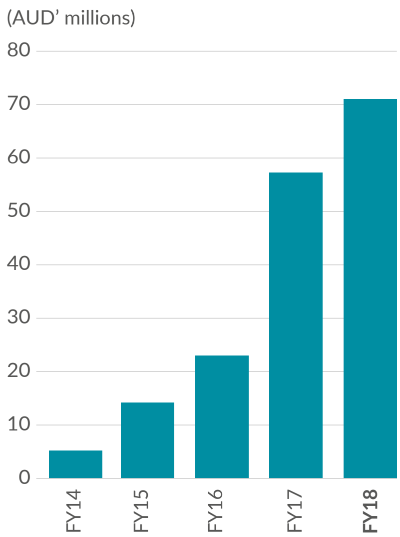
Total Gross Debit Volume 2018

$**6.75billion**



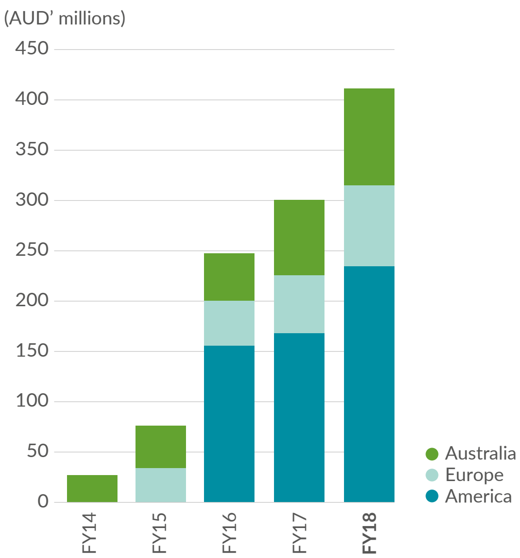
Revenue 2018

$**71.0million**



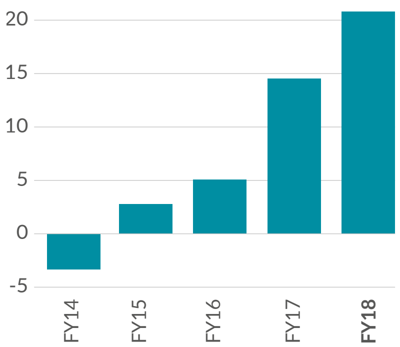
Stored Value 2018

$**411million**



EBTDA 2018

$**20.76million**



Directors and Company Secretary

Your Directors submit their report together with the financial statements of the Group (EML) consisting of EML Payments Limited and the entities it controlled for the financial year ended 30 June 2018 (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:

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)

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 over 35 years' international commercial experience in marine construction, finance and investment management. Mr Martin has a beneficial interest in 8,505,213 ordinary shares. He was also Chairman of the Remuneration and Nomination committee, until 20 February 2018.

Directors and Company Secretary

THOMAS CREGAN
Managing Director & Group Chief Executive Officer

Appointed on 27 August 2012

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

Prior to joining the Group, Mr Cregan was the Executive Vice President of NetSpend Corporation in the USA. 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. Mr Cregan has a beneficial interest in 16,474,723 ordinary shares and 376,712 options over ordinary shares.

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

Mr Adcock has more than 30 years' experience in banking, capital markets and financial services at board, operational and consulting levels across Australia, Asia Pacific, Europe and the USA. He has more than 20 years' experience as a company director and Chairman of companies in the financial services, oil and gas, mining and infrastructure industries and now also in 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. Mr Adcock has a beneficial interest in 234,593 ordinary shares. He was previously a director of Discovery Resources Ltd.

Mr Adcock is Chairman of the Audit and Risk committee.

Directors and Company Secretary

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

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 a Director of Steadfast Group Limited, a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

Mr Liddy is a member of the Audit and Risk committee and the Remuneration and Nomination committee. He holds has a beneficial interest in 800,000 ordinary shares.

DR KIRSTIN FERGUSON
Independent Non-Executive Director

Appointed on 20 February 2018

PhD (Queensland University of Technology)
B. Law (Hons) (Queensland University of Technology)
B. History (Hons) (University of New South Wales)

Dr Kirstin Ferguson is an independent non-executive director with 10 years' experience across a range of company boards including ASX100, ASX200, government, not-for-profit and significant private companies. Kirstin has considerable expertise as a Remuneration Committee Chair in a range of listed and unlisted contexts.

Dr Ferguson has had a successful executive career as a CEO of an international consulting organisation, as well as senior executive experience in a professional services environment. The earlier part of Kirstin's career was spent as an Officer in the Royal Australian Air Force.

Dr Ferguson has been a non-executive director of SCA Property Group Ltd (ASX:SCP) since 1 January 2015. In the last three years, Dr Ferguson previously served as a non-executive director of Board of CIMIC Ltd (ASX:CIM).

Dr Ferguson does not have a beneficial interest in ordinary shares.

Dr Ferguson was appointed Chairman of the Remuneration and Nomination Committee on 14 February 2018.

Directors and Company Secretary

MELANIE WILSON
Independent Non-Executive Director

Appointed on 20 February 2018

MBA (Harvard Business School)
B. Com (Hon) (University of Queensland)

Mrs Wilson has over 12 years' experience in senior management roles across global retail brands including Limited Brands (Victoria's Secret, Bath & Bodyworks – New York), Starwood Hotels (New York), Woolworths/Big W and Diva/Lovisa. Her experience extends across all facets of retail including: store operations, merchandise systems, online/e-commerce, marketing, brand development and logistics/fulfilment. She also held corporate finance and strategy roles with leading investment banks and management consulting firms including Goldman Sachs and Bain & Company.

Since 2016, Mrs Wilson has served as a non-executive Director of Baby Bunting Group Ltd (ASX: BBN), ISELECT (ASX: ISU) and Shaver Shop Group Limited (ASX: SSG).

Mrs Wilson does not have a beneficial interest in ordinary shares.

Mrs Wilson has also been appointed as a member of the Company's Audit and Risk Committee

Directors and Company Secretary

WINTON WILLESEE
Joint Company Secretary

BBus, DipEd, PGDipBus, MCom, FFin, CPA, GAICD, FGIS/FCIS

Mr Willesee is an experienced company secretary. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects.

Mr Willesee holds a Master of Commerce, a Post-Graduate Diploma in Business (Economics and Finance), a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Applied Corporate Governance, a Graduate Diploma in Education and a Bachelor of Business. He is a Fellow of the Financial Services Institute of Australasia, a Graduate of the Australian Institute of Company Directors, a Member of CPA Australia and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators/ Chartered Secretary.

Mr Willesee was appointed as Joint Company Secretary on 22 December 2017.

ROBERT BROWNING
Independent Non-Executive Director

Appointed on 25 February 2011; Resigned 20 February 2018

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

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, where he oversaw the successful development of corporate strategy and operational business plans.

Mr Browning was a member of the Remuneration and Nomination committee, and Audit and Risk committee, until 20 February 2018. Mr Browning had a beneficial interest in 1,975,905 ordinary shares on 20 February 2018.

Mr Browning resigned on 20 February 2018.

ERLYN DALE
Joint Company Secretary

BCom., GradDipACG, AGIA, ACIS

Ms Dale has a broad range of experience in company administration and corporate governance having held positions as non-executive director and/or company secretary for a number of ASX listed public companies across a range of industries. Ms Dale has completed a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma of Applied Corporate Governance and is an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Ms Dale was appointed as Joint Company Secretary on 22 December 2017.

JOHN TOMS
Independent Non-Executive Director

Appointed on 2 July 2011; Deceased 4 August 2017

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

Mr Toms died unexpectedly on 4 August 2017. Mr Toms was a respected Board member whose contribution to the Company since his appointment was appreciated by all. His support, advice, and inspiration to the Company will be greatly missed.

LOUISE BOLGER
Company Secretary and General Counsel

Ms Bolger resigned as Company Secretary and General Counsel on 22 December 2017.

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 2018 were as follows:

		Board Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
Directors	Committee Member	Number of Meetings Held	Number Attended	Number of Meetings Held	Number Attended	Number of Meetings Held	Number Attended
Peter Martin	CB, CR	18	18	n/a	n/a	5	5
Tony Adcock	CA	18	16	5	5	n/a	n/a
David Liddy AM	A, R	18	16	5	5	5	5
Dr Kirstin Ferguson	CR	9	8	n/a	n/a	3	3
Melanie Wilson	A	9	9	3	3	n/a	n/a
Robert Browning	A, R	10	10	3	3	3	3
John Toms	-	2	2	n/a	n/a	n/a	n/a
Thomas Cregan	-	18	17	n/a	n/a	n/a	n/a

CA – Chairman of the Audit & Risk Committee
A – Audit Committee member
CR – Chairman of the Remuneration and Nomination Committee
R – Remuneration and Nomination Committee member
CB – Non-executive Chairman

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

Shares & Share Options

The following shares and share options in 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:

Other Executives	Series	Number of ordinary shares
Share Options		
Stuart Green	(1) Series 12	8,169
Brandon Thompson	(2) Series 21	83,390
Brandon Thompson	(3) Series 22	83,389
Brandon Thompson	(4) Series 23	83,389

(1) A total of 18,334 options were issued under Series 12. The remaining options not disclosed above were issued to non-KMP, further information on the Group's option plans is disclosed in Note F3.

(2) A total of 125,085 options were issued under Series 21. The remaining options not disclosed above were issued to non-KMP, further information on the Group's option plans is disclosed in Note F3.

(3) A total of 125,084 options were issued under Series 22. The remaining options not disclosed above were issued to non-KMP, further information on the Group's option plans is disclosed in Note F3.

(4) A total of 125,083 options were issued under Series 23. The remaining options not disclosed above were issued to non-KMP, further information on the Group's option plans is disclosed in Note F3.

Directors' Report

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				
30/09/2018	Series 13	$0.87	125,000	Ordinary
30/09/2018	Series 14	$0.87	2,972,195	Ordinary
15/06/2019	Series 15	$0.00	700,002	Ordinary
30/09/2019	Series 16	$1.45	5,915,789	Ordinary
30/11/2018	Series 17	$0.00	190,833	Ordinary
30/11/2018	Series 17	$1.85	90,833	Ordinary
30/11/2018	Series 18	$0.00	50,000	Ordinary
19/03/2019	Series 19	$0.00	50,000	Ordinary
30/09/2020	Series 20	$0.00	1,536,664	Ordinary
28/09/2021	Series 21	$0.00	125,085	Ordinary
28/09/2021	Series 22	$0.00	125,084	Ordinary
28/09/2021	Series 23	$0.00	125,083	Ordinary
			12,006,568	

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
19/11/2014	47,000	$0.56	47,000	Ordinary
01/12/2014	481,666	$0.00	481,666	Ordinary
01/12/2014	18,334	$0.00	18,334	Ordinary
01/06/2016	866,666	$0.00	866,666	Ordinary
	1,413,666		**1,413,666**	

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 EML Payments Group during the year was the provision of prepaid payment services in Australia, Europe and North America.

REVIEW OF OPERATIONS

The full review of operations is contained in the Performance Overview and Regional Reports.

ROUNDING

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 4 July 2018, the Company acquired 74.86% of Perfectcard DAC (Perfectcard), an unlisted company based in Ireland.

Perfectcard is Ireland's first authorised eMoney institution and a FinTech company providing incentive and corporate expense solutions. As Perfectcard is regulated by the Central Bank of Ireland, the regulator needs to approve EML as majority shareholder. We expect that approval to be forthcoming in the following months. Notwithstanding the fact that regulatory approval is pending, EML will consolidate Perfectcard into the financial results from 4 July 2018 onwards.

The total acquisition price of €6.02 million (A$9.56 million) comprised of an upfront cash payment (A$4.32 million), amounts withheld for warranties (A$0.40 million) and capped earn-out (A$4.84 million).

Directors' Report

On 30 July 2018 EML entered into a five year agreement with German shopping mall operator ECE Projektmanagement G.m.b.H & Co. KG ('ECE') to manage the new consumer gift card program for 87 of their shopping malls in Germany. EML estimates annualised Gross Debit Volume ('GDV') for this program to be approximately €90 million (AUD$142 million).

Except as disclosed above, no other significant transaction or event of a material and unusual nature after the balance sheet date have arisen, 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 opportunities that offer significant payment volumes 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 salary packaging industry in Australia, multi-level marketing in North America and online wagering in the UK. We expect a significant increase in the volumes associated with these Reloadable products in the coming financial years. We continue to identify a number of industries that would offer similar scale to our existing markets and would benefit from customised functionality. In the coming financial years 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, Officers 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, Officers 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.

PROCEEDING 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 EML Payments 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 A4 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 A4 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 44 and forms part of this Directors' report for the year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

Peter Martin

Peter Martin
Non-executive Chairman

20 August 2018

Remuneration Report

Dear Shareholders

On behalf of EML's Board, I am pleased to present the Remuneration Report for the year ended 30 June 2018.

The purpose of this Report is to outline EML's approach to remuneration for Executives and Non-Executive Directors, and in particular, the links between EML's Remuneration Framework and business strategy, performance and reward.

The EML business continues to grow in size and complexity and this success is, in no small part, due to the efforts of a dedicated team of professionals. Rewarding these individuals in a manner which encourages sustainable shareholder value creation and long-term retention of valued employees at EML is key to our previous and continued success.

EML is committed to ensuring its remuneration framework encourages the maximum sustainable long-term performance for shareholders. This encouragement is achieved through allowing EML's people to be rewarded financially in the form of both short and long-term remuneration as shareholder value is created. The objectives of EML's remuneration framework are to:

> Remain competitive and reasonable, enabling the Group to attract and retain key talent;
> Be aligned to the Group's strategic and business objectives and the creation of shareholder value;
> Be fair, transparent and easily understood; and
> Be acceptable to shareholders.

The Board has undertaken a review of EML's existing remuneration arrangements in respect of senior executives during the 2018 financial year to ensure that our framework remains fit-for-purpose going forward, and continues to support these core objectives. In particular, the Board is focussed on ensuring the remuneration framework supports sustainable long-term value creation for EML's shareholders. The outcomes of this review will be disclosed in the 2019 Remuneration Report.

We welcome any feedback you might have on our remuneration framework as we continue to ensure it is meeting the needs and expectations of our shareholders, employees and other stakeholders.

On behalf of the Board, we recommend this report to you.

DR KIRSTIN FERGUSON
Chairman, Remuneration and Nomination Committee

REMUNERATION REPORT GLOSSARY

CEO
Group Chief Executive Officer

CFO
Group Chief Financial Officer

CRO
Group Chief Risk Officer

EBTDA
Earnings before interest, tax, depreciation and amortisation

ESOP
Employee Share Options Plan

EML
EML Payments Limited

FR
Fixed Remuneration

FY17
The 2017 fiscal year

FY18
The 2018 fiscal year

KMP
Key Management Personnel

KPIs
Key Performance Indicators, the basis for EML's STIs

NEDs
Non-executive Directors

PBT
Profit before tax

RNC
EMLs Remuneration and Nomination Committee

STIs/LTIs
Short-term incentives/ long-term incentives

TRP
Total Remuneration Package

Remuneration Report

REMUNERATION POLICIES

This Report sets out the remuneration arrangements for the Group's Key Management Personnel (KMP), who are listed in the table below, during FY18.

KMP, as defined by AASB 124, refers to those people having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director of an entity (whether Executive or otherwise) of the consolidated entity. KMP includes Directors of EML and Other Executives of EML.

Key Management Personnel

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

	Position
Non-executive Directors	
Peter Martin	Chairman
Tony Adcock	Non-executive Director
David Liddy AM	Non-executive Director
Dr Kirstin Ferguson (Appointed 20 February 2018)	Non-executive Director
Melanie Wilson (Appointed 20 February 2018)	Non-executive Director
Robert Browning (Resigned 20 February 2018)	Non-executive Director
John Toms (Deceased 4 August 2017)	Non-executive Director
Executive Director	
Thomas Cregan	Managing Director & Group Chief Executive Officer
Other Executives	
Andrew Betts	Group Chief Risk Officer
Bruce Stewart	Group Chief Financial Officer and European Chief Operations Officer
Brandon Thompson (Appointed 1 June 2018)	Chief Commercial Officer
Stuart Green	Chief Executive Officer – Europe
Rachelle St Ledger	Chief Executive Officer – Australia
Eric Mettemeyer	Chief Executive Officer – North America

Remuneration Governance

EML's Board and the Remuneration and Nomination Committee (Committee) are responsible for setting and overseeing remuneration policies and practices for the Group.

Members of the Committee

The Committee is appointed by the Board and comprised solely of Non-executive Directors:

> Dr Kirstin Ferguson (Chairman of the Committee, appointed 20 February 2018)

> Peter Martin (Resigned as Chairman of the Committee 20 February 2018)

> David Liddy AM

> Robert Browning (Resigned 20 February 2018).

Role of the Remuneration Committee

The Board of EML (Board) has adopted a Board Charter which sets out the objectives, responsibilities and framework for the operation of the Board. A copy of the Board Charter is available at www.emlpayments.com

The Board Charter underlines that the Board is accountable to shareholders for EML's performance and for the proper management of EML's business and affairs.

To assist the Board in carrying out its responsibilities, the Board has established the Remuneration and Nomination Committee which has responsibility for reviewing, making recommendations to the Board and, where relevant, approving the remuneration arrangements in place for the Non-Executive Directors, the CEO/MD and Other Executives.

The charter for the Remuneration and Nomination Committee is reviewed by the Board annually and can be found at www.emlpayments.com

EML's Board and Committee are responsible for setting and overseeing remuneration policies and practices for the Group.

Remuneration Report

Role of the Committee

Remuneration of all KMP is determined by the Board, acting on recommendations made by the Remuneration and Nomination Committee.

In summary, the Committee provides advice and recommendations to the Board for approval on:

> The Group's remuneration policies and frameworks for executives;
> Fixed annual remuneration and incentive outcomes for executives;
> Incentive plans for all employees;
> Key performance indicators for and evaluation of the Managing Director and Group Chief Executive Officers;
> Remuneration policies and fees for Non-executive Directors and Committee members; and
> Any other remuneration matters that relate to executives.

Attendance

Other Directors of the Board and the Managing Director attend Committee meetings by invitation. Importantly, executives (including the Managing Director) do not attend meetings or sections of meetings where agenda items for discussion relate to their own remuneration outcomes.

External advisors and remuneration consultants

Where necessary, the Committee seeks assistance from independent experts and advisors on remuneration related matters. Remuneration consultants provide information on market trends in respect of executive remuneration structures and benchmarking information on executive remuneration levels. Other external advisors assist with the administration of the Group's remuneration plans.

During the year, the Committee engaged the services of Egan Associates to advise on remuneration benchmarking for Executives and Non-Executive Directors. Egan Associates did not make any 'remuneration recommendations' (as defined in the Corporations Act) in relation to any KMP during FY18.

The Committee independently appoints its remuneration consultants and engages with them in a manner in which any information provided is not subject to undue influence by management.

The information provided by external advisors is used as an input into the Committee's considerations and decision making only. The Board has ultimate decision making authority over matters of remuneration structures and outcomes.

Specific responsibilities

The specific responsibilities of the Board and the Committee are detailed in their respective charters, which are available on EML's website at www.emlpayments.com

Remuneration Policy and Guiding Principles

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

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.

The Board believes that EML's remuneration structure, design and mix should align and motivate a talented Executive team with shareholder interests, providing shareholders with the best value.

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.

Broadly, the Group's policy with respect to the remuneration of its executives provides:

Remuneration can be comprised of:

> Fixed remuneration (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax);
> Short term incentives (STI) which provides a reward for performance against annual objectives;
> Long term incentives (LTI) which provides a securities-based reward for performance against indicators of shareholder benefit or value creation, over a three year period; and
> Discretionary incentives of either cash or shares in recognition of exceptional performance which contributes to the achievement of the Group's strategic and business objectives, subject to vesting conditions of a two or three year period.

Remuneration Report

In total, the sum of the elements will constitute a total remuneration package (TRP).

> That TRPs should be structured with reference to the Group's business strategy and market practices;

> That fixed remuneration should be set with reference to between the median to the 75th percentile of the relevant market benchmarked remuneration practice;

> Financial targets on which incentives are based are suitably stretching and meet a budget and business plan to exceed market expectations at the time they were set, such that the level of achievement aligns relative performance and relative pay;

> Remuneration will be managed within a range so as to allow for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role;

> Termination benefits will generally be limited to the default amount allowed for under the Corporations Act (without shareholder approval); and

> The procedures to be followed to review executive remuneration and determine appropriate changes.

Executive Remuneration Mix

Executive remuneration is structured as a mix of fixed and variable 'at-risk' STI and LTI components. While fixed remuneration is designed to provide a base level of remuneration, the 'at risk' STI and LTI components reward executives when challenging performance measures are met or exceeded.

The FY18 remuneration mix is as set out below:

Remuneration element	Group CEO	Other Executives
Base salary	77%	41%
STI	3%	5%
LTI	20%	53%
Total	100%	100%

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 verifiable data such as financial measures, market share and data from independently run surveys.

The Board retains the ability to reduce or clawback incentive awards where the participant has acted fraudulently or dishonestly or is in breach of their obligations to the Company; or where the Company becomes aware of material misstatement or omission in the financial statements of the Group.

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:

($'000 unless otherwise stated)	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Revenue	71,020	57,960	23,311	14,437	5,184
EBTDA [(1)]	20,760	14,521	5,040[(2)]	2,630	(3,346)
Net profit / (loss) before tax	4,986	(2,121)	(1,750)	(5,811)	(5,848)
Net profit / (loss) after tax	2,208	9	88	2,857	(5,412)
Share price at start of year	1.62	$1.27	$0.57	$0.64	$0.31
Share price at end of year	1.41	$1.62	$1.27	$0.57	$0.64
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	0.90	0.00	0.05	1.82	(4.47)
Diluted earnings / (loss) cents per share	0.87	0.00	0.04	1.72	(4.40)

The Company uses the non-statutory financial metric of Earnings Before Tax, Depreciation and Amortisation (EBTDA) as their key financial performance measure. The Directors believe this metric is more relevant to users for the following reasons:

> Inclusive of interest income which is considered part of the operating business structure. The Group holds and manages large cash balances of prepaid stored value (2018: $411M, 2017: $302M);

> Exclusive of depreciation and amortisation, a non-cash expense which primarily relates to amortisation of intangible assets following acquisitions made by the group in recent years;

> Exclusive of share-based payment expense, a non-cash expense of which a significant element relates to options granted for retention & performance incentive following acquisition;

> Exclusive of income tax; and

> Exclusive of interest expense. The financial year ended 2018 included interest expense in relation to the discounted contingent consideration paid in connection with the acquisition of PreSend Nordic AB.

The table below reconciles EBTDA to statutory Net profit / (loss) after tax.

($'000 unless otherwise stated)	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Net profit / (loss) after tax	2,208	9	88	2,857	(5,412)
Add back					
Depreciation and amortisation	8,798	10,076	3,746	2,690	716
Share-based payments	4,986	5,317	2,073	5,104	1,403
Income tax expense/(benefit)	2,779	(2,310)	(1,838)	(8,668)	(436)
Research and development tax offset	1,377	1,439	990	698	436
Interest expense - Unwind of discount on contingent consideration	494	-	-	-	-
Other foreign exchange differences and interest expense	118	(190)	(19)	(51)	(47)
EBTDA [1]	20,760	14,521	5,040[1]	2,630	(3,346)

(1) 2016 EBTDA excludes the one off impacts of costs associated with the acquisition of EML USA & Canada in FY16 which totalled $0.46M

Actual cash remuneration earned in respect of FY18

The table below sets out the actual value of remuneration earned by each Executive during FY18. The reason the figures in this table are different from those shown in the statutory remuneration table on page 40 is because the latter table includes an apportioned accounting value for all STI and LTI equity grants (some of which remain subject to satisfaction of performance and service conditions and so may not ultimately vest).

The table below represents:

- Base salary including superannuation and non-monetary benefits such as travel and mobile phone allowances;
- STI paid during the year; and
- LTI Vested – the value of LTI that vested during the financial year using the share price on the date of vesting less any employee contribution.

	Base salary (2) $	STI (3) $	LTI Vested (4) $	Total actual cash remuneration $
Non-executive Directors				
Peter Martin	164,250	-	-	164,250
Tony Adcock	92,642	-	-	92,642
David Liddy AM	93,570	-	-	93,570
Dr Kirstin Ferguson (Appointed 20 February 2018)	36,121	-	-	36,121
Melanie Wilson (Appointed 20 February 2018) (1)	33,260	-	-	33,260
Robert Browning (Resigned 20 February 2018)	58,834	-	-	58,834
John Toms (Deceased 4 August 2017)	8,582	-	-	8,582
Executive Director				
Thomas Cregan	600,000	20,000	-	620,000
Other Executives				
Andrew Betts	275,000	55,159	-	330,159
Bruce Stewart	368,522	62,863	-	431,385
Brandon Thompson (Appointed 1 June 2018)	40,771	-	-	40,771
Rachelle St Ledger	282,000	53,695	-	335,695
Stuart Green	285,504	39,764	166,694	488,962
Eric Mettemeyer	376,657	-	430,000	806,657

(1) Melanie Wilson's remuneration is paid through a service company.

(2) Base salary, superannuation, non-monetary and other remuneration.

(3) STI is bonuses awarded relating to 2018 results.

(4) The value LTI Vested has been calculated based on the number of shares actually awarded to the KMP at the market value of the shares on the date exercised.

Remuneration Report

Total Fixed Remuneration (TFR)

TFR provides a fixed level of income to recognise Executives, including the Managing Director and Group Chief Executive Officer, for their level of responsibility, relative expertise and experience. It includes the fully costed value of salary, superannuation, motor vehicle and other short term benefits. The TFR package is paid in cash, superannuation contributions as well as motor vehicle and other employee benefits provided on salary sacrifice.

TFR 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 whilst also recognising individual performance and the competitive market environment for each individual's skills and capabilities. The Board and Group Chief Executive Officer aim to position Executives at or near the median to 75 percentile, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

Superannuation is included in TFR.

Changes for FY 2018

The following executive salaries were reviewed in line with market positioning during the year.

The base salary for Thomas Cregan was increased to $650,000 with effect from 1 January 2018 to reflect market benchmarking.

Service agreements

EML has executive service agreements with each member 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 650,000	3 months either party	Change of control agreement
Andrew Betts	Chief Risk Officer	AUD 275,000	3 months either party	None
Bruce Stewart	Group Chief Financial Officer and European Chief Operations Officer	AUD 350,000	3 months either party	Change of control agreement
Brandon Thompson	Chief Commercial Officer	USD 375,000	3 months either party	None
Stuart Green	Managing Director Europe	GBP 150,000	6 months either party	None
Rachelle St Ledger	Chief Executive Officer Australia	AUD 275,000	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

Short term incentives (STI)

The Executive Team and Managing Director can be considered for additional remuneration via a Short Term Incentive payment in the form of a cash bonus. Cash bonus include applicable taxes and superannuation.

Purpose

The STI Plan's purpose is to provide an incentive for executives to achieve the Group's strategic objectives by delivering or exceeding annual business plan requirements for sustainable superior returns for shareholders.

Measurement Period

1 July to the following 30 June

Performance metrics

The performance metrics for the STI Plan have to date comprised:

> Company KPI – Group EBTDA; and

> Executive performance KPIs – specific to individuals.

Weightings applied to each will be determined by the Board in relation to the Company KPI and Group CEO KPIs; and the Group CEO in relation to executive performance KPIs.

The Group EBTDA KPI must first be achieved before any STI entitlement is available.

The size of the pool is determined by the Board, upon advice from the Committee, based on achieving a budgeted EBTDA target. The Board retains discretion to increase or decrease the overall STI pool available, based on its assessment of overall performance throughout the year.

Calculations are performed following the end of the Measurement Period and the release of the Group's full year results.

Payments will be in cash unless otherwise determined by the Board and will normally be paid in September following the measurement period.

Potential value

The Group CEO can earn up to 50% of his annual fixed remuneration.

Other executives can earn up to 25% to 35% of their annual fixed remuneration.

Changes for FY 2018

During the year, discretionary bonuses were awarded to the following KMP, to recognise exceptional performance.

Thomas Cregan	AUD 20,000
Andrew Betts	AUD 55,159
Bruce Stewart	GBP 35,860
Stuart Green	GBP 22,901
Rachelle St Ledger	AUD 53,695

Delivery of STI

100% of the STI award is paid in cash following the end of the financial year.

Board discretion

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. Where a formulaic application of the metrics is likely to produce a material and perverse remuneration outcome, or where it is in the best interests of shareholders for the Board to do so, the Board may exercise its discretion in determining awards. The purpose of preserving this discretion is to allow the Board to ensure remuneration amounts and structure are at all times appropriate and to prevent any unintended vesting of awards that would arise from a purely formulaic application of the STI metrics.

If an executive's employment terminates prior to the relevant Measurement Period, all entitlements will be forfeited, unless otherwise determined by the Board.

Remuneration Report

Long term incentives (LTI)

Under the ESOP there are two types of incentives that may be offered:

> Performance Options (LTI which vests based on performance); and
> Retention Options (LTI which vests based on service).

Upon vesting, an Option confers an entitlement to receive an EML share upon exercise. Prior to this time Options do not carry dividend or voting rights.

Purpose

The LTI Plan's purpose is to align executive rewards with sustainable growth in shareholder value over time. It also acts as a retention mechanism to maintain a stable team of performance focussed executives. The current LTI Plan is the EML Payments Employee Share Option Plan (ESOP).

Measurement Period

The Measurement period is three years unless otherwise determined by the Board. For FY18 offers,the measurement period is three financial years from 1 July 2018 to 30 June 2021.

Performance metrics

The Board has the discretion to set vesting conditions for each offer and to modify vesting outcomes. Performance Options that do not vest will lapse.

A participant must remain employed by EML during the Measurement Period and the vesting conditions must be satisfied for the Options to vest.

The vesting conditions comprise of the following:

- Financial metrics:
  - Achievement in FY20 of $0.141 EBTDA per share. A 33% weighting is applied to the metric and based on a percentage pro-rata achievement of the target, with no maximum upside or downside; and
  - Achievement in FY20 of a return on equity target of 11.8%. A 33% weighting is applied to the metric and based on a percentage pro-rata achievement of the target, with no maximum upside or downside; and
- Performance metric (33% weighting)
  - Achievement of a minimum of 70% of KPIs in each financial year during the Measurement Period. Where any participant's KPI score is less than 70% in the final financial year of the Measurement Period the Options granted will be fully forfeited, regardless of whether the financial metrics are met.

For every 1% out performance of the Financial Metric vesting conditions when added together, an extra 2% of the original grant will apply as a bonus. The bonus will only be available once a minimum of 10% out performance has been achieved and is capped at 120% of the original grant.

EBTDA is the Group's most relevant financial metric and will continue to be so in the next three years. Expressed on a per share basis it will ensure that executives use equity to grow EBTDA without additional dilution and focus on acquisitions that will be EBTDA per share accretive as well as EBTDA generative in an absolute sense.

For the purposes of the return on equity (ROE) financial metric, it is defined as the Group's NPAT divided by the Group's total equity as set out in the Group's audited financial statements for FY20. This metric is preferable to the more commonly used TSR as EML's industry peers are limited.

Refer to the definition of EBTDA on page 30.

Potential value

The Board has discretion over the value of the LTI to be offered. In FY17, the Group CEO target LTI value was set at 100% of his fixed remuneration. For executives who are KMP the target LTI value was set at 66% of their fixed remuneration.

The target LTI value is designed, when combined with fixed remuneration and STI award opportunities, to produce total remuneration packages that are consistent with the Group's remuneration policy. That policy aims to enable the Group to attract, retain and motivate the calibre of executives required to achieve the Group's challenging business plans.

Delivery of LTI

The Board has the discretion to specify an amount payable for Options. In FY18, no exercise price is payable for the Options.

Upon vesting, participants may exercise their Options by providing a notice of exercise at which time the number of Options granted will convert to fully paid EML shares on an equal basis.

Shares acquired when vested Options are exercised may dealt with by the holders as they see fit, subject always to complying with EML's Securities Trading Policy.

Discretionary commencement grants

Brandon Thompson was appointed Chief Commercial Officer for the Group on 1 June 2018, as part of the remuneration package awarded to Mr. Thompson he was granted options over 272,183 ordinary shares which will vest in three equal installments on 28 June of the 2019, 2020 and 2021 years

Remuneration Report

Non-executive Director Remuneration

Policy

EML aims to attract and retain a high calibre of Non-Executive Directors (NEDs) who are equipped with diverse skills to govern the organisation and oversee Management so as to return value for EML shareholders. EML aims to fairly remunerate Directors for their responsibilities relative to organisations of similar size and complexity.

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 Annual General Meeting held on 15 November 2017 when shareholders approved the maximum aggregate fee pool of $750,000 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.

A review of NED remuneration was undertaken by the Committee in December 2017. In recognising the varying commitments of each NED and in line with current market practice, the base and Committee fees paid to NEDs were increased by 11%. This increase took effect from 15 September 2018.

Total NED remuneration payable in FY18 was $487,259 up from the $464,554 in FY17.

Each Non-executive Director receives a board base fee (exclusive of superannuation) for being a Director of the Company as well as Committee fees. An additional fee is also paid to the following Non-executives in their capacity as:

> Chairman of the Board,

> Chairman and members of the Audit and Risk Committee,

> Chairman and members of the Remuneration and Nomination committee.

Fee Framework

	2018 $	2017 $
Board		
Chairman	150,000 (1)	150,000
Member	75,000 (2)	67,500
Audit and Risk Committee		
Chairman	12,000	12,000
Member	6,000	6,000
Remuneration and Nomination Committee		
Chairman	- (1)	-
Member	6,000	6,000

(1) The fee received by the Chairman of the Board of Directors also compensated him whilst he served as Chairman of the Remuneration and Nomination committee.
(2) The fee received by Members of the Board of Directors was increased on 15 September 2017.

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. Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel on EML business, incurred in the discharge of their duties in accordance with EML's Constitution.

Non-executive Directors do not receive any benefits upon retirement under any retirement benefits schemes (other than statutory superannuation).

Remuneration Report

Benchmarking

Fees are set by reference to the following considerations:

> Industry practice and best principles of corporate governance;
> Responsibilities and risks attaching to the role of Non-executive Directors;
> The time commitment expected of Non-executive Directors on Group matters; and
> Reference to fees paid to Non-executive Directors of comparable companies.

Non-executive Director fees are periodically reviewed to ensure they remain in line with general industry practice and reflect proper compensation for duties undertaken. External independent advice is sought in these circumstances.

Board discretion

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 LTI award. The board may decide that no bonus pool will be available for a particular year.

Subject to the Board's discretion, where a participant resigns or their employment is terminated Options granted will be forfeited. Where deemed a 'good leaver' by the Board, the participant is entitled to keep a proportion of Options equivalent to the duration of the Measurement Period they were an employee.

The Board has broad discretion to vary the Plan Rules but not reduce the entitlements of participants in relation to previously offered Options without the consent of the participants.

Change of control

A change in control event is defined to occur when the Board recommends a takeover offer to be accepted by shareholders. In the event of a change of control, unvested Options may be exercised prior to their expiry date, regardless of whether the Vesting Conditions have been met. The Board however retains discretion over the treatment of any unvested Options.

Cost and administration

The Company will pay all costs of acquiring and issuing EML Shares, including brokerage and all costs of administering the ESOP.

The Company prohibits the hedging of Options by participants.

Share-based payments granted as compensation for the current year

During the year ended 30 June 2018, there were no issued capital transactions with KMP.

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 EML Payments 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 Group 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 achievements 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 Key Management Personnel relate to the current financial year. No share based payment compensation was granted to Non-executive Directors.

			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
Other Executives							
Brandon Thompson	Series 21, 22 & 23 (1)	28/06/2018	250,168	-	-	-	ESOP 2
Stuart Green	Series 12 (2)	01/12/2014	8,169	8,169	100%	-	ESOP 2

(1) A total of 375,252 options were issued under Series 21, 22 and 23. The remaining options not disclosed above were issued to non-KMP.

(2) On 20 February 2018, the Board exercised their discretion to award the balance of shares from Series 12. Series 12 was granted to employees in relation to the acquisition of EML Europe in December 2014. The balance of shares arose from employees who left the group in the period between initial grant on 2 March 2015 and vesting on 28 February 2018. The shares were distributed to the remaining employees within that series on a pro rata basis.

Further information on the Group's option plans is disclosed at Note F3 to the Financial Statements.

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 G3 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
Other Executives					
Brandon Thompson	Series 21, 22 & 23	272,183	-	-	ESOP 2
Stuart Green	Series 12	4,379	166,694	-	ESOP 2
Eric Mettemeyer	Series 15	-	430,000	-	ESOP 2

(1) The value of the options granted during the period is calculated using a Black-Scholes valuation methodology and recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

(2) The value of options exercised at the exercise date was based on the number of shares actually awarded to the KMP at the market value of the shares on the date exercised. Stuart Green exercised 8,169 share options on 6 April 2018 when the Company's share price was $1.15. Stuart Green exercised 130,000 share options on 23 April 2018 when the Company's share price was $1.21. Eric Mattemeyer exercised 333,333 share options on 9 June 2018 when the Company's share price was $1.29.

SHARES UNDER OPTION

Unissued ordinary shares of KMP

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

Options – Series	Share Option Plan	Grant Date	Vest Date	Expiry Date	Number outstanding at date of report	Fair value at grant date	Exercise Price
Series 14	ESOP 2	31/12/2015	30/08/2018	30/09/2018	1,000,000	$0.71	$0.87
Series 15	ESOP 2	1/06/2016	1/06/2019	15/06/2019	333,334	$1.16	$0.00
Series 16	ESOP 2	1/06/2016	30/08/2019	30/09/2019	3,200,000	$1.01	$1.45
Series 20	ESOP 2	19/04/2017	30/08/2020	30/09/2020	1,060,343	$1.27	$0.00
Series 21	ESOP 2	28/06/2018	28/06/2019	28/09/2021	83,390	$1.09	$0.00
Series 22	ESOP 2	28/06/2018	28/06/2020	28/09/2021	83,389	$1.09	$0.00
Series 23	ESOP 2	28/06/2018	28/06/2021	28/09/2021	83,389	$1.09	$0.00

For details of employee share option plans in existence during the year, refer to Note C2 to the Financial Statements.

For details on the valuation of the options, including models and assumptions used, refer to Note F3. 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 13	Series 14	Series 16	Series 20
Financial year in which performance hurdles will be measured	FY18	FY18	FY17- FY19	FY20
Hurdles referenced to	Australian results only	Group results	North American results only	Group results
Financial performance hurdles				
(a) Revenue	n/a	=>$40M	n/a	n/a
(b) EBTDA	= or > $10.6M	= or > $18M	= or > $5M USD	n/a
(c) EBIT	= or > $8.8M	= or > $16M	n/a	n/a
(d) EBTDA per share	n/a	n/a	n/a	>$0.141
(e) Return on Equity	n/a	n/a	n/a	>11.8%
Other performance hurdles				
(f) Gross Debit Volume	n/a	>$1.8BN	n/a	n/a
(g) Gross margin percentage	n/a	n/a	n/a	n/a
(h) Total active accounts	n/a	>2.0M	n/a	n/a
(i) Performance evaluation	n/a	n/a	n/a	Personal Performance vs KPIs

Number of performance hurdles required for options to vest

Series 13

For the Company's Australian operations in FY18 either EBTDA 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 EBTDA 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 EML North America consolidated EBTDA for any fiscal year ended by 30 June 2019. Further options will vest in increments of 1/6th for each additional USD1m in EML North America consolidated EBTDA achieved in any fiscal year ending by 30 June 2019 with 100% of the options being exercisable upon achievement of USD10m in SFS consolidated EBTDA as at 30 June 2019. EBTDA is measured on a historical basis of North American performance, excluding the post acquisition impact of aligning the USA business to Group accounting policies, including the allocation of corporate overheads and accrual of expected AMF.

Series 19

Series 19 is subject to the employees meeting certain performance conditions for the delivery of strategic IT projects.

Series 20

Series 20 is weighted between performance evaluation (33%) and group financial metrics (67%).

Performance evaluation is subject to achieving a minimum of 70% of his or her KPI targets set for the year, if less than 70% is achieved in the final year prior to the vesting date then the options granted will be fully forfeited. This condition is not subject to a percentage pro-rata.

Financial metrics are split evenly between EBTDA per share and Return on Equity targets. Both performance metrics are based on a percentage pro-rata achievement of the targets, with no maximum upside or downside.

For every 1% out-performance of the Financial Metrics Vesting Conditions when added together, an extra 2% of the original grant will apply as a bonus. The bonus will only be available once a minimum of 10% out performance has been achieved and is capped at 120% of the original grant.

Remuneration Report

KMP Compensation

		Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based Payments				Value of Share-based payments as a % of Remuneration
		Salary & Fees $	Bonuses $	Non-Monetary Benefits $	Other $	Superannuation $	Long-service leave $	Options $	Shares $	Total $	Performance Related %	%
Non-executive Directors												
Peter Martin	2018	150,000	-	-	-	14,250	-	-	-	164,250	-	-
	2017	126,000	-	-	-	11,970	-	-	-	137,970	-	-
Tony Adcock	2018	84,605	-	-	-	8,037	-	-	-	92,642	-	-
	2017	73,500	-	-	-	6,983	-	-	-	80,483	-	-
David Liddy AM	2018	85,452	-	-	-	8,118	-	-	-	93,570	-	-
	2017	75,625	-	-	-	7,184	-	-	-	82,809	-	-
Dr Kirsten Ferguson (1)	2018	32,988	-	-	-	3,134	-	-	-	36,122	-	-
	2017	-	-	-	-	-	-	-	-	-	-	-
Melanie Wilson (1)	2018	33,260	-	-	-	-	-	-	-	33,260	-	-
	2017	-	-	-	-	-	-	-	-	-	-	-
Robert Browning (2)	2018	53,730	-	-	-	5,104	-	-	-	58,834	-	-
	2017	69,625	-	-	-	6,614	-	-	242	76,481	-	-
John Toms (5)	2018	7,837	-	-	-	745	-	-	-	8,582	-	-
	2017	79,500	-	-	-	7,553	-	-	-	87,053	-	-
Executive Director												
Thomas Cregan	2018	579,951	20,000	-	-	20,049	-	156,038	-	776,038	3%	20%
	2017	530,384	-	-	-	19,616	-	43,336	-	593,336	-	7%
Other Executives												
Andrew Betts	2018	254,951	55,159	-	-	20,049	1,539	131,559	39,818	503,075	11%	34%
	2017	207,763	-	-	-	19,089	-	82,316	10,691	319,858	-	29%
Bruce Stewart	2018	367,596	62,863	925	-	-	-	65,536	182,136	679,057	9%	36%
	2017	311,672	-	546	-	-	-	2,287	125,565	440,070	-	29%
Brandon Thompson (1)	2018	40,771	-	-	-	-	-	911	-	41,682	-	2%
	2017	-	-	-	-	-	-	-	-	-	-	-
Stuart Green	2018	267,475	39,764	1,655	-	13,374	-	169,390	-	491,658	8%	34%
	2017	214,728	-	1,656	-	-	-	148,995	-	365,379	-	41%
Rachelle St Ledger (3)	2018	254,951	53,695	7,000	-	20,049	-	131,559	21,067	488,321	11%	31%
	2017	254,140	-	-	-	19,616	-	80,203	49,932	403,891	-	32%
Eric Mettemeyer	2018	339,735	-	20,838	1,429	14,655	-	1,371,963	-	1,748,620	-	78%
	2017	344,897	-	22,303	-	6,323	-	1,676,392	-	2,049,915	-	82%
David Shewmaker (4)	2018	-	-	-	-	-	-	-	-	-	-	-
	2017	183,367	-	-	-	-	-	71,266	-	254,633	-	28%
Total KMP compensation	2018	2,553,301	231,481	30,419	1,429	127,564	1,539	2,026,656	243,022	5,215,711	4%	44%
	2017	2,471,201	-	24,505	-	104,948	-	2,104,795	486,430	4,891,776	-	47%

(1) Dr Kirstin Ferguson and Melanie Wilson were appointed 20 February 2018. Brandon Thompson was appointed 1 June 2018.

(2) Robert Browning resigned from the Company effective 20 February 2018.

(3) Rachelle St Ledger was appointed Chief Executive Officer - Australia on 1 October 2016.

(4) David Shewmaker resigned from the Company effective 31 December 2016.

(5) John Toms died unexpectedly on 4 August 2017.

Ordinary shares held in EML Payments Limited (number)

		Balance at beginning of year	Granted as remuneration	On exercise of options	Net change	Balance at end of year
Non-executive Directors						
Peter Martin	2018	8,505,213	-	-	-	8,505,213
	2017	9,971,880	-	-	(1,466,667)	8,505,213
Tony Adcock	2018	234,593	-	-	-	234,593
	2017	234,593	-	-	-	234,593
David Liddy AM	2018	1,600,310	-	-	(800,310)	800,000
	2017	1,650,310	-	-	(50,000)	1,600,310
Dr Kirsten Ferguson	2018	-	-	-	-	-
	2017	-	-	-	-	-
Melanie Wilson	2018	-	-	-	-	-
	2017	-	-	-	-	-
Robert Browning (1)	2018	1,975,905	-	-	(1,975,905) (1)	-
	2017	2,525,905	-	-	(550,000)	1,975,905
John Toms (2)	2018	506,823	-	-	(506,823) (2)	-
	2017	441,598	-	-	65,225	506,823
Executive Director						
Thomas Cregan	2018	20,299,723	-	-	(3,825,000)	16,474,723
	2017	18,989,297	-	1,212,121	98,305	20,299,723
Other Executives						
Andrew Betts	2018	731,553	-	-	-	731,553
	2017	532,881	82,192	116,480	-	731,553
Bruce Stewart	2018	2,837,351	-	-	129,998	2,967,349
	2017	2,519,798	167,553	150,000	-	2,837,351
Brandon Thompson (4)	2018	-	-	-	350,000 (4)	350,000
	2017	-	-	-	-	-
Stuart Green	2018	1,959,968	-	138,169	(268,169)	1,829,968
	2017	2,108,805		130,000	(278,837)	1,959,968
Rachelle St Ledger	2018	113,636	-	-	-	113,636
	2017	113,636	-	-	-	113,636
Eric Mettemeyer	2018	1,259,814	-	333,333	(550,000)	1,043,147
	2017	926,481	-	333,333	-	1,259,814
David Shewmaker (3)	2018	-	-	-	-	-
	2017	11,698,941	-	220,000	(11,918,941)(3)	-
Total KMP ordinary shares held in EML Payments Limited	2018	40,024,889	-	471,502	(7,446,209)	33,052,200
	2017	51,714,125	249,745	2,161,934	(14,100,915)	40,024,889

(1) Disclosure for Robert Browning is at 20 February 2018 as he resigned from the Group effective on that date. Net change other includes the removal of Robert Browning when he ceased being KMP on 20 February 2018.

(2) Disclosure for John Toms is at 4 August 2017 as he died unexpectedly on that date. Net change other includes the removal of John Toms when he ceased being KMP on 4 August 2017.

(3) Disclosure for David Shewmaker is at 31 December 2016 as he resigned from the Group effective on that date. Net change other includes the removal of David Shewmaker when he ceased being KMP on 31 December 2016.

(4) Disclosure for Brandon Thompson includes 350,000 shares in Net change. This represents the shares held pre-appointment to Chief Commercial Officer.

Option holdings of key management personnel (number)

		Opening Balance	Granted as remunera-tion	Options exercised	Options cancelled	Net change Other	Closing Balance	Balance vested at 30 June 2017	Vested but not exercis-able	Vested and exercis-able	Options vested during year
Executive Director											
Thomas Cregan	2018	376,712	-	-	-	-	376,712	-	-	-	-
	2017	1,212,121	376,712	(1,212,121)	-	-	376,712	-	-	-	-
Other Executives											
Andrew Betts	2018	424,315	-	-	-	-	424,315				
	2017	450,000	124,315	(116,480)	(33,520)	-	424,315	-	-	-	-
Bruce Stewart	2018	158,219	-	-	-	-	158,219				
	2017	150,000	158,219	(150,000)	-	-	158,219	-	-	-	-
Brandon Thompson	2018	-	250,168		-	-	250,168	-	-	-	-
	2017	-	-	-	-	-	-	-	-	-	-
Stuart Green	2018	646,719	8,169	(138,169)	-	-	516,719				
	2017	660,000	116,719	(130,000)	-	-	646,719	-	-	-	-
Rachelle St Ledger	2018	424,315	-	-	-	-	424,315				
	2017	300,000	124,315	-	-	-	424,315	-	-	-	-
Eric Mettemeyer	2018	4,026,730	-	(333,333)	-	-	3,693,397				
	2017	4,200,000	160,063	(333,333)	-	-	4,026,730	-	-	-	-
David Shewmaker	2018	220,000	-	(220,000)	-	-	-	-	-	-	-
	2017	440,000	-	(220,000)	-	-	220,000	-	-	-	-
Total options held by Executives	2018	6,277,010	250,168	(691,502)	-	-	5,835,676	-	-	-	-
	2017	7,412,121	1,060,343	(2,161,934)	(33,520)	-	6,277,010	-	-	-	-

No options were held by the Non-executive Directors during the financial year ended 30 June 2018 (2017: Nil).

Directors' Declaration

In the opinion of the Directors of EML Payments Limited (the "Company"):

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note G4 to the financial statements

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

Peter Martin
Chairman

20 August 2018

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

20 August 2018

Dear Directors

EML Payments Limited

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

As lead audit partner for the audit of the financial statements of EML Payments Limited for the financial year ended 30 June 2018, 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

Independent Auditor's Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of EML Payments Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of their financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of non-current assets As at 30 June 2018 the Group has goodwill and intangible assets totalling $65.8 million arising from the acquisitions of the businesses now legally named EML Payment Solutions Ltd, EML Payments UK Ltd, EML Payments US LLC, EML Payments Canada Ltd and EML Payments AB as disclosed in Note E2. Management conducts annual impairment tests to assess the recoverability of the carrying value of non-current assets. This assessment requires significant judgement due to the high level of assumptions and estimates involved in preparing a discounted cash flow model ('value in use'), including: - Future cash flows for the Cash Generating Unit ('CGU'); - Discount rates; and - Terminal value growth rates.	In conjunction with our valuation specialists our procedures included, but were not limited to: • Evaluating the appropriateness of management's identification of the Group's Cash Generating Unit (CGUs) and testing key controls over the impairment assessment process, • Evaluating whether the model used by management to calculate the value in use of the individual CGUs complies with the relevant accounting standards, • Assessing the future projected cash flows used in the models to assess whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of each CGU, • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management's projections, • Assessing the key assumptions and methodology used by management in the impairment model, in particular validating the assumptions used to calculate the discount rates, and • Assessing the recoverable amount against the carrying value of each CGU. We also assessed the appropriateness of the disclosures in Note E2 to the financial statements.
Recoverability of deferred tax assets As at 30 June 2018 the Group has recognised deferred tax assets of $18.8 million as disclosed in Note A3. The deferred tax assets include timing differences and previously recorded tax losses. The recoverability of deferred tax assets is dependent on the generation of sufficient future taxable profit to utilise the assets. Taxable profits must be generated in the same jurisdiction the losses or timing differences were generated in. Significant judgement is required in forecasting future taxable profit.	Our audit procedures included, but were not limited to: • Challenging the appropriateness of management's estimation of future taxable profit and assessing whether these estimates were consistent with the forecasts used as part of the impairment testing of goodwill and intangible assets, • Assessing the appropriateness of the deferred tax calculation prepared by management in terms of accounting standards and applicable regulation, and • Recalculating the accuracy of the deferred tax calculation. We also assessed the appropriateness of the disclosures in Note A3 to the financial statements.

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Breakage income As at 30 June 2018 the Group recognised $26.4 million of breakage fees, account management fees and derecognition fees revenue as disclosed in Note A1. Management is required to exercise judgment in estimating the revenue contractually available when there is unspent value left on cards and accrue for that expected revenue at card issue date when it can be reliably measured.	Our audit procedures included, but were not limited to: • Evaluating management's assumptions to determine the expected value of revenue on expiration of the card, which includes an estimate of the percentage of loaded value that will be left on the card at expiry date, • Recalculating historical breakage rates and investigating any significant differences from management's estimate, • Assessing the independence, competence and objectivity of the external experts utilised by the group to determine estimates on certain types of cards, and • Discussing significant exceptions with management and considering the impact on assumptions made by management. We also assessed the appropriateness of the disclosures in Note A1 to the financial statements.
Acquisition of PreSend Nordic AB On 1st February 2018, EML Payments acquired 100% equity stake in PreSend Nordic AB. This entity is a subsidiary of EML Payments UK Ltd as disclosed in Note F6. Following an assessment of the existing group structure, a purchase price accounting exercise was conducted where the fair value of all acquired assets was estimated. The Swedish Companies Registration Office gave approval to rename PreSend Nordic AB to EML Payments AB on 15 May 2018.	Our audit procedures included, but were not limited to: • Assessing the independent valuations obtained for the business acquired, • Assessing managements estimation of contingent consideration included in the acquisition accounting, • Evaluating the independence, competence and objectivity of the valuer engaged by management to value the assets acquired, • Evaluating the purchase price allocation performed by management including the assessment of the fair values applied to the assets and liabilities acquired, • Performing sensitivity analysis on the key assumptions driving asset valuation in the purchase price allocation, and • Assessing the accounting treatment applied by management. We also assessed the appropriateness of the disclosures in Note F6 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 42 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of EML Payments Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers
Partner
Chartered Accountants
Brisbane, 20 August 2018

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

		Consolidated	
	Notes	30 June 2018 $'000	30 June 2017 $'000
Revenue	A1, A2	71,020	57,960
Cost of sales		(17,719)	(13,714)
Gross Profit	A2	**53,301**	**44,246**
Expenses			
Employee benefits expense		(21,945)	(20,913)
Professional fees		(2,726)	(2,602)
Share-based payments	F3	(4,986)	(5,317)
Depreciation and amortisation expense	E1, E2	(8,798)	(10,076)
Finance costs	A1	(597)	-
Other expenses	A1	(9,263)	(7,459)
Total expenses		**(48,315)**	**(46,367)**
Profit/(loss) before income tax		**4,986**	**(2,121)**
Income tax (expense)/benefit	A3	(2,778)	2,130
Net profit for the year		**2,208**	**9**
Other comprehensive income, net of income tax			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		2,617	(4,851)
Other comprehensive income for the year, net of income tax		**2,617**	**(4,851)**
Total comprehensive profit/(loss) for the year		**4,825**	**(4,842)**
Profit/(loss) per share (cents per share)	A5		
Basic (cents per share)		0.90	0.00
Diluted (cents per share)		0.87	0.00

The accompanying notes form part of these financial statements.

Statement of Financial Position

	Notes	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Current Assets			
Cash and cash equivalents	B1	39,006	39,872
Breakage accrual	B2	12,550	10,272
Other receivables	B3	8,889	6,310
Receivable from financial institution	D1	67,714	37,574
Current tax asset		470	207
Other current assets	B4	2,941	2,645
Total Current Assets		**131,570**	**96,880**
Non-Current Assets			
Breakage accrual	B2	7,276	3,054
Other receivables	B3	7,452	738
Available-for-sale financial assets	D4	5,211	5,022
Plant and equipment	E1	3,481	2,844
Intangibles	E2	65,767	60,132
Deferred tax asset	A3	18,783	18,834
Total Non-Current Assets		**107,970**	**90,624**
Total Assets		**239,540**	**187,504**
Current Liabilities			
Trade and other payables	B5	21,150	23,759
Employee benefits	C1	727	533
Current tax payable		-	17
Other liabilities		884	887
Liabilities to stored value account holders	D2	67,714	37,574
Total Current Liabilities		**90,475**	**62,770**
Non-Current Liabilities			
Other liabilities	B6	6,900	565
Contingent consideration	D3, F6	6,879	-
Deferred tax liabilities	A3	5,410	3,475
Employee benefits	C1	103	113
Total Non-Current Liabilities		**19,292**	**4,153**
Total Liabilities		**109,767**	**66,923**
Net Assets		**129,773**	**120,581**
Equity			
Issued capital	F1	137,744	137,981
Reserves	F2	19,091	11,870
Accumulated losses		(27,062)	(29,270)
Total Equity		**129,773**	**120,581**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

	Notes	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Cash Flows from Operating Activities			
Receipts from customers		60,211	49,005
Payments to suppliers and employees		(55,284)	(30,950)
Tax paid		(946)	(185)
Acquisition – related expenses		(280)	-
Interest paid		(103)	-
Interest received		2,774	1,385
Net cash generated by operating activities	B7	**6,372**	**19,255**
Cash Flows from Investing Activities			
Payments for plant and equipment	E1	(1,393)	(1,590)
Payments for software intangibles	E2	(3,868)	(1,279)
Refund of security deposit		-	207
Payment for available-for-sale financial assets	D4	-	(3,820)
Loan provided to PayWith Worldwide, Inc.	B3	(649)	-
Payment for business combination, net of cash acquired	F6	(727)	-
Net cash used in investing activities		**(6,637)**	**(6,482)**
Cash Flows From Financing Activities			
Proceeds from issue of shares	F1	26	204
Capital raising costs		-	-
Net cash provided from financing activities		**26**	**204**
Net increase / (decrease) in cash held		(239)	12,977
Cash at beginning of year		39,872	26,942
Impacts of foreign exchange		(627)	(47)
Cash at end of year	B1	**39,006**	**39,872**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

	Notes	Issued Capital $'000	Accumulated Losses $'000	Other Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Balance at 1 July 2016		**138,043**	**(29,279)**	**12,757**	**(2,314)**	**119,206**
Total comprehensive income						
- Profit for the period		-	9	-	-	9
Other comprehensive income						
Unrealised foreign currency (loss), net of tax		-	-	-	(4,851)	(4,851)
Transactions recorded directly in equity						
- Share-based payments		-	-	6,278	-	6,278
- Issue of share capital	F1	204	-	-	-	204
- Issue costs	F1	(266)	-	-	-	(266)
Balance at 30 June 2017		**137,981**	**(29,270)**	**19,035**	**(7,165)**	**120,581**
Total comprehensive income						
- Profit for the period		-	2,208	-	-	2,208
Other comprehensive income						
Unrealised foreign currency gain, net of tax		-	-	-	2,617	2,617
Transactions recorded directly in equity						
- Share-based payments		-	-	4,604	-	4,604
- Issue of share capital	F1	26	-	-	-	26
- Issue costs	F1	(263)	-	-	-	(263)
Balance at 30 June 2018		**137,744**	**(27,062)**	**23,639**	**(4,548)**	**129,773**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

A1 REVENUE, OTHER EXPENSES AND FINANCE COSTS

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
(a) Revenue includes		
Breakage income	26,434	29,934
Transaction fees	35,568	19,665
Establishment income	5,886	6,459
Interest income – host based stored value	2,343	1,197
Interest income – group funds	365	449
Service fees	424	256
	71,020	**57,960**
(b) Other expenses include		
Acquisition related costs	280	-
Fixed Sponsor Bank and other related costs	885	584
Foreign exchange loss/(gain)	21	(231)
Information technology related costs	2,910	2,676
Marketing and advertising	475	484
Risk and compliance	856	653
Rent, buildings and office management	2,096	1,663
Travel and accommodation	1,737	1,599
Other	3	31
	9,263	**7,459**
(c) Finance costs		
Interest expense - general	103	-
Interest expense - unwind of discount on contingent consideration (v)	494	-
	597	-

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 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.

Breakage income is primarily generated through three mechanisms:

> Breakage - Revenue recognised according to the expected residual balance at expiry
> Account Management Fees (AMF) - An amount charged per month on inactive accounts
> Derecognition - Where cards in certain jurisdictions, or due to contractual agreements, do not have an expiry date, external expert advisors are used to estimate residual value

(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.

(v) Interest expense - unwind of discount on contingent consideration

Interest expense - unwind of discount on contingent consideration relates to the acquisition of PreSend Nordic AB (refer note F6). The contingent consideration relating to the earn-out has been fair valued at acquisition date in line with AASB 3 Business Combination requirements. The difference between the fair value at acquisition date and the expected earn-out to be acheived will we unwound through interest expense until the end of the earn-out period, being 20 April 2020.

Key Assumption - 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. We include in breakage revenue all revenue generated from expected residual revenue.

Where we expect to be entitled to a breakage amount and can demonstrate the ability to reliably measure future revenue, 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.

If we are unable to reliably measure expected residual revenue, all forms of expired residual revenue are recognised on a cash basis.

A2 SEGMENT INFORMATION

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

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

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographic location of the business operations. The Group's reportable segments under AASB 8 are therefore as follows:

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

Segment EBTDA represents the gross profit earned by each segment, after cash overheads, inclusive of R&D tax incentive and allocation of central administration costs and Directors' salaries, before share based payments, depreciation & amortisation and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's revenue and results by reportable operating segment for the years under review:

	Year ended 30 June 2018				Year ended 30 June 2017			
	Australia $'000	Europe $'000	Americas $'000	Total $'000	Australia $'000	Europe $'000	Americas $'000	Total $'000
Revenue	17,539	13,986	39,495	71,020	9,784	10,055	38,121	57,960
Gross profit	12,705	11,135	29,461	53,301	7,094	8,096	29,056	44,246
Overheads	(9,886)	(6,144)	(17,888)	(33,918)	(7,873)	(4,419)	(18,872)	(31,164)
R&D tax incentive offset	743	634	-	1,377	605	834	-	1,439
Segment EBTDA	**3,562**	**5,625**	**11,573**	**20,760**	**(174)**	**4,511**	**10,184**	**14,521**
Depreciation and amortisation	(876)	(5,516)	(2,406)	(8,798)	(807)	(5,140)	(4,129)	(10,076)
Intergroup transfers	-	1,150	(1,150)	-	1,492	(670)	(822)	-
Add back:								
R&D tax incentive offset	(743)	(634)	-	(1,377)	(605)	(834)	-	(1,439)
					(94)	(2,133)	5,233	3,006
Share-based payments				(4,986)				(5,317)
Other non-cash charges				(613)				190
Profit/(loss) before tax				**4,986**				**(2,121)**

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

	30 June 2018 $'000	30 June 2017 $'000
Australia	103,632	97,162
Europe	95,047	47,351
Americas	40,861	42,991
Total segment assets	**239,540**	**187,504**

A3 TAXATION

	Consolidated	
	2018 $'000	2017 $'000
(a) Recognised in the Statement of Profit or Loss and Other Comprehensive income		
Current income tax expense	(1,054)	(802)
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	(3,252)	852
Refundable R & D tax offset	1,377	1,439
Over provision of income tax in prior year	151	641
Total income tax (expense)/benefit	**(2,778)**	**2,130**
(b) Reconciliation between income tax (expense)/benefit and profit/(loss) before income tax		
Profit/(loss) before income tax	4,986	(2,121)
Income tax benefit using the domestic corporation tax rate of 30% (2017: 30%)	(1,496)	636
Tax effect of:		
Non-deductible expenses	(2,790)	(2,570)
Tax deduction in respect of contributions to employee share trust	520	2,023
Refundable R & D tax offset	1,377	1,439
Effect of differences in tax rates (1)	(269)	(275)
Effect of change in US tax rate (1)	(534)	-
Amortisation of blackhole expenditure	263	236
Over provision of income tax in prior year	151	641
Income tax (expense)/benefit	**(2,778)**	**2,130**

(1) United Kingdom corporate tax rate is 19%, Australian corporate tax rate is 30%, USA tax rate is 38.62% reducing to 24.62% from the financial year commencing 1 July 2018 and Canadian tax rate is 26.51%. The USA tax rate reduction was substantially enacted on 22 December and resulted in a writedown in the Group's deferred tax asset and liability balances.

(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.

	2018 $'000	2017 $'000
(c) Deferred tax asset		
Customer contracts	508	-
Customer relationships	290	-
Employee benefits	1,202	1,318
Goodwill	2,575	3,688
Recognition of tax losses	12,426	11,810
Share capital costs	431	694
Other	1,351	1,324
Deferred tax asset	**18,783**	**18,834**

	2018 $'000	2017 $'000
(d) Deferred tax liability		
Breakage accrual	(4,913)	(2,739)
Customer contracts	-	(602)
Customer relationships	-	(134)
Plant and equipment	(497)	-
Deferred tax liability	**(5,410)**	**(3,475)**

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

Current 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

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.

Key Assumption - Recovery of deferred tax assets

Deferred tax is recognised on tax losses and 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.

A4 AUDITOR'S REMUNERATION

	Consolidated	
	2018 $	2017 $
(a) Audit services		
Statutory audit and review of financial reports	297,896	297,786
(b) Other non-audit services in relation to the entity and any other entity in the consolidated group		
Other assurance services	15,000	28,000
Other consulting services	-	8,000
Total remuneration for non-audit services	**15,000**	**36,000**
Total	**312,896**	**333,786**

The auditor of EML Payments Limited is Deloitte Touche Tohmatsu.

Notes to the Financial Statements

A5 EARNINGS PER SHARE

	Consolidated 2018 Cents per share	Consolidated 2017 Cents per share
(a) From continuing operations attributable to shareholders		
Basic earnings per share	0.90	0.00
Diluted earnings per share	0.87	0.00
(b) Profit used in calculating basic and diluted earnings per share	**2,208,000**	**9,000**
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	246,371,129	244,836,560
Adjustment for shares deemed to be issued at nil consideration in respect of option rights entitlements (1)	4,773,567	5,183,388
Adjustment for shares deemed to be issued in respect of contingent consideration (2)	1,913,255	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (2)	253,057,951	250,019,948

(1) The options included in the above calculation are options for all series on offer at balance date.

(2) The adjustment included for shares deemed to be issued in respect of contingent consideration relates to the contingent Presend Nordic AB business combination (see note F6)

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), 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 the costs of servicing equity (other than dividends).

B1 CASH AND CASH EQUIVALENTS

	Consolidated	
	2018 $'000	2017 $'000
Cash on hand and at bank	17,829	16,186
Short-term deposits	21,177	23,686
	39,006	**39,872**

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.

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 are as defined above, net of outstanding bank overdrafts.

B2 BREAKAGE ACCRUAL

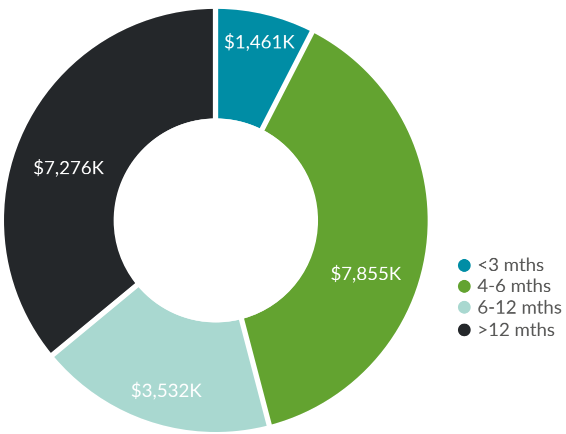
	Consolidated	
	2018 $'000	2017 $'000
Current		
Breakage accrual	12,550	10,272
Non-current		
Breakage accrual	7,276	3,054

Where we expect to be entitled to a breakage amount and can demonstrate the ability to reliably measure future revenue, we recognise revenue using an estimated residual percentage applied to the funds initially loaded on these applicable accounts each month into revenue and consequently breakage accrual.

If we are unable to reliably measure expected residual revenue, all forms of expired residual revenue are recognised on a cash basis and no breakage accrual is recognised.

Breakage is predicted to convert to cash over the following periods:

Phasing of FY18 breakage accrual expected conversion to cash $'000



Notes to the Financial Statements

B3 OTHER RECEIVABLES

	Consolidated	
	2018 $'000	2017 $'000
Current		
Trade receivables	8,494	6,054
Interest receivable	189	256
Security deposit (1)	206	-
	8,889	**6,310**
Non-current		
Security deposit (1)	15	244
Customer deposits (3)	6,761	-
Convertible note receivable - PayWith Worldwide Inc (2)	676	-
Long-term accounts receivable	-	492
Other	-	2
	7,452	**738**

(1) Security deposit placed for the issue of bank guarantee to the lessor of premise located at 26 Commercial Road, Newstead QLD.

(2) The loan receivable from PayWith Worldwide, Inc is interest-bearing and has an option at maturity to convert the principal value to an additional investment.

(3) Customer deposits represent long-term cash guarantees on deposit with a financial institution. The liability for Customer deposits is disclosed in Note B6.

No receivables are overdue and no receivables were impaired in the current year.

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 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.

B4 OTHER CURRENT ASSETS

	Consolidated	
	2018 $'000	2017 $'000
Prepayments	1,899	1,303
Other	1,042	1,342
	2,941	**2,645**

B5 TRADE AND OTHER PAYABLES

	Consolidated	
	2018 $'000	2017 $'000
Trade creditors	15,507	12,314
Accrued expenses	4,365	10,254
Sales tax payable, net	321	104
Other payables	957	1,087
	21,150	**23,759**

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

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.

B6 OTHER LIABILITIES

	Consolidated	
	2018 $'000	2017 $'000
Customer deposits (1)	6,761	-
Deferred income	13	361
Lease incentive	126	204
	6,900	**565**

(1) Customer deposits represent long-term cash guarantees on deposit with a financial institution. The receivable for Customer deposits is disclosed in Note B3.

Notes to the Financial Statements

B7 RECONCILIATION OF OPERATING CASHFLOWS

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

	Consolidated	
	2018 $'000	2017 $'000
Operating profit after income tax	2,208	9
Add: Non-cash items		
Depreciation and amortisation	8,798	10,076
Share-based payments	4,986	6,347
Breakage accrual	(6,500)	(4,510)
Net foreign exchange differences	(873)	(2,031)
Unwind of discount on contingent consideration	494	-
Change in operating assets and liabilities		
(Increase) / decrease in other current assets	(783)	(1,023)
(Increase) / decrease in other receivables	(1,678)	(1,689)
(Increase) / decrease in current tax asset	207	(191)
(Increase) / decrease in other long term receivables	492	(133)
(Increase) / decrease in deferred tax asset	177	(3,633)
Increase / (decrease) in trade and other payables	(2,806)	15,002
Increase / (decrease) in employee benefits	145	64
Increase / (decrease) in other liabilities	(4)	306
Increase / (decrease) in deferred tax liabilities	1,935	1,100
Increase / (decrease) in lease incentive	(78)	(193)
Increase / (decrease) in deferred income	(348)	(246)
Net cash generated by operating activities	**6,372**	**19,255**

C1 EMPLOYEE BENEFITS

	Consolidated	
	2018 $'000	2017 $'000
Current		
Employee benefits	727	533
Non-current		
Employee benefits	103	113

Employee benefits comprise:

(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.

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.

C2 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 11	Series 12	Series 13	Series 14	Series 15	Series 15
Share option plan	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2
Number at the end of financial year	-	-	125,000	2,972,195	-	700,002
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	158%	159%	163%	164%	168%	168%
Risk-free interest rate	2.78%	2.07%	2.28%	2.24%	1.82%	1.82%
Expected life of option (years)	3.00	3.33	2.83	2.75	2.04	3.04
Vesting date	11/11/2017	28/02/2018	30/08/2018	30/08/2018	01/06/2018	01/06/2019
Expiry date	18/11/2017	30/06/2018	30/09/2018	30/09/2018	15/06/2018	15/06/2019
Exercise price	$0.56	$0.00	$0.87	$0.87	$0.00	$0.00
Grant date share price	$0.56	$0.67	$0.87	$1.05	$1.45	$1.45
Fair value of option	$0.37	$0.54	$0.58	$0.71	$1.16	$1.16
Performance measures	n/a	(1)	(2)	(3)	n/a	n/a

	Series 16	Series 17	Series 17	Series 18	Series 19	Series 20
Share option plan	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2
Number at the end of financial year	5,915,789	190,833	90,833	50,000	50,000	1,536,664
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	168%	47%	47%	47%	47%	46%
Risk-free interest rate	1.82%	2.14%	2.14%	2.14%	2.30%	1.99%
Expected life of option (years)	3.33	1.94 years	1.94 years	1.94 years	2.02 years	3.37 years
Vesting date	30/08/2019	15/11/2018	15/11/2018	15/11/2018	28/02/2019	30/08/2020
Expiry date	30/09/2019	30/11/2018	30/11/2018	30/11/2018	14/03/2019	30/09/2020
Exercise price	$1.45	$0.00	$1.85	$0.00	$0.00	$0.00
Grant date share price	$1.45	$1.79	$1.79	$1.79	$1.57	$1.46
Fair value of option	$1.01	$1.43	$0.38	$1.43	$1.26	$1.27
Performance measures	(4)	n/a	n/a	n/a	(5)	(6)

	Series 21	Series 22	Series 23
Share option plan	ESOP 2	ESOP 2	ESOP 2
Number at the end of financial year	125,085	125,084	125,083
Dividend yield	0%	0%	0%
Expected volatility	44%	44%	44%
Risk-free interest rate	2.28%	2.28%	2.28%
Expected life of option (years)	1 year	2 years	3 years
Vesting date	28/06/2019	28/06/2020	28/06/2021
Expiry date	28/09/2021	28/09/2021	28/09/2021
Exercise price	$0.00	$0.00	$0.00
Grant date share price	$1.36	$1.36	$1.36
Fair value of option	$1.09	$1.09	$1.09
Performance measures	n/a	n/a	n/a

Notes to the Financial Statements

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) 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.

(2) Series 13
In accordance with the terms of the share-based arrangements, the options are exercisable subject to the achievement of two 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.

(3) Series 14
In accordance with the terms of the share-based arrangements, the options will vest on the achievement of an EBTDA 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.

(4) Series 16
1/6th of the options will be vest on the achievement of USD5m in EML USA EBTDA for any fiscal year ended by 30 June 2019. Further options will vest in increments of 1/6th for each additional USD1m in EML USA EBTDA achieved for any fiscal year ending 30 June 2019 with 100% of the options being exercisable upon achievement of USD10m in EBTDA as at 30 June 2019. EBTDA is measured on a historical basis of North American performance, excluding the post acquisition impact of aligning the business to Group accounting policies, including the allocation of corporate overheads and accrual of expected AMF.

(5) Series 19
In accordance with the terms of the share-based arrangements, the options are exercisable subject to the achievement of specific objectives relevant to the roles of the individuals involved. These options have not been granted to Key Management Personal.

(6) Series 20
In accordance with the terms of the share-based arrangements, the options will vest on the achievement of an EBTDA per share of at least AUD 0.141, return on equity of at least 11.8% and achievement of personal performance achievements relevant to the role of the individuals. The specific details of the financial performance criteria have been disclosed in the Remuneration Report.

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.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of EML Payments 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.

Key Assumption - 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 F3).

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, if 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.

D1 RECEIVABLES FROM FINANCIAL INSTITUTIONS

	Consolidated	
	2018 $'000	2017 $'000
Receivable from financial institution	67,714	37,574

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 D2.

D2 LIABILITIES TO STORED VALUE ACCOUNT HOLDERS

	Consolidated	
	2018 $'000	2017 $'000
Liabilities to stored value account holders	67,714	37,574

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 D1.

D3 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	
	2018 $'000	2017 $'000
Cash and cash equivalents	39,006	39,872
Bank security deposits	221	244
Other receivables	8,461	6,310
Available-for-sale	5,211	5,022

Impairment Losses

None of the Group's other receivables are past due (2017: 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:

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000
30 June 2018						
Non-interest bearing	21,150	21,150	21,150	-	-	-
Total	**21,150**	**21,150**	**21,150**	-	-	-
30 June 2017						
Non-interest bearing	23,759	23,759	23,759	-	-	-
Total	23,759	23,759	23,759	-	-	-

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 and GBP to and from 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	30/06/2018	30/06/2017	30/06/2018 FC'000	30/06/2017 FC'000	30/06/2018 $'000	30/06/2017 $'000	30/06/2018 $'000	30/06/2017 $'000
Buy USD	-	0.7518	-	5,300	-	7,050	-	300
Buy GBP	0.5464	0.6039	5,000	7,459	9,150	12,404	(235)	340

At 30 June 2018, the aggregate amount of gains under forward exchange contracts recognised in other comprehensive income was $80,000 (2017: $237,395).

There was a negative impact of $235,000 (2017: $693,838) 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.

At 30 June 2018, no ineffectiveness has been recognised in profit or loss for outstanding forward exchange contracts (2017: none).

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:

	GBP		USD		CAD		Total	
Sensitivity	30/06/2018 $'000	30/06/2017 $'000	30/06/2018 $'000	30/06/2017 $'000	30/06/2018 $'000	30/06/2017 $'000	30/06/2018 $'000	30/06/2017 $'000
10% increase of AUD	4,472	(2,572)	1,654	(1,795)	1,290	(952)	7,417	(5,320)
10% decrease of AUD	(4,472)	2,572	(1,654)	1,795	(1,290)	952	(7,417)	5,320

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 $3,114,000 (2017: $225,635), for a 10% increase in AUD or an increase in equity of $3,806,000 (2017: $225,635 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	
	2018 $'000	2017 $'000
Variable rate instruments		
Financial assets – cash and cash equivalents	39,006	39,872
Bank security deposits	221	244
	39,227	**40,116**

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.

	Profit or loss		Equity	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
30 June 2018				
Variable rate instruments	644	(527)	644	(527)
Bank security deposits	4	(3)	4	(3)
30 June 2017				
Variable rate instruments	655	(536)	654	(536)
Bank security deposits	3	(3)	3	(3)

Fair Values

Fair values versus carrying amounts

The Group's financial instruments are included in the balance sheet at amounts that approximate fair values. The basis for determining fair values is disclosed below.

Financial assets

The fair value at 30 June 2018 of derivative assets held for risk management, which are the Group's only financial asset carried at fair value, was a net loss of $235,000 (2017: gain $693,838) which was recognised in other comprehensive income. These financial instruments were measured using Level 2 valuation techniques. The Group does not have any financial assets that are categorised as Level 1 or Level 3 in the fair value hierarchy.

Financial liabilities

The Group's contingent consideration financial liability is recognised in relation to the business combination in 2018 (see note F6). It is measured at fair value at the end of each reporting period. The following table gives information about the valuation technique and inputs used.

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018 $'000	2017 $'000				
Contingent consideration in a business combination (see note F6)	6,879	-	Level 3	Valuation has been assessed in line with call options of a similar nature using the Black-Scholes option pricing model	Present value of average annual EBITDA at 9.9%.	An increase in the interest rate used would result in a decrease in the fair value.
					Standard deviation in the value of the underlying asset at 25%.	An increase in standard deviation would result in an increase in the fair value.
					Contingent consideration multiple.	A slight decrease in the multiple used would decrease the fair value.

There were no transfers between Level 1 and 2 in the period.

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 based on 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.

Financial Assets

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.

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.

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.

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.

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 this note.

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.

D4 AVAILABLE-FOR-SALE ASSETS

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

	Consolidated	
	2018 $'000	2017 $'000
Investment in Contrarian Holdings, LLC	73	71
Investment in PayWith Worldwide, Inc.	5,138	4,951
	5,211	**5,022**

The Group holds 17% of the diluted ordinary share capital of PayWith Worldwide, Inc, a company offering mobile reward program technology. During 2017, the Group increased its investment in PayWith Worldwide, Inc. through the purchase of ordinary share capital for a total of USD2,800,000, including from KMP as disclosed in Note G1. There has been no further investment in 2018.

The Group holds less than 1% of the ordinary share capital of Contrarian Holdings, LLC, a company that manages employee benefit activities, only in the USA. 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 D3.

E1 PLANT AND EQUIPMENT

	Consolidated				
	Computer Equipment $'000	Office Equipment $'000	Leasehold Improvements $'000	Low Value Pool $'000	Total $'000
Year ended 30 June 2018					
At 1 July 2017, net of accumulated depreciation and impairment	1,006	1,442	395	-	2,844
Additions	1,266	112	15	-	1,393
Acquired as part of a business combination (Note F6)	7	-	-	-	7
Disposals	-	-	-	-	-
Depreciation charge for the year	(441)	(283)	(101)	-	(825)
Effect of unrealised foreign currency exchange differences	14	39	10	-	62
At 30 June 2018, net of accumulated depreciation and impairment	**1,852**	**1,310**	**319**	-	**3,481**
At 30 June 2018					
Cost	3,616	1,946	911	-	6,473
Accumulated depreciation and impairment	(1,764)	(636)	(592)	-	(2,992)
Net carrying amount	**1,852**	**1,310**	**319**	-	**3,481**
Year ended 30 June 2017					
At 1 July 2016					
Cost	1,851	1,124	459	-	3,433
Accumulated depreciation and impairment	(815)	(76)	(334)	-	(1,225)
Net carrying amount	1,036	1,048	125	-	2,209
At 1 July 2016, net of accumulated depreciation and impairment	1,036	1,048	125	-	2,209
Additions	483	682	425	-	1,590
Disposals	(7)	(3)	(4)	-	(13)
Depreciation charge for the year	(485)	(254)	(150)	-	(889)
Effect of unrealised foreign currency exchange differences	(21)	(31)	(1)	-	(53)
At 30 June 2017, net of accumulated depreciation and impairment	1,006	1,442	395	-	2,844
At 30 June 2017					
Cost	2,306	1,770	879	-	4,955
Accumulated depreciation and impairment	(1,300)	(328)	(484)	-	(2,112)
Net carrying amount	1,006	1,442	395	-	2,844

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

Notes to the Financial Statements

E2 INTANGIBLES

	Consolidated				
	Software $'000	Customer Relationships & Trademarks $'000	Customer Contracts $'000	Goodwill $'000	Total $'000
At 1 July 2017					
At 1 July 2017 net of accumulated amortisation and impairment	16,902	6,304	3,107	33,820	60,132
Additions	3,868	-	-	-	3,868
Disposals	-	-	-	-	-
Acquired as part of a business combination (Note F6)	-	51	159	7,754	7,964
Amortisation charge for the year	(4,906)	(1,622)	(1,445)	-	(7,973)
Effect of unrealised foreign currency exchange differences	739	149	126	762	1,776
At 30 June 2018, net of accumulated amortisation and impairment	**16,603**	**4,881**	**1,947**	**42,336**	**65,767**
At 30 June 2018					
Cost or fair value	28,708	10,324	8,947	42,336	90,315
Accumulated amortisation and impairment	(12,105)	(5,443)	(7,000)	-	(24,548)
Net carrying amount	**16,603**	**4,881**	**1,947**	**42,336**	**65,767**

No impairment loss was recognised for continuing operations for the year ended 30 June 2018 (2017: Nil).

Year ended 30 June 2017					
At 1 July 2016					
Cost or fair value	23,814	10,358	8,878	35,138	76,188
Accumulated amortisation and impairment	(2,348)	(2,150)	(2,282)	-	(6,780)
Net carrying amount	21,466	8,209	6,595	35,138	71,408
At 1 July 2016, net of accumulated amortisation and impairment	21,466	8,209	6,595	35,138	71,408
Additions	1,279	-	-	-	1,279
Amortisation charge for the year	(4,443)	(1,610)	(3,134)	-	(9,187)
Effect of unrealised foreign currency exchange differences	(1,400)	(295)	(354)	(1,318)	(3,367)
At 30 June 2017, net of accumulated amortisation and impairment	16,902	6,304	3,107	33,820	60,132
At 30 June 2017					
Cost or fair value	23,784	9,931	8,385	33,820	75,919
Accumulated amortisation and impairment	(6,882)	(3,627)	(5,278)	-	(15,787)
Net carrying amount	16,902	6,304	3,107	33,820	60,132

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	
	2018 $'000	2017 $'000
Australia	10,777	10,777
Europe	24,590	16,322
North America	6,969	6,721
Consolidated Group	**42,336**	**33,820**

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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 15.4% that reflects current market assessments of the time value of money and the risks specific to the cash generating units.

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.

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 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 - 5 year
Customer Relationships & Trademarks	3 - 5 years
Capitalised Development	5 years

Key assumptions used in value-in-use calculations for the cash generating units at 30 June 2018.

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 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 18	Forecast FY19-FY22 CAGR
	Australia $ Loaded growth	114.2%	12.2%
	Europe $ Loaded growth	79.6%	25.0%
	North America $ Loaded growth	24.3%	1.7%
Forecast growth	Actual in FY18 is driven primarily by customer programs which were launched during the year. Forecast growth represents management's best estimate of loads related to new customer contracts which have been signed but are will commence in FY18.		
Forecast gross margin	The basis used to determine the value assigned to the forecasted gross margins is the average gross margins achieved in FY18, 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 FY19 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 2018, 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 2018. 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.

Key Assumption - 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.

F1 ISSUED CAPITAL

	Consolidated	
	2018 $'000	2017 $'000
248,374,468 fully paid ordinary shares (30 June 2017: 246,761,847)	137,744	137,981

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.

(a) Movements in issued capital

	2018		2017	
	No.	$'000	No.	$'000
Balance at start of the year	246,761,847	137,981	242,419,862	138,043
Issued for cash	-	-	-	-
Issued for consideration (1)	198,955	-	-	-
Share-based payments to directors & executives (2)	-	-	349,745	-
Options exercised (3)	1,413,666	26	3,992,240	204
Costs associated with the issue of shares	-	(263)	-	(266)
Balance at end of the year	248,374,468	137,744	246,761,847	137,981

(1) Share-based payments issued for consideration

(i) 100,927 fully paid ordinary shares were issued in consideration of services rendered. The fair value of the award was $166,530 and was fully amortised in the period.

(2) Share-based payments to directors & executives in 2017:

(i) 167,553 fully paid ordinary shares were issued to Mr Bruce Stewart and 100,000 fully paid ordinary shares were issued to another employee in recognition of their performance during 2017. The fair value of the award was $490,560 which will be amortised over the 2017 and 2018 financial years.

(ii) 82,192 fully paid ordinary shares were issued to Mr Andrew Betts in recognition of his performance during 2017. The fair value of the award was $120,000 which will be amortised over the financial years from 2017 to 2020.

(3) Refer to Note F3 for further details.

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.

F2 RESERVES

	Consolidated	
Reserves	30 June 2018 $'000	30 June 2017 $'000
Share and options reserve	23,639	19,035
Foreign currency translation reserve (net of tax)	(4,548)	(7,165)
	19,091	11,870

Share and options reserve	2018 $'000	2017 $'000
Balance at beginning of the financial year	19,035	12,757
Issue of share to employee share trust	4,638	4,926
Bonus shares	-	-
Share-based payments	349	286
Deferred tax movement recorded directly in equity	(383)	1,066
Balance at end of the year	23,639	19,035

The share and 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.

F3 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 (2017: $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 $4,986,000 (2017: $5,317,000).

(i) Movements in ESOP 2 share options

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

	Consolidated			
	2018		2017	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	13,865,665	$0.8623	16,534,121	$0.9620
Issued during the financial year(1)	393,586	$1.0893	2,196,314	$0.1327
Exercised during the financial year (2)	(1,413,666)	($0.0186)	(3,992,240)	($0.1443)
Cancelled during the financial year	(839,017)	($0.2096)	(872,530)	($0.6702)
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year (3)	12,006,568	$0.9529	13,865,665	$0.8623

(1) Options issued during the year

(i) 375,252 Retention options

On 28 June 2018, Mr Brandon Thompson and Mr Jamie Jaworski were granted 375,252 retention options with an exercise price of $Nil per option. The share options are not listed, carry no rights to dividends or voting rights and will expire on 28 September 2021. The fair value of the option grant using the Black Scholes Model was $408,000. A total expense was recognised of $1,000 in the statement of profit and loss in the period in relation to the award.

(ii) On 20 February 2018, the Board exercised their discretion to award the balance of shares from Series 12. Series 12 was granted to employees in relation to the acquisition of EML Europe in December 2014. The balance of shares arose from employees who left the group in the period between initial grant on 2 March 2015 and vesting on 28 February 2018. The shares were distributed to the remaining employees within that series on a pro rata basis.

(2) Options exercised during the year

(i) 47,000 ordinary shares following the exercise of 47,000 options expiring 18/11/2017, exercise price $0.56.

(ii) 481,666 ordinary shares following the exercise of 481,666 options expiring 30/06/18, exercise price $nil.

(iii) 18,334 ordinary shares following the exercise of 18,334 options expiring 02/03/2025, exercise price $nil.

(iv) 866,666 ordinary shares following the exercise of 866,666 options expiring15/06/2018, exercise price $nil.

(3) Options outstanding at end of the financial year

Issued share options outstanding at the end of the financial year had a weighted average exercise price of $0.9341 (2017: $0.8623) and a weighted average remaining contractual life of 351 days (2017: 679 days).

(ii) ESOP 2 share option series in existence

The following share-based payment arrangements were in existence during the current and prior years under ESOP 2:

Option series	Grant date	2018 Number of options outstanding	2017 Number of options outstanding	Vest date	Expiry date	Exercise price	Fair value at grant date
ESOP 2 (1)							
Series 11	19/11/14	-	47,000	11/11/17	18/11/17	$0.56	$0.37
Series 12	1/12/14	-	481,666	28/2/18	30/6/18	$-	$0.54
Series 13	2/12/15	125,000	125,000	30/8/18	30/9/18	$0.87	$0.58
Series 14	31/12/15	2,972,195	3,226,562	30/8/18	30/9/18	$0.87	$0.71
Series 15	1/6/16	-	886,666	1/6/18	15/6/18	$-	$1.16
Series 15	1/6/16	700,002	886,668	1/6/19	15/6/19	$-	$1.16
Series 16	1/6/16	5,915,789	6,015,789	30/8/19	30/9/19	$1.45	$1.01
Series 17	8/12/16	190,833	257,500	15/11/18	30/11/18	$0.00	$1.43
Series 17	8/12/16	90,833	157,500	15/11/18	30/11/18	$1.85	$0.38
Series 18	8/12/16	50,000	90,000	15/11/18	30/11/18	$0.00	$1.43
Series 19	22/2/17	50,000	50,000	28/2/19	19/3/19	$0.00	$1.26
Series 20	19/4/17	1,536,664	1,641,314	30/8/20	30/9/20	$0.00	$1.27
Series 21	28/6/18	125,085	-	26/6/19	28/9/21	$0.00	$1.09
Series 22	28/6/18	125,084	-	26/6/20	28/9/21	$0.00	$1.09
Series 23	28/6/18	125,083	-	26/6/21	28/9/21	$0.00	$1.09
Total		12,006,568	13,865,665				

(1) The weighted average of fair value of options granted during the year under ESOP 2 is $1.0893 per option (2017: $1.2329).

F4 PARENT ENTITY DISCLOSURES

Financial position	30 June 2018 $'000	30 June 2017 $'000
Assets		
Current assets	1,600	32
Non-current assets	136,559	131,173
Total Assets	**138,159**	**131,205**
Liabilities		
Current liabilities	1,091	673
Non-current liabilities	6,896	-
Total Liabilities	**7,987**	**673**
Net Assets	**130,172**	**130,532**
Equity		
Issued capital	137,744	137,981
Reserves	21,816	15,059
Accumulated losses	(29,388)	(22,508)
Total Equity	**130,172**	**130,532**
Financial performance		
Loss after income tax for the year	(4,728)	(3,225)
Other comprehensive income	-	42
Total comprehensive loss for the year	**(4,728)**	**(3,267)**

Commitments and Contingencies – refer Note G2.

Operating lease commitments referred to the Parent Entity.

The financial information for the parent entity, EML Payments Limited 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 EML Payments 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.

Notes to the Financial Statements

F5 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%) 30 June 2018	30 June 2017
Parent Entity			
EML Payments Limited	Australia		
Controlled Entities			
EML Payment Solutions Limited	Australia	100	100
EML Payments Europe Limited	United Kingdom	100	100
EML Payments USA LLC	United States	100	100
Store Financial 2 LLC	United States	100	100
EML Payments Canada, Ltd	Canada	100	100
EML Payments AB (1)	Sweden	100	-

(1) PreSend Nordic AB was acquired on 1 February 2018. The Swedish Companies Registration Office gave approval to rename Presend Nordic AB to EML Payments AB on 15 May 2018.

F6 BUSINESS COMBINATION

Acquisition of PreSend Nordic AB

On 1 February 2018, the Group acquired 100% of the shares of PreSend Nordic AB ("PreSend"), an unlisted company based in Stockholm, Sweden.

PreSend manages prepaid card programs for third parties in the Nordic-Baltic region in Europe. The Group acquired PreSend to geographically expand its programs into 8 countries, 6 of which EML have no current presence and expansion into the number of shopping mall and town mall programs. It is expected that significant synergies relating to issuing and processing functions will benefit the Group from the financial year ended 2019.

(a) Consideration transferred

	$,000
Cash consideration	1,582
Contingent consideration liability (refer to (d) below)	6,699
Total purchase consideration	8,281

(b) Analysis of cashflows from acquisition

	$,000
Transaction costs of the acquisition (included in cash flows from operating activities)	(30)
Net cash acquired with the business combination (included in cash flows from investing activities)	855
Net cash flow from acquisition	825

Acquisition related costs of $30,000 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.

(c) Assets acquired and liabilities assumed

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

	Notes	Fair value $,000
Cash and cash equivalents		855
Other receivables		408
Plant and equipment	E1	7
Intangibles	E2	210
Total Assets		1,480
Trade and other payables		(914)
Employee benefits		(39)
Total Liabilities		(953)
Total identifiable net assets at fair value		527
Goodwill arising on acquisition	E2	7,754
Purchase consideration transferred		8,281

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

The goodwill above does not comprise the value of the customer relationships and customer contracts as these are separately recognised as they meet the criteria for recognition as an intangible asset under AASB 138.

(d) Contingent consideration

Under the contingent consideration arrangement, earn-out will be payable in the form of ordinary share capital of EML Payments Limited on 20 April 2020. The earn-out relates to the average annual EBITDA generated by PreSend. The contingent consideration is capped at SEK60m at an agreed volume weighted average price A$1.944. The number of shares will fluctuate based on the exchange difference between Australian dollars and Swedish Krona (SEK) to be determined the day before issuance. The Directors believe it probable that the earn-out will be achieved and therefore a financial liability has been recognised. This has been fair valued at acquisition date at $6,699,000 (refer Note D3 Financial instruments).

The share issue effect of the earn-out has been included as an adjustment to the diluted earnings per share (refer to Note A5).

(e) Impact of acquisition on the results of the Group

PreSend contributed revenue from continuing operations of $492,000 and net loss after tax of $37,000 to the group for the period from 1 February 2018 to 30 June 2018.

Had the acquisition occurred on 1 July 2017, consolidated pro-forma revenue from continuing operations and net loss after tax for the year ended 30 June 2018 would have been $1,181,000 and $89,000 respectively.

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.

Acquisition of Perfectcard DAC

On 4 July 2018, the Company acquired 74.86% of Perfectcard DAC (Perfectcard), an unlisted company based in Ireland. Perfectcard is Ireland's first authorised eMoney institution and a FinTech company providing incentive and corporate expense solutions. As Perfectcard is regulated by the Central Bank of Ireland, the regulator needs to approve EML as majority shareholder. We expect that approval to be forthcoming in the following months. Notwithstanding the fact that regulatory approval is pending, EML will consolidate Perfectcard into the financial results from 4 July 2018 onwards.

The total acquisition price of €6.02 million (A$9.56 million) comprised of an upfront cash payment (A$4.32 million), amounts withheld for warranties (A$0.40 million) and capped earn-out (A$4.84 million).

Perfectcard will be acquired with €1.5m in net assets. It is expected to generate EBTDA of $400k – $600k in the financial year ended 30 June 2019 after first year integration costs to terminate processing agreements, reissue plastic gift card stock and integrate with the Group's processing engine.

The initial accounting for Perfectcard was incomplete at the time these financial statements were authorised for issue. Therefore some disclosures required by AASB 3 are not presented.

Notes to the Financial Statements

G1 RELATED PARTY DISCLOSURES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Controlled entities

Details of Controlled entities, including the percentage of ordinary shares held are disclosed in Note F5 to the financial statements.

(b) Associate entities

Details of Associate entities are disclosed in Note D4 to the financial statements.

(c) Transactions with related parties

(i) Wholy-owned

The wholly-owned group includes:

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

(b) The wholly-owned controlled entities (subsidiaries).

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

During the financial year EML Payments Limited provided central administration and Director services to controlled entities. No management fees were charged (2017: $nil).

(ii) Other related parties

During the financial year, EML Payments USA, LLC entered into a loan arrangement with PayWith Worldwide, Inc. The loan is at arm's length terms. Details are disclosed in Note D3.

(d) Remuneration transactions with key management personnel

Refer to the Remuneration Report for remuneration transactions with key management personnel.

(e) Other transactions with key management personnel

During the 2017 financial year, EML Payments USA, LLC purchased additional shares in PayWith Worldwide, Inc ('PayWith'). As at 30 June 2018, the Group held approximately 20% of the undiluted issued share capital as an asset held for sale, disclosed in Note D4. As part of this transaction the Group acquired the following shares from two KMP:

> Thomas Cregan – 200,000 shares for USD 0.25 each

> Eric Mettemeyer – 200,000 shares for USD 0.25 each

The transaction was not material to either EML or the KMP.

The price per share paid by EML in this transaction was lower than the price paid per share when the company increased its investment on 16 December 2016.

The price per share paid by EML in this transaction was the same as the cost price paid by the KMP when the shares were acquired and accordingly there was no profit made by KMP.

Following this transaction, no EML employees hold a private interest in PayWith.

There were no transactions with key management personnel during the 2018 financial year.

G2 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	
	2018 $'000	2017 $'000
Not later than one year	398	491
Later than one year but not later than five years	132	945
	530	**1,436**

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 Paysafe. The terms are 22 months and are due to expire in August 2019.
3. Service agreement with Transact. The terms are 37 months and are due to expire in July 2020
4. Service agreement with Raphaels. The terms are 15 months and are due to expire in September 2018

(b) Operating lease commitments

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

	Consolidated	
	2018 $'000	2017 $'000
Not later than one year	1,395	1,265
Later than one year but not later than five years	4,171	2,942
More than five years	1,282	-
	6,848	**4,207**

The Group has the following non-cancellable operating leases:

1. Rental of office premise in Brisbane, Australia from Growthpoint Properties Australia Ltd. The terms are 85 months and are due to expire in August 2025.
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 Sweden as part of the Presend acquisition. The terms are 52 months and are due to expire in June 2021.
4. 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.
5. Rental of a data centre in Kansas City, USA from Cavern Technolgoies, LLC. The terms are 36 months and is due to expire in September 2019.

(c) Finance lease commitments

The group leases plant and equipment with a carrying amount of $96,000 (2017: $385,000) 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Not later than one year	97	175	97	164
Later than one year and not later than five years	-	97	-	96
Later than five years	-	-	-	-
	97	272	97	259
Less future finance charges	(1)	(13)	(1)	-
Present value of minimum lease payments	**96**	**259**	**96**	**259**

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.

Notes to the Financial Statements

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.

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.

G3 SUBSEQUENT EVENTS

On 4 July 2018, the Company acquired 74.86% of Perfectcard DAC (Perfectcard), an unlisted company based in Ireland.

Perfectcard is Ireland's first authorised eMoney institution and a FinTech company providing incentive and corporate expense solutions. As Perfectcard is regulated by the Central Bank of Ireland, the regulator needs to approve EML as majority shareholder. We expect that approval to be forthcoming in the following months. Notwithstanding the fact that regulatory approval is pending, EML will consolidate Perfectcard into the financial results from 4 July 2018 onwards.

The total acquisition price of €6.02 million (A$9.56 million) comprised of an upfront cash payment (A$4.32 million), amounts withheld for warranties (A$0.40 million) and capped earn-out (A$4.84 million).

On 30 July 2018 EML entered into a five year agreement with German shopping mall operator ECE Projektmanagement G.m.b.H & Co. KG ('ECE') to manage the new consumer gift card program for 87 of their shopping malls in Germany. EML estimates annualised Gross Debit Volume ('GDV') for this program to be approximately €90 million (AUD$142 million).

Except as disclosed above, no other significant transaction or event of a material and unusual nature after the balance sheet date have arisen, 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.

G4 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

EML Payments Limited (Company) is a company incorporated and domiciled in Australia whose shares are publically traded on the Australian Stock Exchange. The consolidated financial report of the Company for the year ended 30 June 2018 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or EML). The consolidated financial report was authorised for issue in accordance with a resolution of the directors on 20 August 2018.

(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 EML Payments 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 and all values are rounded to the nearest thousand ($000), except when otherwise indicated. 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.

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.

(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.

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 2018.

(d) Accounting standard and interpretations that have been issued but not yet effective

The Group has not applied the following new and revised AASB's that have been issued but are not yet effective:

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', 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

Notes to the Financial Statements

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. It is applicable for the Group on 1 July 2018. The Group has undertaken an assessment of the impact on financial assets, financial liabilities and hedging strategy and has been summarised below.

Key requirements of AASB 9:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Specifically:
  - Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
  - Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI.
  - All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss
- In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In the words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The new general hedge accounting requirements have been amended to more closely align accounting with Company's risk management strategy. It retains the three types of hedge accounting mechanisms currently available in AASB 139. The effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- The Group have undertaken an assessment of the impact of AASB 9 on financial assets and has concluded that the impact will be immaterial.
- The Group have undertaken an assessment of the impact of AASB 9 on its hedging strategy and has concluded that the impact will be immaterial.

AASB 15 Revenue from contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance primarily from AASB 118 Revenue and the related Interpretations when it becomes effective. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

Furthermore, extensive disclosures are required by AASB 15. AASB 15 includes specific guidance on the recognition of breakage income which is generated from non-reloadable products. The Group's current policy is to accrue for breakage income in the month of load. Breakage income accounts for approximately 37% of group revenues in the year ending 30 June 2018.

Under AASB 15, the Group will recognise breakage revenue from its non-reloadable cards at the point at which the customer has exercised its right to future goods and services. The timing of breakage revenue is expected to vary from current accounting policies where the Group recognises revenue during the month in which the non-reloadable card is loaded by customers.

Cards may be partially or fully redeemed, and the unused amount (ie the amount attributable to a customer's unexercised rights to future goods or services) is often referred to as breakage. Under AASB 15 where the Group expects to be entitled to a breakage amount, it will recognise the expected breakage as revenue in proportion to the pattern of rights exercised by the customer. Under current accounting policies the Group recognises breakage at the date on which the card is loaded by customers. The Group will not recognise any estimated breakage amounts until it is highly probable that a significant revenue reversal will not occur. If the Group cannot determine whether breakage will occur, it will not recognise any amounts as breakage until the likelihood of the customer exercising its rights becomes remote.

There is not expected to be any other material impacts to the Group with respect to establishment income, transaction fees, interchange or interest revenue following implementation of AASB 15.

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Furthermore, the classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements in AASB 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by AASB 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of $6.8 million. AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note G2. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The new requirement to recognise a right-of-use asset and a related lease liability may have a significant impact on the amounts recognised in the Group's consolidated financial statements and the directors are currently assessing its potential impact.

It is not practicable to provide a reasonable estimate of the financial effect as at the date of this report.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 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.

(e) Critical accounting estimates and judgements

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

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

(f) Going concern

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

(g) 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.

(h) 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.

(i) 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:
  - has transferred substantially all the risks and rewards of the asset, or
  - 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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 E1
- Intangibles – Note E2
- Liability to stored value account holders – Note D2
- Contingent liability - Note D3

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.

(n) Comparative figures

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

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 27 July 2018 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:

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

(c) 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

(d) 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 27 JULY 2018)

No.	No of Shareholders	Fully Paid Shares
1 to 1,000	614	382,511
1,001 to 5,000	1,019	2,771,724
5,001 to 10,000	569	4,423,640
10,001 to 50,000	587	13,622,641
50,001 to 100,000	102	7,471,668
100,001 and Over	137	219,702,284
Total	**3,028**	**248,374,468**
Unmarketable Parcels	**237**	**15,448**

1.3 SUBSTANTIAL SHAREHOLDERS (AS AT 27 JULY 2018)

The following shareholders are recorded as substantial shareholders:

Name	Fully Paid Shares Number
HSBC Custody Nominees (Australia) Limited	33,615,008
J P Morgan Nominees Australia Limited	31,050,600
National Nominees Limited	23,662,646
CitiCorp Nominees Pty Limited	14,904,193
Total	**103,232,447**

ASX Additional Information

1.4 HOLDERS OF UNQUOTED EQUITY SECURITIES (AS AT 27 JULY 2018)

A total of 12,006,568 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 27 JULY 2018)

Ordinary Shareholders	Fully Paid Ordinary Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,615,008	13.54
J P MORGAN NOMINEES AUSTRALIA LIMITED	31,050,600	12.51
NATIONAL NOMINEES LIMITED	23,662,646	9.53
CITICORP NOMINEES PTY LIMITED	14,904,193	6.00
BNP PARIBAS NOMS PTY LTD	9,737,928	3.92
BT PORTFOLIO SERVICES LIMITED	8,186,320	3.30
TACDBM PTY LTD	7,373,104	2.97
PACIFIC CUSTODIANS PTY LIMITED	6,814,398	2.74
BNP PARIBAS NOMINEES PTY LTD	6,701,941	2.70
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,785,183	2.33
DAVID SHEWMAKER	5,256,990	2.12
WILDWOOD CAPITAL PTY LTD	4,378,490	1.76
BRISPOT NOMINEES PTY LTD	4,199,720	1.69
THOMAS ANTHONY CREGAN	3,888,888	1.57
WULURA INVESTMENTS PTY LTD	3,087,314	1.24
UBS NOMINEES PTY LTD	2,086,193	0.84
MR YARON SHAMGAR	2,000,000	0.81
MR ROBERT BARRETT BROWNING	1,975,905	0.80
GWYNVILL TRADING PTY LTD	1,924,954	0.78
STUART GREEN	1,829,968	0.74
Total	**178,459,743**	**71.89%**

1.6 SHARE BUY-BACKS

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

2. OTHER INFORMATION

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

Corporate Information

ABN

93 104 757 904

DIRECTORS

Peter Martin
(Non-executive Chairman)

Thomas Cregan
(Managing Director and Group Chief Executive Officer)

Tony Adcock
(Non-executive Director)

David Liddy AM
(Non-executive Director)

Dr Kirstin Ferguson
(Non-executive Director)
(Appointed 20 February 2018)

Melanie Wilson
(Non-executive Director)
(Appointed 20 February 2018)

Robert Browning
(Non-executive Director)
(Resigned 20 February 2018)

COMPANY SECRETARY

Winton Willesee
(Appointed 22 December 2017)

Erlyn Dale
(Appointed 22 December 2017)

Louise Bolger
(Resigned 22 December 2017)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 12 / 333 Ann Street
Brisbane QLD 4000

Telephone: (07) 3557 1100
Facsimile: (07) 3607 0111
Website: www.emlpayments.com

AUDITORS

Deloitte Touche Tohmatsu
Level 25, Riverside Centre, 123 Eagle Street
Brisbane QLD 4000

Telephone: (07) 3308 7000
Facsimile: (07) 3308 7004

BANKERS

Commonwealth Bank of Australia
240 Queen Street,
Brisbane, QLD 4000

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

EML Payments Limited is listed on the Australian Securities Exchange

(ASX: EML)

EML
empowering your payments

Level 12 / 333 Ann Street
Brisbane QLD 4000

Phone (07) 3557 1100
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