

31 July 2014

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

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## APPENDIX 4C – Q4FY14 QUARTERLY CASH FLOW STATEMENT

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Please find attached the Appendix 4C “Quarterly Report” for Emerchants Limited (ASX: EML) (**Company**) for the quarter and the 12 months to 30 June 2014 (**Q4FY14**).

The following are additional explanatory notes to be read in conjunction with the Report.

The Company had an improved Q4FY14 in comparison to the prior comparative period (Q4FY13) as the Company continued to focus on the growth of current clients and expansion within the gaming industry. Our reloadable segment experienced significant growth, fuelled by the launch of the Ladbrokes Digital program (March 2014) and the expansion of the Nimble program (June 2014).

We also launched a program with Ingogo, a leading provider of payment services in the taxi industry, and announced an agreement Cash Converters International Group (CCIG), a prominent franchisor of Cash Converters operating 24 stores.

As advised in our previous 4C submission for Q3 FY14, our non-reloadable segment remained steady, experiencing marginal growth for the year. We are expecting a similar result in the coming financial year for this segment.

The Company’s investing activities, as advised in our previous 4C submission for Q3 FY14, centred on completing our I.T infrastructure upgrade, and in cooperation with Deloitte, investments in automating and streamlining our internal business processes, ensuring that we obtain the benefits of scale with the pending launch of new programs.

The outlook for the year ahead remains positive as we continue to expand our reloadable segment and implement new product offerings. Emerchants commences FY15 with a net cash position of \$4.49m and will benefit from the launch of new major programs in September and October, with the launch of Sportsbet (the largest corporate bookmaker in Australia, with turnover of \$3.4bn per annum), Ladbrokes Visa, Bet Easy and CCIG. The setup fees associated with these programs have seen Emerchants achieve a record month for revenue in July 2014 and a strong start to the financial year, with transactional and other revenue streams to come online in the months in which the programs launch.

The Directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

The tables below summarise the Company’s quarterly progress, with key inflows and outflows described in further detail below.

Table 1: Emerchants key operating metrics

Thousands	FY13					FY14				
	Q1 Quarter	Q2 Quarter	Q3 Quarter	Q4 Quarter	FY13 Full year	Q1 Quarter	Q2 Quarter	Q3 Quarter	Q4 Quarter	FY14 Full year
<b>\$ Total Funds loaded onto accounts <sup>1</sup></b>	<b>27,534</b>	<b>38,745</b>	<b>34,634</b>	<b>34,383</b>	<b>135,295</b>	<b>31,786</b>	<b>47,961</b>	<b>37,563</b>	<b>51,195</b>	<b>168,504</b>
Reloadable	12,251	12,516	12,259	15,180	52,837	14,269	17,624	20,291	29,173	81,357
<i>% Change on prior comparative period</i>					10%	16%	41%	66%	85%	54%
Non-Reloadable / Gift	15,282	26,228	22,375	18,573	82,459	17,517	30,337	17,272	22,022	87,148
<i>% Change on prior comparative period</i>					55%	15%	16%	(23%)	19%	6%
<b>No. key transactions<sup>2</sup></b>	<b>808</b>	<b>1,067</b>	<b>1,006</b>	<b>1,055</b>	<b>3,936</b>	<b>963</b>	<b>1,209</b>	<b>1,004</b>	<b>1,302</b>	<b>4,478</b>
Reloadable	133	153	168	252	706	204	245	293	437	1179
<i>% Change on prior comparative period</i>					40%	54%	60%	74%	74%	67%
Non-Reloadable / Gift	675	915	837	803	3,230	759	964	711	864	3,299
<i>% Change on prior comparative period</i>					56%	13%	5%	(15%)	8%	2%
<b>No. active accounts &gt; \$0<sup>3</sup></b>	<b>446</b>	<b>528</b>	<b>518</b>	<b>517</b>	<b>517</b>	<b>518</b>	<b>591</b>	<b>532</b>	<b>537</b>	<b>537</b>
Reloadable	32	36	39	42	42	43	44	40	49	49
<i>% Change on prior comparative period</i>					44%	34%	22%	1%	17%	17%
Non-Reloadable / Gift	414	492	478	475	478	475	547	492	488	492
<i>% Change on prior comparative period</i>					42%	15%	11%	3%	3%	3%
<b>\$ Stored value residing on accounts<sup>4</sup></b>	<b>16,170</b>	<b>21,509</b>	<b>23,201</b>	<b>20,859</b>	<b>20,859</b>	<b>20,229</b>	<b>29,661</b>	<b>25,197</b>	<b>27,380</b>	<b>27,380</b>
Reloadable	2,802	3,652	4,991	5,040	5,040	5,101	7,918	6,508	8,391	8,391
<i>% Change on prior comparative period</i>					81%	82%	117%	30%	66%	66%
Non-Reloadable / Gift	13,368	17,856	18,210	15,818	15,818	15,128	21,742	18,689	18,989	18,989
<i>% Change on prior comparative period</i>					53%	13%	22%	3%	20%	20%

### Reloadable metrics

Usage based metrics (funds loaded and transaction volumes) for the reloadable segment experienced growth for Q4FY14 in comparison to the prior comparative quarter (Q4FY13). Total loads for FY14 experienced significant growth of 54% in comparison to FY13 which increased by 10% from FY12. The full financial year yielded strong growth in loads and transactions as a result of the addition and growth of new key clients such as Ingogo and Ladbrokes Digital, as well as the expansion of existing clients such as Nimble. Active accounts also reflect similar inclinations with 17% more accounts in the reloadable segment than the previous financial year. The overall impact of increased usage based activity has had an impact on stored value with a growth of 66% compared to the previous financial year increasing the cumulative amount of stored value from \$5.04m in FY13 to \$8.39m in FY14.

<sup>1</sup> Total funds loaded onto prepaid accounts – total of initial and subsequent loads. This excludes any funds that clients have deposited with the Companies ADI and not loaded onto a prepaid account.

<sup>2</sup> Key transactions constituting activity such as redemption or attempted redemption of prepaid value.

<sup>3</sup> Number of active prepaid accounts measured at the end of the period with a balance greater than \$0.00. Accounts that have expired, been made inactive or have no funds associated with them are excluded.

<sup>4</sup> Total value on deposit for the prepaid portfolio measured at the end of the period. Represents unredeemed stored value that is available for the account holder to redeem.

Another notable milestone achieved in Q4FY14 is that the volume of funds loaded by the reloadable segment exceeded more than 50% of total loads, a significant increase from the prior year when reloadable accounted for 39%. By achieving total loads in excess of \$50m for the prior quarter, we commence the year with a run-rate of \$205m in loads prior to the launch of the programs listed above and other programs in our sales pipeline.

Non-Reloadable / Gift metrics.

Usage based metrics (funds loaded and transaction volumes) for the non-reloadable segment experienced growth for Q4 in comparison to the prior comparative quarter (Q4FY13). Loaded funds increased by 19% whilst transactions increased by 8% for the quarter. The full year yielded marginal growth for both funds loaded and transaction volumes, with an increase of 6% and 2% respectively in comparison to the previous financial year. Similarly, active accounts in the non-reloadable segment increased by 3% from the previous financial year.

These statistics reflect our position that we expect to see flat to marginal growth in our non-reloadable segment in the coming financial year. Stored value for the non-reloadable segment increased by 20%, increasing from \$15.8m to \$18.9m from FY13 to FY14. This increase can be best explained by the increase in loaded funds for the quarter whilst spending remained constant, indicating that those funds will be used in the current quarter.

Table 2: Quarterly cash flow summary

\$ Thousands	FY13				FY13 Full year	FY14				FY14 Full year
	Q1 Quarter	Q2 Quarter	Q3 Quarter	Q4 Quarter		Q1 Quarter	Q2 Quarter	Q3 Quarter	Q4 Quarter	
<b>Operations</b>	(1,154)	(783)	(189)	(974)	(3,099)	(1,135)	(327)	(951)	(778)	(3,194)
<i>% Change on prior comparative period</i>					55%	+2%	+58%	(403%)	+21%	(3%)
<b>Investing</b>	(16)	66	(56)	(20)	(27)	2	(534)	(97)	(110)	(739)
<i>% Change on prior comparative period</i>					98%	+110%	(909%)	(73%)	(450%)	(2639%)
<b>Financing</b>	2,455	Nil	(126)	(134)	2,196	7,062	Nil	Nil	Nil	7,062
<i>% Change on prior comparative period</i>					2234%	+188%	n/a	n/a	n/a	222%
<b>Total inflows (outflow)</b>	1,285	(717)	(371)	(1,129)	(930)	5,928	(861)	(1,048)	(887)	(3,129)
<b>Closing Cash</b>	3,575	2,858	2,487	1,359	1,359	7,288	6,427	5,379	4,496	4,496

### [Cash outflows from operations](#)

Q4FY14 saw an improvement in comparative operational spending to Q4FY13. Operational expenditure was controlled throughout FY14 experiencing a slight increase of 3% in comparison to FY13. As part of this expenditure, we've invested in a program with Deloitte to undertake an ASAE 3402 audit to automate our internal systems ensuring that our business will scale as volume expands whilst ensuring headcount growth remains minimal. Another initiative taken to control cash outflow this year included the forfeiture of director fees in lieu of options, which concluded at the end of the financial year.

### [Cash outflows from investing activities](#)

The cash outflow reflected in Q4FY14 relates to the previously mentioned expenditure in I.T infrastructure enhancements.

### [Cash outflows from financing activities](#)

Financing activities in Q1FY14 provided strong balance sheet strength and product development opportunities. No further finance activities are expected in the near term as the Board considers the current funding and capital structure appropriate based on the Company's operating outlook.

**-ENDS-**

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

**Emerchants Limited**

ABN

93 104 757 904

Quarter ended ("current quarter")

30 June 2014

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	1,248	3,926
1.2 Payments for:		
(a) staff costs	(1,458)	(5,116)
(b) advertising and marketing	(32)	(144)
(c) leased assets	(9)	(32)
(d) other working capital	(319)	(1,443)
(e) accounting and administrative services	-	-
(f) acquisition-related expenses	-	-
(g) exploration expenditure	-	34
(h) software and systems infrastructure	(165)	(578)
(i) risk and compliance	(134)	(572)
(j) rent and utilities	(136)	(473)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	226	769
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other*	-	436
<b>Net operating cash flows</b>	<b>(778)</b>	<b>(3,194)</b>

\*Tax refund relating to the Research and Development tax incentive scheme for the year ended 30 June 2013 was received in the December quarter.

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**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(778)	(3,194)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property/intangible assets	(94)	(148)
(d) physical non-current assets	(16)	(641)
(e) other non-current assets	-	-
(f) cash included on consolidation of subsidiary	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	50
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
<b>Net investing cash flows</b>	<b>(110)</b>	<b>(739)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(887)</b>	<b>(3,933)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	7,500
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Share Issue costs	-	(438)
<b>Net financing cash flows</b>	<b>-</b>	<b>7,062</b>
<b>Net increase (decrease) in cash held</b>	<b>(887)</b>	<b>3,129</b>
1.21 Cash at beginning of quarter/year to date	5,379	1,359
1.22 Exchange rate adjustments to item 1.20	-	-
<b>1.23 Cash at end of quarter</b>	<b>4,496</b>	<b>4,496</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	104,000
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

Directors and Executive Directors fees*	99,556
Superannuation	4,444
Associates of the directors	-
<b>Total</b>	<b>104,000</b>

\* The non-executive Directors have agreed to forgo director's fees from March 2013 until June 2014 in return for a long term, three year escrowed, option grant that was approved by shareholders at the AGM in November 2013.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2,500,000 Non-performance-based options

On 13 November 2013 an award of 2,500,000 non-performance-based options to the Non-executive directors of the Company to forgo director's fees from March 2013 to June 2014 was approved by shareholders at the General Meeting. The share options are not listed, carry no rights to dividends and no voting rights.

The Options will be subject to a voluntary escrow for the Escrow Period, being the period from the issue date of 10 December 2013 until 29 February 2016 (inclusive), the Non-Executive Directors will not be able to transfer the Options during the Escrow Period without the Company's consent. A total expense of \$652,251 was recognised in the profit or loss during the period in relation to the award of the 2,500,000 non-performance-based options.

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

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**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	970	867
4.2 Deposits at call	3,526	4,512
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>4,496</b>	<b>5,379</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i> N/A
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

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### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 31 July 2014

Print name: Tom Cregan

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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