



2019 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.

WE ARE CURRENTLY MANAGING



APPROXIMATELY

1,200

CARD PROGRAMS

IN



21

COUNTRIES

GROUP GDV (FY19)

\$4.15bn ↑ 16%

Gift & Incentive
['G&I']

GROSS DEBIT VOLUME

\$664.1m

↑ 42% on H1 FY18

STORED VALUE

\$454.5m

↑ 35% on H1 FY18

REVENUE

\$32.4m

↑ 24% on H1 FY18

GROSS PROFIT

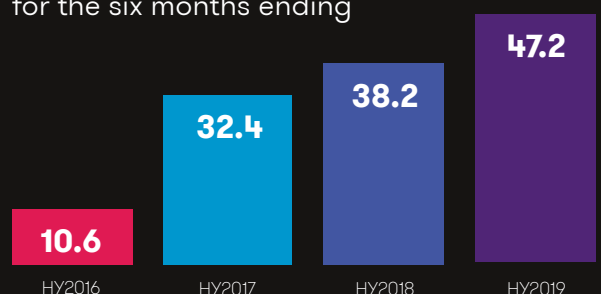
\$24.5m

↑ 19% on H1 FY18

EBTDA

\$13.7m ↑ 1%

Group Revenue (\$m)
for the six months ending



General Purpose Reloadable ['GPR']

GROSS DEBIT VOLUME

\$1.39bn

↓ 24% on H1 FY18

STORED VALUE

\$103.2m

↓ 20% on H1 FY18

REVENUE

\$12.3m

↑ 13% on H1 FY18

GROSS PROFIT

\$8.1m

↑ 13% on H1 FY18

Virtual Account Numbers ['VANS']

GROSS DEBIT VOLUME

\$2.09bn

↑ 64% on H1 FY18

STORED VALUE

\$78.4m

↑ 138% on H1 FY18

REVENUE

\$2.0m

↑ 94% on H1 FY18

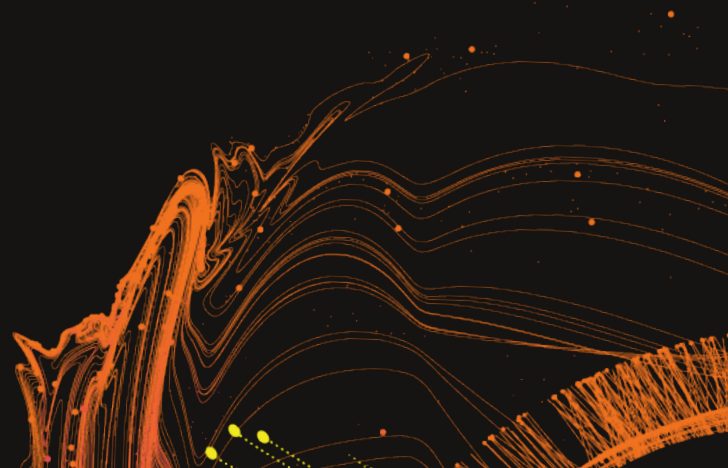
GROSS PROFIT

\$1.6m

↑ 79% on H1 FY18

Gross Debit Volume (GDV)

\$4.15bn ↑ 16%



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Directors' Report.

The first six months of the 2019 financial year has seen EML continue to execute our strategy of maintaining growth momentum to deliver long term value creation for shareholders. All three segments of our business have delivered growth from both existing customers and newly launched customers. We are pleased with the performance of EML Nordics (previously called Presend) acquired in February 2018 and PerfectCard DAC acquired in July 2018.

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

On 30 November 2018, Eryln Dale & Winton Willesee resigned as Joint Company Secretaries. Paul Wenk has been appointed as Company Secretary effective from 14 November 2018

Review of operations

The first six months of the FY19 financial year delivered another record EBTDA of \$13.7m for EML. On the face of it this was marginally (1%) up on last year. However, in fact, this was a significantly increased result as we adopted the new revenue accounting standard, AASB 15. This has resulted in breakage revenue, previously booked during the Q2 peak for our Gift & Incentive segment, being recognised in the second half of FY19. EML's revenue and EBTDA will now be much more evenly distributed over the year which should make it easier for investors to understand how the Group is tracking.

Our Gift & Incentive segment has performed well with Gross Debit Volume ('GDV') growth of \$197m driven from growth in existing programs 12%, newly launched programs 47% and our newly acquired subsidiaries 41%. Our pipeline of new opportunities remains strong in all regions and we remain excited by the potential of our innovative mobile solutions launched in H1 FY19.

In the General Purpose Reloadable Segment revenues grew 13% to a record \$12.3m in H1 FY19 despite GDV being down 24% on the prior period. As expected, GDV from our US customer LuLaRoe declined year on year but as the mix shifted our revenue conversion rate improved from to 88bps in H1 FY19. Australian & European Sports Betting grew strongly with GDV in the six months, up 28% on the prior comparative period.

The Virtual Account Numbers ('VANS') segment grew 64% on the prior comparative period to deliver GDV of \$2.09bn in the first half converting to \$2.0m of revenue. Pleasingly segment performance was driven by growth from both longstanding customers and customers that have launched within the last 12 months.

Highlights of the six months under review were as follows:

- Continued financial growth with profitability as measured by EBTDA increasing 1% to \$13.7m. Funds loaded on our products (GDV) increased by 16% to \$4.15bn;
- Cash flow from operating activities in the first six months remained strong at \$17.0m running ahead of EBTDA for the same period as we reached an agreement with our US sponsor bank to accelerate the release of A\$6.1m of breakage. This agreement will continue to benefit the group through faster collection of breakage in future periods. Excluding this item, underlying cash flow to EBTDA was c. 80%;
- EML's Balance Sheet also continued to strengthen with Shareholder Funds of \$140m of which \$50.1m is cash and \$14.9m in breakage accrual expected to convert to cash in under 12 months;
- Continued to expand our innovative product for the Salary Packaging vertical in Australia. Our market leading solution has won further share with organic growth of 13% in benefit accounts year on year. In January we secured a contract win for a further 25,000 benefit accounts to launch in H2 FY19;
- Launched our new mobile based products utilising Pays technology to enable our clients to reach their customers instantly;
- Launched programs in an additional 90 shopping malls in Europe in H1 FY19 taking our portfolio to over 600 shopping malls globally; and,
- Our US business performance has improved over the last six months as the new team refocussed the business on opportunities within the General Purpose Reloadable segment for the recently legalised sports betting industry.

Auditor Independence

The auditors independence declaration is included on page 11 of the half-year report.



Peter Martin
Non-executive Chairman

26 February 2019

\$13.74m

↑ EBTDA
1%

All regional business units improved EBTDA on a constant currency basis

\$47.2m

↑ REVENUE
23%

83% generated from recurring transaction revenue streams

\$4.15bn

↑ TOTAL GDV
16%

42% GDV growth in Gift & Incentive segment

We knock the boring out of payments and we do it in our own unique way: having a 'one team' mentality, being open, honest and trusted, bringing awesome every day, and knowing that simplicity is genius!

Gift & Incentive ('G&I') Segment.

\$467.1M

The Gift & Incentive segment provides single load gift cards for shopping malls and incentive programs across the world. Providing services to over 600 shopping malls globally, our partners include many of the largest retail property groups. Incentive cards are provided in all regions across multiple markets and industries.

GDV increased 42% over the prior comparative period to \$664.1m in H1 FY19. Revenues of \$32.4m converted at 488bps, down on the reported prior year due to the impacts of adopting the new accounting standard AASB 15 which has delayed the recognition of \$4.5m (pre-tax) into H2 FY19. There will be no impact to the full year result or the timing of converting breakage to cash.

During the period we have launched programs in over 90 new shopping malls in Europe, the Restaurant Choice program with Blackhawk in Australia and integrated our acquisitions - EML Nordics and PerfectCard.

We continued to maximise the return from our North American business with the transition of programs to higher interchange bins realising returns in H1 FY19. During the period we reached an agreement with our US sponsor bank to accelerate the release of breakage into cash. This agreement will continue to benefit the Group through faster collection of breakage in future periods.

Geographies

Australia

North America

Europe



GROSS DEBIT VOLUME

\$664.1m

↑ 42% on H1 FY18

STORED VALUE

\$454.5m

↑ 35% on H1 FY18

REVENUE

\$32.4m

↑ 24% on H1 FY18

GROSS PROFIT

\$24.5m

↑ 19% on H1 FY18

HY2018

HY2019

General Purpose Reloadable ('GPR') Segment.

EML continues to diversify its technology to provide General Purpose Reloadable ('GPR') programs across our global operations. EML provides a full service offering including issuance, processing and program management with application to a wide range of industries.

We work closely with partners such as SportsBet, bet365 and PointsBet in our gaming vertical to provide faster winnings payouts to more than 136,000 cardholders in Australia, Europe and the USA. The established Gaming vertical continues to provide strong organic growth with Gross Debit Volume up 28% on H1 FY18. The launch of PointsBet and betsson in Q3 FY19 will deliver meaningful growth in FY20 and beyond.

In our Australian salary packaging vertical we partner with McMillan Shakespeare, Smart Group and other firms in the salary packaging industry to provide our innovative solution to over 130,000 benefit accounts. We now manage over 130,000 Salary Packaging accounts, up from 112,000 on launch in July 2017 with a contractual commitment to launch a further 25,000 accounts in H2 FY19

As expected, GDV from our US customer LuLaRoe ('LLR') declined year on year but as the mix shifted to more profitable agents our revenue conversion rate improved to 88bps in H1 FY19.

Our GPR vertical continues to expand as customers find new ways to use our technology. In addition to verticals such as gaming, salary packaging and commission payouts, we have seen demand from Australian bank alternative startups and disbursement programs for Crypto exchanges.

Geographies

Australia



North America



Europe



GROSS DEBIT VOLUME

\$1.39bn

↓ 24% on H1 FY18

STORED VALUE

\$103.2m

↓ 20% on H1 FY18

REVENUE

\$12.3m

↑ 13% on H1 FY18

GROSS PROFIT

\$8.1m

↑ 13% on H1 FY18

HY2018

HY2019

Virtual Account Numbers ('VANS') Segment.

In June 2016 EML acquired the North America business, which at that time was providing processing only services for Virtual Account Numbers (was B2B Virtual Payments). EML has expanded our offerings to include program managing VANS offerings to give businesses a competitive edge with proprietary technologies and custom solutions.

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

Our existing processing only customer base continued to grow and drove GDV to a record \$2.09bn in the six months, up 64% on H1 FY18. Full service agreements signed and launched in prior periods ramped with meaningful financial contributions to deliver revenue of \$2.0m in the six month period.

Geographies

North America



\$1.28bn

HY2018

HY2019

GROSS DEBIT VOLUME

\$2.09bn

↑ 64% on H1 FY18

STORED VALUE

\$78.4m

↑ 138% on H1 FY18

REVENUE

\$2.0m

↑ 94% on H1 FY18

GROSS PROFIT

\$1.6m

↑ 79% on H1 FY18

Performance Overview.

(\$ Millions)	HY 2019	Growth	HY 2018
Gross Debit Volume (GDV)			
General Purpose Reloadable (GPR)	1,392.66	42%	1,840.28
Gift & Incentive (G&I)	664.13	(24%)	467.08
Virtual Account Numbers (VANS)	2,091.31	64%	1,275.92
Total GDV	4,148.10	16%	3,583.29
Revenue	47.19	23%	38.24
Gross Profit	34.45	20%	28.71
Gross Profit %	73%	(3%)	75%
Research and Development tax offset	0.30	(50%)	0.61
Overheads – employment related	(13.38)	25%	(10.72)
Overheads – other	(7.63)	52%	(5.12)
EBTDA*	13.74	1%	13.48
Less			
Research and Development tax offset included above	(0.30)	(50%)	(0.61)
Depreciation and amortisation expense	(5.01)	20%	(4.19)
Share-based payments	(2.02)	(26%)	(2.74)
Other non-cash items	(2.84)	1081%	(0.15)
Profit for the period before tax	3.57	(38%)	5.79
Tax (including Research and Development tax offset)	(1.00)	(65%)	(3.76)
Net Profit for the period	2.57	27%	2.03

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

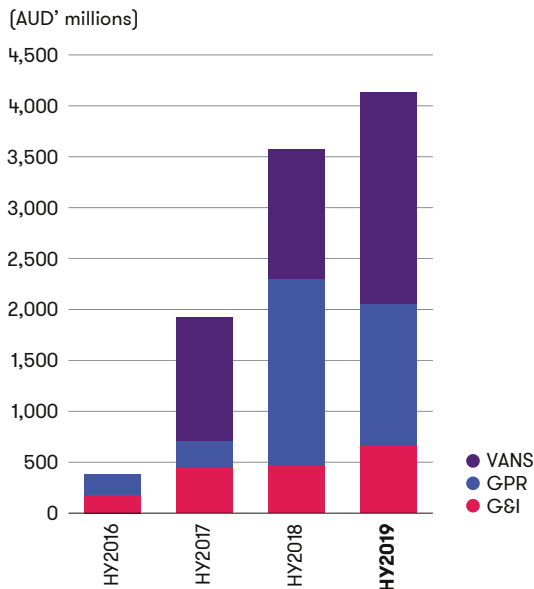
Performance Overview.

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

- Revenue increased by 23% to \$47.2m for the six months ended 31 December 2018 predominantly driven by higher volumes in the Gift & Incentive ('G&I') segment.
- Gross Debit Volume converted to revenue at approximately 114bps up 7bps from the prior comparative period due to a mix shift to higher converting programs in the General Purpose Reloadable ('GPR') segment.
- Results presented include the acquisition of EML Nordics (acquired February 2018) and PerfectCard (acquired July 2018) for the first time.
- During the period under review the Group adopted AASB 15 Revenue from Contracts with Customers which has resulted in approximately \$4.5M (pre tax) of revenue previously recognised in the month of load being recognised in H2 FY19. The Group has elected to adopt the new standard using the modified retrospective approach and as such the prior comparative period is not restated. Further information is provided in Note F4.
- Gross profit generated was down on the prior period at 73% due to the impact of adopting the new Revenue accounting standard (AASB 15) which has delayed the recognition of breakage income into the second half of the financial year. The Group expects there will be no impact to revenue recognition in the full year ending 30 June 2019.
- Employment related expenses were \$13.4m (2018: \$10.7m) up 25% on the prior period due to recruitment of senior executives to manage the increasing scale and complexity of the Group's operations, the acquisition of EML Nordics, PerfectCard and the establishment of a global Short Term Incentive Plan. At the end of December the Group had 236 staff members compared to 179 in the comparative supporting revenue growth of 23%.
- Other overhead expenses have increased to \$7.6m as the Group's operations have expanded to include a regulated business in Ireland, a further three offices in Sweden & Ireland and higher spend on marketing to support continued growth.
- The refund from the R&D Tax Concession program continues to be included in the EBTDA 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.
- The Group achieved record EBTDA of \$13.7m for the six months ending 31 December 2018 despite the impact of adopting the new Revenue accounting standard in the period. In contrast to prior periods, due to the adoption of the new accounting standard, the Group expects results to be less seasonal between each half of the financial year.

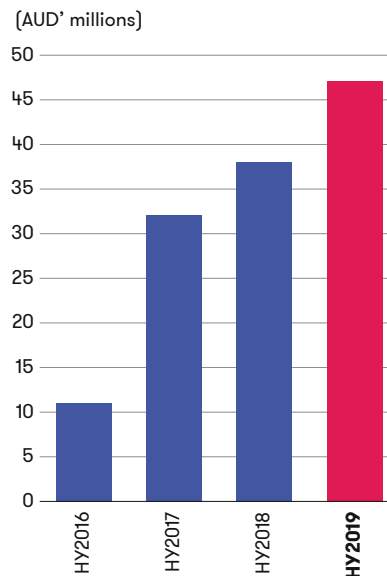
Total Gross Debit Volume H1 FY19

\$4.15billion



Revenue H1 FY19

\$47.2million



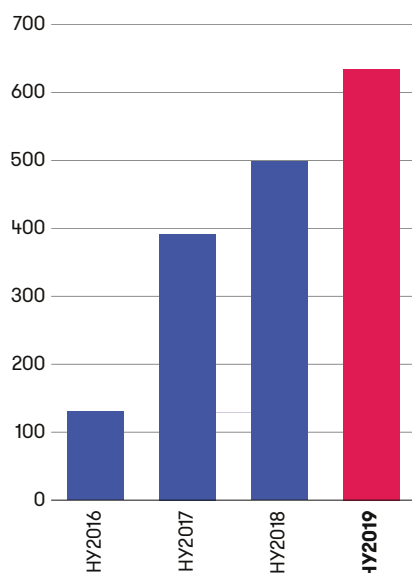
Performance Overview.

- Depreciation and amortisation expense has increased by \$0.8m to \$5.0m in the current period. Of the total \$5.0m expense, only \$0.6m related to maintenance capital expenditure and \$4.4m related to amortisation on assets resulting from the “purchase price allocation” of our previous business acquisitions the Group has made in acquiring PerfectCard (July 2018), EML Nordics (Feb 2018), the North American business (June 2016), European business (December 2014) and the Australian business (July 2011).
- Share based payments expense is down 26% on the prior period and primarily relates to the amortisation of the performance options awarded to the management of the North America business as part of the initial acquisition agreement. A total of 6.2m options were granted (Series 16) and will vest in September 2019 conditional on the North America business achieving certain EBTDA targets.
- The breakage accrual of \$20.1m represents the residual portion of funds on Gift & Incentive accounts that the Group has previously sold and expects to convert to cash. Included in this balance is \$5.2m in relation to PerfectCard, an entity acquired in the period. During the period the Group reached agreement with a North American sponsor bank to accelerate the conversion to cash of \$6.1m of previously accrued breakage. 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, with the terms of the funding onto the accounts determined between ourselves and the clients, as opposed to a Bank or Authorised Deposit taking Institution.
- A significant proportion of our deferred tax asset reflects the fact that the Company expects to continue generating taxable income in Australia and consequently, under the accounting standards, has recognised carried forward tax losses. Our deferred tax asset and liability balances also include deductible temporary differences for certain items including intangibles and share based payments in the United States.
- Cash inflows from operating activities totalled \$17.0m due to the Group generating EBTDA of \$13.74m and a one off benefit of \$6.1m from accelerating the conversion of North American breakage to cash. Outside of the one off cash inflow benefit in North America, the group converted EBTDA to cash at 79% in line with our expectations for the period.
- Cash outflows from investing activities included \$4.0m in connection with the acquisition of PerfectCard in July 2018 (Note F1) and investment in software development in connection with our mobile Pays product in Australia and General Purpose Reloadable programs in Europe and North America (Note D1).

Stored Value H1 FY19

\$636.2million

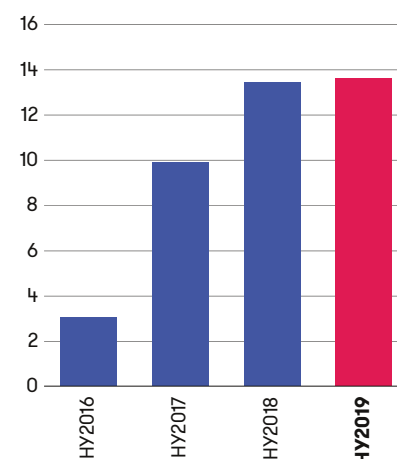
(AUD' millions)



EBTDA H1 FY19

\$13.7million

(AUD' millions)



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, 26 February 2019

Auditor's Independence Declaration.

Deloitte.

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

26 February 2019

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 financial statements of EML Payments Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David Rodgers
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report.

Deloitte.

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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 2018, 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 15 to 35.

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 2018 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

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report.

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.

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 2018 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

David Rodgers

David Rodgers
Partner
Chartered Accountants
Brisbane, 26 February 2019

Financial statements.

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Corporate Information



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

For the half-year ended 31 December 2018

	Notes	Consolidated	
		31 December 2018 \$'000	31 December 2017 \$'000
Revenue	A1, A2	47,194	38,241
Cost of sales		(12,744)	(9,532)
Gross Profit	A2	34,450	28,709
Expenses			
Employee benefits expense		(13,382)	(10,716)
Professional fees		(1,498)	(966)
Share-based payments		(2,028)	(2,740)
Depreciation and amortisation expense		(5,012)	(4,192)
Finance costs	A1	(871)	-
Other expenses	A1	(8,096)	(4,300)
Total expenses		(30,887)	(22,914)
Profit before income tax		3,563	5,795
Income tax (expense) / benefit	A3	(995)	(3,760)
Net profit for the half-year		2,568	2,035
Other comprehensive income, net of income tax			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		4,583	587
Other comprehensive income for the half-year, net of income tax		4,583	587
Total comprehensive profit for the half-year		7,151	2,622
Total comprehensive profit / (loss) for the half-year attributable to:			
Equity holders of the parent		7,168	2,622
Non-controlling interests		(17)	-
Profit per share (cents per share)			
Basic profit for the year attributable to ordinary equity holders of the parent (cents per share)		1.05	0.83
Diluted profit for the year attributable to ordinary equity holders of the parent (cents per share)		1.03	0.80

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position.

For the half-year ended 31 December 2018

	Notes	Consolidated	
		31 December 2018 \$'000	30 June 2018 \$'000
Current Assets			
Cash and cash equivalents		50,114	39,006
Breakage accrual	B1	14,929	12,550
Other receivables		15,699	8,889
Receivable from financial institutions		309,913	67,714
Current tax asset		-	470
Other current assets		3,553	2,941
Total Current Assets		394,208	131,570
Non-Current Assets			
Breakage accrual	B1	5,180	7,276
Other receivables		12,989	7,452
Financial assets	C2	5,476	5,211
Plant and equipment		4,451	3,481
Intangibles	D1	70,494	65,767
Deferred tax asset	A3	19,952	18,783
Total Non-Current Assets		118,542	107,970
Total Assets		512,750	239,540
Current Liabilities			
Trade and other payables		28,396	21,150
Employee benefits		755	727
Current tax payable		2,791	-
Other liabilities		726	884
Liabilities to stored value account holders		309,913	67,714
Total Current Liabilities		342,581	90,475
Non-Current Liabilities			
Other liabilities		13,828	6,900
Contingent consideration	C1	11,090	6,879
Deferred tax liabilities	A3	4,476	5,410
Employee benefits		120	103
Total Non-Current Liabilities		29,514	19,292
Total Liabilities		372,095	109,767
Net Assets		140,655	129,773
Equity			
Issued capital	E1	137,976	137,744
Reserves		25,587	19,091
Accumulated losses		(24,449)	(27,062)
Non-controlling interest		1,541	-
Total Equity		140,655	129,773

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows.

For the half-year ended 31 December 2018

	Notes	Consolidated	
		31 December 2018 \$'000	31 December 2017 \$'000
Cash Flows from Operating Activities			
Receipts from customers		44,254	28,389
Payments to suppliers and employees		(28,858)	(32,872)
Tax received		258	-
Acquisition – related expenses		(123)	(190)
Interest received		1,488	1,312
Interest paid		(11)	-
Net cash generated by / (used in) operating activities		17,008	(3,361)
Cash Flows from Investing Activities			
Payments for plant and equipment		(273)	(210)
Payments for intangibles	D1	(1,773)	(1,625)
Refund of security deposit		204	-
Payment for business combination, net of cash acquired	F1	(4,022)	-
Net cash used in investing activities		(5,864)	(1,835)
Cash Flows From Financing Activities			
Proceeds from issue of shares	E1	350	26
Net cash provided from financing activities		350	26
Net increase / (decrease) in cash held		11,494	(5,170)
Cash at beginning of the half-year		39,006	39,872
Impacts of foreign exchange		(387)	(6)
Cash at end of year		50,114	34,697

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity.

For the half-year ended 31 December 2018

	Notes	Issued Capital \$'000	Accumulated Losses \$'000	Other Reserve \$'000	Foreign Currency Translation Reserve \$'000	Total Attributable to Equity Holders of the Parent	Non-controlling Interest	Total \$'000
Balance at 1 July 2018		137,744	(27,062)	23,639	(4,548)	129,773	-	129,773
Total comprehensive income								
- Net 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	F1	-	-	-	-	-	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
Balance at 1 July 2017		137,981	(29,270)	19,035	(7,165)	120,581	-	120,581
Total comprehensive income								
- Net profit for the half-year		-	2,035	-	-	2,035	-	2,035
Other comprehensive income								
Unrealised foreign currency (loss), net of tax		-	-	-	588	588	-	588
Transactions recorded directly in equity								
- Share-based payments		-	-	2,836	-	2,836	-	2,836
- Issue of share capital		26	-	-	-	26	-	26
- Issue costs		(131)	-	-	-	(131)	-	(131)
Balance at 31 December 2017		137,876	(27,235)	21,871	(6,577)	125,935	-	125,935

The accompanying notes form part of these financial statements.

Notes to the Financial Statements.

A1 REVENUE, OTHER EXPENSES AND FINANCE COSTS

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

	Consolidated	
	31 December 2018 \$'000	31 December 2017 \$'000
(a) Revenue includes		
Recurring revenue	39,229	33,503
Establishment revenue	6,444	3,477
Interest income – stored value	1,294	1,116
Interest income – group funds	227	145
	47,194	38,241
(b) Other expenses include		
Acquisition costs	123	190
Fixed sponsor bank and other related costs	549	285
Foreign exchange loss	1,976	145
Information technology related costs	1,738	1,341
Marketing and advertising	618	222
Risk and compliance	841	394
Rent, buildings and office management	1,070	835
Travel and accommodation	1,158	762
Other	23	126
	8,096	4,300
(c) Finance costs		
Interest expense - general	11	-
Interest expense - unwind of discount on contingent consideration	860	-
	871	-

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. The Group has both transaction price, point-in-time revenue (Transaction fees, Establishment income and Service fees) and Variable consideration (Breakage income).

Key Assumption - Breakage income

We refer to the portion of the dollar value of prepaid-stored value accounts that account holders do not ultimately redeem as breakage. We include in breakage revenue all revenue generated from expected residual revenue.

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

The residual percentage is calculated using the historical data, market-specific trends, escheatment rules and existing economic conditions for each program. The calculated residual percentage is reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur. Where this cannot be determined, all forms of expired residual revenue are recognised on a cash basis.

A2 SEGMENT INFORMATION

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographic location of the business operations. As the Group's operations continue to increase in scale and reach, product segments provide a clearer view of the Group's results. As a result, the Group will now report its primary segments under AASB 8 as follows:

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

Notes to the Financial Statements.

A2 SEGMENT INFORMATION (continued)

Segment financial performance is assessed on Gross Profit being revenue less directly attributable costs of goods sold. EBTD is reported at a group level after cash overheads, inclusive of R&D tax incentive and allocation of central administration costs and Directors' salaries, before share based payments, depreciation and amortisation 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.

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 2018			
	G&I \$'000	GPR \$'000	VANS \$'000	Group \$'000
Revenue	32,380	12,251	2,019	47,194
Segment gross profit	24,529	8,092	1,561	34,450
Overheads				(21,009)
R&D tax incentive offset				300
EBTDA				13,741
Depreciation and amortisation				(5,012)
Intergroup transfers				-
Add back:				
R&D tax incentive offset				(300)
Share-based payments				(2,028)
Other non-cash charges				(2,838)
Profit / (loss) before tax for the half-year				3,563

	Six months ended 31 December 2017			
	G&I \$'000	GPR \$'000	VANS \$'000	Group \$'000
Revenue	26,086	10,886	1,041	38,241
Segment gross profit	20,570	7,192	871	28,709
Overheads				(15,837)
R&D tax incentive offset				605
EBTDA				13,477
Depreciation and amortisation				(4,192)
Intergroup transfers				-
Add back:				
R&D tax incentive offset				(605)
Share-based payments				(2,740)
Other non-cash charges				(145)
Profit / (loss) before tax for the half-year				5,795

The Group generates other income (such as interest income) that is not reasonably allocated to the segments and this gives rise to a difference of \$544,000 between the total revenue of the segments and Group revenue.

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

	31 December 2018 \$'000	30 June 2018 \$'000
Australia	110,781	103,632
Europe	348,693	95,047
Americas	53,276	40,861
Total segment assets	512,750	239,540

Notes to the Financial Statements.

A3 TAXATION

	Consolidated	
	31 December 2018 \$'000	31 December 2017 \$'000
(a) Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Current income tax expense	2,884	1,580
Deferred tax (income) / expense relating to the origination and reversal of temporary differences	(1,589)	2,785
Refundable R & D tax offset	(300)	(605)
Adjustments for income tax of prior year	-	-
Total income tax expense	995	3,760
(b) Reconciliation between income tax expense and profit/(loss) before income tax		
Profit before income tax	3,563	5,795
Income tax expense using the domestic corporation tax rate of 30% (2018: 30%)	1,069	1,739
Tax effect of:		
Non-deductible expenses	1,130	1,333
Tax deduction in respect of contributions to employee share trust	(1,066)	(23)
Refundable R & D tax offset	(300)	(605)
Effect of differences in tax rates ⁽¹⁾	38	356
Effect of change in US tax rate ⁽¹⁾	161	960
Utilisation of tax losses	(37)	-
Income tax expense	995	3,760

(1) United Kingdom corporate tax rate is 19%, Australian corporate tax rate is 30%, USA tax rate is 24.62% and Canadian tax rate is 26.51%.

	31 December 2018 \$'000	30 June 2018 \$'000
(c) Deferred tax asset		
Intangible assets	742	3,373
Employee benefits	2,899	1,202
Recognition of tax losses	14,171	12,426
Share capital costs	698	431
Other	1,442	1,351
Deferred tax asset	19,952	18,783

Notes to the Financial Statements.

A3 TAXATION (continued)

	31 December 2018 \$'000	30 June 2018 \$'000
(d) Deferred tax liability		
Breakage accrual	(3,202)	(4,913)
Customer contracts	(890)	-
Customer relationships	(369)	-
Plant and equipment	(15)	(497)
Deferred tax liability	(4,476)	(5,410)

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 Assumption - Recovery of deferred tax assets

Deferred tax is recognised on tax losses and temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

B1 BREAKAGE ACCRUAL

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
Current		
Breakage accrual	14,929	12,550
Non-current		
Breakage accrual	5,180	7,276

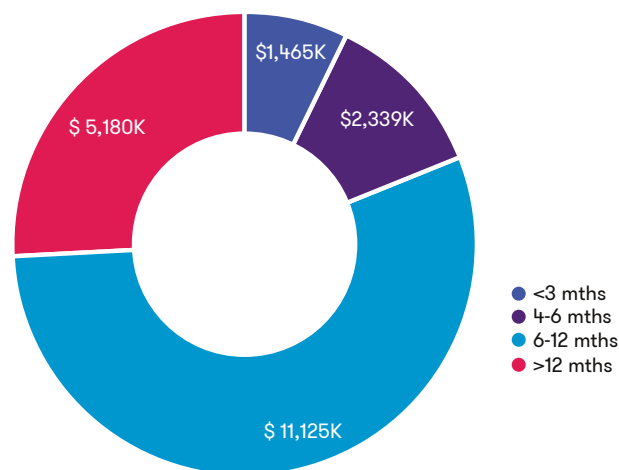
Notes to the Financial Statements.

Where we expect to be entitled to a breakage amount and can demonstrate the ability to reliably measure cardholder redemption patterns, we will recognise the expected breakage income as variable consideration in proportion to the pattern of rights exercised by the cardholder and consequently breakage accrual.

Variable consideration can only be recognised where it is highly probable that a significant reversal will not occur. Where this cannot be determined, all forms of expired residual revenue are recognised on a cash basis.

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

Phasing of H1 FY19 breakage accrual expected conversion to cash \$'000



C1 FINANCIAL INSTRUMENTS

Overview

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

Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

Credit risk

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

Cash and cash equivalents

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

Trade and other receivables

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

Notes to the Financial Statements.

C1 FINANCIAL INSTRUMENTS (continued)

Exposure to credit risk

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

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
Cash and cash equivalents	50,114	39,006
Bank security deposits	20	221
Other receivables	16,872	8,461
Financial assets - unlisted equity investment	5,476	5,211

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the Group's contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000
31 December 2018						
Non-interest bearing	28,396	28,396	28,396	-	-	-
Total	28,396	28,396	28,396	-	-	-
30 June 2018						
Non-interest bearing	21,150	21,150	21,150	-	-	-
Total	21,150	21,150	21,150	-	-	-

Notes to the Financial Statements.

C1 FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

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

The Company manages currency risk by ensuring that the operating revenue and expenses are largely incurred in the same currency whilst intentionally seeking to generate earnings in currencies other than Australian dollars. It is the policy of the Group to enter into forward exchange contracts to cover specific material foreign currency exposures that will impact the Group's cash flow.

In the current period, the Group has designated certain forward exchange contracts as cash flow hedges with respect to hedging the risk of converting GBP and Euro to and from AUD at a forward date.

The Group may have excess GBP and Euro which are not deriving any interest revenue due to the low interest rate environment for GBP and Euro deposits. To enhance the return, the Group may 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 fixes the AUD payable by entering into forward exchange contracts. These hedges are designated as cash flow hedges.

At 31 December 2018, no ineffectiveness has been recognised in profit or loss for outstanding forward exchange contracts (30 June 2018: none).

Foreign currency sensitivity

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

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.

Fair Values

Fair values versus carrying amounts

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

Financial assets

The fair value at 31 December 2018 of derivative assets held for risk management, which are the Group's only financial asset carried at fair value. These financial instruments were measured using Level 2 valuation techniques. The Group does not have any financial assets that are categorised as Level 1 or Level 3 in the fair value hierarchy.

Financial liabilities

The Group's contingent consideration financial liability is recognised in relation to the business combinations in 2018 (see note F1). 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.

C1 FINANCIAL INSTRUMENTS (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 2018 \$'000	30 June 2018 \$'000				
Contingent consideration in a business combination (see note F1)	11,090	6,789	Level 3	Valuation has been assessed in line with call options of a similar nature using the Black-Scholes option pricing model	Present value of average annual EBITDA at 9.9%. Standard deviation in the value of the underlying asset at 25%. Contingent consideration multiple.	An increase in the interest rate used would result in a decrease in the fair value. An increase in standard deviation would result in an increase in the fair value. A slight decrease in the multiple used would decrease the fair value.

Capital Management

Capital is defined as the equity of the Group.

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

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

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

The Group is not subject to externally imposed capital requirements.

C2 FINANCIAL ASSETS

Financial assets include the following unlisted equity investments:

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
Investment in Contrarian Holdings, LLC	77	73
Investment in PayWith Worldwide, Inc.	5,399	5,138
	5,476	5,211

The Group holds 15% of the diluted ordinary share capital of PayWith Worldwide, Inc, a company offering mobile reward program technology. In February 2018, the Group extended a convertible loan to PayWith.

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

The directors of the Company do not consider that the Group is able to exercise significant influence over either entity. Financial assets are held at fair value with gains and losses included in other comprehensive income.

Notes to the Financial Statements.

D1 INTANGIBLES

	Consolidated					
	Software \$'000	Customer relationships & trademarks \$'000	Customer contracts \$'000	Goodwill \$'000	Other \$'000	Total \$'000
Balance at 1 July 2018						
At 1 July 2018, net of accumulated amortisation and impairment	16,603	4,881	1,947	42,336	-	65,767
Additions	1,773	-	-	-	-	1,773
Disposals	(6)	-	-	-	-	(6)
Acquired as part of a business combination (Note F1)	149	892	-	2,891	2,101	6,033
Amortisation charge for the year	(2,875)	(924)	(676)	-	-	(4,475)
Effect of unrealised foreign currency exchange differences	198	142	12	989	61	1,402
At 31 December 2018, net of accumulated amortisation and impairment	15,842	4,991	1,283	46,216	2,162	70,494
At 31 December 2018						
Cost or fair value	30,884	11,468	9,126	46,216	2,162	99,856
Accumulated amortisation and impairment	(15,042)	(6,477)	(7,843)	-	-	(29,362)
Net carrying amount	15,842	4,991	1,283	46,216	2,162	70,494

	Consolidated					
	Software \$'000	Customer relationships & trademarks \$'000	Customer contracts \$'000	Goodwill \$'000	Other \$'000	Total \$'000
Balance at 1 July 2017						
At 1 July 2017, net of accumulated amortisation and impairment	16,902	6,304	3,107	33,820	-	60,132
Additions	3,868	-	-	-	-	3,868
Disposals	-	-	-	-	-	-
Acquired as part of a business combination	-	51	159	7,754	-	7,964
Amortisation charge for the year	(4,906)	(1,622)	(1,445)	-	-	(7,973)
Effect of unrealised foreign currency exchange differences	739	149	126	762	-	1,776
At 30 June 2018, net of accumulated amortisation and impairment	16,603	4,881	1,947	42,336	-	65,767
At 30 June 2018						
Cost or fair value	28,708	10,324	8,947	42,336	-	90,315
Accumulated amortisation and impairment	(12,105)	(5,443)	(7,000)	-	-	(25,548)
Net carrying amount	16,603	4,881	1,947	42,336	-	65,767

Goodwill and intangible assets are assessed for impairment at least annually or more frequently if events and circumstances dictate.

	Carrying amount of goodwill allocated to CGU	
	31 December 2018 \$'000	30 June 2018 \$'000
Australia	10,777	10,777
Europe	28,132	24,590
North America	7,307	6,969
Consolidated Group	46,216	42,336

Notes to the Financial Statements.

E1 ISSUED CAPITAL

	Consolidated	
	31 December 2018 \$'000	30 June 2018 \$'000
250,203,601 fully paid ordinary shares (30 June 2018: 248,374,468)	137,976	137,744

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

	31 December 2018		30 June 2018	
	No.	\$'000	No.	\$'000
Balance at start of the year	248,374,468	137,744	246,761,847	137,981
Issued for consideration	-	-	198,955	-
Options exercised ⁽¹⁾	1,829,133	350	1,413,666	26
Costs associated with the issue of shares		(118)	-	(266)
Balance at end of the half-year / year	250,203,601	137,976	248,374,468	137,744

(1) 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 tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

E2 SHARE OPTION PLAN

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

The Group established an equity-based compensation plan for employees which was approved by shareholders at an Extraordinary General Meeting held on 29 June 2011. ESOP 2 is open to any person who is a full-time or permanent part-time employee or Director of the Company or a related body corporate of the Company. Options may not be granted to a Director or his or her associates under ESOP 2 unless approval of the grant is given by shareholders in general meeting in accordance with the requirements of the ASX Listing Rules.

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

- the timing of making an offer to participate in ESOP 2;
- identifying persons eligible to participate in ESOP 2; and
- the terms of issue of options (including vesting conditions, if any).

The expense recognised in the condensed statement of profit and loss and other comprehensive income in relation to share-based payments made under ESOP 2 is \$2,028,000 (2018: \$2,740,000).

Notes to the Financial Statements.

E2 SHARE OPTION PLAN (continued)

(i) Movements in ESOP 2 share options

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

	Consolidated	
	31 December 2018 No.	30 June 2018 No.
Options over ordinary shares		
Options on issue at beginning of the year	12,006,568	13,865,665
Options issued during the period	2,912,750	393,586
Options exercised during the period	(1,829,133)	(1,413,666)
Options cancelled during the period	(1,599,728)	(839,017)
Options expired during the period	-	-
Options on issue at end of period	11,490,457	12,006,568

(ii) ESOP 2 share option series in existence

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

Options Series	Grant date	31 December 2018 Number of options outstanding	30 June 2018 Number of options outstanding	Expiry date	Exercise price
Series 13	05 Dec 2015	-	125,000	30 Sept 2018	\$0.87
Series 14	31 Dec 2015	-	2,972,195	30 Sept 2018	\$0.87
Series 15	01 June 2016	700,002	700,002	15 June 2019	\$0.00
Series 16	01 June 2016	5,915,789	5,915,789	30 Sept 2019	\$1.45
Series 17	08 Dec 2016	-	190,833	30 Nov 2018	\$0.00
Series 17	08 Dec 2016	-	90,833	30 Nov 2018	\$1.85
Series 18	08 Dec 2016	-	50,000	30 Nov 2018	\$0.00
Series 19	22 Feb 2017	50,000	50,000	19 Mar 2019	\$0.00
Series 20	19 Apr 2017	1,536,664	1,536,664	30 Sept 2020	\$0.00
Series 21	28 June 2018	125,085	125,085	28 Sept 2021	\$0.00
Series 22	28 June 2018	125,084	125,084	28 Sept 2021	\$0.00
Series 23	28 June 2018	125,083	125,083	28 Sept 2021	\$0.00
Series 24	16 July 2018	61,275	-	28 Sept 2021	\$0.00
Series 25	16 July 2018	61,275	-	28 Sept 2021	\$0.00
Series 26	16 July 2018	61,274	-	28 Sept 2021	\$0.00
Series 27	24 Sept 2018	391,566	-	31 Oct 2021	\$0.00
Series 28	24 Sept 2018	1,648,971	-	31 Oct 2021	\$0.00
Series 29	24 Sept 2018	688,389	-	31 Oct 2021	\$0.00
Total		11,490,457	12,006,568		

Notes to the Financial Statements.

E3 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)	
		31 December 2018	30 June 2018
Parent Entity			
EML Payments Limited	Australia		
Controlled Entities			
EML Payment Solutions Limited	Australia	100	100
EML Payments Europe Limited	United Kingdom	100	100
EML Payments USA LLC	United States	100	100
Store Financial 2 LLC	United States	100	100
EML Payments Canada, Ltd	Canada	100	100
EML Payments AB	Sweden	100	100
PerfectCard DAC ⁽¹⁾	Ireland	74.86	-
PerfectCard IT Limited ⁽¹⁾	Ireland	100	-

(1) PerfectCard DAC and PerfectCard IT Limited were acquired on 4 July 2018. Refer to Note F1.

F1 BUSINESS COMBINATION

Acquisition of PerfectCard Group

On 4 July 2018, the Group acquired 74.86% of the shares of PerfectCard DAC and 100% of the shares of PerfectCard IT Limited (collectively PerfectCard), unlisted companies based in Ireland.

PerfectCard is Ireland's first authorised eMoney institution and a FinTech company providing incentive and corporate expense solutions. As PerfectCard is regulated by the Central Bank of Ireland, the regulator needs to approve EML as majority shareholder. That approval has been received post acquisition.

It is expected that synergies relating to issuing and processing functions will benefit the Group from the financial year ended 2019.

(a) Consideration transferred

	\$,000
Cash consideration ⁽¹⁾	4,300
Deferred consideration	387
Contingent consideration liability (refer to (d) below)	2,922
Total purchase consideration	7,609

(1) Included in value for cash consideration was a payment of \$729,000 to PerfectCard's KMP for loans payable by the PerfectCard Group.

(b) Analysis of cashflows from acquisition

	\$'000
Transaction costs of the acquisition (included in cash flows from operating activities)	(76)
Net cash acquired with the business combination (included in cash flows from investing activities)	278
Net cashflow from operations	202

Acquisition related costs of \$76,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss for the year, within the 'Acquisition related expense – cash payments' line item.

Notes to the Financial Statements.

F1 BUSINESS COMBINATION (continued)

(c) Assets acquired and liabilities assumed

	Notes	Fair value \$,000
Cash and cash equivalents		278
Breakage accrual		4,323
Other receivables		634
Receivable from financial institution		16,677
Plant and equipment		154
Intangibles		3,142
Total Assets		25,208
Trade and other payables		(2,255)
Liabilities to stored value account holders		(16,677)
Total Liabilities		(18,932)
Total identifiable net assets at fair value		6,276
Goodwill arising on acquisition		2,891
Non-controlling interest - equity		(1,558)
Purchase consideration transferred		7,609

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

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

(d) Contingent consideration

Under the contingent consideration arrangement, earn-out will be payable in 82% cash and 18% ordinary share capital of EML Payments Limited on 20 April 2020. The earn-out relates to the average annual EBITDA generated by the PerfectCard Group for the calendar years 2019 and 2020. The contingent consideration is capped at €3,051,000, with €2,502,000 cash and €549,000 at an agreed volume weighted average price A\$1.36. The number of shares will fluctuate based on the exchange difference between Australian dollars and Euro (€) to be determined the day before issuance. As required by accounting standards, a financial liability of \$2,922,000 (refer Note C1) representing the fair value of the earn-out has been recognised.

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

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

The PerfectCard Group contributed revenue from continuing operations of \$2,568,000 and net loss after tax of \$397,000 to the Group for the period from 4 July 2018 to 31 December 2018.

Had the acquisition occurred on 1 July 2018, consolidated pro-forma revenue from continuing operations and net loss after tax for the period ended 31 December 2018 would have been \$2,568,000 and \$397,000 respectively.

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

The net assets recognised in these financial statements are based on a provisional assessment of their fair value while the Group complete the valuation.

Notes to the Financial Statements.

F2 CONTINGENT LIABILITIES

(a) 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.

Operating leases

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

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

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

F3 SUBSEQUENT EVENTS

There has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial periods.

F4 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

EML Payments Limited (Company) is a company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The condensed consolidated report of the Company for the half-year ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or EML). The condensed consolidated report was authorised for issue in accordance with a resolution of the directors on 26 February 2019.

(b) Basis of preparation

The condensed consolidated 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 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 report are consistent with those adopted and disclosed in the Company's 2018 Annual financial report for the year ended 30 June 2018, 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 year.

Notes to the Financial Statements.

F4 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018, except for the adoption of new standards effective as of 1 July 2018.

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

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* that require restatement of previous financial statements. As required by AASB 134, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in the financial year ending 30 June 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has determined that there is no impact, material or otherwise, of the application of AASB 15 as at 1 July 2018. The key considerations are below:

Transaction-based revenue

The Group's transaction-based revenue, including activation, interchange and other transaction fees, will continue to be accounted for using the gross presentation method. The application of AASB 15 does not alter the principal relationship as these fees are received from our client or the cardholder. Therefore AASB 15 does not result in any change to the amount or date at which the revenue is recognised because there is no requirement to treat transaction-based revenue difference according to the new standard.

Non-transaction based revenue

The timing of recognition of some elements of the Group's non-transaction based revenue, including breakage income, setup revenue and service fees will change for some transactions.

There is a material impact to the timing of recognition of breakage revenue on non-reloadable products. We refer to the portion of the dollar value of prepaid-stored value accounts that account holders do not ultimately redeem as breakage. We include in breakage revenue all revenue generated from expected residual revenue.

The Group's accounting policy will continue to recognise breakage revenue where we expect to be entitled to a breakage amount and can demonstrate the ability to reliably measure future revenue, using an estimated residual percentage applied to the funds initially loaded. The residual percentage is calculated using the historical data, market-specific trends, escheatment rules and existing economic conditions for each program. The calculated residual percentage is reviewed regularly in line with new commercial agreements and changes in cardholder behaviour. If we are unable to reliably measure expected residual revenue, all forms of expired residual revenue are recognised on a cash basis.

The Group's previous accounting policy recognised breakage revenue during the month in which the Non-Reloadable Gift & Incentive card is initially loaded. Under AASB 15 where the Group expects to be entitled to a breakage amount, it will recognise the expected breakage as revenue in proportion to the pattern of rights exercised by the customer. The Group will not recognise any estimated breakage amounts until it is highly probable that a significant revenue reversal will not occur. If the Group cannot determine whether breakage will occur, it will not recognise any amounts as breakage until the likelihood of the customer exercising its rights becomes remote.

The change to timing of breakage revenue recognition will delay recognition of some breakage revenue for cards loaded during the seasonal peak over the Christmas period. Had the full retrospective method of restatement been adopted to the prior comparative period of the six months ending 31 December 2017, breakage revenue and the corresponding breakage accrual would materially reduce for his period. This timing difference would then be recognised in the following six month period ended 30 June 2018.

Notes to the Financial Statements.

F4 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group adopted AASB 15 using the modified retrospective method of adoption. The Group elected to apply the method to all contracts at the date of initial application. In applying the modified retrospective method, the Group has determined that there is no impact, material or otherwise, of the application of AASB 15 as at 1 July 2018. Therefore no change is necessary to be disclosed.

There are no material impacts to the other streams of revenue.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and was adopted by the Group on 1 July 2018. The Group has determined that the most significant impact is the irrevocable classification of equity holdings in Paywith Worldeide, Inc and Contrarian Holdings, LLC as Fair Value through Other Comprehensive Income. The Group will assess the fair value of these assets at each reporting date and recognise any impacts through Other Comprehensive Income. Therefore no change is necessary to be disclosed.

Standards and Interpretations in issue not yet adopted

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

Standards/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	1 January 2020	30 June 2021

AASB 16 Leases

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

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

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

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

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

Corporate Information.

ABN

93 104 757 904

Directors

Peter Martin

(Non-executive Chairman)

Thomas Cregan

(Managing Director and Group Chief Executive Officer)

Tony Adcock

(Non-executive Director)

David Liddy AM

(Non-executive Director)

Dr Kirstin Ferguson

(Non-executive Director)

Melanie Wilson

(Non-executive Director)

Company Secretary

Paul Wenk

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Securities Exchange Listing

EML Payments Limited is listed on the
Australian Securities Exchange

(ASX: EML)