emerchants

20 August 2013

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

YEAR ENDED 30 JUNE 2013 APPENDIX 4E AND ANNUAL REPORT

Attached is Emerchants Limited's (**emerchants**)(ASX:EML) Appendix 4E and the Annual Financial Report, including the Independent Audit Report and the Auditor's Independence Declaration for the Year Ended 30 June 2013.

Yours faithfully

Yasmin Broughton
General Counsel & Company Secretary

APPENDIX 4E

Preliminary Final Report

EMERCHANTS LIMITED
93 104 757 904

1. Details of the reporting period and the previous corresponding period	
	• Current period: 1 July 2012 to 30 June 2013. • Previous corresponding period: 1 July 2011 to 30 June 2012.

2. Results for announcement to the market			
	Key information	**Percentage change**	**Year ended 30 June 2013 $**
2.1	Revenues from ordinary activities	Up 33.4% to	5,033,617
2.2	Loss from ordinary activities after tax attributable to members	Down 46.6% to	(5,359,071)
2.3	Net loss for the period attributable to members	Down 46.6% to	(5,359,071)
	Dividends	**Amount per security**	**Franked amount per security**
2.4	Final dividend	-	-
2.5	Record date for determining entitlements to the dividend	N/A	
2.6	**Commentary on results for the financial year** Refer Annual Report Attached.		

3. Consolidated Statement of Comprehensive Income	
	Refer Annual Report Attached

4. Consolidated Statement of Financial Position	
	Refer Annual Report Attached

5. Consolidated Statement of Cash Flow	
	Refer Annual Report Attached

6. Consolidated Statement of Change in Equity	
	Refer Annual Report Attached

7. Dividend	
	It is not proposed to pay dividends

8. Dividend reinvestment plan	
	There is no dividend reinvestment plan in operation.

9. Net tangible assets per security			
		Year ended 30 June 2013 $	Year ended 30 June 2012 $
	Ordinary shares	0.02	0.04

10. Control gained or lost over entities during the financial year		
	Name of entities where control was gained during the financial year	**Date control gained**
	None.	N/A
	Name of entities where control was lost during the financial year	**Date control lost**
	None.	N/A

11. Investment in associates and joint ventures	
	Not applicable.

12. Other information	
	Refer Annual Report Attached

13. Foreign entities	
	Not applicable.

14. Commentary on results for the period	
	Refer Annual Report Attached

15. Audit	
	The accounts have been audited and an unqualified opinion has been issued.

16. Attachments	
	The Annual Report of Emerchants Limited for the year ended 30 June 2013 is attached.

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EMERCHANTS LIMITED

(formerly Adept Solutions Limited)

ABN 93 104 757 904

Annual Financial Report

30 June 2013

Corporate Information

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities

ABN	93 104 757 904
Directors	Bob Browning (Non-executive Chairman) Tom Cregan (Managing Director and Chief Executive Officer) Tony Adcock (Non-executive Director) David Liddy (Non-executive Director) Peter Martin (Non-executive Director) John Toms (Non-executive Director)
Company Secretary	Yasmin Broughton
Registered Office and Principal Place of Business	Level 2, 26 Commercial Road Newstead QLD 4006 Telephone: (07) 3607 0100 Facsimile: (07) 3607 0111
Auditors	HLB Mann Judd Level 4, 130 Stirling Street Perth WA 6000 Telephone: (08) 9227 7500 Facsimile: (08) 9227 7533
Bankers	Bank of Western Australia Ltd (Bankwest) 25 Cantonment Street Fremantle WA 6160 Heritage Bank Limited (Heritage) 305 Queen Street Brisbane QLD 4000
Share Register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: (within Australia): 1300 554 474 Telephone: (outside Australia): +61 (02) 8280 7761 Facsimile: (02) 9287 0303
Website	www.emerchants.com.au
Securities Exchange Listing	Emerchants Limited is listed on the Australian Securities Exchange (ASX: EML)

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Chairman’s Report

Dear Shareholder

In my letter to you in last year’s Annual Report, I reported that much work had gone into bedding down the organisation following the acquisition of Emerchants Payments Solutions Limited (formerly known as Emerchants Ltd).

I am pleased to report that the team which was assembled during that year made excellent progress in maturing your Company on a number of fronts while continuing its strong key metrics and financial growth trends. Emerchants carefully narrowed its focus onto a handful of industry verticals that represented large markets and strong potential revenue contributions over the coming years. These industry verticals included Not-for-Profit organisations, Mining and Construction, Salary Packaging, Consumer Financing, On-line Lending, and Government bodies focused on social welfare as well as their own internal expense management. Within these industry verticals, Emerchants was successful in signing contracts with such flagship organisation as the Salvation Army, Nimble, First Stop Money, Mercy Care Family Services of Queensland, and Macquarie Bank; all leaders in their respective industries.

Working relationships with these firms has proven that Emerchants’ products are gaining strong acceptance in the market place and that significant opportunities exist to deepen our penetration into not only these markets, but other industry verticals. As a result, Emerchants’ intention is to selectively pursue additional industry verticals in the coming year, which offer similar revenue and profit potential.

Emerchants has also been successful in expanding our Authorised Deposit Taking Institution (ADI) relationships to include Heritage Bank, which along with Cuscal Ltd, offers proven banking experience in the pre-paid debit card industry, giving Emerchants program support redundancy. As a result, Emerchants was able to successfully launch Visa as a product scheme. Emerchants’ constant focus on systems enhancements, treasury controls and expanded audit functionality should give investors comfort that the organisation is professionally managed and possesses robust systems and processes to support the growth that we believe is still in front of the organisation. All employees are required to complete annual compliance training and management maintains regular engagement with external payment providers and appropriate regulatory agencies.

The organisation’s strategy of focusing on the sale and distribution of pre-paid, reloadable debit cards has proven to be the right course of action. Emerchants finished the fiscal year with revenue of $5.03m and EBITDA of ($3.00m), representing an improvement of 33% and 41%, respectively. Importantly, the nature of the contracts signed over the past year puts the Company in the position of enjoying much more predictable earnings in the future than in the past, during which we were primarily selling non-reloadable gift cards. We expect our growth in revenue and profit to continue at similar rates in the coming fiscal year, underpinned by strong performance in our key metrics of cardholder funds loaded, number of active accounts, cardholder stored value and card transaction volumes.

Revenue growth has had a positive impact on the negative cash burn rate with a continued decrease in each of the past 4 quarters relative to the prior year’s comparative period. Reduction on cash outlays have also assisted in reducing the cash burn rate and the Non-executive Directors have agreed to forgo director’s fees from March 2013 until June 2014 in return for an option grant that would be proposed at the AGM in November. Emerchants finished the year with $1.36m of cash on hand.

During the course of the past fiscal year, Emerchants has experienced growing support from the capital markets with a number of institutional investors joining the share register. It is indeed pleasing to see that our strong growth trends over the past years are attracting this class of investor and presently have approximately 15% of our shares now held by institutions. The coming fiscal year offers a number of exciting opportunities. We will be sure to keep you, our shareholders, well informed during the course of this year as events unfold.

Robert Browning
Non-executive Chairman

20 August 2013

Managing Director’s Report

In the 2012 annual report we outlined that the strategy we had adopted was to become the leading provider of reloadable prepaid payment solutions into the commercial, government and not-for-profit segments, and 2013 has been a year of setting the foundations to deliver on that strategy.

The foundations encompassed virtually all areas of the business, including product development, information technology systems enhancement, risk management, regulatory management and all whilst selling reloadable solutions to the market that often have a 12 month gestation period between initial meetings and program launch.

From a product development perspective, Emerchants introduced several new products to market. We launched our first EMV enabled card, our first Visa card programs to complement our EFTPOS programs, our first Virtual and Private Label programs and introduced several customised control and reconciliation features for our customers. We were able to develop a number of these features by working very closely with a number of our key customers and we’d like to thank them for their support over the last 12 months.

As an innovative payments company we will always be focused on product enhancement and differentiation, because being flexible and responsive to customer needs, and building a solution that works for their business, is a key part of our value proposition. We look forward to announcing other enhancements in the coming year. Our focus, however, is on developing features that can be leveraged across several industry segments and customer types.

The combination of our product development and business development efforts led us to announce several new customer relationships in the past year. In the consumer finance segment we announced our agreement with Nimble in November and launched that program in February 2013, and we announced our agreement with First Stop Money (now PAID International) and expect that program to launch on September 1. We believe our product solution is a perfect fit for this segment and hope to announce additional agreements in the coming year.

We continued to make strong progress in the Mining, Engineering, Resources Construction segment, but we have more work to do to grow our presence in these industries and this remains a key objective for us in 2014.

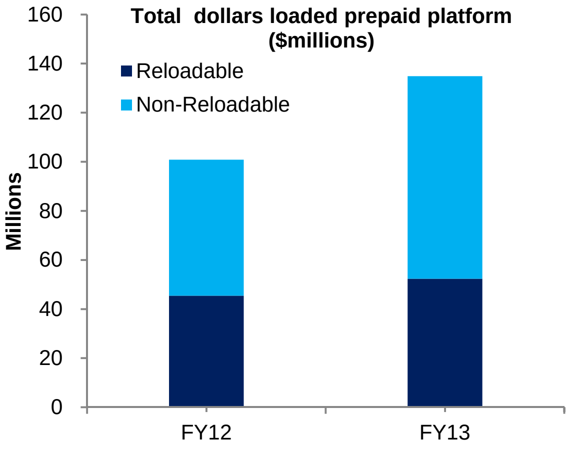
In the Not-for-Profit segment we announced several agreements, including The Salvation Army, Mercy Care (QLD), Church of Christ (QLD), Police Citizens Youth Club (QLD) and have recently concluded a pilot with Make-A-Wish Foundation, with that program now out of pilot stage and into full launch. Again, we see a perfect fit between our solution and not-for-profit entities, as they look to improve their financial controls and drive internal efficiency through less manual approval and reconciliation processes. This segment tends to experience a long sales cycle, but the flip side to that coin is that once contracted, some customers refer us to other not-for-profits providing us with a powerful referral network.

In the Government segment, we recently announced that we are in contract negotiations with the Queensland Government to become a preferred supplier for the provision of prepaid debit card services. The proposed agreement includes both Government Use (Government employees), Public Use (Distribution of funds to the public) and eligible non-government agencies, and requires Emerchants to work with each agency to identify opportunities where prepaid debit services could result in lower expenses and increased internal efficiencies. When an agreement is concluded we look forward to providing more information to shareholders and also look forward to other governments at the State and Federal level embracing prepaid debit services in the future. In other more mature markets such as in the United States, government spend on prepaid cards totalled $137bn per annum. Therefore, we see the Government segment in Australia as a multi-billion dollar opportunity that will develop over the coming years.

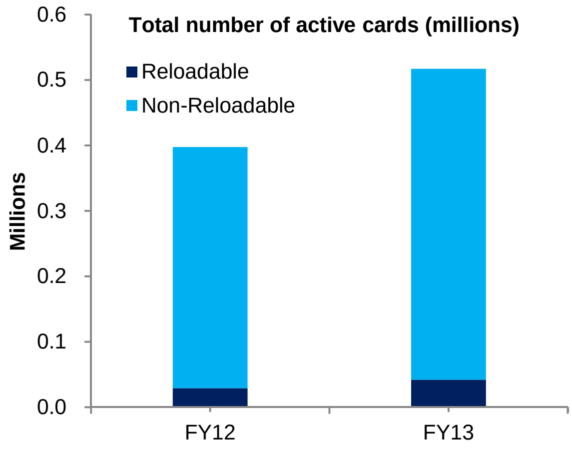
A significant amount of time and energy has been invested into the education of the capital markets around the emerging nature of the prepaid debit industry and the key performance metrics that drive the Emerchants business. Over the course of the last year we have seen approximately 12% of shares change hands from retail investors to institutional investors, who also see the long term potential of Emerchants and the prepaid industry and we’d like to thank the various firms that have supported us in this regard.

The Company continues to generate strong trends in our various key performance metrics:

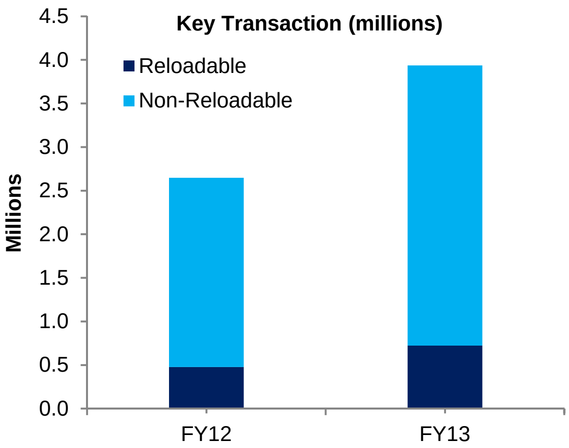
Total dollars loaded onto our prepaid platform:
$134.88m (+35% on prior year)



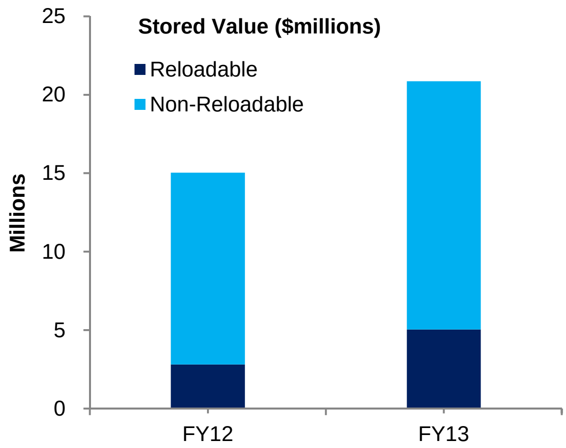
Total Number of Active Cards:
516K (+30% on prior year)



Key Transactions:
3.93m (+48% on prior year)



Cardholder Funds Stored Value:
$20.85m (+39% on prior year)



That performance translated into revenue of $5.03m, up 33% on the prior year. Revenue was negatively impacted by falls in official interest rates, which cost the company approximately $0.25m in lower interest income versus the prior year on a like for like basis. As the rate cycles turn, a combination of increasing rates and higher Cardholder Funds will provide us with revenue upside but for the coming year we see a continuation of low interest rates and possibly further reductions in our percentage interest income.

From an EBITDA and Net loss perspective we showed significant improvement versus the prior year. By continuing to leverage gross margin and through tighter cost control, EBITDA improved from ($5.07m) to ($3.00m), an improvement of 41%, and Net loss for the year improved from ($10.03m) to ($5.36m), an improvement of 47%.

We remain committed to building on the foundations laid in 2013 and we look forward to providing you with further updates on our progress during the course of the year.

Yours sincerely,

Tom Cregan
Managing Director

Directors and Company Secretary

Your Directors submit their report together with the financial statements of the Group (Emerchants) consisting of Emerchants Limited and the entities it controlled during the period for the financial year ended 30 June 2013 (Report). The names of Directors who held office during or since the end of the year and until the date of this Report are as follows:

Directors

Robert Browning – Non-executive Chairman

(Appointed Chief Executive Officer 16 November 2010, resigned as Chief Executive Officer 1 April 2012; appointed Managing Director 25 February 2011, resigned as Managing Director 1 April 2012; appointed Executive Chairman 2 April 2012, resigned as Executive Chairman 27 August 2012; appointed Non-executive Chairman 27 August 2012)

Mr Browning is a seasoned leader with a proven track record, and over 25 years of experience in a broad range of executive roles within multiple industries, both domestically and internationally, including six years as CEO of Alinta Limited. He is adept at the effective translation of corporate strategy into actionable plans with appropriate responsibilities and accountabilities cascaded through all layers of the organisation. Mr Browning was a Director of Austal Limited from September 2003 to November 2010.

Mr Browning holds a MBA from the University of Phoenix and a MS in International Business Management from the Massachusetts Institute of Technology, Sloan School.

Tom Cregan – Managing Director

(Appointed Chief Executive Officer elect 4 January 2012; appointed Chief Executive Officer 2 April 2012; appointed Managing Director 27 August 2012)

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

Tony Adcock – Non-executive Director

(Appointed Non-executive Director and Chairman 21 November 2011, resigned as Chairman 1 April 2012)

Mr Adcock has extensive international banking, capital markets and financial services experience at board, operational and consulting levels.

He is a former Managing Partner of the Birchman Group Asia Pac, an international management consulting firm and Founding Director of Red Pill Performance Consultants Pty Ltd which provides executive coaching, high performing teams and strategic management consulting services. Prior to founding Red Pill, he was a Partner in PricewaterhouseCoopers Consulting and IBM Business Consulting Services running a business across Asia Pacific. Mr Adcock is also a non-executive Director of Discovery Resources Ltd., Raw Hire, Chairman of the Sage Financial Group. He chairs the Audit & Risk Committee and Remuneration Committee of the latter.

He holds an MBA, a Bachelor's Degree in Economics with honours, and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.

David Liddy – Non-executive Director

(Appointed Non-executive Director 27 April 2012)

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 and has a Masters in Business Administration.

Mr Liddy is currently Chairman of Collection House Limited, Financial Basics Foundation and Financial Basics Community Foundation, and a Non-Executive Director of Steadfast Group Limited.

Mr Liddy is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

Peter Martin – Non-executive Director

(Appointed Non-executive Director 19 April 2012)

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 and was instrumental in the sale of Rothschild to Westpac Banking Corporation. Mr Martin has 35 years international commercial experience in marine construction, finance and investment management.

Mr Martin holds a Master of Business Administration from Harvard Business School and a Bachelor of Civil Engineering from Monash University.

John Toms – Non-executive Director

(Appointed Non-executive Director 2 July 2011)

With an initial degree in Economics, Econometrics and Accounting, John undertook post graduate study courses at Cambridge in the UK and Princeton in the US. His experience includes 17 years as CEO of an Approved Deposit-taking Institution (ADI), Non-executive Director for 17 years of Australian Payments Clearing Association; Non-executive director of Mercer Nominees; executive director of Insurance Agents Association of Australia; Consulting Director to government; and senior Commonwealth public servant.

Mr Toms is also an independent member of the Audit Committee of the Australian Veterinarians Association.

Yasmin Broughton – Company Secretary and General Counsel

(Appointed 2 May 2011)

Ms Broughton is a qualified barrister and solicitor and has worked in the corporate law divisions of national law firms, Clayton Utz and Ashurst, where she was a Senior Associate. Following her role at Ashurst, Yasmin was Acting General Counsel & Company Secretary of ASX top 50 company, Alinta Limited and subsequently, General Counsel & Company Secretary of Jemena Limited where she was responsible for all legal and company secretarial matters for the groups' 60 companies.

Ms Broughton holds a Bachelor of Commerce, a Post Graduate Diploma Law, is a nationally qualified Mediator and is a Graduate of the Australian Institute of Company Directors.

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 2013 were as follows:

Directors	Number of Board Meetings Held Whilst in Office	Number of Board Meetings Attended
Robert Browning	5	5
Tom Cregan	4	4
Tony Adcock	5	5
David Liddy	5	5
Peter Martin	5	4
John Toms	5	5

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

Remuneration & Nomination Committee (RNC) Members	Number of RNC Meetings Held Whilst on Committee	Number of RNC Meetings Attended
Robert Browning	2	2
Tom Cregan	2	2
Tony Adcock	2	2
David Liddy	2	2
Peter Martin	2	2
John Toms	2	2

Interests in shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company were held by the Directors as at the date of signing of this report.

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Robert Browning	2,600,000	1,600,375
Tom Cregan	3,750,000	11,111,109
Tony Adcock	-	80,549
David Liddy	-	1,000,000
Peter Martin	-	9,486,320
John Toms	200,000	-

Options

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

Directors and officers	Number of options granted
Tom Cregan	1,750,000
Richard Anderson	1,850,000
Yasmin Broughton	1,900,000
James Ingram	1,850,000
Bruce Stewart	1,900,000

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

Expiry date	Exercise price	Number of shares
Unlisted		
1 June 2014	$1.30	666,668
18 July 2014	$1.45	6,000,000
5 January 2015	$0.50	2,000,000
4 February 2015	$0.50	1,000,000
30 September 2015	$0.15	12,000,000
30 September 2016	$0.40	2,100,000
		23,766,668

There were no ordinary shares issued by the Company during or since the end of the financial year as a result of the exercise of options.

Dividends

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

Principal Activities

The principal activity of the entities within the Emerchants Group during the year was the provision of payment services.

Review of operations

The full review of operations immediately precedes this report

Operating results for the year

The net result of operations for the year was a loss after income tax of $5,359,071 (2012: $10,027,335).

($ Millions)	FY 2013	FY 2012	Variance	Year on year growth
Total Funds Loaded	134.88	100.87	34.01	34%
Revenue	5.03	3.77	1.26	33%
Revenue per Total Funds Loaded (cents)	3.73c	3.74c	(0.01c)	(0%)
Gross margin	4.36	3.39	0.97	29%
Gross margin %	87%	90%	(3%)	(3%)
Overheads – employment related	5.28	4.66	(0.62)	(13%)
Overheads – other	2.08	3.80	1.72	45%
EBITDA	(3.00)	(5.07)	2.07	41%
Depreciation and amortisation	0.96	2.03	1.07	53%
Share-based payments	1.44	1.33	(0.11)	(8%)
Impairment / loss on disposal of assets and other non-cash charges	(0.04)	1.60	1.64	102%
Net loss for the year	**(5.36)**	**(10.03)**	**4.67**	**47%**

The Company grew the Total Funds Loaded 34% from $100.87m in the prior financial year to $134.88m in the current financial year. The growth was largely underpinned by existing non-reloadable clientele but strongly supported by reloadable accounts in line with the Company's strategic focus on reloadable opportunities. The growth in Total Funds Loaded was achieved at similar margins to the prior year and consequently this translated to a 33% increase in revenues to $5.03m and a 29% increase in gross margin to $4.36m.The Company expects the Total Funds Loaded to continue to grow at similar or better levels in the next financial year owing to the strong pipeline of opportunities the Company is actively pursuing.

Total overheads were significantly lower in the current financial year due to reductions in outsourced administration services, consultancy and advisory services and fixed infrastructure costs as management continued to seek opportunities to operate the Company more efficiently and align expenditure with revenue. Included in the overhead expenses for the current and the prior financial year was the refund from the R&D Tax Concession program. This has been included in overhead expenses above as this is a refund of expenditure previously incurred, predominantly as employment costs, on qualifying research and development activities. The Company does not expect any significant growth in overhead charges in the next financial year owing to the relatively fixed cost base of the Company's business model, with any significant increase being dependant on material revenue producing opportunities and will be assessed on a case by case basis.

Non-cash charges, comprising depreciation and amortisation, share-based payments, asset impairments and loss on disposal of asset charges, were lower in the current financial year as the prior financial years charges included a number of significant one-off charges including the write down of mining tenements to nil book value and the amortisation of finite life intangibles over a one-year period that arose on the acquisition of Emerchants Payments Solutions Limited. Included in the current and prior financial year share-based payments charge is the amortisation of previously issued time based options that have no performance criteria attached. The time based options have an exercise price with a significant premium to the current market price and the majority of these options expire on or before 18 July 2014 (see Note 17). All share options granted to employees of the Company during or since the end of the financial year have had performance criteria included in the grant to align the grant to the performance of the Company. The Company does not expect any significant growth in non-cash charges as most of the costs incurred in the current financial year are reflective of the costs expected to be incurred in the next financial year.

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 8 July 2013 the Board approved the issue to Executives and other staff members of 2,600,000 performance based options to take up fully paid ordinary shares of the Company, of which 2,100,000 have been issued as at the date of signing of the financial report, and the implementation of a short term incentive plan (FY14 STIP) available to most of the employees of the Company in order to incentivise and retain existing employees and to attract new employees to the business.

The FY14 STIP is funded from a bonus pool calculated by any surplus achieved in excess of the Board approved FY14 EBITDA budget and is paid to employees as a maximum tiered percentage of their annual remuneration. The performance-based options will vest subject to the achievement of at least three of five Board approved FY16 targets and other administrative conditions. The FY16 targets were approved by the Board on 8 July 2013.

In early August we advised shareholders that we had entered contract negotiations with the Department of Treasury and Trade (QLD) for the provision of prepaid card and payment solutions and as at the time of completing the annual report a contract has not been signed. We will advise shareholders when we have further information to report.

Except for the above there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, aside from the specific guidance that has been disclosed in the Chairman's report, Managing Director's report and Directors' report, this information has not been presented in this Report.

Environmental legislation

The Group is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

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

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

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel of Emerchants Limited for the financial year ended 30 June 2013. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the parent company, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Key Management Personnel

(i) Directors

- Robert Browning (Appointed Executive Director 25 February 2011, resigned as Managing Director 1 April 2012; appointed Executive Chairman 2 April 2012, resigned as Executive Chairman 27 August 2012; appointed Non-executive Chairman 27 August 2012)
- Tom Cregan (Appointed Chief Executive Officer elect 4 January 2012, appointed Chief Executive Officer 2 April 2012; Appointed Managing Director 27 August 2012)
- Tony Adcock (Appointed Non-executive Director and Chairman 21 November 2011, resigned as Chairman 1 April 2012)
- David Liddy (Appointed Non-executive Director 27 April 2012)
- Peter Martin (Appointed Non-executive Director 19 April 2012)
- John Toms (Appointed Non-executive Director 2 July 2011)

(ii) Executives

- Richard Anderson (Appointed Chief Commercial Officer 14 May 2012)
- Yasmin Broughton (Appointed Company Secretary & General Counsel 2 May 2011)
- James Ingham (Appointed Chief Technical Officer 16 April 2012)
- Bruce Stewart (Appointed Chief Financial Officer 1 February 2012)

Remuneration philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration and Nomination Committee

Emerchants established a Remuneration and Nomination Committee on 30 August 2011.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

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

Non-executive Director remuneration

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

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

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Remuneration and Nomination Committee considers advice from external shareholders, as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

Each Non-executive Director receives a fee for being a Director of the Company. An additional fee is also paid to the chairman of the Audit Committee. The payment of additional fees for serving on as chairman on a Board sub-committee recognises the additional time commitment required by the chairman of the sub- committee.

Senior manager and Executive Director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Services from remuneration consultants

The Remuneration and Nomination Committee engaged Egan Associates Pty Limited (Egan) as remuneration consultant during the financial year. Egan was engaged to:

- review and to provide recommendations on long-term incentive structures for the Chief Executive Officer; and
- review and advise on the potential impact of the termination benefit provisions of the Corporations Act 2001 in relation to the existing remuneration arrangements proposed under a Change of Control Agreement, including a review of the relevant legislative framework, the company's Employee Share Option Plan Rules and the Chief Executive Officer's Executive Services Agreement.

Egan was paid $24,832 in respect of the services provided.

The engagement of Egan by the Remuneration and Nomination Committee was based on a documented set of protocols that would be followed by Egan, members of the Remuneration and Nomination Committee and members of the key management personnel for the way in which remuneration recommendations would be developed by Egan and provided to the Board.

The protocols included the prohibition of Egan providing advice or recommendations to key management personnel before the advice or recommendations were given to members of the Remuneration and Nomination Committee and not unless Egan had approval to do so from members of the Remuneration and Nomination Committee.

These arrangements were implemented to ensure that Egan would be able to carry out its work, including information capture and the formation of its recommendations, free from undue influence by members of the key management personnel about whom the recommendations may relate.

The Board is satisfied that the remuneration recommendations were made by Egan free from undue influence by members of the key management personnel about whom the recommendations may relate.

The Board undertook its own inquiries and review of the processes and procedures followed by Egan during the course of its assignment and is satisfied that its remuneration recommendations were made free from undue influence.

These inquiries included arrangements under which Egan was required to provide the Board with a summary of the way in which it carried out its work, details of its interaction with key management personnel in relation to the assignment and other services, and respond to questioning by members of the Board after the completion of the assignment.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers and executive Directors are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Variable Remuneration

The Group had the following performance based remuneration components built into Director and executive remuneration packages in the current financial year.

On 21 August 2012 the Board approved the issue to Executives and other staff members of 12,000,000 performance based options to take up fully paid ordinary shares of the Company and the implementation of a short-term incentive plan (FY13 STIP) available to all employees of the Company in order to incentivise and retain existing employees and to attract new employees to the business.

The performance based options will vest subject to the achievement of two of three Board approved FY15 Company

Revenue, EBITDA and EBIT targets and other administrative conditions. The FY15 targets were approved by the Board on 29 June 2012. The details of the three targets are:

- Revenue for the twelve months to 30 June 2015 being equal to or greater than $16.7M (revenue includes interest income as this is a key element of the Company's business model); or
- EBITDA for the twelve months to 30 June 2015 being equal to or greater than $2.33M. (EBITDA: (i) includes any refunds from the R&D Tax Concession program accounted for in FY15 as the Board consider this an offset against the expense outlay we have made in our platform and product development initiatives that we believe will generate revenues in the coming years. (ii) includes Interest income as this is a key element of the Company's business model. (iii) excludes any expenses in FY15 for share-based payments as the Board consider this expense is incurred based on the probability of achieving the FY15 target itself. (iv) excludes any expenses in FY15 for depreciation and amortisation as the Board consider this expense is incurred based on the capital outlay we have made in our platform and product development initiatives that we believe will generate revenues in the coming years. or
- EBIT for the twelve months to 30 June 2015 being equal to or greater than $1.22M. (EBIT: (i) includes any refunds from the R&D Tax Concession program accounted for in FY15 as the Board consider this an offset against the expense outlay we have made in our platform and product development initiatives that we believe will generate revenues in the coming years. (ii) includes Interest income as this is a key element of the Company's business model. (iii) excludes any expenses in FY15 for share-based payments as the Board consider this expense is incurred based on the probability of achieving the FY15 target itself. (iv) excludes any expenses in FY15 for depreciation and amortisation as the Board consider this expense is incurred based on the capital outlay we have made in our platform and product development initiatives that we believe will generate revenues in the coming years.

The FY13 STIP was to be funded from a bonus pool calculated by any surplus achieved in excess of the Board approved FY13 EBITDA budget and paid to employees as a maximum tiered percentage of their annual remuneration. The FY13 budget was approved by the Board on 29 June 2012. No payments were made under the FY13 STIP as the Company did not achieve its internal FY13 EBITDA budget. When the FY13 budget was originally compiled, we had a larger assumption around gift card volumes, however all sales efforts were subsequently focused on reloadable programs which have a longer lead sales cycle but which will underpin the success of the business in the long term.

On 8 July 2013 the Board approved the issue to Executives and other staff members of 2,600,000 performance based options to take up fully paid ordinary shares of the Company and the implementation of a short term incentive plan (FY14 STIP) available to most of the employees of the Company in order to incentivise and retain existing employees and to attract new employees to the business.

The FY14 STIP is funded from a bonus pool calculated by any surplus achieved in excess of the Board approved FY14 EBITDA budget and is paid to employees as a maximum tiered percentage of their annual remuneration. The performance based options will vest subject to the achievement of at least three of five Board approved FY16 targets and other administrative conditions. The FY16 targets were approved by the Board on 8 July 2013.

Employment Contracts

Robert Browning (Chairman)

Mr Robert Browning was asked to assume the role of Executive Chairman of the Company on 1 April 2012, following the appointment of Mr Tom Cregan as Chief Executive Officer.

Upon assuming the role of Executive Chairman Company on 1 April 2012, Mr Browning agreed to an annual salary of $200,000 per annum plus superannuation at the statutory rate.

Mr Browning's employment relationship with the Company was at-will, with no guarantees of notice periods or severance payments when employment relationship is severed.

Further to the appointment of Mr Tom Cregan as Managing Director, Mr Browning was asked to assume the role of Non-executive Chairman of the Company on 21 August 2012.

Upon assuming the role of Non-executive Chairman, Mr Browning received a director's fee based on the Non-executive Director remuneration structure (that being $90,000 per annum plus superannuation).

Tom Cregan (Chief Executive Officer)

The Company entered into an executive services agreement on 19 December 2011 engaging Mr Cregan as Chief Executive Officer of the Company.

Pursuant to his executive services agreement, Mr Cregan is entitled to receive a fixed remuneration package of $416,000 per annum (comprising base salary and superannuation benefits at the statutory rate and other entitlements). In addition, Mr Cregan was entitled to receive a grant of bonus shares that matched the purchase of shares for $500,000 that he made as part of the Company's Placement in August 2012. Mr Cregan was awarded 5,555,555 shares at the Placement price of $0.09 per share for a value of $500,000 as part of his executive services agreement. The bonus shares are held in voluntary escrow for two years from the date of issue and if Mr Cregan resigns or his services are terminated for reasons of misconduct the bonus shares will not vest. If there is a change in control of the Company or the Company terminates the executive services agreement without cause, the bonus shares shall vest to Mr Cregan.

Mr Cregan may terminate his employment at any time during the term of the agreement by giving 3 months' notice in writing. The Company may elect to terminate the agreement at any time during the term of the agreement by giving Mr Cregan 3 months' notice or making a payment in lieu of the total remuneration the executive would have received during the remaining notice period. The Company may terminate the agreement without notice in the case of Mr Cregan's misconduct and other circumstances contrary to the interests of the Company.

Richard Anderson (Chief Commercial Officer)

The Company entered into an executive services agreement on 14 May 2012 engaging Mr Anderson as Chief Commercial Officer of the Company.

Pursuant to his executive services agreement, Mr Anderson is entitled to receive a fixed remuneration package of $236,000 per annum (comprising base salary and superannuation benefits at the statutory rate and other entitlements).

Mr Anderson may terminate his employment at any time during the term of the agreement by giving 3 months' notice in writing. The Company may elect to terminate the agreement at any time during the term of the agreement by giving Mr Anderson 3 months' notice or making a payment in lieu of the total remuneration the executive would have received during the remaining notice period. The Company may terminate the agreement without notice in the case of Mr Anderson's misconduct and other circumstances contrary to the interests of the Company.

Yasmin Broughton (Company Secretary and General Counsel)

The Company entered into an executive services agreement engaging Ms Broughton as General Counsel and Company Secretary of the Company.

Pursuant to her executive services agreement, Ms Broughton is entitled to receive a fixed remuneration package of $325,000 per annum (comprising base salary and superannuation benefits at the statutory rate and other entitlements).

Ms Broughton's employment commenced on 2 May 2011. Ms Broughton may terminate her employment at any time during the term of the agreement by giving 3 months' notice in writing. The Company may elect to terminate the agreement at any time during the term of the agreement by giving Ms Broughton 6 months' notice or making a payment in lieu of the total remuneration she would have received during the remaining notice period. The Company may terminate the agreement without notice in the case of Ms Broughton's misconduct and other circumstances contrary to the interests of the Company.

James Ingham (Chief Technical Officer)

The Company entered into an executive services agreement on 16 April 2012 engaging Mr Ingham as Chief Technical Officer of the Company.

Pursuant to his executive services agreement, Mr Ingham is entitled to receive a fixed remuneration package of $239,800 per annum (comprising base salary and superannuation benefits at the statutory rate and other entitlements).

Mr Ingham may terminate his employment at any time during the term of the agreement by giving 3 months' notice in writing. The Company may elect to terminate the agreement at any time during the term of the agreement by giving Mr Ingham 3 months' notice or making a payment in lieu of the total remuneration the executive would have received during the remaining notice period. The Company may terminate the agreement without notice in the case of Mr Ingham's misconduct and other circumstances contrary to the interests of the Company.

Bruce Stewart (Chief Financial Officer)

The Company entered into an executive services agreement on 1 February 2012 engaging Mr Bruce Stewart as Chief Financial Officer of the Company.

Pursuant to his executive services agreement, Mr Stewart is entitled to receive a total remuneration package of $220,000 per annum (comprising base salary and superannuation benefits at the statutory rate and other entitlements). From 1 July 2013 the Company increased Mr Stewart's total remuneration package to $240,000 per annum.

Mr Stewart may terminate his agreement at any time during the term of the agreement by giving 3 months' notice in writing. The Company may elect to terminate the agreement at any time during the term of the agreement by giving Mr Stewart 3 months' notice or making a payment in lieu of the total remuneration the executive would have received during the remaining notice period. The Company may terminate the agreement without notice in the case of Mr Stewart's misconduct and other circumstances contrary to the interests of the Company.

Table 1: Non-executive Directors

		Short-term employee benefits				Post-employment benefits	Other long-term benefits	Equity			
		Salary & Fees	Bonuses	Non-Monetary Benefits	Other	Superannuation	Long-service leave	Share-based Payments	Total	Performance Related	Value of Share-based payments as a Proportion of Remuneration
		$	$	$	$	$	$	$	$	%	%
Robert Browning	2013	99,924	-	9,013 (i)	33,063 (ii)	9,847	-	156,429	**308,276**	-	51%
	2012	344,833	-	13,263 (i)	-	42,444	-	423,340	**823,880**	-	51%
Tony Adcock	2013	38,341	-	-	21,073 (ii)	3,451	-	-	**62,865**	-	-
	2012	44,512	-	-	-	4,006	-	-	**48,518**	-	-
David Liddy	2013	38,333	-	-	21,073 (ii)	3,450	-	-	**62,856**	-	-
	2012	9,603	-	-	-	864	-	-	**10,467**	-	-
Peter Martin	2013	36,667	-	-	19,983 (ii)	3,300	-	505,555	**565,505**	-	89%
	2012	10,913	-	-	-	982	-	-	**11,895**	-	-
John Toms	2013	39,174	-	-	21,800 (ii)	3,526	-	-	**64,500**	-	-
	2012	55,046	-	-	-	4,954	-	-	**60,000**	-	-

(i) Relates to Board approved spouse travelling with Mr Browning to attend board meeting from USA to Australia.

(ii) In order to assist with cash management, for the period 1 March 2013 to 30 June 2014, the Non-executive Directors have agreed to forego the cash payment of Director's fees in substitution of an issue of options, which are subject to shareholder approval. Shareholder approval for the issue of these options to the Non-executive Directors will be sought at the Company's Annual General Meeting in November 2013. The foregone fees have been accrued in the Company's Financial Statements (see Note 11) as the Directors may be paid these fees should the issue of the options not be approved at the Company's Annual General Meeting in November 2013.

Table 2: Executives

		Short-term employee benefits				Post-employment benefits	Other long-term benefits	Equity			
		Salary & Fees	Bonuses	Non-Monetary Benefits	Other	Superannuation	Long-service leave	Share-based Payments	Total	Performance Related	Value of Share-based payments as a Proportion of Remuneration
		$	$	$	$	$	$	$	$	%	%
Tom Cregan	2013	399,530	-	-	-	16.470	-	431,118	**847,118**	-	51%
	2012	200,112	-	-	-	7,888	-	72,538	**280,538**	-	26%
Richard Anderson	2013	219.530	-	-	39,249 (ii)	16,470	-	11,975	**287,224**	-	4%
	2012	40,706	-	-	25,000 (ii)	2,629	-	-	**68,336**	-	-
Yasmin Broughton	2013	246,505	-	2,007 (i)	-	16,470	-	97,796	**362,777**	-	27%
	2012	292,514	-	-	-	17,090	-	246,905	**556,508**	-	44%
James Ingham	2013	193,192	-	-	56,923 (iii)	16,470	-	11,975	**278,559**	-	4%
	2012	47,116	-	-	3,826 (iii)	3,944	-	-	**54,887**	-	-
Bruce Stewart	2013	203,530	-	-	-	16,470	-	77,973	**297,973**	-	26%
	2012	170,203	-	-	-	14,233	-	46,917	**231,353**	-	20%

(i) Relates to a car parking benefit provided to Ms Broughton.
(ii) Relates to relocation assistance payments paid to Mr Anderson.
(iii) Relates to relocation assistance payments paid to Mr Ingham.

Option plans in existence during the financial year

For details of employee share option plans in existence during the year, refer Note 16 to the Financial Statements.

For details on the valuation of the options, including models and assumptions used, refer to Note 17. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Table 3: Share-based compensation to Directors and executives during the current financial year

Name	Date granted	No. granted during the year	No. vested during the year	% of grant vested	% of grant forfeited	% compensation for year consisting of options
Robert Browning	8 July 2011	-	-	-	-	51%
Tom Cregan	13 November 2012	5,555,555 (i) 1,750,000 (ii)	- -	51% 22%	-	51%
Peter Martin	13 November 2012	3,888,888 (i)	3,888,888	100%	-	89%
Richard Anderson	21 September 2012	1,750,000 (ii)	-	26%	-	4%
Yasmin Broughton	21 September 2012	1,750,000 (ii)	-	26%	-	27%
James Ingham	21 September 2012	1,750,000 (ii)	-	26%	-	4%
Bruce Stewart	21 September 2012	1,750,000 (ii)	-	26%	-	26%

(i) Shares granted during the financial year, refer to Note 14 of the financial report.
(ii) Options granted during the financial year. Vesting conditions are disclosed in the variable remuneration section of this report.

Table 4: Value of options to key management personnel granted, exercised or lapsed during the year

Name	Value of the options granted at the grant date (i) $	Value of the options exercised at the exercised date $	Value of the options lapsed at the lapsed date (ii) $
Tom Cregan	127,066	-	-
Richard Anderson	46,498	-	-
Yasmin Broughton	46,498	-	63,802
James Ingham	46,498	-	-
Bruce Stewart	46,498	-	31,901

(i) The value of the options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.
(ii) The value of options lapsing during the period was based on the initial value that was ascribed to the options under the Black and Scholes valuation model taking into account the terms and conditions upon which the options were granted. The options expired with an exercise price less than the Companies market price and consequently the relevant option holders opted not to exercise the options.

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 20(c) to the Financial Statements.

Proceedings on behalf of the Company

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

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page the next page and forms part of this Directors' report for the year ended 30 June 2013.

Non-Audit Services

No non-audit services were provided during the year by the external auditor.

Signed in accordance with a resolution of the Directors.

Robert Browning
Non-executive Chairman

20 August 2013

Corporate Governance Statement

The Company is committed to implementing standards of corporate governance consistent with the ASX Corporate Governance Council's second edition Corporate Governance Principles and Recommendations (Recommendations). Where the Company's corporate governance practices do not correlate with the Recommendations, the Company does not currently regard it as appropriate to meet that specific Recommendation, due to the nature and size of the Company's operations. The Board's reasoning for any departure to the Recommendations is explained below.

Set out below are the fundamental corporate governance practices of the Company.

Principle 1 – Lay Solid Foundations for Management and Oversight

Role of the Board

The Board's role is to govern the Company and it has thereby established the functions reserved to the Board. The Board delegates to the Managing Director and senior executives the day-to-day management of the operations of the Company's business. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

Responsibilities of the Board

In general, the Board is ultimately responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board delegates authority to the Managing Director, senior executives and management to carry out delegated duties in support of the objectives of the Company.

The Board's functions and the functions delegated to the Managing Director and senior executives are set out in the Board Charter which is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

The Board holds regular meetings and is also expected to meet periodically throughout the year as required. Directors' attendance at meetings for the 2012-2013 financial year is set out in the Directors' Report.

The Board appoints person(s) to perform the functions of the Managing Director/ Chief Executive Officer (CEO) with responsibility for the management of the Company in accordance with the directions and delegations of the Board. Senior executives may also be appointed to conduct these activities.

It is the role of those appointed in management roles to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Performance Review/Evaluation

The process for reviewing the performance of senior executives is undertaken by the Managing Director. The performance of senior executives is assessed by way of formal discussion. The performance of the Managing Director is reviewed annually against agreed performance criteria by the Remuneration and Nomination Committee together with external consultants as required.

The process for evaluating the performance of senior executives is set out in the Performance Evaluation Process which is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Principle 2 – Structure the Board to Add Value

The Board currently comprises 6 Directors, the majority of which are Non-executive Directors.

Further details about the Directors including their skills, experience and terms in office at the date of this statement are set out in the Directors' Report.

The Company recognises the importance of non-executive and independent Directors and the external perspective and advice that they can offer. The Board is committed to recruiting such Directors when warranted by the scale and advancement of its operations. Determination of independence is made with reference to factors set out in the Board Charter available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Given the size and nature of the Company's operations, the Board feels the composition of the Board is appropriate at this stage.

Independent Professional Advice and Access to Information

Each Director has the right of access to all Company information and to Emerchants' executives. Further, each Director and the Board collectively, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, with the approval of the Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Performance Review/Evaluation

The Board undertakes annually, a formal, collective self-assessment and review discussion to review the performance of the Board, its Committee(s) and individual Directors.

The process for evaluating the performance of the Board, its Committees and individual Directors is set out in the Performance Evaluation Process which is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Principle 3 – Promote Ethical and Responsible Decision Making

Code of Conduct

As part of its commitment to recognising its legal obligations, the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the Company's integrity, the Company has established a Code of Conduct. The Code aims to provide guidance to Directors, senior executives, management and employees on the standards of personal and corporate behaviour and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices. The Code encourages and fosters a culture of integrity and responsibility with the focus of augmenting the Company's reputation as a valued employer, business partner and corporate citizen, in all our relationships.

A copy of the Code of Conduct is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Diversity Policy

The Company values diversity and recognises that promotion of diversity on boards, in senior management and within the organisation generally:

- broadens the pool for recruitment of high quality Directors and employees;
- is likely to support employee retention;
- through the inclusion of different perspectives, is likely to encourage greater innovation; and
- is socially and economically responsible governance practice.

In accordance with this policy, the Board provides the following information pertaining to the proportion of women employees across the organisation at the date of this Report:

	Actual	
	Number	Percentage
Number of women employees in the whole organisation	12	39%
Number of women in senior executive positions	3	43%
Number of women on the board	0	0%

A copy of the Diversity Policy is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Principle 4 - Safeguard Integrity in Financial Reporting

The Company has a financial reporting process which includes half year and full year results which are approved by the Board before they are released to the market.

The Company's Audit Committee consists of three members. The Chair, Mr John Toms, is a non-executive Director and is not the Chair of the Board. A copy of the Audit Committee Charter is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

The Board continually reviews the performance of the external auditor. Additionally, the Corporations Act 2001 requires that the external audit partner is rotated every 5 years.

Principle 5 – Make Timely and Balanced Disclosure

The Company is committed to:

- ensuring that stakeholders have the opportunity to access externally availably information issued by the Company;
- providing full and timely information to the market about the Company's activities; and
- complying with the obligations contained in the Corporations Act and the ASX Listing Rules relating to continuous disclosure.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with ASX.

The Board has established a written policy for ensuring compliance with ASX Listing Rule disclosure requirements and accountability at Board and senior executive level for that compliance. A copy of the Continuous Disclosure Policy is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Principle 6 - Respect the Rights of Shareholders

The Company is committed to the promotion of investor confidence by ensuring that trade in the Company's securities takes place in an efficient, competitive and informed market.

The Company will comply with the continuous disclosure obligations contained in the ASX Listing Rules and in so doing will immediately notify the market by announcing to ASX any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of the Company's securities. All information made available to the ASX is immediately available to shareholders and the market on the Company's website. The Company promotes effective communication with shareholders and encourages shareholder participation at annual general meetings.

The Company has established a communications strategy which is set out in the Communications Strategy policy and is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Principle 7 - Recognise and Manage Risk

The Company is committed to the identification, monitoring and management of material business risks of its activities via its risk management framework.

The Company has identified and actively monitors a number of material business risks inherent in the industry in which the Company operates and the Company's risk management framework promotes a robust structure so that all risks are appropriately identified, assessed, monitored, mitigated and reviewed wherever possible, across the Company. Assessment of all aspects of the risk management framework (including the comprehension of all 'material' business risks) is conducted by the Board regularly.

The Company has established policies for the oversight and management of material business risks. Key components of the policy, which bring together procedures and controls within the Company, and elements of the risk management framework, are as follows:

- identification and assessment of all risks;
- monitoring and wherever possible, mitigation, of identified risks;
- maintain internal control systems;
- periodic reporting;
- reporting on any special investigations as required by the Board;
- maintaining the policy framework; and
- assessment of the effectiveness of the risk management framework.

The Board has received written assurance from the persons performing the CEO and Chief Financial Officer roles, that to the best of their knowledge and belief, the declaration provided to the Board in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks.

Principle 8 - Remunerate Fairly and Responsibly

From 21 August 2012, the Board assumed the responsibilities of the Remuneration and Nomination Committee (RNC). The RNC comprises all of the Directors.

Remuneration Report and Remuneration Policies

The Board has established a policy to ensure that it remunerates fairly and responsibly. The remuneration philosophy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically approved by shareholders in general meeting.

In order to assist with cash management, for the period 1 March 2012 to 30 June 2014, the non-executive Directors agreed to forego a cash payment of Director's fees in substitution of an issue of options, which is subject to shareholder approval. Shareholder approval for the issue of options to the non-executive Directors will be sought at the Company's Annual General Meeting in November 2013.

Should shareholders vote against the issue of options to the non-executive Director's in substitution of cash fees, the cash fees for the period 1 March 2012 to 30 June 2014 will be paid to the non-executive Directors.

Non-executive Directors of the Company are entitled to participate in any equity plan of the Company where it is considered an appropriate element of remuneration in situations when the Non-executive's skills and experiences are recognised as important to the Company's future development. Non-executive Directors of the Company do not receive retirement benefits, other than statutory superannuation entitlements.

Further details on the structure of the Managing Directors', Non-executive Directors' and senior executives' remuneration are set out in the remuneration report forming part of the Directors' Report.

Trading in Securities

The Company has adopted a securities trading policy for the Directors, Senior Executives, employees, consultants and contractors of the Company which is appropriate for a Company whose shares are admitted to trading on the ASX.

A copy of the securities trading policy is available on the Company's website (www.emerchants.com.au) under "Corporate Governance".

Personnel of the Company are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme, or otherwise awarded, or which will be offered by the Company in the future.

Departure from Best Practice Recommendations

From 1 July 2012 to 30 June 2013, the Company complied with the Recommendations published by the ASX Corporate Governance Council, other than the recommendations specified in the table below:

Recommendation	Notice of departure	Explanation from departure
2.1	A majority of the Board are not independent Directors	The Board believes that the individuals on the Board can, and do, make quality and independent judgments in the best interests of the Company on all relevant issues. Given the size and nature of the Company, the Board believes that the composition of the Board is appropriate at the current time.
2.2	The chair is not an independent chair	The Chairman is not classed as independent because in the past 3 years he was an executive director of the Company. This does not impact on his ability to oversee or assist the executives and their management of the Company.
3.3	The Company has not complied in setting measurable objectives for achieving gender diversity.	The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the size of the Company and its small number of employees, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
4.2	The chair of the Audit Committee should be independent.	The chair of the Audit Committee is not classed as independent because in the past 3 years he was an employee of a material consultant to the Company. The Board does not consider this impacts the chair's ability to fulfil his duties as chair of the Audit Committee.
2.4, 8.1 & 8.2	There is no separate Remuneration and Nomination Committee to the Board. The full Board considers all Remuneration and Nomination Committee matters. In addition, the Remuneration and Nomination Committee is not structured so that it consists of a majority of independent Directors.	Due to the relatively small size of the Company it was determined that the full Board should consider remuneration and nomination matters and a sub-committee of the Board was not required. The Board believes that the individuals on the Board can, and do, make quality and independent judgements in the best interests of the Company.

Auditor’s Independence Declaration

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Emerchants Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Emerchants Limited and the entities it controlled during the year.

Perth, Western Australia
20 August 2013

M R W Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated	
		30 June 2013	30 June 2012
		$	$
Revenue	2	5,033,617	3,771,285
Expenses			
Cost of sales		667,131	371,841
Employee benefits expense		5,282,052	4,660,852
Acquisition – related expenses			
- Share-based payments		-	137,647
Share-based payments			
- Directors and executives		1,410,143	1,119,424
- Consulting fees		-	50,000
- Employees		30,582	22,280
Depreciation and amortisation expense	9,21	957,097	2,032,355
Impairment of assets		-	1,629,511
Interest expense		-	4,219
Loss on disposal of fixed assets		15,469	-
Other expenses	2	2,524,223	4,167,601
Total expenses		10,886,697	14,195,730
Loss before income tax		(5,853,080)	(10,424,445)
Income tax benefit	4	494,009	397,110
Net loss for the year		(5,359,071)	(10,027,335)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		(5,359,071)	(10,027,335)
Loss per share (cents per share)	5	5.50	16.11

Diluted loss per share is not shown as it is not materially different to basic loss per share

The accompanying notes form part of these financial statements.

Statement of Financial Position

	Notes	Consolidated	
		30 June 2013	30 June 2012
		$	$
Current Assets			
Cash and cash equivalents	6	1,359,398	2,289,472
Other receivables	7	232,895	680,187
Other assets	8	750,134	535,713
Total Current Assets		2,342,427	3,505,372
Non-Current Assets			
Other receivables	7	507,034	422,263
Plant and equipment	9	609,014	773,898
Intangibles	21	11,504,576	12,153,896
Total Non-Current Assets		12,620,624	13,350,057
Total Assets		14,963,051	16,855,429
Current Liabilities			
Trade and other payables	11	755,633	721,219
Borrowings	13	-	398,266
Employee benefits	12	274,212	344,472
Provisions		-	108,827
Other current liabilities		11,000	-
Total Current Liabilities		1,040,845	1,572,784
Non-Current Liabilities			
Lease incentive		268,714	320,143
Total Non-Current Liabilities		268,714	320,143
Total Liabilities		1,309,559	1,892,927
Net Assets		13,653,492	14,962,502
Equity			
Issued capital	14	38,183,200	34,810,591
Reserves	15	2,282,239	1,604,787
Accumulated losses		(26,811,947)	(21,452,876)
Total Equity		13,653,492	14,962,502

The accompanying notes form part of these financial statements.

Statement of Cash Flows

	Notes	Consolidated	
		30 June 2013	30 June 2012
		$	$
Cash Flows From Operating Activities			
Receipts from customers		4,176,359	2,547,100
Payments to suppliers and employees		(8,762,552)	(9,849,744)
R & D tax offset refunded		916,119	-
Payments for exploration and evaluation expenditure		(27,959)	-
Interest received		598,859	798,592
Interest paid		-	(4,219)
Net cash used in operating activities	18	(3,099,174)	(6,508,271)
Cash Flows From Investing Activities			
Payments for plant and equipment		(50,566)	(870,159)
Payments for intangibles		(111,423)	(272,398)
Proceeds from sale of mining tenements		135,000	475,000
Payments for exploration and evaluation expenditure		-	(44,419)
Payments for deposits placed		-	(401,762)
Payment for subsidiary, net of cash acquired		-	(499,901)
Net cash used in investing activities		(26,989)	(1,613,639)
Cash Flows From Financing Activities			
Repayment of borrowings	13	(309,557)	-
Proceeds from issue of shares	14	2,664,114	134,764
Capital raising costs		(158,468)	(40,991)
Net cash provided from financing activities		2,196,089	93,773
Net decrease in cash held		(930,074)	(8,028,137)
Cash at beginning of year		2,289,472	10,317,609
Cash at end of year	6	1,359,398	2,289,472

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

	Notes	Issued Capital	Accumulated Losses	Reserve	Total
		$	$	$	$
Balance at 1 July 2011		15,128,715	(11,425,541)	325,436	4,028,610
Total comprehensive income					
- Loss for the period		-	(10,027,335)	-	(10,027,335)
Transactions recorded directly in equity					
- Share-based payments		50,000	-	1,279,351	1,329,351
- Shares issued to vendors of EML		9,775,000	-	-	9,775,000
- Issue of share capital		10,000,000	-	-	10,000,000
- Transfer on conversion of options		4,964	-	-	4,964
- Issue costs		(148,088)	-	-	(148,088)
Balance at 30 June 2012		34,810,591	(21,452,876)	1,604,787	14,962,502
Balance at 1 July 2012		34,810,591	(21,452,876)	1,604,787	14,962,502
Total comprehensive income					
- Loss for the period		-	(5,359,071)	-	(5,359,071)
Transactions recorded directly in equity					
- Share-based payments		763,273	-	677,452	1,440,725
- Issue of share capital	14	2,664,114	-	-	2,664,114
- Issue costs		(54,778)	-	-	(54,778)
Balance at 30 June 2013		38,183,200	(26,811,947)	2,282,239	13,653,492

The accompanying notes form part of these financial statements

Notes to Financial Statements

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Emerchants Limited (Company), formerly known as Adept Solutions Limited, is a company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or Emerchants).

(b) Basis of preparation

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

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

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

The financial report is presented in Australian dollars.

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

(c) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

The following new and revised Standards and Interpretations have been adopted in the current year.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments arising under AASB 2011-9 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2013. As a result of this review the Group have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

(d) Statement of compliance

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

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

(e) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Emerchants Limited ('Company' or 'Parent Entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Emerchants Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity or Emerchants.

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 exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

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

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

(f) Critical accounting estimates and judgements

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

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

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and other intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and other intangibles with indefinite useful lives are discussed in Note 21.

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 and 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 17).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Breakage income

Breakage income or Termination fees are recognised over the life of 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.

Recovery of deferred tax assets

Deferred tax assets are currently not recognised in the financial statements but will be subject to ongoing review.

(g) Going Concern

Notwithstanding the fact that the Company incurred a Net Loss for the year of $5,359,071, the Directors are of the opinion that the Company is a going concern for the following reasons:

- The net loss for the period incorporates a significant amount of non-cash items such as share-based payments ($1,440,725) and depreciation and amortisation expense ($957,097) which accounts for a substantial proportion of the net loss for the period.
- The Directors consider the Company is able to raise additional capital if considered necessary such as occurred during the period under review where the Company raised $2,664,114 of equity capital via an issue of ordinary shares at $0.09 per share.
- The Directors also anticipate that the Group will continue to grow its revenues in the next financial year and that the growth in revenues will significantly exceed the growth in costs.

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

(h) Segment reporting

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

(i) Revenue recognition

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

(i) Sale of goods

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

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

(ii) Rendering of services

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

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

(iii) Breakage income

Breakage income or Termination fees are recognised over the life of non-reloadable cardholder accounts based on agreed terms and the residual percentage of the initial load amount that is expected to be left on a card upon expiry.

(iv) Interest income

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

(j) Leases

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

(k) Income tax

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

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

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

Tax consolidation legislation

Emerchants Limited 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.

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

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

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST 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 included.

The net amount of GST 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 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 recoverable from, or payable to, the taxation authority.

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

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

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

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

(n) Cash and cash equivalents

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

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

(o) Trade and other receivables

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

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

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

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

(p) Financial 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 way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

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

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

(q) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(ii) Financial liabilities

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

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

(r) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(s) Plant and equipment

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

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

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

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

(i) Impairment

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

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

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

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

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

(ii) Derecognition and disposal

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

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

(t) Goodwill

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

(u) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets – research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

Restraint of trade	12 months
Edge Contract	12 months
Capitalised development	5 years

(v) Trade and other payables

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

(w) Provisions

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

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

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

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

(x) Employee leave benefits

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

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

(ii) Long service leave

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

(y) Share-based payment transactions

(i) Equity settled transactions:

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

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

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

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in Note 17.

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

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

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

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the director or employee, as measured at the date of modification.

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

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

(z) Issued capital

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

(aa) Earnings per share

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

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

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

(ab) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) *the rights to tenure of the area of interest are current; and*

(ii) *at least one of the following conditions is also met:*

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(ac) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the Group's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

(ad) Parent entity financial information

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

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

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

(ii) *Share-based payments*

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

NOTE 2 REVENUE AND EXPENSES

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

	Consolidated	
(a) Revenue includes	2013 $	2012 $
Establishment and termination fees	2,273,872	1,710,383
Transaction fees	1,925,183	1,262,310
Interest received – host based stored value	585,819	533,256
Interest received – other entities	118,468	265,336
Service fees	130,275	-
	5,033,617	3,771,285

(b) Other expenses include		
Consultancy and advisory services	332,753	539,134
Travel & entertainment	452,069	625,069
Advertising	106,251	138,458
Rent & Buildings	433,203	442,688
Recruitment	148,343	450,205
Software subscriptions and support	130,003	407,669
Outsourced administration services	-	350,000

NOTE 3 AUDITOR'S REMUNERATION

	2013 $	2012 $
The auditor of Emerchants Limited is HLB Mann Judd.		
Auditor of the parent entity		
Audit or review of the financial reports	77,000	57,500
Other services - Review of financial information contained in the prospectus	-	6,200
	77,000	63,700
Network firm of the parent company auditor		
Audit or review of the financial statements of subsidiary	47,750	11,250
Other services	-	-
	47,750	11,250
Other Firm - BDO Audit Pty Ltd		
Audit or review of the financial statements of subsidiary	-	33,279
Other services - audit of Cardholders funds accounts required under agreement with existing Authorised Deposit-taking Institutions.	16,235	7,100
	16,235	40,379

NOTE 4 INCOME TAX BENEFIT

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

	Consolidated	
	2013 $	2012 $
Current income tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Refundable R & D tax offset	494,009	397,110
Total income tax benefit	494,009	397,110

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

Loss before income tax	(5,853,080)	(10,424,445)
Income tax using the domestic corporation tax rate of 30% (2012: 30%)	(1,755,924)	(3,127,334)
Tax effect of:		
Prior year adjustments	-	314,629
Non-deductible expenses	433,604	396,636
Unused tax losses and temporary differences not recognised as deferred tax assets	1,322,320	2,416,069
Refundable R&D tax offset	494,009	397,110
Income tax benefit	494,009	397,110

(c) Unrecognised deferred tax balances

Deferred tax assets and (liabilities) calculated at 30% (2012: 30%) have not been recognised in respect of the following:

Income tax losses	5,852,756	4,826,023
Temporary differences	473,739	440,704
	6,326,495	5,266,727

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (and deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements.

NOTE 5 LOSS PER SHARE

	Consolidated	
	2013 Cents per share	2012 Cents per share
Basic loss per share	5.50	16.11
Weighted average number of ordinary shares used in calculation of earnings per share	97,470,502	62,236,822
Loss used in calculation of basic loss per share	(5,359,071)	(10,027,335)

Diluted loss per share is not presented as the entity does not have on issue any dilutive potential ordinary shares.

NOTE 6 CASH AND CASH EQUIVALENTS

	Consolidated	
	2013 $	2012 $
Cash on hand and at bank	559,398	2,289,472
Short-term deposits	800,000	-
	1,359,398	2,289,472

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

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

NOTE 7 RECEIVABLES – CURRENT

	Consolidated	
Current	2013 $	2012 $
Refundable R & D tax offset	-	422,110
Interest receivable	129,749	-
Other receivables	103,146	258,077
	232,895	680,187
Non-current		
Cuscal security deposit (i)	250,000	250,000
Bank guarantee deposit (ii)	160,462	160,462
Other	96,572	11,801
	507,034	422,263

No receivables are past due.
(i) Deposit required as per agreement with Cuscal Limited for the provision of services.
(ii) Deposit placed for the issue of bank guarantee to the lessor of premise located at 26 Commercial Road, Newstead, QLD.

NOTE 8 OTHER ASSETS

	Consolidated	
	2013 $	2013 $
Accrued breakage fee (i)	578,565	425,593
Shortfall funding (ii)	70,000	-
Prepaid insurance expenses	89,251	39,965
Other	12,318	70,155
	750,134	535,713

(i) Accrued breakage represents the portion of expired funds that Emerchants Payment Solutions Limited expects to receive when a non-reloadable card expires.
(ii) Funds provided by the Company to offset the delay in the receipt of funds from a distribution partner to ensure the customer's account is fully funded and operable immediately upon purchase.

NOTE 9 PLANT AND EQUIPMENT

The useful life of the assets was estimated as follows for both 2012 and 2013:

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

	Consolidated				
	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Low Value Pool $	Total $
Year ended 30 June 2013					
At 1 July 2012, net of accumulated depreciation and impairment	338,982	67,712	361,770	5,434	773,898
Additions	33,790	11,266	5,510	-	50,566
Disposals	(6,480)	(12,616)	-	-	(19,096)
Impairment	-	-	-	-	-
Depreciation charge for the year	(115,249)	(7,454)	(68,217)	(5,434)	(196,354)
At 30 June 2013, net of accumulated depreciation and impairment	251,043	58,908	299,063	-	609,014
At 1 July 2012					
Cost or fair value	526,944	87,875	412,414	23,041	1,050,274
Accumulated depreciation and impairment	(187,962)	(20,163)	(50,644)	(17,607)	(276,376)
Net carrying amount	338,982	67,712	361,770	5,434	773,898
At 30 June 2013					
Cost or fair value	541,840	79,398	417,924	23,041	1,062,203
Accumulated depreciation and impairment	(290,797)	(20,490)	(118,861)	(23,041)	(453,189)
Net carrying amount	251,043	58,908	299,063	-	609,014

	Consolidated				
	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Low Value Pool $	Total $
Year ended 30 June 2012					
At 1 July 2011, net of accumulated depreciation and impairment	5,842	1,842	-	-	7,684
Additions	442,371	61,079	412,414	-	915,864
Disposals	(45,706)	-	-	-	(45,706)
Reclassification	983	(983)	-	-	-
Acquired through business combinations	48,170	11,713	23,573	9,754	93,210
Depreciation charge for the year	(112,678)	(5,939)	(74,217)	(4,320)	(197,154)
At 30 June 2011, net of accumulated depreciation and impairment	338,982	67,712	361,770	5,434	773,898
At 1 July 2011					
Cost or fair value	13,024	6,188	-	-	19,212
Accumulated depreciation and impairment	(7,182)	(4,346)	-	-	(11,528)
Net carrying amount	5,842	1,842	-	-	7,684
At 30 June 2012					
Cost or fair value	526,944	87,875	412,414	23,041	1,050,274
Accumulated depreciation and impairment	(187,962)	(20,163)	(50,644)	(17,607)	(276,376)
Net carrying amount	338,982	67,712	361,770	5,434	773,898

NOTE 10 EXPLORATION & EVALUATION EXPENDITURE

	Consolidated	
	2013 $	2012 $
Cost brought forward in respect of areas of interest in the exploration and evaluation stage	-	914,607
Expenditure incurred and capitalised during the year	-	909
Expenditure written off during the year	-	(915,516)
Cost carried forward	-	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of respective areas. As the Company is now entirely focused on the provision of payment services and is not undertaking significant operations regarding its existing mining tenements, the tenements were written off during the year ended 30 June 2012. Expenditure incurred during the current year has been expensed directly, as the expenditure does not meet the criteria for recognition as an asset.

NOTE 11 PAYABLES

	Consolidated	
	2013 $	2012 $
Trade and other payables	638,641	721,219
Accrued Directors fees (i)	116,992	-
	755,633	721,219

All payables are non-interest bearing and are normally settled on 30 day terms.
(i) In order to assist with cash management, for the period 1 March 2013 to 30 June 2014, the Non-executive Directors have agreed to forego the cash payment of Director's fees in substitution of an issue of options, which are subject to shareholder approval. Shareholder approval for the issue of these options to the Non-executive Directors will be sought at the Company's Annual General Meeting in November 2013. The foregone fees have been accrued in the Company's Financial Statements as the Directors may be paid these fees should the issue of the options not be approved at the Company's Annual General Meeting in November 2013.

NOTE 12 EMPLOYEE BENEFITS – CURRENT

	Consolidated	
	2013 $	2012 $
Employee entitlements	274,212	344,472

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

NOTE 13 BORROWINGS

	Consolidated	
	2013 $	2012 $
V Selochan (i)	-	50,000
Globetrotter Group Pty Ltd (ii)	-	348,266
	-	398,266

(i) The loan from V Selochan was fully repaid by Emerchants Payment Solutions Limited in September 2012.
(ii) The loan from Globetrotter Group Pty Ltd was fully repaid by Emerchants Payment Solutions Limited in June 2013, as a result of a settlement reached between the two parties. At 30 June 2013 an element of the loan previously shown as payable to Globetrotter Group Pty Ltd has been transferred to Trade and other payables as this was attributable to Pay as you go (PAYG) and payroll tax withholding and was settled in the regulatory timeframes shortly after 30 June 2013.

NOTE 14 ISSUED CAPITAL

	Consolidated 2013 $	Consolidated 2012 $
101,818,047 fully paid ordinary shares (30 June 2012: 62,772,334)	38,183,200	34,810,591

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.

	2013		2012	
Movement in issued shares for the year:	No.	$	No.	$
Balance at start of the year	62,772,334	34,810,591	37,879,475	15,128,715
Issued for cash (i)	29,601,270	2,664,114	11,764,715	10,000,000
Shares issued for the acquisition of a subsidiary	-	-	11,500,000	9,775,000
Share-based payments to directors & executives (ii)	9,444,443	763,273	731,453	-
Share-based payments to advisory group	-	-	739,705	-
Share-based payment for consulting services	-	-	147,059	50,000
Options exercised	-	-	9,927	4,964
Costs associated with the issue of shares	-	(54,778)	-	(148,088)
Balance at end of the year	101,818,047	38,183,200	62,772,334	34,810,591

(i) Relates to the issue of:

- 15,692,942 fully paid shares issued 26 July 2012 at a price of $0.09 for a total of $1,412,364 being the fully subscribed renounceable Rights Issue entitling existing shareholders to subscribe for new shares on the basis of 1 new share for every 4 shares held at 20 June 2012.
- 13,908,328 fully paid ordinary shares issued at a price of $0.09 on 3 August 2012 which comprised a placement of $1,100,000 and additional oversubscriptions of $151,750.

(ii) Relates to the issue of:

- 3,888,888 fully paid ordinary shares to Mr Peter Martin as Director approved by shareholders at the General Meeting held on 13 November 2012 (grant date). The shares were issued on 20 November 2012. The fair value of the grant amounted to $505,555 and was fully expensed during the financial year.
- 5,555,555 fully paid ordinary shares to Mr Tom Cregan as an Executive pursuant to his employment agreement. The shares were issued on 3 August 2012. The fair value of the award amounted to $500,000 and will be amortised over the financial years 2013, 2014 and 2015. $257,718 has been expensed during the year.

Options over ordinary shares	Consolidated 2013 No.	Consolidated 2012 No.
Options on issue at beginning of year	39,761,399	27,788,658
Options issued during the year (i)	12,000,000	12,970,000
Options exercised during the year	-	(9,927)
Options cancelled during the year	-	(933,332)
Options expired during the year	(30,094,731)	(54,000)
Options on issue at end of year	21,666,668	39,761,399

(i) 12,000,000 performance-based options

On 21 September 2012, 10,250,000 performance-based options were granted to selected employees. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 10,250,000 options granted commenced on 21 September 2012 and expires on 30 September 2015 and are exercisable subject to certain financial performance criteria being achieved in financial year ending 30 June 2015. The specific details of the financial performance criteria have been disclosed in the Remuneration report.

On 13 November 2012 an award of 1,750,000 performance-based options to Mr Tom Cregan as Managing Director was approved by shareholders at the General Meeting. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 1,750,000 options granted commenced on 13 November 2012 and expires on 30 September 2015 and are exercisable subject to certain financial performance criteria being achieved in FY15. The specific details of the financial performance criteria have been disclosed in the Remuneration report.

A total expense of $98,063 was recognised in the profit or loss during the year in relation to the award of the 12,000,000 performance based options. Management have assessed that the vesting conditions would be met and the options would ultimately vest. This assessment will be reviewed at each reporting date.

		Consolidated	
		2013 No.	2012 No.
Date of Expiry	**Exercise Price**		
31 October 2012	$0.60	-	15,000
2 November 2012	$0.85	-	3,970,000
31 December 2012	$0.55	-	30,000
19 April 2013	$0.50	-	26,079,731
1 June 2014	$1.30	666,668	666,668
18 July 2014	$1.45	6,000,000	6,000,000
5 January 2015	$0.50	2,000,000	2,000,000
4 February 2015	$0.50	1,000,000	1,000,000
30 September 2015	$0.15	12,000,000	-
		21,666,668	39,761,399

NOTE 15 OPTIONS RESERVE

	Consolidated	
	2013 $	2012 $
Balance at beginning of the financial year	1,604,787	325,436
Share-based payments	677,452	1,279,351
Balance at end of the year	2,282,239	1,604,787

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

NOTE 16 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 share 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 (2012: $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 Listing Rules.

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

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

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

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

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

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 $677,452 (2012: $1,279,351).

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

Options – Series	Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Fair value at grant date
ESOP 1						
(a) Granted 7 November 2007	15,000	7/11/2007	7/11/2007	31/10/2012	$0.60	$0.6685
(b) Granted 28 April 2008	30,000	28/04/2008	28/04/2008	31/12/2012	$0.55	$0.4310

No options were granted in the current or prior financial year under ESOP 1.

Options – Series	Number	Grant Date	Vest Date	Expiry Date	Exercise Price	Fair value at grant date
ESOP 2						
(1) Granted 29 June 2011	200,000	29/06/2011	29/06/2011	18/07/2014	$1.45	$0.2444
(2) Granted 29 June 2011	5,800,000	29/06/2011	(*)	18/07/2014	$1.45	$0.2444
(3) Granted 1 November 2011	3,970,000	1/11/2011	30/09/2012	30/09/2012	$0.85	$0.0319
(4) Granted 3 January 2012	2,000,000	3/01/2012	2/01/2015	05/01/2015	$0.50	$0.2188
(5) Granted 1 February 2012	1,000,000	1/02/2012	1/02/2015	04/02/2015	$0.50	$0.1721
(6) Granted 21 September 2012	10,250,000	21/09/2012	21/09/2015	30/09/2015	$0.15	$0.0266
(7) Granted 13 November 2012	1,750,000	13/11/2012	21/09/2015	30/09/2015	$0.15	$0.0726

The weighted average of fair value of options granted during the year under ESOP 2 is $0.0333 per option (2012: $0.1056).

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

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

	Consolidated			
	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	13,015,000	$1.0449	99,000	$0.6727
Issued during the financial year	12,000,000	$0.1500	12,970,000	$1.0466
Exercised during the financial year (i)	-	-	-	-
Lapsed during the financial year	(4,015,000)	($0.8468)	(54,000)	($1.0000)
Balance at end of the financial year (ii)	21,000,000	$0.5714	13,015,000	$1.0449

(i) Options exercised during the financial year:
No share options granted under the plans were exercised during the financial year.
(ii) 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 $0.5714 (2012: $1.0449) and a weighted average remaining contractual life of 660 days (2012: 530 days).

NOTE 17 SHARE-BASED PAYMENTS

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

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7
Number of options	200,000	5,800,000	3,970,000	2,000,000	1,000,000	10,250,000	1,750,000
Dividend yield (%)	0%	0%	0%	0%	0%	0%	0%
Expected volatility (%)	70%	70%	70%	135%	136%	99%	124%
Risk-free interest rate (%)	5.29%	5.29%	4.76%	4.76%	4.76%	2.52%	2.52%
Expected life of option (years)	3.05 years	3.02 years	1.01 years	3.01 years	3.01 years	3.02 years	2.88 years
Expiry date	18/07/2014	18/07/2014	30/09/2012	05/01/2015	04/02/2015	30/09/2015	30/09/2015
Exercise price	$1.45	$1.30	$0.85	$0.50	$0.50	$0.15	$0.15
Grant date share price	$0.85	$1.08	$0.43	$0.37	$0.30	$0.07	$0.13
Performance measures	n/a	n/a	n/a	n/a	n/a	(*)	(*)

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.

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

NOTE 18 STATEMENT OF CASH FLOWS

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

	Consolidated	
	2013 $	**2012 $**
Operating loss after income tax	(5,359,071)	(10,027,335)
Add: Non-cash items		
Depreciation and amortisation	957,097	2,032,355
Loss on disposal of plant & equipment	15,469	-
Exploration and evaluation expenditure written off	-	1,629,511
Share-based payments	1,440,725	1,329,351
Change in operating assets and liabilities		
(Increase) / decrease in other assets	(46,818)	(1,752,254)
(Increase) / decrease in other receivables	(70,729)	14,187
Increase / (decrease) in trade & other payables	34,414	(165,579)
Increase / (decrease) in employee benefits	(70,260)	431,493
Net cash used in operating activities	(3,099,174)	(6,508,271)

NOTE 19 DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel ("KMP")

The Remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the parent company, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

(i) Directors

Bob Browning	Chief Executive Officer & Executive Chairman - resigned as Chief Executive Officer 1 April 2012, resigned as Executive Chairman 27 August 2012. Chairman (non-executive) – appointed 27 August 2012
Tom Cregan	Managing Director and Chief Executive Officer – appointed Managing Director 27 August 2012
Tony Adcock	Director (non-executive)
David Liddy	Director (non-executive)
Peter Martin	Director (non-executive)
John Toms	Director (non-executive)

(ii) Executives

Richard Anderson	Chief Commercial Officer
Yasmin Broughton	General Counsel and Company Secretary
James Ingram	Chief Technical Officer
Bruce Stewart	Chief Financial Officer

(b) Key Management Personnel Remuneration

	Consolidated	
	2013 $	2012 $
Short-term employee benefits	1,738,910	1,732,023
Post-employment	105,924	191,652
Other long-term benefits	-	-
Share-based payments	1,292,821	1,119,425
	3,137,655	3,043,100

NOTE 20 RELATED PARTY DISCLOSURES

(a) Equity Interests in related parties

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 22 to the financial statements.

Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 24 to the financial statements.

(b) Transactions within wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly-owned group and;
- The wholly-owned controlled entities

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

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

(c) Transactions with key management personnel

The following comprises amounts paid or payable to entities in which Directors have an interest.

	Consolidated entity			
	Expenditure Related Parties		Amounts Owed to Related Parties	
Directors	2013 $	2012 $	2013 $	2012 $
John Toms (Oakton Pty Ltd for corporate governance services)	2,922	85,683	-	-
Robert Browning *	33,063	-	33,063	-
Tony Adcock*	21,073	-	21,073	-
David Liddy*	21,073	-	21,073	-
Peter Martin*	19,983	-	19,983	-
John Toms*	21,800	-	21,800	-

* Director's fees accrued from 1 March to 30 June 2013. 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 will be subject to shareholder approval at the annual general meeting in November 2013.

(d) Option holdings of key management personnel

30 June 2013	Opening Balance	Granted as remuneration	Options exercised	Net change Other #	Closing balance	Balance vested at 30 June 2013	Vested but not exercisable	Vested and exercisable	Options vested during year
Directors									
Robert Browning	5,400,000	-	-	(2,800,000) (i)	2,600,000	1,800,000	-	1,800,000	800,000
Tom Cregan	2,000,000	1,750,000	-	-	3,750,000	-	-	-	-
Tony Adcock	1,000,000	-	-	(1,000,000) (i)	-	-	-	-	-
David Liddy	-	-	-	-	-	-	-	-	-
Peter Martin	-	-	-	-	-	-	-	-	-
John Toms	200,000	-	-	-	200,000	200,000	-	200,000	-
Executives									
Richard Anderson	-	1,750,000	-	-	1,750,000	-	-	-	-
Yasmin Broughton	3,200,000	1,750,000	-	(2,000,000) (ii)	2,950,000	850,000	-	850,000	350,000
James Ingham	-	1,750,000	-	-	1,750,000	-	-	-	-
Bruce Stewart	2,000,000	1,750,000	-	(1,000,000) (ii)	2,750,000	-	-	-	-
Total	**13,800,000**	**8,750,000**	**-**	**(6,800,000)**	**15,750,000**	**2,850,000**	**-**	**2,850,000**	**1,150,000**

Includes forfeitures

(i) Listed options expired in April 2013.
(ii) ESOP options expired in November 2012.

(d) Option holdings of key management personnel (continued)

30 June 2012	Opening Balance	Granted as remuneration	Options exercised	Net change Other #	Closing balance	Balance vested at 30 June 2013	Vested but not exercisable	Vested and exercisable	Options vested during year
Directors									
Tony Adcock	-	-	-	1,000,000	1,000,000	-	-	-	-
Robert Browning	2,800,000	2,600,000	-	-	5,400,000	1,000,000	-	1,000,000	1,000,000
Mark Barnaba	-	-	-	5,100,000	5,100,000	n/a	n/a	n/a	n/a
John Battley	-	-	-	-	-	n/a	n/a	n/a	n/a
Tom Cregan	-	2,000,000	-	-	2,000,000	-	-	-	-
Bryant Plavsic	3,315,000	2,000,000	-	-	5,315,000	800,000	-	800,000	800,000
David Liddy		-	-	-	-	-	-	-	-
Peter Martin		-	-	-	-	-	-	-	-
John Terpu	997,034	-	-	-	997,034	n/a	n/a	n/a	n/a
John Toms	-	200,000	-	-	200,000	-	-	-	-
John Willinge	-	-	-	2,403,600	2,403,600	n/a	n/a	n/a	n/a
Executives									
Richard Anderson	-	-	-	-	-	-	-	-	-
Yasmin Broughton	-	3,200,000	-	-	3,200,000	500,000	-	500,000	500.000
James Ingham	-	-	-	-	-	-	-	-	-
Bruce Stewart	-	2,000,000	-	-	2,000,000	-	-	-	-
Total	**7,112,034**	**12,000,000**	**-**	**8,503,600**	**27,615,634**	**2,300,000**	**-**	**2,300,000**	**2,300,000**

Includes forfeitures
*On 29 June 2011 unlisted options were granted to the following Directors and Executives which were subsequently issued on 13 July 2011. Consequently the amounts have been included in the 2012 financial year:
2,600,000 to Robert Browning.
2,000,000 to Bryant Plavsic.
1,200,000 to Yasmin Broughton.
200,000 to John Toms

(e) Share holdings of key management personnel

Ordinary shares held in Emerchants Limited (number)

30 June 2013	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net change Other	Balance at end of year	Balance vested at 30 June
Directors						
Robert Browning	1,093,635	-	-	506,740	1,600,375	1,600,375
Tom Cregan	-	5,555,555 (i)	-	5,555,554	11,111,109	-
Tony Adcock	20,000	-	-	60,549	80,549	80,549
David Liddy	250,000	-	-	750,000	1,000,000	1,000,000
Peter Martin	33,502	3,888,888 (ii)	-	5,563,930	9,486,320	9,486,320
John Toms	-	-	-	-	-	-
Executives						
Richard Anderson	-	-	-	277,777	277,777	277,777
Yasmin Broughton	8,300	-	-	-	8,300	8,300
James Ingham	-	-	-	444,444	444,444	444,444
Bruce Stewart	-	-	-	564,385	564,385	564,385

(i) 5,555,555 fully paid ordinary shares to Mr Tom Cregan as an Executive pursuant to his employment agreement. The shares were issued on 3 August 2012. The fair value of the award amounted to $500,000 and will be amortised over the FY13, FY14 and FY15 years
(ii) 3,888,888 fully paid ordinary shares to Mr Peter Martin as Director approved by shareholders at the General Meeting held on 13 November 2012 (grant date). The shares were issued on 20 November 2012. The fair value of the grant amounted to $505,555 and was fully expensed in the year.

30 June 2012	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net change Other	Balance at end of year	Balance vested at 30 June
Directors						
Robert Browning	576,923	417,973	-	98,739	1,093,635	1,093,635
Tom Cregan	-	-	-	-	-	-
Tony Adcock	-	-	-	20,000	20,000	20,000
David Liddy	-	-	-	250,000	250,000	250,000
Peter Martin	-	-	-	33,502	33,502	33,502
John Toms	-	-	-	-	-	-
Executives						
Richard Anderson	-	-	-	-	-	-
Yasmin Broughton	-	-	-	8,300	8,300	8,300
James Ingham	-	-	-	-	-	-
Bruce Stewart	-	-	-	-	-	-

NOTE 21 INTANGIBLES

	Consolidated					
	Software licenses $	Brand & customer lists $	Restraint of trade $	Customer contract $	Goodwill $	Total $
Balance at 1 July 2012						
At 1 July 2012, net of accumulated amortisation and impairment	1,331,523	45,000	-	-	10,777,373	12,153,896
Additions	111,423	-	-	-	-	111,423
Amortisation charge for the year	(760,743)	-	-	-	-	(760,743)
At 30 June 2013, net of accumulated amortisation and impairment	**682,203**	**45,000**	**-**	**-**	**10,777,373**	**11,504,576**
At 30 June 2013						
Cost or fair value	2,183,822	45,000	54,000	1,040,325	10,777,373	14,100,520
Accumulated amortisation and impairment	(1,501,619)	-	(54,000)	(1,040,325)	-	(2,595,944)
Net carrying amount	**682,203**	**45,000**	**-**	**-**	**10,777,373**	**11,504,576**

No impairment loss was recognised for continuing operations for the year ended 30 June 2013.

Goodwill has been allocated for impairment testing to the Emerchants Payment Solutions Limited cash generating unit.

The recoverable amount of the Emerchants Payment Solutions Limited cash generating unit 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 5 year period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 12.2% that reflects current market assessments of the time value of money and the risks specific to the asset.

	Consolidated					
	Software licenses $	Brand & customer lists $	Restraint of trade $	Customer contract $	Goodwill $	Total $
Balance at 1 July 2011						
At 1 July 2011, net of accumulated amortisation and impairment	-	-	-	-	-	-
Additions	272,399	-	-	-	-	272,399
Acquisitions through business combinations	1,800,000	45,000	54,000	1,040,325	10,777,373	13,716,698
Amortisation expense	(740,876)	-	(54,000)	(1,040,325)	-	(1,835,201)
At 30 June 2012, net of accumulated amortisation and impairment	1,331,523	45,000	-	-	10,777,373	12,153,896
At 30 June 2012						
Cost or fair value	2,072,399	45,000	54,000	1,040,325	10,777,373	13,989,097
Accumulated amortisation and impairment	(740,876)	-	(54,000)	(1,040,325)	-	(1,835,201)
Net carrying amount	1,331,523	45,000	-	-	10,777,373	12,153,896

Carrying amount of goodwill, allocated to the cash generating units

	Consolidated			
	% goodwill allocated to CGU		Carrying amount of goodwill allocated to CGU	
	2013 $	2012 $	2013 $	2012 $
Emerchants Payment Solutions Limited	100%	100%	10,777,373	10,777,373

Key assumptions used in value-in-use calculations for Emerchants Payment Solutions Limited for 30 June 2013.

The following describes each key assumption on which management has based its cash flow projections when determining the value-in-use of Emerchants Payment Solutions Limited.

- Forecast revenues – the basis used to determine the value assigned to the forecast revenues is the volume growth in the four key metrics and the forecasted sales price of each separable product.
- The volume growth in the key metrics is determined by a combination of historical growth rates and the expected mix of products that will be offered each year. The key growth assumptions are as follows:
  - Total funds loaded onto accounts: compound annual growth rate FY14 - FY18: 42% (FY09 - FY13: 49%).
  - Number of active accounts: compound annual growth rate FY14 - FY18: 25% (FY09 - FY13: 100%).
  - Stored value on accounts: compound annual growth rate FY14 - FY18: 35% (FY09 - FY13: 86%).
  - Number of key transactions: compound annual growth rate FY14 - FY18: 35% (FY09 - FY13: 87%).
- Values assigned to the sale price of each unit reflect past experience with relevant amendments for new product offerings.
- Interest income on stored value is based on the Reserve Bank of Australia overnight lending rate at the beginning of the budgeted year, less the specific yield charged by each ADI.
- Senior management believes the growth rate and unit prices are justified based on historical performance and the introduction of new product offerings.
- Forecast gross margins – the basis used to determine the value assigned to the forecasted gross margins is the average gross margins achieved in FY13, decreased for expected margin erosion thereafter. Thus, values assigned to gross margins reflect past experience, with some provision for margin erosion based on increased sales volumes.

Sensitivity to changes in key assumptions

If the compound annual growth rate from FY14 - FY18 of the four key metrics used in the value in use calculation for Emerchants Payment Solutions Limited had been 50% lower than management's estimates at 30 June 2013, the group would still not be required to recognise an impairment charge. If the estimated cost of capital used in determining the pre-tax discount rate for Emerchants Payment Solutions Limited had been 50% higher than managements estimates, the group would still not be required to recognise an impairment charge.

NOTE 22 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		2013 %	2012 %
Parent Entity			
Emerchants Limited (formerly Adept Solutions Limited)	Australia		
Controlled Entities			
The Australian Land Company Pty Ltd	Australia	100	100
Australasia Gold (SA) Pty Ltd	Australia	100	100
Emerchants Payment Solutions Limited (formerly Emerchants Limited)	Australia	100	100

NOTE 23 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Other Expenditure Commitments

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

	2013 $	2012 $
Not later than one year	407,000	407,000
Later than one year but not later than five years	192,917	649,917
	599,917	1,056,917

The Group has the following material commitments:

1. Corporate Services Agreement with Telstra. The terms are 36 months and are due to expire in July 2014.
2. Service agreement with Cuscal Limited. The terms are 24 months and are due to expire in January 2015 with an option to extend for a further 3 years to January 2018.
3. Service agreement with Heritage Bank Limited. The terms are 36 months and are due to expire in August 2015 with an option to extend for a further 2 years to August 2017.

(b) Operating Lease Commitments

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

	2013 $	2012 $
Not later than one year	437,856	332,427
Later than one year but not later than five years	1,503,068	1,464,852
More than five years	-	48,625
	1,940,924	**1,845,904**

The Group has the following non-cancellable operating leases:

1. Rental of office premise in Brisbane, Queensland from Trust Company (Australia) Pty Limited. The terms are 84 months and are due to expire in August 2018.
2. Rental of a printer from Ricoh Australia Pty Ltd. The terms are 36 months and are due to expire in September 2014.
3. Rental of computing equipment from BOQ Finance (Aust) Limited. The terms are 36 months and are due to expire in September 2015.
4. Rental of office premise in Melbourne, Victoria from Paul Breen as Trustee for the Special Ventures Trust. The terms are 24 months and are due to expire in March 2015.

(c) Native Title

Native title claims have been made with respect to areas which include tenements in which Emerchants Limited has interests. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Group or its projects.

(d) Contingent Liabilities

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

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

Cuscal provides an HBSV account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to the provision of prepaid payment products. Cuscal has sole authority to transact on the licensee HBSV account. Due to the fact that the licensee does not have ownership or the right to direct operation of the HBSV account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 30 June 2013 is $18,815,407 (2012: $14,327,431).

Under the agreement:

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

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

Debit Card Value (DCV) account with Bank of Western Australia Limited (Bankwest)

Bankwest provides a DCV account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to in the provision of prepaid payment products. Bankwest has sole authority to transact on the licensee DCV account. Due to the fact that the licensee does not have ownership or the right to direct operation of the DCV account the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 30 June 2013 is $850,588 (2012: $970,176).

Under the agreement:

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

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

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

Heritage provides a PCD account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to in the provision of prepaid payment products. Heritage has sole authority to transact on the licensee PCD account. Due to the fact that the licensee does not have ownership or the right to direct operation of the PCD account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 30 June 2013 is $1,192,664 (2012: Nil).

Under the agreement:

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

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

NOTE 24 JOINT VENTURES

The Consolidated entity had interests in unincorporated joint ventures at 30 June 2013 as follows:

	Percentage Interest 2013	Percentage Interest 2012
Murninnie Joint Venture – Base metals and uranium	90%	90%

NOTE 25 SEGMENT INFORMATION

The Group has one reportable segment being the provision of payment services in Australia.

NOTE 26 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Credit risk

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

Cash and cash equivalents

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

Trade and other receivables

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

Exposure to credit risk

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

	Consolidated	
	Carrying amount	
	2013 $	2012 $
Cash and cash equivalents	1,359,398	2,289,637
Other receivables	232,895	680,187

Impairment Losses

None of the Group's other receivables are past due (2012: 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 and excluding the impact of netting agreements:

30 June 2013

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
Non-interest bearing	755,633	755,633	755,633	-	-	-

30 June 2012

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 years $
Non-interest bearing	1,119,485	1,119,485	1,119,485	-	-	-

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

The Company is not exposed to currency risk and at balance date the Group holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest Rate Risk

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

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

Profile

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

	Consolidated	
	Carrying amount	
	2013 $	2012 $
Variable rate instruments		
Financial assets – cash and cash equivalents	1,359,398	2,289,472

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. The analysis is performed on the same basis for 2011.

Company

	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
30 June 2013				
Variable rate instruments	13,594	(13,594)	13,594	(13,594)
30 June 2012				
Variable rate instruments	22,895	(22,895)	22,895	(22,895)

Fair Values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Consolidated			
	30 June 2013		30 June 2012	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and cash equivalents	1,359,398	1,359,398	2,289,472	2,289,472
Other receivables	232,895	232,895	680,187	680,187
Trade and other payables	(755,633)	(755,633)	(721,219)	(721,219)
Borrowings	-	-	(398,266)	(398,266)
	836,660	836,660	1,850,174	1,850,174

Capital Management

Capital is defined as the equity of the Group.

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

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

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

The Group is not subject to externally imposed capital requirements.

NOTE 27 PARENT ENTITY DISCLOSURES

Financial position	30 June 2013 $	30 June 2012 $
Assets		
Current assets	128,733	425,816
Non-current assets	18,681,109	18,459,019
Total assets	18,809,842	18,884,835
Liabilities		
Current Liabilities	368,236	415,745
Total liabilities	368,236	415,745
Net Assets	18,441,606	18,469,090
Equity		
Issued capital	38,183,200	34,860,591
Reserves	2,282,239	1,604,787
Accumulated losses	(22,023,833)	(17,946,288)
Total equity	18,441,606	18,469,090

Financial performance	30 June 2013 $	30 June 2012 $
Loss for the year	(4,077,545)	(6,520,747)
Other comprehensive income	-	-
Total comprehensive loss for the year	(4,077,545)	(6,520,747)

Commitments and Contingencies – refer Note 23.

Operating lease commitments and contingent liabilities referred to relate both the Parent Entity and subsidiary companies.

NOTE 28 SUBSEQUENT EVENTS

In early August we advised shareholders that we had entered contract negotiations with the Department of Treasury and Trade (QLD) and as at the time of completing the annual report a contract has not been signed. We will advise shareholders when we have further information to report.

On 8 July 2013 the Board approved the issue to Executives and other staff members of 2,600,000 performance based options to take up fully paid ordinary shares of the Company, of which 2,100,000 have been issued as at the date of signing of the financial report, and the implementation of a short term incentive plan **(FY14 STIP)** available to most of the employees of the Company in order to incentivise and retain existing employees and to attract new employees to the business. The FY14 STIP is funded from a bonus pool calculated by any surplus achievement of the Board approved FY14 EBITDA budget and is paid to employees as a maximum tiered percentage of their annual remuneration. The performance based options will vest subject to the achievement of at least three of five Board approved FY16 targets and other administrative conditions. The FY16 targets were approved by the Board on 8 July 2013.

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

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DIRECTORS DECLARATION

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

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

(i) giving a true and fair view of the group's financial position at 30 June 2013 and of its performance for the year then ended; and

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

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

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

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

Robert Browning
Chairman

20 August 2013

Independent Auditor’s Report

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR’S REPORT

To the members of Emerchants Limited

Report on the Financial Report

We have audited the accompanying financial report of Emerchants Limited (“the company”), which comprises the consolidated statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

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

In Note 1(d), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the financial report 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(d).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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.

Auditor's opinion

In our opinion the remuneration report of Emerchants Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
20 August 2013

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 Shareholder Information

As at 13 August 2013 the Company had 1,126 holders of Ordinary Fully Paid Shares.

Voting Rights

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

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

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

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

1.2 Distribution of Shares (as at 13 August 2013)

No.	Fully Paid Shares
1-1,000	70,591
1,001-5,000	776,398
5,001-10,000	1,277,839
10,001-100,000	13,678,206
100,001-over	86,135,013
Total	**101,938,047**

The number of shareholders holding less than a marketable parcel is 239.

1.3 Substantial Shareholders (as at 13 August 2013)

The following shareholders are recorded as substantial shareholders:

Name	Fully Paid Shares
	Number
Valleyrose Pty Ltd <Terpu Super Fund A/C>	5,705,603
Bt Portfolio Services Limited <Martin Super Fund A/C>	9,486,320
Ms Diana Barton Cregan	5,555,555
Tom Cregan And Associates Pty Ltd	5,555,554
Globetrotter Group Pty Ltd	5,332,400
Total	**31,635,432**

1.4 Holders of Unquoted Equity Securities (as at 13 August 2013)

A total of 21,666,666 unlisted options are on issue. 21,000,000 unlisted options are held by 3 Directors and other employees under the company's employee options plan.

1.5 Twenty Largest Shareholders (as at 13 August 2013)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
Valleyrose Pty Ltd <Terpu Super Fund A/C>	5,705,603	5.60%
Bt Portfolio Services Limited <Martin Super Fund A/C>	5,597,432	5.49%
Ms Diana Barton Cregan	5,555,555	5.45%
Globetrotter Group Pty Ltd	5,332,400	5.23%
Emerchants Holdings Pty Ltd	4,167,600	4.09%
Thomas Anthony Cregan	3,888,888	3.81%
Bt Portfolio Services Limited Martin Super Fund	3,888,888	3.81%
Aust Executor Trustees Sa Ltd <Tea Custodians Limited>	3,648,338	3.58%
Ubs Nominees Pty Ltd	3,521,383	3.45%
Wildwood Capital Pty Ltd	3,333,333	3.27%
Tom Cregan And Associates Pty Ltd	1,666,666	1.63%
Victor John Delosa & Gayle Winter Moore Alicudi Super Fund	1,666,666	1.63%
J P Morgan Nominees Australia Limited	1,292,404	1.27%
Lee Smash Repairs Pty Ltd <Lsr Superannuation Fund A/C>	1,275,000	1.25%
Citicorp Nominees Pty Limited	1,251,326	1.23%
Ioof Investment Management Limited <Iiml - Lsf A/C>	1,182,402	1.16%
Wildwood Capital Pty Ltd	1,176,471	1.15%
Bt Portfolio Services Limited <Maxwell Family A/C>	1,111,111	1.09%
Blueflag Investments Pty Ltd	1,085,000	1.06%
Alverstoke Consolidated Llc	1,036,539	1.02%
Westlink Asset Pty Ltd The Venia	1,000,000	0.98%
Invia Custodian Pty Limited <Liddy Family Super Fund A/C>	1,000,000	0.98%
St Super Pty Ltd <Samuel Tusa Super Fund A/C>	1,000,000	0.98%
Orbit Drilling Pty Ltd	904,513	0.89%
Total	**61,287,518**	**60.12%**

1.6 Share Buy-Backs

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

2. Other Information

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