EML.

2020 Interim Report.

Money in Motion

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

Gift & Incentive ('G&I')

GROSS DEBIT VOLUME

$0.84bn

↑26% on H1 FY19

REVENUE

$40.1m

↑24% on H1 FY19

General Purpose Reloadable ('GPR')

GROSS DEBIT VOLUME

$1.47bn

↑5% on H1 FY19

REVENUE

$13.2m

↑7% on H1 FY19

Virtual Account Numbers ('VANS')

GROSS DEBIT VOLUME

$4.31bn

↑106% on H1 FY19

REVENUE

$5.5m

↑174% on H1 FY19

APPROXIMATELY

1,500 IN **23**

CARD PROGRAMS COUNTRIES

GROUP GDV (H1 FY20)

$6.62bn ↑ 60%

REVENUE (H1 FY20)

$59.2m ↑ 25%

EBITDA (H1 FY20)

$19.7m ↑ 42%

Contents.

Directors' Report.

The first six months of the 2020 financial year was a significant one for EML, capped off with our acquisition of Prepaid Financial Services ("PFS")[1], for an upfront enterprise value of GBP226 milion (A$423 million). Whilst we await final regulatory approval for the transaction, we are excited by the prospect of the combined businesses and their global scale, financial strength, enhanced product range and talented people.

Directors

The names of the Directors of the Company during or since the end of the half-year are:

- Peter Martin (Chairman)
- Thomas Cregan
- Tony Adcock
- David Liddy AM
- Dr Kirstin Ferguson
- Melanie Wilson

Review of operations

Acquisitions of this magnitude take up a significant amount of time and resources, and it's a tribute to the leadership team that the Company can undertake such an acquisition, the successful equity placement and debt raising to fund it, whilst generating record results for the existing business.

Gross debit volume ("GDV") increased by 60% to $6.62 billion, revenue increased by 25% to $59.2 million and EBITDA increased by 42% to $19.7 million. All are record results for the Group to date and all of our three reporting segments of Gift & Incentive ("G&I"), General Purpose Reloadable ("GPR") and Virtual Account Numbers ("VANS") grew in terms of GDV and Revenue. The Group incurred $3.4 million in acquisition-related expenses during the first half.

Under the AASB 15 accounting standard adopted in this same period a year ago, breakage revenue on gift cards is accrued over the months post a gift card being sold. The Group will recognise a further $6.8 million of breakage revenue in the second half of the year on first half activations and volumes. Breakage revenue converts to Gross Profit at 100%. The Group are well positioned with our EBITDA guidance range of $38-42 million for the full year.

The Gift & Incentive segment performed well, with GDV growth of 26%, or $180m, over the prior corresponding period, which translated into revenue growth of 24% to $40.1 million.

We continued to add new malls to the portfolio, both organically and via acquisition, and ended the period with 1,035 malls in the portfolio. We saw positive growth in net new mall programs in the Nordics, Eastern Europe and the United Arab Emirates, and announced late in the year that we had signed a contract to supply Simon Malls in the United States, the largest mall operator in the country.

The General Purpose Reloadable (GPR) segment revenues grew 7% to $13.2m, driven by a 5% increase in GDV. This growth in GDV was despite a continued decrease in volumes associated with the LuLaRoe program in the United States, without which GDV actually increased 35% over the comparative period, driven largely by growth in salary packaging programs in Australia. During this half we announced several key customer wins in this segment, started the transition of volumes from a competitor under our 8 year agreement with Smartgroup, and in 2020 we announced that we had won a tender to supply the New South Wales Government Department of Health with a salary packaging card solution.

GPR revenues represented 22% of Group revenues in the first half and as noted during the PFS acquisition, 100% of the PFS business is GPR programs, so there will be a positive re-balancing between our G&I and our GPR segments in the future.

The Virtual Account Numbers ('VANS') segment grew 106% on the prior comparative period to deliver GDV of $4.31 billion, converting to $5.5m in revenue. The VANS segment, whilst growing strongly, generated 9.2% of Group revenues, which as a percentage will decline once the PFS acquisition is closed, but it remains a strategically important product for us in terms of overall volumes and our relationships with the payment schemes.

There were numerous operational highlights during the period, including expansion of our first gaming payout program in the United States with Pointsbet, and the second with bet365. The US gaming market represents long term growth potential for EML but we expect that to evolve over years and not months. We launched the first of our EML ControlPay solutions in the consumer lending market with Instabank in Norway and MoneyMe in Australia, and are building our pipeline of prospects in the alternative lending space. We look forward to more progress in this vertical in the second half of the financial year. We closed the Flex-e-Card acquisition in late June and are well advanced in our integration, so the pace of activity within the Company remains as strong as its ever been.

Auditor Independence

The auditors independence declaration is included on page 13 of the interim financial report.

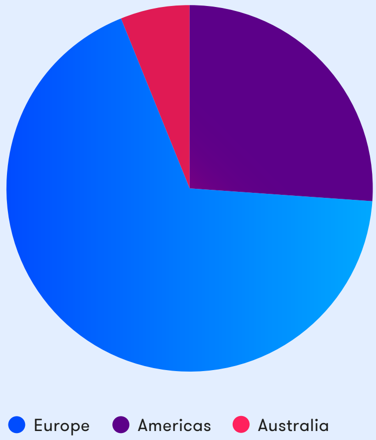
Peter Martin
Non-executive Chairman

18 February 2020

(1) Completion of the acquisition of Prepaid Financial Services (Ireland) Limited is subject to satisfactory completion of certain conditions precedent, including change of control regulatory approvals from the Financial Conduct Authority (FCA) (United Kingdom) and the Central Bank of Ireland (CBOI).

Gift & Incentive. (G&I)

The Gift & Incentive segment provides single load gift cards for shopping malls and incentive programs across the world. Providing services to over 1185 shopping malls globally, our partners include many of the largest retail property groups. We manage programs in all our regions across multiple markets and industries.



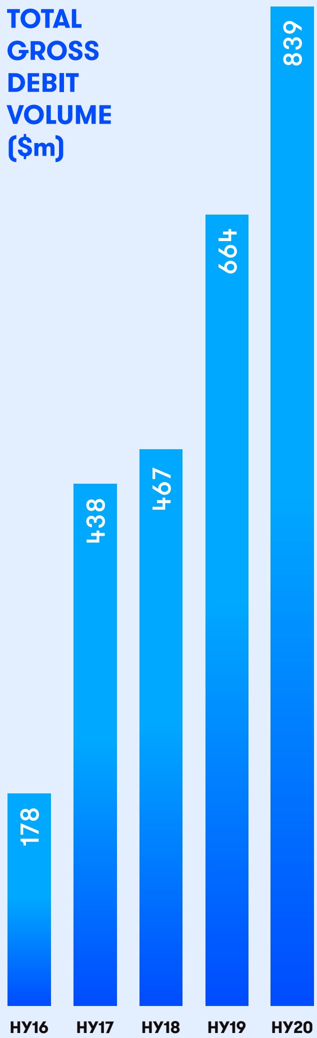
Gross Debit Volume on Gift and Incentive programs increased 26% to $838.7m in H1FY20 driving revenue growth of 24% to $40.1m in H1FY20. We have continued to see growth in this segment. With the acquisition of Flex-e-Card in the UK, Europe and UAE offsetting the loss of a mall in Canada. There was no contribution from our recently announced North America contract with Simon Property Group which launched in January 2020.

EML grew the G&I segment organically with new programs and verticals with new multi-retailer gift card programs and expansion of existing multi-retailer gift card programs in Europe. PerfectCard in Ireland has continued to experience growth in the Perx multi-retailer incentive program. In North America, EML signed a contract with Simon Property Group which launched in January 2020.

We acquired Flex-e-Card Limited on 28 June 2019 who provide programs across Europe and in the UAE. The business has contributed to the strong growth in the segment and is performing above the acquisition business case.

Interest in the EML instant gift product continues to grow with multiple applications including public promotions, instant pay-outs, and charity and welfare support. EML launched its first instant gift card in Europe, partnering with Irish Fintech CleverGift who provide distribution.

TOTAL GROSS DEBIT VOLUME ($m)



FINANCIAL HIGHLIGHTS

GDV
838.7m
▲ 26%

REVENUE
40.1m
▲ 24%

GDV:REVENUE
479bps
▼ 2%

GROSS PROFIT
32.3m
▲ 32%

General Purpose Reloadable ('GPR')

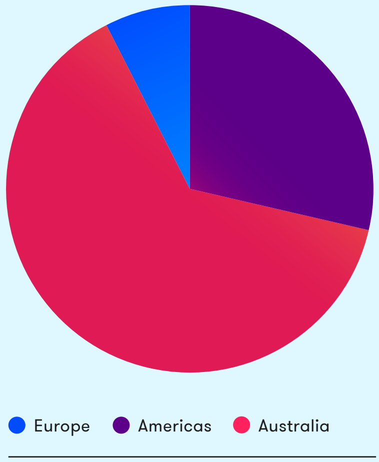
EML continues to grow General Purpose Reloadable ('GPR') programs in three key verticals across our global operations. The EML GPR solution is a full-service offering including issuance, processing and program management to a wide range of industries.

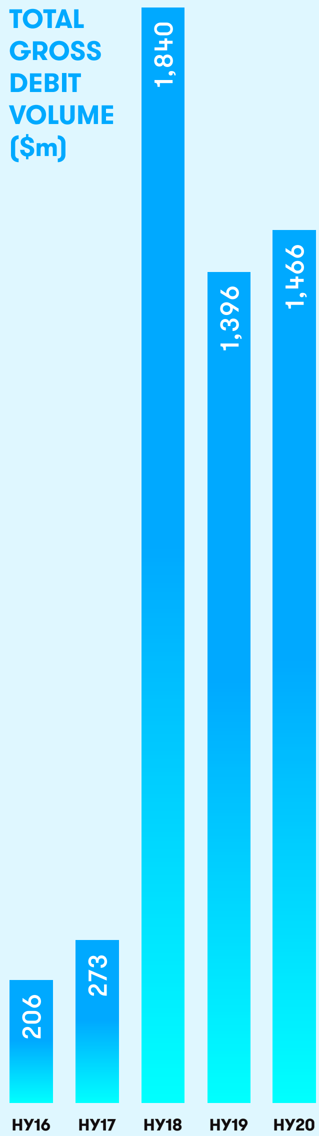
Gross Debit Volume on General Purpose Reloadable Cards increased 5% to $1.47bn. The GPR segment generated revenue growth of 7% to $13.2m from a favourable change in program mix.

GDV from our Australian gaming payouts vertical continued to grow over the prior comparative period, demonstrating continued demand for an established product despite challenging trading conditions for the gaming industry. Organic growth of gaming programs in Europe and North America was inline with expectations. Demand for this product continued including the launch of EML's first gaming payouts program in Croatia, a North American lotteries program and a casino program with existing customer Betsson.

Volumes from North American customer LuLaRoe declined against the prior comparative period and proved a headwind for the segment.

EML's salary packaging vertical increased to over 187,000 active benefit accounts up from 175,000 at the end of FY19. The number will continue to grow as the transition of SmartGroup volumes from competitors continues. EML signed a program with New South Wales Health to transition approximately 50,000 benefit accounts over the next 12 months and further validating the strength of EML's product for this vertical.





FINANCIAL HIGHLIGHTS

GDV
1.47bn
▲ 5%

REVENUE
13.2m
▲ 7%

GDV:REVENUE
89bps
▲ 1%

GROSS PROFIT
8.7m
▲ 8%

Virtual Account Numbers ('VANS').

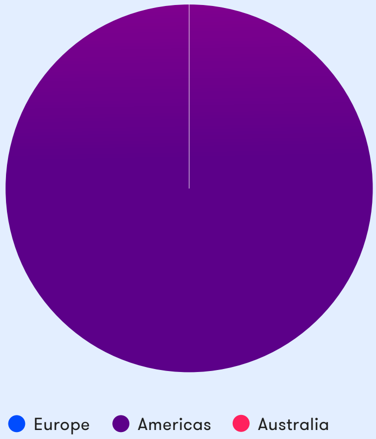
EML provides businesses a competitive edge with proprietary technologies and custom solutions for Virtual Account Numbers.

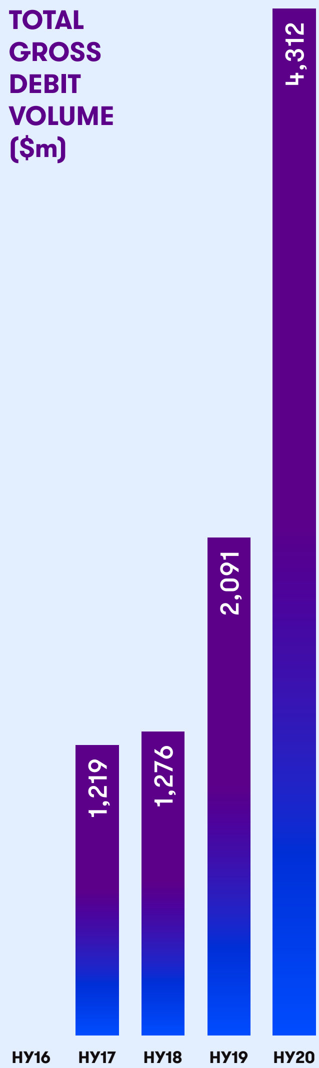
Gross Debit Volume for the segment increased 106% to $4.3bn against H1FY19 with gross profit increasing by 121% to $3.4m.

The EML platform gives our customers the ability to issue multiple payment types without changing internal processes; saving money and administration costs while improving transparency and control. As an issuing processor, certified program manager and full-service payment provider, EML streamlines end-to-end payments.

We launched several new EML ControlPay programs (previously delegated auth), providing authorisation decisions to our partners at an individual transaction level. With multiple use cases, we are currently providing alternative banking and credit providers the ability to manage decisions instantly and based on their own cardholder and account records, coupled with EML's PAYs capacity to create an instant end to end solution.

Following the launch of EML ControlPay programs in Australia and Europe this segment has expanded to all our regions. With strong demand for our innovative solutions we expect continued global growth from the segment.





FINANCIAL HIGHLIGHTS

GDV
4.31bn
▲ 106%

REVENUE
5.5m
▲ 174%

GDV:REVENUE
13bps
▲ 30%

GROSS PROFIT
3.4m
▲ 121%

Performance Overview.

The first six months of H1 delivered a record result, GDV increased 60% to $6.62 billion (H1FY19: $4.15 billion) with significant growth in the Gift & Incentive (up 26%) and Virtual Account Numbers (up 106%) segments. The Group achieved record EBITDA of $19.7 million for the half-year ended 31 December 2019 (excluding acquisition costs), which represents an EBITDA margin of 33% up from 29% in the prior year on a comparative basis.

Financial

On 11 November 2019, EML announced it had entered into a binding agreement for the acquisition of Prepaid Financial Services (Ireland) Limited ('PFS'). The acquisition is subject to certain conditions precedent, including change of control regulatory approvals as detailed in the investor presentation on that date. The conditions precedent are not yet satisfied and PFS has not been consolidated into the financial results for the half-year ended 31 December 2019.

($ Thousands)	HY 2020	GROWTH	HY 2019
GROSS DEBIT VOLUME (GDV)			
General Purpose Reloadable (GPR)	1,465,909	5%	1,392,659
Gift & Incentive (G&I)	838,729	26%	664,133
Virtual Account Numbers (VANS)	4,311,602	106%	2,091,314
TOTAL GDV	**6,616,240**	**60%**	**4,148,106**
REVENUE	**59,156**	**25%**	**47,194**
Gross Profit	44,803	30%	34,450
Gross Profit %	76%	3%	73%
Overheads – employment related	(16,794)	25%	(13,382)
Overheads – other	(8,787)	17%	(7,504)
Research and Development tax offset	500	67%	300
EBITDA*	**19,722**	**42%**	**13,864**
LESS			
Acquisition costs	(3,373)	2,642%	(123)
Depreciation and amortisation expense	(6,768)	35%	(5,012)
Share-based payments	(4,706)	132%	(2,028)
Research and Development tax offset included above	(500)	67%	(300)
Other non-cash items	57	(102%)	(2,838)
Profit for the period before tax	**4,432**	**24%**	**3,563**
Tax (including Research and Development tax offset)	(127)	(87%)	(995)
Net Profit for the period	**4,305**	**68%**	**2,568**

* EBITDA is reconciled to statutory profit above and disclosed within the Directors' Report and is equivalent to the net profit/(loss) for the period including R&D tax offset and excluding share-based payments, depreciation and amortisation expense, acquisition costs and non-cash unrealised foreign exchange included within the Statement of Profit or Loss and Other Comprehensive Income. The analysis of results, included within this Performance Review section, is primarily based on EBITDA so as to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that EBITDA is the most appropriate measure of maintainable earnings of the Group, and assists in better understanding the Group, and therefore best reflects the core drivers and ongoing influences upon those earnings. The Directors also link the Group CEO and Senior Executives' short and long term incentives to EBITDA as detailed in the remuneration report.

Performance Overview.

Expenses

- Employment related expenses were $16.8 million (2018: $13.4 million) up 25% on prior comparative period (PCP) of which approximately half relates to the acquisition of Flex-e-Card on 28 June 2019. At the end of December the Group had 223 FTE (H1FY19: 182) supporting GDV growth of 60%. Employment related expenses make up 66% of total Group cash overheads reflective of the nature of our business. Group employment costs as a percentage of revenue was in line with the PCP at 28%.
- Other overhead expenses increased 17% to $8.7 million. As the Group grows in size we have incurred higher travel costs to attend conferences and roadshows, and manage a geographically spread group.
- The Group incurred acquisition costs of $3.4 million primarily in relation to the acquisition of Prepaid Financial Services (Ireland) Limited ('PFS') which represents the incurred costs as at 31 December 2019, with further costs expected to complete the acquisition.
- The Group received a $0.5 million benefit from R&D Tax Concession programs in Australia which is in line with prior years. R&D tax concessions continue to be included in the EBITDA measure as this is a refund of expenditure previously incurred. Costs are predominantly internal employment costs, expended on qualifying research and development activities that the Group undertakes to continue offering innovative market leading products.
- Share-based payments expense is up on PCP to $4.7 million which includes a one off amount of $2.0 million in relation to the buy back of a contractual agreement with a Salary Packaging consultant who assisted EML in signing key contracts and navigating the regulatory and tax requirements for a salary packaging product to be fully compliant. The remainder relates to the final amortisation of the performance options awarded to the management of the North America business as part of the initial acquisition agreement, and management incentive options.

Growth

- The Group continues to target growth both organically and through acquisitions, with 56% of revenue growth attributable to the acquisition of Flex-e-Card Limited on 28 June 2019 and the remainder from organic growth. The acquisition of Prepaid Financial Services (Ireland) Limited has not yet completed and did not contribute to the financial results for the period.
- Growth in the G&I segment to total GDV of $0.84 billion (H1FY19: $0.66 billion) was driven by both acquisition, with Flex-e-Card (acquired 28 June 2019) contributing 68% of GDV growth and organic growth accounting for 32% of GDV growth. The Group announced the signing of a major shopping mall owner, Simon Property Group, who launched in approximately 150 USA malls in January 2020.
- GDV growth in the VANS segment continued to be entirely organic with notable increases in volumes processed for PPS and BillGo. The segment delivered GDV of $4.31 billion (H1FY19: $2.09 billion) converting to revenue at 13bps which is up on the prior comparative period (H1FY19: 10 bps) due to a favourable mix of programs.
- GDV in the General Purpose Reloadable ('GPR') segment increased 5% to $1.47 billion. Growth in this segment was wholly organic and driven by salary packaging and gaming winnings disbursements in particular. Excluding US customer LuLaRoe, the remainder of the segment grew GDV by 35%. In Australia, we have now secured a contract with NSW Health salary packaging payment solutions which is expected to contribute in the second half. Revenues growth continued to exceed GDV growth due to a mix shift towards higher converting programs which increased revenue to a record first half of $13.1 million, up $0.8 million or 6% on H1FY19.
- Group Revenue increased 25% to $59.2 million, a yield on GDV of 89bps down 25bps from the PCP. Revenue yields were in line or ahead for all segments when compared against the prior year, whilst the Group revenue yield declined at a Group level due to segment mix shift moving towards the low yielding VANS segment. 86% of the Group's revenue is from recurring revenue sources, up from 83% in H1FY19, the continued increase reflecting a low customer churn rate.
- Gross Profit margins were in line with expectations at 76%, up 3% on the prior comparative period (H1FY19: 73%) as the Group's self issuance and in-sourcing strategy begins to benefit the Group's gross profit margins. Group gross profit margins are expected to be lower in the first half as breakage revenue on gift cards sold in December is phased into the second half of the financial year.

Performance Overview.

Summary Financial Position

($ Thousands)	HY 2020	GROWTH	FY 2019
Cash and cash equivalents	256,812	676%	33,085
Contract asset	24,641	35%	18,217
Receivable from financial institutions[1]	429,999	76%	244,824
Other current assets	25,180	42%	17,712
Total Current Assets	**736,632**	**135%**	**313,838**
Contract asset	8,072	(41%)	13,611
Plant, equipment and right-of-use assets	11,769	120%	5,355
Intangibles	111,560	7%	104,554
Deferred tax asset	27,098	19%	22,653
Other non-current assets	7,464	(55%)	16,696
Total Non-Current Assets	**165,814**	**2%**	**162,869**
Total Assets	**902,446**	**89%**	**476,707**
Trade and other payables	32,152	(5%)	33,853
Interest-bearing borrowings	-	(100%)	15,000
Liabilities to stored value account holders[1]	429,999	76%	244,824
Contingent consideration	8,815	100%	-
Other current liabilities	4,369	(18%)	5,315
Total Current Liabilities	**475,335**	**59%**	**298,992**
Deferred tax liabilities	7,638	4%	7,315
Contingent consideration	3,947	(66%)	11,831
Other non-current liabilities	15,856	11%	14,338
Total Non-Current Liabilities	**27,441**	**(18%)**	**33,484**
Total Liabilities	**502,776**	**51%**	**332,476**
Total Equity	**399,670**	**177%**	**144,231**

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

Summary of Cash Flows

($ Thousands)	HY 2020	GROWTH	HY 2019
Cash flows from operating activities	8,121	(52%)	17,008
Cash flows from investing activities	(6,055)	3%	(5,864)
Cash flows from financing activities	221,642	63,226%	350

Performance Overview.

Cashflow

- Cash outflows from investing activities included $2.8 million for intangible assets which included the acquisition of software from PayWith Worldwide, Inc. that supports EML's Salary Packaging vertical and internally generated software. We continued to invest in software development including the mobile Pays product in all geographies, EML ControlPay solution (previously delegated auth) to give greater control to our customers for their interaction with their consumers and a salary packaging card management web solution in Australia (Note E2).
- Cash inflows from financing activities included funds received from capital raising of $241.6 million net of transaction costs.
- The Group repaid in full a debt facility from a major domestic bank of $15 million.
- The Group has received a commitment and underwriting letter for a multi-currency financing facility. This facility is primarily for the purposes of the forthcoming acquisition of PFS and general corporate purposes of the Group.

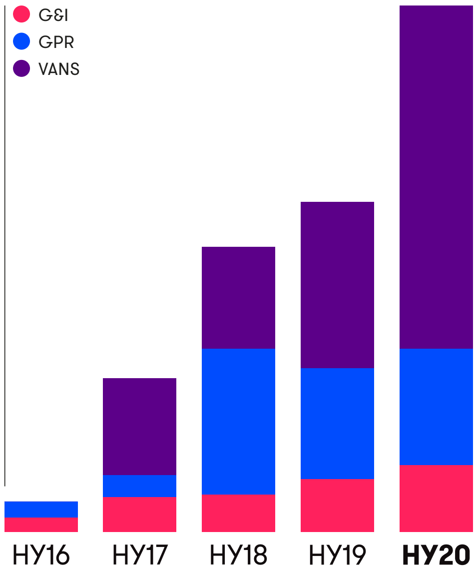
Financial Position

- Flex-e-Card Limited (acquired 28 June 2019) is included whilst the acquisition of PFS had not met conditions precedent in relation to regulatory approval as at 31 December 2019, and did not contribute to the Income Statement and is not consolidated into the Group Statement of Financial Position.
- To fund the acquisition of PFS and associated transaction costs, EML undertook a fully underwritten accelerated, pro-rata, non-renounceable entitlement offer raising $181.4 million and a fully underwritten placement to new and existing institutional shareholders to raise approximately $66.8 million. In total, net of transaction costs to complete the equity raise, EML received cash of $241.6 million. In total as at 31 December, the group held cash or cash equivalents of $256.8 million.
- The contract asset of $32.7 million (30 June 2019: $31.8 million) represents the residual portion of funds on Gift & Incentive cards that the Group has previously sold and expects to convert to cash. Included in this balance is $5.0 million in relation to Flex-e-Card acquired on 28 June 2019.
- During the period, the Group reached agreement with our Canadian sponsor banks to accelerate the conversion to cash of previously accrued breakage and as a result these balances are included as a current contract asset. This is expected to result in one-off cash inflows in the second half and the Group will continue to benefit from accelerated cash conversion on these ongoing programs in future periods.
- Receivable from financial institutions and the offsetting amount reflected in liabilities to cardholders relates to a number of payment programs that are issued directly by our European and Australian operations. As the Group executes on our strategy to increase the proportion of our programs that are directly issued this balance will continue to grow.
- A significant proportion of our deferred tax asset reflects the fact that the Group expects to generating taxable income in these regions and consequently, under the accounting standards, has recognised carried forward tax losses.
- Cash inflows from operating activities totalled $8.1 million with the Group generating EBITDA of $19.7 million and resulting in an EBITDA to cash conversion of 41% in the first half. In the first half of FY20, operating cash outflows included acquisition costs, FY19 short-term incentive plan payments, insurance premiums and transition payments totalling $4.5 million which are not expected to recur in the second half of the financial year. Adjusting for these items gives a better picture of the Group's underlying cashflows from operations which was approximately 64% of EBITDA.

Performance Overview.

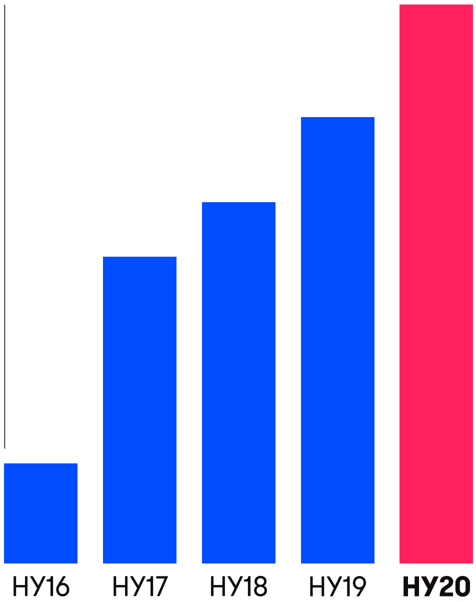
Total Gross Debit Volume H1 FY20
(AUD)

$6.62billion



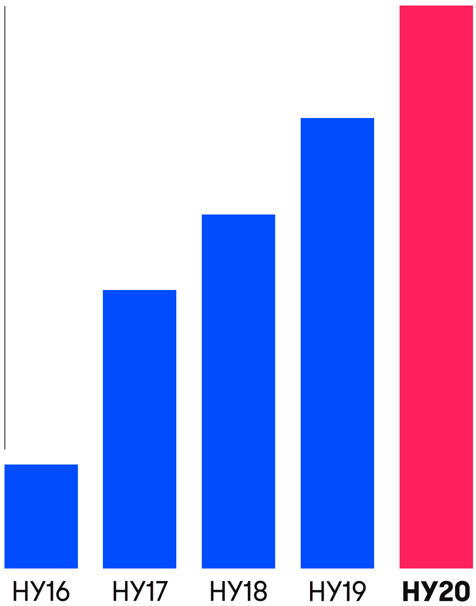
Revenue H1 FY20
(AUD)

$59.2million



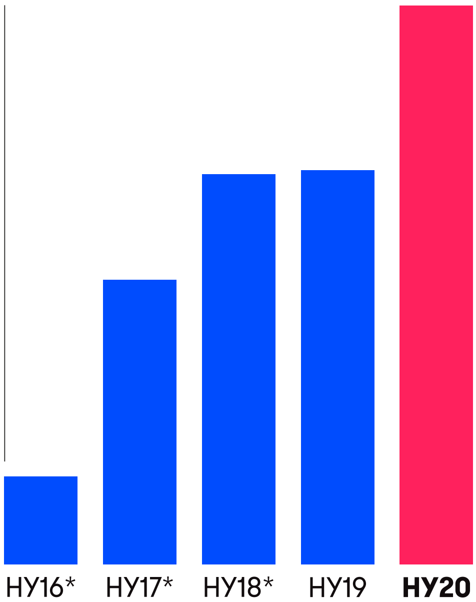
Stored Value H1 FY20
(AUD)

$795.0million



EBITDA H1 FY20
(AUD)

$19.7million



* EBITDA has not been adjusted for seasonality of AASB 15 *Revenue from contracts with customers*, as it was not effective in these accounting periods.

Directors' Declaration.

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

The directors declare that:

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

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

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

Peter Martin
Chairman

Brisbane, 18 February 2020

Auditor's Independence Declaration.

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The Board of Directors
EML Payments Limited
Level 12/333 Ann Street
Brisbane City QLD 4000

18 February 2020

Dear Board Members

Auditor's Independence Declaration to EML Payments Limited

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

As lead audit partner for the review of the half year financial report of EML Payments Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrea Roy

Andrea Roy
Partner
Chartered Accountants

Independent Auditor's Report.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of EML Payments Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 17 to 42.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of EML Payments Limited, ASRE 2410 requires that we comply with the ethical requirements that are relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of EML Payments Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Independent Auditor's Report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of EML Payments Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrea Roy
Partner
Chartered Accountants
Brisbane, 18 February 2020

Financial Statements.

Notes to the Consolidated Financial Statements.

BUSINESS PERFORMANCE

A ▶

CASH AND WORKING CAPITAL

B ▶

FINANCIAL ASSETS, LIABILITIES & INVESTMENTS

C ▶

LONG TERM ASSETS

D ▶

EQUITY

E ▶

OTHER DISCLOSURES

F ▶

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the half-year ended 31 December 2019

	NOTES	CONSOLIDATED 31 DECEMBER 2019 $'000	31 DECEMBER 2018 $'000
Revenue from contracts with customers	A1	57,950	45,673
Interest income	A1	1,206	1,521
TOTAL REVENUE	A2	59,156	47,194
Cost of sales		(14,353)	(12,744)
Gross profit	A2	**44,803**	**34,450**
EXPENSES			
Employee benefits expense		(16,794)	(13,382)
Share-based payments		(4,706)	(2,028)
Acquisition costs		(3,373)	(123)
Depreciation and amortisation expense		(6,768)	(5,012)
Professional fees		(1,689)	(1,498)
Finance costs	A1	(1,333)	(871)
Other expenses	A1	(5,708)	(7,973)
Total expenses		(40,371)	(30,887)
PROFIT BEFORE INCOME TAX		**4,432**	**3,563**
Income tax expense	A3	(127)	(995)
Net profit for the half-year		**4,305**	**2,568**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		1,174	4,583
Gain on fair valuation of cash flow hedge, net of income tax		747	-
Other comprehensive income for the half-year, net of income tax		**1,921**	**4,583**
Total comprehensive profit for the half-year		**6,226**	7,151
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE HALF-YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		6,226	7,168
Non-controlling interests		-	(17)
PROFIT PER SHARE (CENTS PER SHARE)			
Basic (cents per share)		1.61	1.05
Diluted (cents per share)		1.56	1.03

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position.

As at 31 December 2019

	NOTES	CONSOLIDATED 31 DECEMBER 2019 $'000	CONSOLIDATED 30 JUNE 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents		256,812	33,085
Contract asset	B1	24,641	18,217
Trade and other receivables		20,055	14,369
Other current assets		4,058	3,343
Derivative financial asset	B2	1,067	-
Receivable from financial institutions		429,999	244,824
Total Current Assets		**736,632**	**313,838**
NON-CURRENT ASSETS			
Contract asset	B1	8,072	13,611
Trade and other receivables		7,386	12,386
Financial assets	C3	78	4,310
Plant, equipment and right-of-use assets	D1	11,769	5,355
Intangibles	D2	111,560	104,554
Deferred tax asset	A3	26,949	22,653
Total Non-Current Assets		**165,814**	**162,869**
Total Assets		**902,446**	**476,707**
CURRENT LIABILITIES			
Trade and other payables		32,152	33,853
Employee benefits		929	851
Current tax payable		441	759
Interest-bearing borrowings	C1	-	15,000
Lease liability	B3	1,386	-
Other liabilities		1,613	3,705
Contingent consideration	C2	8,815	-
Liabilities to stored value account holders		429,999	244,824
Total Current Liabilities		**475,335**	**298,992**
NON-CURRENT LIABILITIES			
Employee benefits		106	81
Lease liability	B3	5,954	-
Other liabilities		9,796	14,257
Contingent consideration	C2	3,947	11,831
Deferred tax liabilities	A3	7,638	7,315
Total Non-Current Liabilities		**27,441**	**33,484**
Total Liabilities		**502,776**	**332,476**
Net Assets		**399,670**	**144,231**
EQUITY			
Issued capital	E1	379,227	138,097
Accumulated losses		(18,493)	(21,668)
Reserves		38,936	27,802
Total Equity		**399,670**	**144,231**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows.

For the half-year ended 31 December 2019

	NOTES	CONSOLIDATED 31 DECEMBER 2019 $'000	CONSOLIDATED 31 DECEMBER 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		54,314	44,254
Payments to suppliers and employees		(46,409)	(28,858)
Payments for acquisition related expenses		(492)	(123)
Tax (paid) / received		(289)	258
Interest received		1,258	1,488
Interest paid		(261)	(11)
Net cash generated by operating activities		**8,121**	**17,008**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment	D1	(1,157)	(273)
Payments for intangibles	D2	(4,898)	(1,773)
Refund of security deposit		-	204
Payment for business combination, net of cash acquired		-	(4,022)
Net cash used in investing activities		**(6,055)**	**(5,864)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	E1	248,207	350
Payments for share issue costs		(6,630)	-
Repayment of interest-bearing borrowings		(15,000)	-
Acquisition of non-controlling interests		(4,274)	-
Payments for principal relating to lease liability		(661)	-
Net cash provided from financing activities		**221,642**	**350**
Net increase in cash held		223,706	11,494
Cash at beginning of the half-year		33,085	39,006
Impacts of foreign exchange		21	(387)
Cash at end of the period		**256,812**	**50,114**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity.

For the half-year ended 31 December 2019

	NOTES	ISSUED CAPITAL $'000	ACCUMULATED LOSSES $'000	OTHER RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	TOTAL ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
BALANCE AT 1 JULY 2019		138,097	(21,668)	27,722	80	**144,231**	-	**144,231**
Opening balance adjustments relating to the adoption of AASB 16	F3	-	54	-	-	**54**	-	**54**
RESTATED BALANCE AT 1 JULY 2019		138,097	(21,614)	27,722	80	**144,285**	-	**144,285**
TOTAL COMPREHENSIVE INCOME								
– Profit for the half-year		-	4,305	-	-	**4,305**	-	**4,305**
OTHER COMPREHENSIVE INCOME								
– Unrealised foreign currency gain, net of tax		-	-	-	1,174	**1,174**	-	**1,174**
– Disposal of financial asset at FVOCI		-	(1,184)	1,184	-	**-**	-	**-**
– Gain on fair valuation of cash flow hedge, net of income tax	B2	-	-	747	-	**747**	-	**747**
TRANSACTIONS RECORDED DIRECTLY IN EQUITY								
– Share-based payments		-	-	8,029	-	**8,029**	-	**8,029**
– Issue of share capital	E1	248,207	-	-	-	**248,207**	-	**248,207**
– Issue costs	E1	(7,077)	-	-	-	**(7,077)**	-	**(7,077)**
Balance at 31 December 2019		**379,227**	**(18,493)**	**37,682**	**1,254**	**399,670**	**-**	**399,670**
BALANCE AT 1 JULY 2018		137,744	(27,062)	23,639	(4,548)	**129,773**	-	**129,773**
TOTAL COMPREHENSIVE INCOME								
– Profit for the half-year		-	2,613	-	-	**2,613**	(45)	**2,568**
OTHER COMPREHENSIVE INCOME								
– Unrealised foreign currency gain, net of tax		-	-	-	4,555	**4,555**	28	**4,583**
– Non-controlling interests on acquisition of subsidiary		-	-	-	-	**-**	1,558	**1,558**
TRANSACTIONS RECORDED DIRECTLY IN EQUITY								
– Share-based payments		-	-	1,941	-	**1,941**	-	**1,941**
– Issue of share capital	E1	350	-	-	-	**350**	-	**350**
– Issue costs		(118)	-	-	-	**(118)**	-	**(118)**
Balance at 31 December 2018		137,976	(24,449)	25,580	7	**139,114**	1,541	**140,655**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

A1 Revenue, Other Expenses and Finance Costs

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

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	31 DECEMBER 2018 $'000
(A) REVENUE FROM CONTRACTS WITH CUSTOMERS		
Recurring revenue - Transaction-based revenue	35,513	24,538
Recurring revenue - Service-based revenue	15,467	14,691
Non-recurring revenue - Establishment revenue	6,970	6,444
	57,950	45,673

Revenue is recognised when performance obligations are satisfied with an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is categorised in relation to the nature of the occurrence.

KEY JUDGEMENTS AND ESTIMATIONS

BREAKAGE REVENUE

We refer to the portion of the dollar value of unused, prepaid stored value accounts that cardholders do not redeem as breakage. We include in breakage revenue all revenue generated from expected residual value.

Management have exercised judgement in assessing the features of the Group's breakage products and have concluded that the residual nonrefundable, unredeemed or unspent funds on gift cards fall within the scope of AASB 15. This is because the Group's performance obligation is with the cardholder and either relates to redemption of value through goods and services, not cash, or providing the infrastructure to settle in goods and services, up to the card balance.

Where we expect to be entitled to a breakage amount and, to the extent that it is highly probable that a significant reversal will not occur, the Group uses historical data, market specific trends, existing economic conditions for each program to measure the residual percentage. The Group will then recognise breakage revenue as variable consideration in proportion to the pattern of rights exercised by the cardholder.

The calculated residual percentage and pattern of rights of exercise are reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

KEY JUDGEMENTS AND ESTIMATIONS

ACCOUNT MANAGEMENT FEE (AMF) REVENUE

AMF is an amount which is generated from monthly charges on cardholder accounts.

Management have exercised judgement in assessing the features of the Group's AMF products and have concluded that AMF falls within the scope of AASB 15. This is because the performance obligation is with the cardholder and either relates to redemption of value through goods and services, not cash, or providing the infrastructure to settle in goods and services, up to the card balance.

Where we expect to be entitled to an AMF amount and, to the extent that it is highly probable that a significant reversal will not occur, the Group uses historical data, market-specific trends, existing economic conditions for each program to measure the AMF. The Group will then recognise AMF as variable consideration in proportion to the pattern of rights exercised by the cardholder.

The calculated AMF and pattern of rights of exercised are reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

A1 Revenue, Other Expenses and Finance Costs (Continued)

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

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	31 DECEMBER 2018 $'000
(B) INTEREST INCOME		
Interest income – Stored value	872	1,294
Interest income – Group funds	334	227
	1,206	**1,521**
(C) OTHER EXPENSES [1]		
Fixed sponsor bank and other related costs	312	549
Foreign exchange (gain)/loss, net	(1,533)	1,976
Information technology related costs	2,250	1,738
Marketing and advertising	584	618
Risk and compliance	710	841
Travel and accommodation	2,299	1,158
Office management	916	1,070
Other	170	23
	5,708	7,973
(D) FINANCE COSTS		
Interest expense - General	261	11
Interest expense - Lease liability interest expense	82	-
Interest expense - Unwind of discount on contingent consideration	990	860
	1,333	871

(1) Acquisition costs have been presented as a separate category on the Consolidated Statement of Profit or Loss and Other Comprehensive Income. In the comparative period, they were included in Other expenses.

A2 Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of EML Payments Limited.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on product segments.

As the Group's operations continue to increase in scale and reach, product segments provide a clear view of the Group's results. As a result, the Group has reported its primary segments under AASB 8 as follows:

— Gift & Incentive (G&I)
— General Purpose Reloadable (GPR)
— Virtual Account Numbers (VANS)

Segment financial performance is assessed on Gross Profit being revenue less directly attributable costs of goods sold. EBITDA is reported at a Group level after cash overheads, inclusive of R&D tax incentive and allocation of central administration costs and Directors' fees, before share based payments, depreciation and amortisation, acquisition costs and income tax expense. These are the measures reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

A2 Segment Information (Continued)

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

	SIX MONTHS ENDED 31 DECEMBER 2019				SIX MONTHS ENDED 31 DECEMBER 2018			
	G&I $'000	GPR $'000	VANS $'000	GROUP $'000	G&I $'000	GPR $'000	VANS $'000	GROUP $'000
Gross debit volume (GDV)	838,729	1,465,909	4,311,602	6,616,240	664,133	1,392,659	2,091,314	4,148,106
Revenue conversion (bps)	479	89	13	89	488	88	10	114
Recurring revenue - Transaction-based revenue	18,540	11,448	5,525	35,513	12,725	9,794	2,019	24,538
Recurring revenue - Service-based revenue	15,467	-	-	15,467	14,691	-	-	14,691
Non-recurring revenue - Establishment revenue	5,401	1,569	-	6,970	4,341	2,103	-	6,444
Total revenue from contracts with customers	**39,408**	**13,017**	**5,525**	**57,950**	**31,757**	**11,897**	**2,019**	**45,673**
Interest income - Stored value	729	143	-	872	623	354	-	1,294
Interest income - Group funds	-	-	-	334	-	-	-	227
Total interest income	**729**	**143**	**-**	**1,206**	**623**	**354**	**-**	**1,521**
Total Revenue	**40,137**	**13,160**	**5,525**	**59,156**	32,380	12,251	2,019	47,194
Gross profit	32,284	8,738	3,447	44,803	24,529	8,092	1,561	34,450
Gross profit %	80%	66%	62%	76%	76%	66%	77%	73%
Overheads - Employment related				(16,794)				(13,382)
Overheads - Other				(8,787)				(7,504)
R&D tax incentive offset				500				300
EBITDA				**19,722**				13,864
Acquisition costs				(3,373)				(123)
Depreciation and amortisation				(6,768)				(5,012)
Finance costs				(1,333)				(871)
R&D tax incentive offset				(500)				(300)
Share-based payments				(4,706)				(2,028)
Other non-cash charges				1,390				(1,967)
Profit before tax for the half-year				**4,432**				3,563

Assets are not monitored at the product segment view, the following is an analysis of the consolidated entity's assets is by geography:

	SIX MONTHS ENDED 31 DECEMBER 2019				YEAR ENDED 30 JUNE 2019			
	AUSTRALIA $'000	EUROPE & UAE $'000	NORTH AMERICA $'000	GROUP (1) $'000	AUSTRALIA $'000	EUROPE & UAE $'000	NORTH AMERICA $'000	GROUP (1) $'000
Current assets	273,463	442,651	19,218	736,134	39,083	257,185	16,801	313,838
Non-current assets	158,745	12,031	19,957	165,963	155,568	6,221	33,383	162,869
Total liabilities	(51,907)	(447,929)	(26,792)	(502,776)	(56,826)	(265,095)	(41,980)	(332,476)
Net assets	**380,301**	**6,753**	**12,383**	**399,321**	137,825	(1,689)	8,204	144,231

(1) Group totals include the effects of intercompany eliminations.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

A2 Segment Information (Continued)

The following table disaggregates revenue from contracts with customers by geography:

	SIX MONTHS ENDED 31 DECEMBER 2019				SIX MONTHS ENDED 31 DECEMBER 2018			
	AUSTRALIA $'000	EUROPE & UAE $'000	NORTH AMERICA $'000	GROUP $'000	AUSTRALIA $'000	EUROPE & UAE $'000	NORTH AMERICA $'000	GROUP $'000
Revenue from contracts with customers	**10,469**	**24,455**	**23,026**	**57,950**	9,446	14,350	21,877	45,673

A3 Taxation

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	31 DECEMBER 2018 $'000
(A) RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Current income tax expense	(780)	(2,884)
Deferred tax (expense) / benefit relating to the origination and reversal of temporary differences	61	1,589
Refundable R & D tax offset	500	300
Adjustments for income tax of prior year	92	-
Total income tax expense	(127)	(995)
(B) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND PROFIT BEFORE INCOME TAX		
Profit before income tax	4,432	3,563
Income tax expense using the domestic corporation tax rate of 30% (2018: 30%)	(1,330)	(1,069)
TAX EFFECT OF:		
Non-deductible expenses	(1,571)	(1,130)
Tax deduction in respect of contributions to employee share trust	4,192	1,066
Refundable R & D tax offset	500	300
Effect of differences in tax rates (1)	926	(38)
Adjustments for income tax of prior year	92	-
Recognised directly in equity	(3,545)	-
Other (2)	609	(124)
Income tax expense	**(127)**	**(995)**

(1) United Kingdom corporate tax rate is 19%, Irish tax rate is 12.5%, Australian corporate tax rate is 30%, USA tax rate is 24.95%, Canadian tax rate is 26.5% and United Arab Emirates is nil.

(2) Other includes the tax impact of foreign entities transitioning from local accounting regulations prepared for statutory accounting purposes to International Financial Reporting Standards.

In addition to the amount charged to profit or loss, $320,000 (31 December 2018: $nil) was recognised in other comprehensive which relates to tax on the Gain on fair valuation of cash flow hedge.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

A3 Taxation (Continued)

	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
(C) DEFERRED TAX ASSET		
Intangible assets	2,981	3,251
Employee benefits	3,779	3,440
Recognition of tax losses (1)	19,878	15,607
Other	311	355
Deferred tax asset	**26,949**	**22,653**

1) The Group is recognising a deferred tax asset arising from unused carried forward losses for the UK, European, Canadian, USA and Australian regions. The Group has assessed that sufficient future taxable profit will be available against which the unused tax losses will be able to be applied.

	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
(D) DEFERRED TAX LIABILITY		
Contract asset	(6,390)	(5,572)
Intangible assets	(738)	(1,089)
Plant, equipment and right-of-use assets	(510)	(654)
Deferred tax liability	**(7,638)**	**(7,315)**

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

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.

KEY JUDGEMENTS AND ESTIMATIONS - RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

These tax losses relate to subsidiaries that have historically incurred a tax loss. The Group has assessed that there will be probable taxable profits available against which those deductible temporary differences can be utilised.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

B1 Contract Asset

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
CURRENT		
Contract asset	24,641	18,217
NON-CURRENT		
Contract asset	8,072	13,611

Contract assets are rights to consideration in exchange for services provided to the cardholder. Where the Group performs services before the cardholder pays consideration, a contract asset is recognised for the earned consideration that is conditional.

Where the Group expect to be entitled to a contract asset and can demonstrate the ability to reliably measure cardholder redemption patterns, we will recognise the expected breakage and AMF revenue as variable consideration in proportion to the pattern of rights exercised by the cardholder.

Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur.

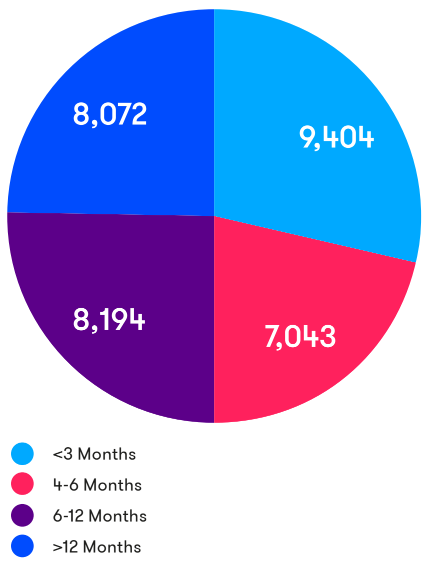
Contract assets are subject to the expected credit loss assessment under AASB 9. However, the Group will only recognise an asset when it expects to be entitled to the revenue and can demonstrate the ability to reliably measure cardholder redemption patterns. The value recognised is in proportion to the pattern of rights exercised by the cardholder and consequently breakage accrual.

Due to the nature of this recognition no expected credit loss was recognised.

Group has considered whether our non-current contract assets includes a significant financing component. The Group have concluded there is no existence, the following key factors have been considered.

- Stored value is pre-paid by the customer and held within segregated bank accounts which are not used for funding the trading operations of the Group;
- There is an immaterial difference between the estimated amount of promised consideration and the cash consideration received; and
- The credit risk is immaterial as EML is pre-funded and uses proprietary software to track cardholder data and control the flow of fund out of the segregated bank accounts.

PHASING OF H1 FY20 CONTRACT ASSET EXPECTED CONVERSION TO CASH $'000



Notes to the Financial Statements.

For the half-year ended 31 December 2019

B2 Derivative Financial Asset

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
Foreign exchange forward contracts in cash flow hedges	1,067	-

During the half-year ended 31 December 2019, the Group entered into cash flow hedges for the purposes of the forthcoming acquisition of Prepaid Financial Services (Ireland) Limited (Refer to Note F1).

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

— At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

— The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

— There is 'an economic relationship' between the hedged item and the hedging instrument.

— The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

— The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as Other expenses. At 31 December 2019, there was no ineffective portion, therefore $nil recognised as Other expenses

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

B3 Lease Liability

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
CURRENT		
Lease liability	1,386	-
NON-CURRENT		
Lease liability	5,954	-

On 1 July 2019, the Group recognised a lease liability for lease arrangements that fall within the scope of AASB 16. Refer to Note F3 for further details on the effect of the implementation.

The Group's leases are primarily for office properties.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The remaining lease terms range between 2 years and 10 years.

The corresponding Right-of-use assets and accumulated depreciation are included in Note D1.

The Group has $7,780,000 of principal lease obligations, which is reduced by amounts representing finance charges of $530,000.

KEY ESTIMATION - INCREMENTAL BORROWING RATE

The Group has determined its incremental borrowing rate by considering the interest rate on their financing facility and applying, where considered necessary, adjustments to align this with an asset specific rate. The adjustments consider the term of the agreement, security of asset and the funds necessary to obtain the asset of a similar value in a similar economic environment. Significant judgement is required to assess and apply these adjustments.

The application of the incremental borrowing rate impacts the initial valuation of the lease liability and associates interest expense.

KEY JUDGEMENT - DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Notes to the Financial Statements.

For the half-year ended 31 December 2019

C1 Financial Instruments

Set out below, is an overview of financial assets, held by the Group as at 31 December 2019 and 30 June 2019:

	CLASSIFICATION	CONSOLIDATED 31 DECEMBER 2019 $'000	CONSOLIDATED 30 JUNE 2019 $'000
Cash and cash equivalents	Amortised cost	256,812	33,085
Trade and other receivables - Current	Amortised cost	19,776	13,350
Security deposits	Amortised cost	298	325
Derivative financial asset	Fair value through Other Comprehensive Income	1,067	-
Receivable from financial institution	Amortised cost	429,999	244,824
Customer deposits - Non-current [(1)]	Amortised cost	7,143	12,109
Financial assets	Fair value through Other Comprehensive Income	78	4,310

(1) Customer deposits is included in Trade and other receivables, non-current.

Set out below, is an overview of financial liabilities, held by the Group as at 31 December 2019 and 30 June 2019:

	CLASSIFICATION	CONSOLIDATED 31 DECEMBER 2019 $'000	CONSOLIDATED 30 JUNE 2019 $'000
Trade and other payables	Amortised cost	32,166	33,085
Interest-bearing borrowings	Amortised cost	-	15,000
Lease liability - Current	Amortised cost	1,386	-
Lease liability - Non-current	Amortised cost	5,954	-
Liabilities to stored value account holders	Amortised cost	429,999	244,824
Customer deposits - Non-current [(1)]	Amortised cost	7,143	12,109
Contingent consideration - cash settled portion [(2)]	Fair value through profit or loss	3,236	2,951

(1) Customer deposits is included in Other liabilities, non-current. Other balances included in Other liabilities are not classified under AASB 9.

(2) The contingent consideration included is the cash only portion as this is classified as a financial liability under AASB 9. The remaining balance of Contingent consideration is equity settled.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

C1 Financial Instruments (Continued)

(i) Financing Facilities

During the half-year ended 31 December 2019, the Group has received a Committment and underwriting letter for a multi-currency financing facility of A$175 million, of which $10 million is specifically for a multi-currency letter of credit or bank guarantee facility. The facility is primarily for the purposes of the forthcoming acquisition of Prepaid Financial Services (Ireland) Limited (Refer to Note F1) and general corporate purposes of the Group. This financing facility will be a secured, floating rate facility with a 3 year term. The facility at 30 June 2019 was a floating rate facility with no collateral on a 3 month rolling option.

At 31 December 2019, this facility was undrawn (30 June 2019: $15 million facility fully drawn down). The Group expects to meet its other obligations from operating cash flows.

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
Interest-bearing borrowings	-	15,000

Changes in liabilities arising from financing activities

	CONSOLIDATED		
	AT 1 JULY 2019 $'000	CASHFLOWS $'000	AT 31 DECEMBER 2019 $'000
Interest-bearing borrowings	15,000	(15,000)	-

LOAN COVENANTS

The Group has complied with the loan covenants.

(ii) Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

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

At 31 December 2019, no ineffectiveness has been recognised in profit or loss for outstanding forward exchange contracts (31 December 2018: $nil).

EXPOSURES RELATING TO ACQUISITIONS

During the half-year ended 31 December 2019, the Group entered into hedge agreements for the purposes of the forthcoming acquisition of Prepaid Financial Services (Ireland) Limited (Refer to Note F1).

At 31 December 2019, the aggregate amount of gains under forward exchange contracts recognised in other comprehensive income, net of income tax was $747,000 (31 December 2018: $nil). Refer Note B2 for further information.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

C1 Financial Instruments (Continued)

(ii) Currency Risk (Continued)

EXPOSURES RELATING TO INTEREST RATE OPTIMISATION

When the Group has excess foreign currency which is not deriving any interest revenue due to the low interest rate environment in other geographical locations, to enhance the return, the Group reserves the right to convert the foreign currency into AUD and invest in a term deposit. To hedge the exchange rate risk at maturity of converting the proceeds of the AUD term deposit back into the foreign currency, the Group will fix the AUD payable by entering into forward exchange contracts. When the Group engages in this investment policy these hedges will be designated as cash flow hedges.

There was a $nil impact (31 December 2018: $nil) in relation to the forward exchange contracts at the end of the reporting period to hedge the conversion of AUD back into the foreign currency, to invest in AUD term deposits.

(iii) 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.

(iv) Capital Management

RISK MANAGEMENT

Capital is defined as the equity of the Group.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future working capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to continue its operations. The Group monitors capital based on the gearing ratios.

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.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

C2 Fair Value

The Group's financial instruments held at fair value are included in the balance sheet at amounts that approximate fair values. Valuation techniques and inputs for Financial Instruments classified as held at fair value are disclosed below.

The Group does not have any financial assets that are categorised as Level 1 in the fair value hierarchy. The Group does not have any financial liabilities that are categorised as Level 1 or Level 2 in the fair value hierarchy. There were no transfers between Level 1 and 2 in the period.

FOREIGN CURRENCY HEDGE ASSETS

On occasion, the Group enters into derivative assets held for risk management purposes. During the half-year ended 31 December 2019, a gain of $747,000 was recognised in other comprehensive income, net of income tax. These cash flow hedges were entered into for the purposes of the forthcoming acquisition of Prepaid Financial Services (Ireland) Limited (Refer to Note C2 and F1). These financial instruments are measured using Level 2 valuation techniques (2019: No hedges were entered into and $nil was recognised in other comprehensive income).

INVESTMENT IN PAYWITH WORLDWIDE INC.

During the half-year ended 31 December 2019, the Group entered into an agreement to purchase software from PayWith Worldwide, Inc. that supports EML's Salary Packaging vertical. The Group's purchase consideration was made up of cash consideration and the transfer of its investment in PayWith Worldwide Inc. (approximately 19% of the total issued capital of that entity). Refer to C3. On disposal, the previously recognised fair value revaluation was not recycled through the statement of profit and loss, but reclassified within the equity categories.

The Group's investment in PayWith Worldwide, Inc. was held at fair value through OCI at the end of 30 June 2019. The following table gives information about the valuation technique and inputs used.

	FAIR VALUE AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUES AND KEY INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000				
Investment in PayWith Worldwide, Inc. (Refer Note C3)	-	4,232	Level 3	Valuation has been assessed using a value-in-use discounted cashflow based on the software.	The growth rate has been determined based on historical and forecast revenue relating to the software	An increase in the growth rate used would result in a increase in the fair value.
					The weighted average cost of capital (WACC) is a reasonable estimate for the industry.	An increase in WACC would result in an decrease in the fair value.

CONTINGENT CONSIDERATION

The Group's contingent consideration is recognised in relation to earn-outs accounted for as part of business combinations.

It is measured at fair value at the end of each reporting period. The following table gives information about the valuation technique and inputs used.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

C2 Fair Value (Continued)

	FAIR VALUE AS AT		FAIR VALUE HIERARCHY	VALUATION TECHNIQUES AND KEY INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000				
EML Payments AB Contingent consideration in a business combination	8,815	8,233	Level 3	Valuation has been assessed in line with call options of a similar nature using the Black-Scholes option pricing model	Present value of average annual EBITDA.	An increase in the interest rate used would result in a decrease in the fair value.
					Standard deviation in the value of the underlying asset.	An increase in standard deviation would result in an increase in the fair value.
					Contingent consideration multiple.	A slight decrease in the multiple used would decrease the fair value.
Perfectcard Group Contingent consideration in a business combination	3,947	3,598	Level 3	Valuation has been assessed in line with call options of a similar nature using the Black-Scholes option pricing model	Present value of average annual EBITDA.	An increase in the interest rate used would result in a decrease in the fair value.
					Standard deviation in the value of the underlying asset.	An increase in standard deviation would result in an increase in the fair value.
					Contingent consideration multiple.	A slight decrease in the multiple used would decrease the fair value.
Total contingent consideration	**12,762**	11,831				

MOVEMENT IN THE FAIR VALUE OF CONTINGENT CONSIDERATION

Set out below are the movements in the fair value of contingent consideration for the half-year ended 31 December 2019:

	EML PAYMENTS AB	PERFECTCARD GROUP	TOTAL
	$'000	$'000	$'000
Opening balance at 1 July	8,233	3,598	11,831
Interest expense - Unwind of discount	601	389	990
Effect of unrealised foreign currency exchange difference	(19)	(40)	(59)
Closing balance at 31 December 2019	8,815	3,947	**12,762**

Notes to the Financial Statements.

For the half-year ended 31 December 2019

C3 Financial Assets

Financial assets include the following unlisted equity investments:

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
Investment in Contrarian Holdings, LLC	78	78
Investment in PayWith Worldwide, Inc.	-	4,232
	78	4,310

The Group has elected to make an irrevocable election to designate investments in equity instruments as at FVTOCI. This election has been made principally due to the assets not being held for trading.

PAYWITH WORLDWIDE, INC.

During thehalf-year ended 31 December 2019, the Group entered into an agreement to purchase software from PayWith Worldwide, Inc. that supports EML's Salary Packaging vertical. The Group's purchase consideration was made up of cash consideration and the transfer of its investment in PayWith Worldwide Inc. (approximately 19% of the total issued capital of that entity).

D1 Plant, Equipment and Right-of-use Assets

	CONSOLIDATED				
	COMPUTER EQUIPMENT $'000	OFFICE EQUIPMENT $'000	LEASEHOLD IMPROVEMENTS $'000	RIGHT-OF-USE ASSETS (1) $'000	TOTAL $'000
BALANCE AT 1 JULY 2019					
At 1 July 2019, net of accumulated depreciation	2,630	2,277	448	-	5,355
Opening balance adjustment relating to the initial adoption of AASB 16 (Refer to F3)	-	-	-	5,034	5,034
Restated balance at 1 July 2019	2,630	2,277	448	5,034	10,389
Additions	182	855	120	1,771	2,928
Disposals	-	-	-	-	-
Depreciation charge for the period	(540)	(284)	(77)	(695)	(1,596)
Effect of unrealised foreign currency exchange differences	24	13	9	2	48
At 31 December 2019, net of accumulated depreciation	**2,296**	**2,861**	**500**	**6,112**	**11,769**
AT 31 DECEMBER 2019					
Cost	5,428	4,062	853	6,807	17,150
Accumulated depreciation	(3,132)	(1,201)	(353)	(695)	(5,381)
Net carrying amount	**2,296**	**2,861**	**500**	**6,112**	**11,769**

(1) The Group's Right-of-use assets mainly relate to leases for office properties (31 December 2019 WDV: $5,887,000). The remaining value relates to a data warehouse facility. Further disclosure about the nature of these arrangements are included in Note B3.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

D1 Plant, Equipment and Right-of-use Assets (Continued)

RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment requirements in AASB 136.

D2 Intangibles

	CONSOLIDATED					
	SOFTWARE $'000	CUSTOMER RELATIONSHIPS & TRADEMARKS $'000	CUSTOMER CONTRACTS $'000	GOODWILL $'000	OTHER $'000	TOTAL $'000
BALANCE AT 1 JULY 2019						
At 1 July 2019, net of accumulated amortisation	15,768	7,489	2,960	76,181	2,156	104,554
Additions	9,920 [1]	-	-	-	-	9,920
Disposals	(32)					(32)
Amortisation charge for the period	(3,695)	(1,268)	(209)	-	-	(5,172)
Effect of unrealised foreign currency exchange differences	416	140	105	1,655	(26)	2,290
At 31 December 2019, net of accumulated amortisation	**22,377**	**6,361**	**2,856**	**77,836**	**2,130**	**111,560**
AT 31 DECEMBER 2019						
Cost or fair value	44,771	15,287	11,904	77,836	2,130	151,928
Accumulated amortisation	(22,394)	(8,926)	(9,048)	-	-	40,368
Net carrying amount	**22,377**	**6,361**	**2,856**	**77,836**	**2,130**	**111,560**

(1) Software additions during the half-year ended 31 December 2019 includes $6,638,000 for the PayWith Worldwide, Inc. software transaction. Refer Note C3.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

D2 Intangibles (Continued)

Goodwill and intangible assets are assessed for impairment at least annually or more frequently if indicators of impairment arise. The carrying amount of goodwill has been allocated to the cash generating units (CGUs) as follow:

	CARRYING AMOUNT OF GOODWILL ALLOCATED TO CGU	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
Australia	10,777	10,777
Europe	25,580	24,978
Flex-e-Card Group	31,182	30,114
North America	7,366	7,345
Perfectcard Group	2,931	2,967
Consolidated Group	**77,836**	**76,181**

KEY JUDGEMENT - SENSITIVITY TO CHANGES IN KEY ASSUMPTIONS

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 31 December 2019. The recoverable amount is most sensitive to revenue growth assumptions and the Directors believe that the likelihood of a reduction in anticipated growth to a level where carrying value would exceed recoverable amount, is remote.

KEY ESTIMATION - 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.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

E1 Issued Capital

	CONSOLIDATED	
	31 DECEMBER 2019 $'000	30 JUNE 2019 $'000
325,418,554 fully paid ordinary shares (30 June 2019: 250,953,603)	379,227	138,097

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(A) MOVEMENTS IN ISSUED CAPITAL

Issued for Equity

On 11 November 2019 EML announced a fully underwritten equity raise, comprised of an Entitlement Offer and an Institutional Placement. The equity raise was for the purposes of the forthcoming acquisition of Prepaid Financial Services (Ireland) Limited (Refer to Note F1). All new EML shares offered under the equity raise were issued at a price of A$3.55 per new EML share.

Under the Entitlement Offer, eligible shareholders were invited to subscribe for 1 new EML share for every 5 existing EML shares. EML issued 51,092,556 shares with a value of $181,378,574. Shares held by institutional investors were issued on 20 November 2019. Shares held by retail investors were issued on 6 December 2019.

Under the Institutional Placement, eligible institutional shareholders were invited to participate in the placement. On 20 November 2019, pursuant to the terms of the placement to new and existing institutional shareholders, EML issued 18,824,660 new shares with a value of $66,827,543.

Movements in issued capital in the period were as follows:

	31 DECEMBER 2019		30 JUNE 2019	
	NO.	$'000	NO.	$'000
Balance at start of the year	250,953,603	138,097	248,374,468	137,744
Issued for equity under the Entitlement Offer	51,092,556	181,379	-	-
Issued for equity under the Placement Offer	18,824,660	66,828	-	-
Issued for consideration of services rendered (1)	704,878	-	-	-
Options exercised (2)	3,842,857	-	2,579,135	353
Costs associated with the issue of shares	-	(7,077)	-	-
Balance at end of the period/year	**325,418,554**	**379,227**	**250,953,603**	**138,097**

(1) 704,878 fully paid ordinary shares were issued in consideration of services rendered. The fair value of the award was $2,023,000 and was fully amortised in the period.

(2) Options exercised during the period relate to the employee share options. Refer to Note E2 for further details.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of applicable taxes, 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 purchase consideration of the acquisition.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

E2 Share Option Plan

The expense recognised in the statement of profit or loss and other comprehensive income in relation to share-based payments made under ESOP 2 is $2,683,000 (31 December 2018: $2,028,000).

(A) MOVEMENTS IN SHARE OPTIONS

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

	CONSOLIDATED	
OPTIONS OVER ORDINARY SHARES	31 DECEMBER 2019 NO.	30 JUNE 2019 NO.
Options on issue at beginning of the period	10,942,037	12,006,568
Options issued during the period	2,165,893	3,236,440
Options exercised during the period	(3,842,857)	(2,579,135)
Options cancelled during the period	(2,304,748)	(1,721,836)
Options on issue at end of period	**6,960,325**	10,942,037

(B) SHARE OPTION SERIES IN EXISTENCE

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

OPTIONS SERIES	GRANT DATE	31 DECEMBER 2019 NUMBER OF OPTIONS OUTSTANDING	30 JUNE 2019 NUMBER OF OPTIONS OUTSTANDING	EXPIRY DATE	EXERCISE PRICE
Series 16	01/06/16	-	5,915,789	30/9/19	$1.45
Series 20	19/04/17	1,452,341	1,452,281	30/9/20	$0.00
Series 21	28/06/18	-	125,084	28/9/21	$0.00
Series 22	28/06/18	125,084	125,084	28/9/21	$0.00
Series 23	28/06/18	125,084	125,084	28/9/21	$0.00
Series 24	16/07/18	-	61,274	28/09/21	$0.00
Series 25	16/07/18	61,275	61,275	28/09/21	$0.00
Series 26	16/07/18	61,275	61,275	28/09/21	$0.00
Series 27	24/09/18	391,566	391,566	30/10/21	$0.00
Series 28	24/09/18	1,700,131	1,700,131	30/10/21	$0.00
Series 29	24/09/18	648,414	650,664	30/10/20	$0.00
Series 30	13/11/18	-	43,268	12/11/19	$0.00
Series 31	13/11/18	43,268	43,268	12/11/20	$0.00
Series 32	13/11/19	185,994	185,994	30/10/20	$0.00
Series 33	20/08/19	1,299,703	-	29/08/22	$0.00
Series 34	13/11/19	226,481	-	29/08/22	$0.00
Series 35	31/12/19 (1)	113,240	-	29/08/21	$0.00
Series 36	31/12/19 (1)	526,469	-	29/08/21	$0.00
Total		**6,960,325**	10,942,037		

(1) Series 35 and Series 36 relates to STIP options for the financial year ending 30 June 2020. At balance date, the service period had commenced, however, these options had not been granted. For accounting purposes, grant date has been taken as balance date in order to estimate fair value. This will be revised upon Remuneration Committee approval.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

F1 Commitments and Contingent Liabilities

(A) MATERIAL TRANSACTIONS

On 11 November 2019, EML entered into a binding agreement to acquire Prepaid Financial Services (Ireland) Limited (PFS) for an upfront enterprise value of GBP226 milion (A$423 million) plus an earnout component of up to GBP55 million (A$103 million).

The acquisition and transaction costs will be funded by a combination of equity raise and multicurrency A$175 million debt facility.

Completion of the acquisition is subject to satisfactory completion of certain conditions precedent, including change of control regulatory approvals from the Financial Conduct Authority (FCA) (United Kingdom) and the Central Bank of Ireland (CBOI). As at 31 December 2019, regulatory approvals had not been received.

(B) CONTINGENT LIABILITIES

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

Host-Based Store Value accounts with BIN Sponsors

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

Under the agreements:

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

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

Guarantees

The Group has provided the following bank guarantees at 31 December 2019:

- Bank guarantees with the lessors of the office properties to the value of $569,000 (30 June 2019: 569,000). No liability is expected to arise;
- Bank guarantees for obligations to card schemes to the value of $3,380,000 (30 June 2019: $3,368,000). No liability is expected to arise.

F2 Subsequent Events

There has not arisen 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.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

F3 Statement of Significant Accounting Policies

(A) REPORTING ENTITY

EML Payments Limited (Company) is a company incorporated and domiciled in Australia whose shares are publically traded on the Australian Stock Exchange. The condensed consolidated financial report of the Company for the half-year ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or EML). The condensed consolidated financial report was authorised for issue in accordance with a resolution of the directors on 18 February 2020.

(B) BASIS OF PREPARATION

The condensed consolidated financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial report are consistent with those adopted and disclosed in the Company's 2019 Annual financial report for the year ended 30 June 2019, except for the impact of the Standards and Interpretations described in Note F3(c). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

The entity's principal activities are the provision of payment services.

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

(C) ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other amendments and interpretations apply for the first time in the financial year ending 30 June 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

AASB 16 Leases

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 supersedes the previous lease guidance including AASB 117 Leases and the related interpretations as of 1 July 2019. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

On transition at 1 July 2019, the Group's leases relate to office property.

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

The Group have applied a weighted average borrowing rate on transition of 2.24%.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

F3 Statement of Significant Accounting Policies (Continued)

The Group has adopted AASB 16 on 1 July 2019 using a modified retrospective approach to implementation of the standard. Under this approach, the cumulative effect of initial application of the standard is recognised at the date of adoption, ie 1 July 2019.

In applying AASB 16 for the first time, the Group have used the following practical expedients permitted by the standard:

- The transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application;
- The recognition exemptions for lease contracts that, at 1 July 2019, have a lease term of 12 months or less and do not contain a purchase option;
- The recognition exemptions for lease contracts for which the underlying asset is of low value ('low-value assets'); and
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group did not apply the remaining expedient relating to the application of an onerous lease liability.

(i) Nature of the effect of adoption on AASB 16

On transition, the right-of-use assets for leases were measured either:

- on a retrospective basis as if AASB 16 Leases had always been applied; or
- the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Notes to the Financial Statements.

For the half-year ended 31 December 2019

F3 Statement of Significant Accounting Policies (Continued)

The effect of adoption AASB 16 as at 1 July 2019 affected the following items on the balance sheet (increase/(decrease)) is as follows:

	1 JULY 2019 $,000
NON-CURRENT ASSETS	
Plant, equipment and Right-of-use assets [1]	5,034
Total Non-Current Assets	5,034
CURRENT LIABILITIES	
Lease liability [2]	1,155
Other liabilities [3]	(205)
Total Current Liabilities	950
NON-CURRENT LIABILITIES	
Lease liability [4]	5,018
Other liabilities [3]	(988)
Total Non-Current Liabilities	4,030
Total Liabilities	**4,980**
Total adjustments on equity	
Retained earnings [5]	54
Total equity	**54**

(1) Right-of-use assets of $5,034,000 were recognised and presented as a category within Plant, Equipment and Right-of-use Assets on 1 July 2019. Refer Note D1.
(2) A Lease liability, Current was recognised on 1 July 2019.
(3) Derecognition on 1 July 2019 in Other liabilities included Straight-lining lease liabilites and Lease incentive liabilities.
(4) A Lease liability, Non-Current was recognised on 1 July 2019.
(5) The net effect of these adjustments had been adjusted to Retained earnings on 1 July 2019.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June as follows:

	$,000
Operating lease commitments as at 30 June 2019	6,248
Recognition exemption for leases expiring in 12 months or fewer	(43)
Change in recognition of lease term	835
Change in treatment of lease incentive	(121)
Effect of discounting	(746)
Lease liability recognised based on the initial application of AASB 16 as of 1 July 2019	**6,173**

Corporate Information.

Directors

Peter Martin
Non-executive Chairman

Thomas Cregan
Managing Director and Group Chief Executive Officer

Tony Adcock
Non-executive Director

David Liddy AM
Non-executive Director

Dr Kirstin Ferguson
Non-executive Director

Melanie Wilson
Non-executive Director

Joint Company Secretaries

Paul Wenk
Joint Company Secretary

Sonya Tissera-Isaacs
Joint Company Secretary
(appointed 26 November 2019)

ABN

93 104 757 904

Registered Office and Principal Place of Business

Level 12
333 Ann Street
Brisbane QLD 4000

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

Auditors

Deloitte Touche Tohmatsu
Level 23, Riverside Centre,
123 Eagle Street
Brisbane QLD 4000

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

Bankers

Australia and New Zealand Banking Group Limited
Level 5, 242 Pitt Street,
Sydney, NSW 2000

Share Register

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane, QLD 4000

Telephone: (within Australia): 1300 554 474
Facsimile: (02) 9287 0303

Securities Exchange Listing

EML Payments Limited is listed on the Australian Securities Exchange

(ASX: EML)