emerchants

12 February 2015

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

HALF-YEAR FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Please find attached the Appendix 4D and half-year financial report for Emerchants Limited (emerchants) for the half-year ended 31 December 2014.

ABOUT EMERCHANTS

emerchants is a payments solutions provider of prepaid financial card products and services in Australia. By using their proprietary Secure Account Management (SAM) system, the Company provides its clients with innovative financial service payment solutions for reloadable and non-reloadable prepaid card programs. emerchants are able to adapt to meet the expense management and funds disbursement needs of any organisation. Their corporate expense, petty cash, per diem, social payments and staff rewards programs are easy to implement and reduce administration burden and costs. Emerchants is focused on the twin goal of delivered high quality payments systems to its customer and superior returns to its shareholders.

For more information please visit: www.emerchants.com.au

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For more information, please contact:

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Emerchants Limited
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Rule 4.2A.3

Appendix 4D

Half year report
Half-Year ended 31 December 2014

Introduced 1/1/2003

Name of entity

Emerchants Limited

ABN or equivalent company reference

93 104 757 904

1.

Half year ended (current period)	Half year ended ('previous corresponding period')
31 December 2014	31 December 2013

2. Results for announcement to the market

				$A
2.1	Revenues & other income	up	110.6%	To 5,079,435
2.2	Loss from ordinary activities after tax attributable to members	down	80.1%	To 428,983
2.3	Net loss for the period attributable to members	down	80.1%	To 428,983

Dividends (distributions)		Amount per security	Franked amount per security
2.4	Final dividend *(Preliminary final report only)*	N/A	N/A
2.4	Interim dividend *(Half yearly report only)*	N/A	N/A

2.5	Record date for determining entitlements to the dividend	N/A

2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Refer to the review of operations report in the half year financial report.

3. NTA backing		As at 31 December 2014 $	As at 30 June 2014 $
	Net tangible assets per security [1]	0.04	0.05

[1] Under the listing rules NTA Backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (ie: all liabilities, preference shares, outside equity interest etc).

4. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	Store Financial Services UK Limited
4.2	Date of gain of control	1 December 2014
4.3	Consolidated profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	$696,929
4.3	Loss from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Nil

Loss of control of entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of loss of control	N/A
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.3	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Dividends / Distributions

Date the dividend (distribution) is payable	N/A
Amount per security of foreign source dividend	N/A

6. Total Dividends /Distributions

Ordinary securities	N/A
Preference securities	N/A

Dividend or distribution investment plans in operation: N/A	
The last date(s) for receipt of election notices for the dividend or distribution reinvestment plans	N/A

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate/joint venture:	N/A	
Holding in entity	N/A	
Group's share of associates' and joint venture entities':	Current period $A'000	Previous corresponding period - $A'000
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities	N/A	N/A
Profit (loss) from ordinary activities after tax	N/A	N/A
Extraordinary items net of tax	N/A	N/A
Net profit (loss)	N/A	N/A
Adjustments	N/A	N/A
Share of net profit (loss) of associates and joint venture entities		

8. Foreign Entities

Which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)	International Accounting Standards

9. All Entities

A description of Accounts subject to audit dispute or qualification: N/A

EMERCHANTS LIMITED

ABN 93 104 757 904

Interim Financial Report

For the half-year ended 31 December 2014

Corporate Information

Emerchants Limited and Controlled Entities

ABN	93 104 757 904
Directors	Robert Browning (Non-executive Chairman) Thomas Cregan (Managing Director and Chief Executive Officer) Tony Adcock (Non-executive Director) David Liddy (Non-executive Director) Peter Martin (Non-executive Director) John Toms (Non-executive Director)
Company Secretary	Louise Bolger
Registered Office and Principal Place of Business	Level 2, 26 Commercial Road Newstead QLD 4006 Telephone: (07) 3607 0100 Facsimile: (07) 3607 0111
Auditors	Deloitte Touche Tohmatsu Level 25, Riverside Centre, 123 Eagle Street Brisbane QLD 4000 Telephone: (07) 3308 7000 Facsimile: (07) 3308 7004
Bankers	Bank of Western Australia Ltd (Bankwest) 25 Cantonment Street Fremantle WA 6160 Heritage Bank Limited (Heritage) 305 Queen Street Brisbane QLD 4000
Share Register	Link Market Services Limited Ground Floor, 178 St Georges Terrace Perth WA 6000 Telephone: (within Australia): 1300 554 474 Facsimile: (02) 9287 0303
Website	www.emerchants.com.au
Securities Exchange Listing	Emerchants Limited is listed on the Australian Securities Exchange (ASX: EML)

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Director's Report

The Directors of Emerchants Limited submit herewith the financial report of Emerchants Limited and its subsidiaries (**the Group** or **Company**) for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Robert Browning (Chairman)
Tony Adcock
Thomas Cregan
David Liddy
Peter Martin
John Toms

The above named Directors held office during and since the end of the half-year.

Review and results of operations

The six months ended 31 December 2014 ('1HFY15') was a transformational period for the Company during which the Company continued to expand its domestic re-loadable business. The Company successfully completed the acquisition of Store Financial Services UK Limited ("SFUK"), which expanded the Company's long-term geographic market opportunities and contributed positively to the Company's financial results. As a result, the Directors are pleased to announce that the Company is EBITDA positive for the half-year and is positioned with a strong pipeline of business development opportunities in all of its geographical segments.

SFUK is an international prepaid card program manager and payment processor, largely focused on gift cards for shopping malls in the UK and Europe. Its business is underpinned by multi-year contractual arrangements with its customers (average life of existing relationships is approximately five years), resulting in the development of relatively strong and embedded relationships. SFUK also has a history of year on year, organic same store sales growth. This thereby provides the Company with a predictable financial contribution and stable market entry platform on which to launch the Group's re-loadable prepaid debit programs. Further information is available at Note 9.

The Group acquired SFUK on 1 December 2014 for $24.90M with consideration paid via cash and the issue of shares in the parent entity, Emerchants Limited. Further information is available at Note 5.The funding of the acquisition was underpinned by the Company successfully completing a $14.00M capital raising in November 2014 to a range of institutions and sophisticated investors.

In December 2014, the Company announced that SFUK had entered into a multi-year agreement with MFI, an operator of 25 shopping malls in Germany. This program replaces an existing paper-based voucher program and the new program was fully implemented in early January 2015.

The Company is also pleased to announce the completion of a program implementation with Hammerson, an operator of 8 malls and a program implementation with Valu-Retail, an operator of 8 malls across 5 European countries. Collectively, these programs are expected to generate in excess of 30% growth in the coming years.

In addition to the acquisition of SFUK, the Group continued to build upon its re-loadable prepaid business in Australia by signing long-term agreements that will generate material financial results for shareholders in the coming years.

Financial Review

The combination of the initiatives and acquisition noted above drove an 111% increase in revenue to $5.08M (December 2013: $2.41M) and an 86% improvement in gross profit to $3.75M (December 2013: $2.03M). As noted above, the Company generated a positive EBITDA for the half year period of $0.54M, an improvement of 140%. This also saw the Group's improve upon its net profit/(loss) from a loss of $2.16M in the prior comparative period to a Net Loss of $0.43M at 31 December 2014.

The Group expects to see this momentum maintained in the second half of the year with the launch of new programs in Australia and a full six months financial contribution from SFUK.

It is worth noting that the gross profit percentage fell from 84% to 74% in the first-half, but this is predominantly a factor of establishment fees generated in the period, in which we earn revenue from the provision of the cards but we incur a cost for the card from the manufacturer.

Gaming and Wagering Vertical

In the Gaming and Wagering vertical, the Company successfully launched the Ladbrokes Visa card program in September 2014 and card programs for BetStar and Bookmaker.com, having previously launched the Ladbrokes EFTPOS card in March 2014. Load volumes generated are in line with management expectations, which supports the financial forecasts for other customers in this segment. During November 2014, the Group further expanded its market presence with the launch of a prepaid card program with Sportsbet, the largest corporate bookmaker in the Australia and the execution of a multi-year agreement with Bet365. It is expected that the Bet365 program will be launched in the market in April 2015.

In the 1HFY15 result two gaming and wagering customers were operational and generating dollar loads for the Company. Based on the new programs noted above the Group expects that in the corresponding 1HFY16 there will be at least 4 companies generating dollar loads, with the launch of programs for Bet365 and BetEasy, along with other continuing business development initiatives.

Consumer Lending Vertical

In the Consumer Lending vertical the Group launched a program in October 2014 with CCIG, a franchise operator of 24 Cash Converters stores. The Company's prepaid cards are used by CCIG as the vehicle for paying out loan proceeds. The Group also announced the execution of an agreement with online lender MoneyMe. This program is due to launch in March-April 2015.

Commercial Prepaid Vertical

The company experienced significant growth in dollar loads in the Commercial Prepaid vertical from its relationship with Ingogo. The Group expects that growth to increase in the coming years based on their expansion outside of the Melbourne and Sydney taxi markets. The Company continues to work diligently on opportunities in the salary packaging industry and look forward to providing further information to shareholders at the appropriate time.

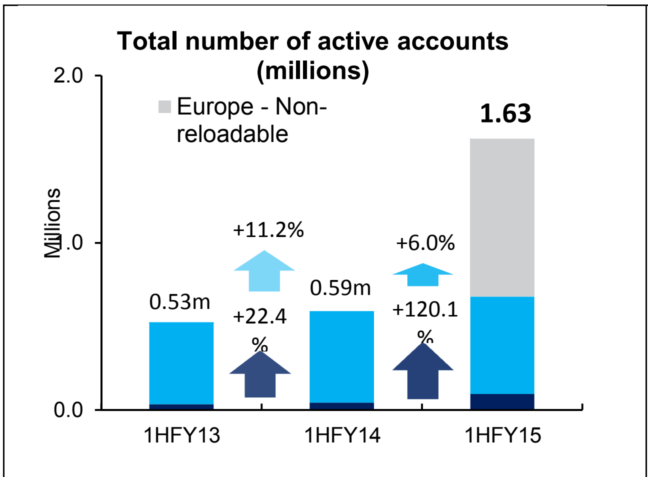
Government Vertical

The Company commenced a broader engagement process with various agencies of the Queensland Government in October 2014 and whilst the Group are now involved in active discussions with government agencies, the recent election result in Queensland and associated uncertainties would lead the Company to not forecast any material revenues from this contract in the remaining FY15 or forthcoming FY16 years. The Company will continue to monitor the situation and advise shareholders accordingly.

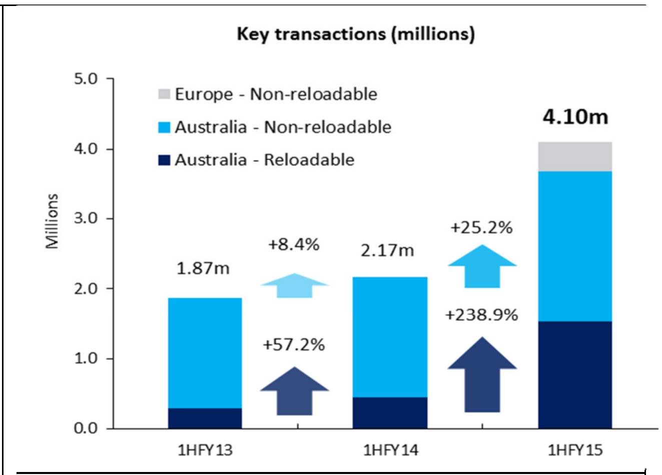
Financial Review

The Board of Directors consider a strong balance sheet is important for building market confidence in the Company. The Group ended the half-year with $5.28M in cash.

Strong growth was achieved across all Australian operating metrics for the half year ended 31 December 2014. Key metrics for the Group are reflected in the graphs below:



Graph 1

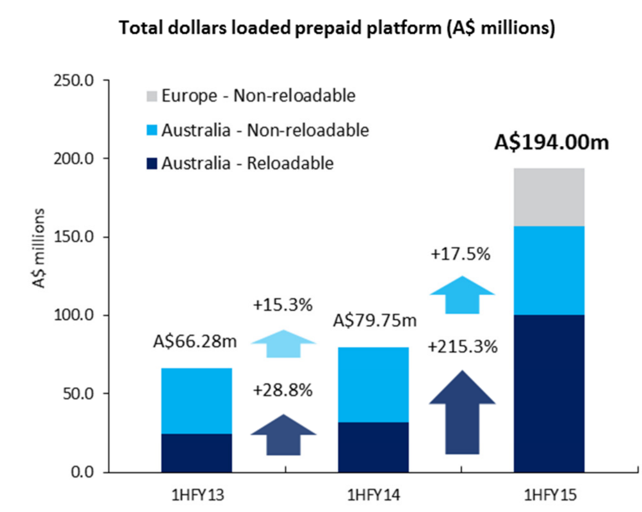


Graph 2

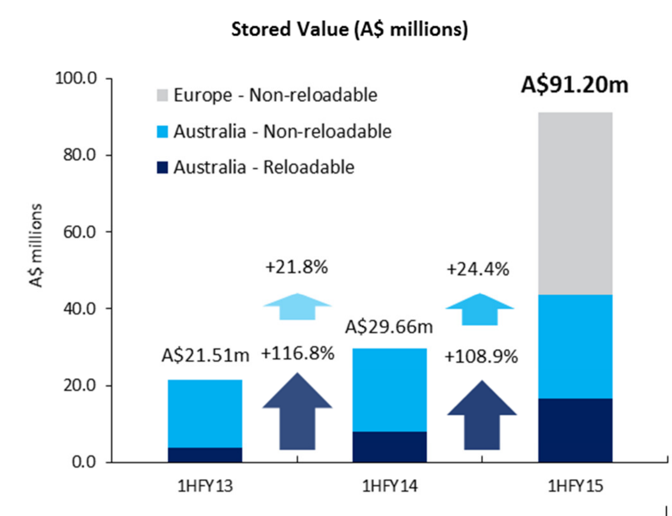
As Graph 1 above illustrates, for the period ended 31 December 2014, strong growth continues to be generated in the Australian product range, particularly reloadable products with active accounts increasing by 120% against the prior comparative period.

The addition of SFUK saw the Group end the half year with 1.63M active accounts (176% increase on 31 December 2013). SFUK contributed 0.786M active cards to the portfolio at the end of December 2014. December is a key sales month for SFUK and shopping mall gift cards and the business out-performed management's expectations.

The Company processed 4.10M transactions in the half year ended 31 December 2014. Reloadable transactions grew by 239% against the comparative period to 1.521M. Non-reloadable transactions grew in comparison by 25% to 2.51M transactions as indicated in Graph 2 above. SFUK, despite contributing to results for one month, added 0.42M of non-reloadable transactions. December is a key month for SFUK business in terms of issuance and transactions as consumers redeem their gift cards for purchases in store.



Graph 3



Graph 4

The period ended 31 December 2014 saw the Group finish strongly with $194M in total funds loaded, a growth of 215% against the prior comparative period as shown in Graph 3 above. Reloadable funds loaded contributing approximately $100M in loaded funds. Australian non-reloadable product added $56M and SFUK $37M in loaded funds respectively for the half year period, a total growth of 17.5% against the prior comparative period. At 31 December 2014, reloadable funds loaded represented 51.5% of the overall funds loaded. Excluding the $37M contributed by SFUK, reloadable products generated 63.6% of total funds loaded. This further demonstrates the Group's transformation which has occurred over the past two years in Australia and supports the vision of launching reloadable programs in the United Kingdom and Europe.

The Group ended 1HY2015 with total stored value of $91.2M, an increase of 207% on the prior comparative period. As December is a key sales period for SFUK, the business contributed $47.1M in stored value. As shown in Graph 4 above reloadable stored value represented $16.5M in stored value, growing 109% against 31 December 2013. The achievement of this growth has largely been generated in a number of our clients' card programs, including Ingogo, Ladbrokes, Sportsbet, Nimble and CC Investment Group (Cash Converters Franchisee).

Stored value balances are the driver of interest revenues, which form a key component of overall revenue of the Company. In Australia, the Company invested stored value funds at interest rates which averaged approximately 30bps over and above the RBA cash rate. The Group will continue to focus on maximising interest yield where possible. Given comparatively lower interest rates in Europe, SFUK generates minimal interest revenue despite holding stored value of $47.1M at 31 December 2014. The Group will continue to look to maximise interest yields in UK and Europe while managing market and foreign exchange risk.

A summary of our financial performance for the half-year is tabled below:

($ Millions)	1H FY 2015	Growth on prior comparative 6 months	1H FY 2014	Growth on prior comparative 6 months
Revenue	5.08	111%	2.41	0%
Gross profit	**3.75**	**86%**	**2.03**	**(6%)**
Gross profit %	74%	(12%)	84%	(6%)
Other income	-	(100%)	0.05	0%
Research and Development tax offset	0.70	60%	0.44	0%
Overheads – employment related	2.62	11%	2.37	16%
Overheads – other	1.29	(12%)	1.48	0%
EBITDA*	**0.54**	**140%**	**(1.34)**	**38%**
Depreciation and amortisation expense	0.58	61%	0.41	14%
Share-based payments	0.41	(6%)	0.44	57%
Other non-cash charges	(0.03)	(6%)	(0.03)	(1%)
Net loss for the half-year	**(0.43)**	**77%**	**(2.16)**	**40%**

* EBITDA is reconciled above and disclosed within the Directors' Report and is equivalent to the Net loss for the period excluding Share-based payments, Depreciation and amortisation expense, included within the Statement of Comprehensive income and has been subject to review by our auditors.

Depreciation and amortisation charges for the period ended 31 December 2014 have increased following the acquisition of intangible assets generated by Store Financial Service UK Limited. Further information available at Note 8.

Significant changes in the state of affairs

Total equity increased to $42.83M from $16.70M, an increase of $26.13M. The movement was largely the result of the issue of contributed equity. In November 2014, $14.00M of contributed equity was issued to institutional and sophisticated investors to facilitate the acquisition of Store Financial Services UK Limited ('SFUK'), a United Kingdom based entity. Refer to Note 5 for further information on movements in equity.

The acquisition of SFUK also saw the issue of an additional $12.45M in contributed equity as part of the purchase consideration. Refer to Note 9 for further information on the business combination. SFUK is an international prepaid card manager and payment processor, largely focused on gift cards for shopping malls in the UK and Europe. It operates over 100 prepaid programs in nine countries across UK and Europe. This acquisition has further strengthened Emerchants' prepaid product capacity and provides a global platform from which to expand its reloadable business into UK and Europe.

Auditor Independence

The auditor's independence declaration is included on page 8 of the half-year report.

Thomas Cregan
Managing Director

12 February 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Emerchants Limited
26 Commercial Road
NEWSTEAD QLD 4006

12 February 2015

Dear Board Members

Emerchants 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 Emerchants Limited.

As lead audit partner for the review of the financial statements of Emerchants Limited for the half-year ended 31 December 2014, 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 r review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner

Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated Half-year ended	
		31 December 2014	31 December 2013
		$	$
Revenue	2	5,079,435	2,412,352
Cost of sales		(1,333,351)	(385,342)
Gross profit		3,746,084	2,027,010
Other income		-	50,000
Expenses			
Employee benefits expense		2,621,148	2,366,541
Acquisition –related expenses		292,172	-
Share-based payments		409,781	438,114
Depreciation and amortisation expense		580,887	411,006
Other expenses	2	969,112	1,457,907
Total expenses		4,873,100	4,673,568
Loss before income tax		(1,127,016)	(2,596,558)
Income tax benefit		698,033	436,096
Net loss for the period		(428,983)	(2,160,462)
Other comprehensive income, net of income tax		-	-
Unrealised foreign currency gain/(loss) on translation of foreign operations		405,285	-
Total comprehensive loss for the period		(23,698)	(2,160,462)
Loss per share			
Basic (cents per share)		0.32	1.84
Diluted (cents per share)		0.32	1.83

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	Consolidated Half-year ended	
		31 December 2014	30 June 2014
		$	$
Current Assets			
Cash and cash equivalents		5,288,015	4,495,896
Trade and other receivables		2,470,146	343,248
Other assets		2,338,408	972,787
Total Current Assets		10,096,569	5,811,931
Non-Current Assets			
Other receivables		477,005	474,007
Plant and equipment	4	801,330	963,984
Intangibles	7	38,512,837	11,222,883
Total Non-Current Assets		39,791,172	12,660,874
Total Assets		49,887,741	18,472,805
Current Liabilities			
Trade and other payables		4,338,408	712,075
Employee benefits		303,887	314,399
Provisions		116,356	430,922
Total Current Liabilities		4,758,651	1,457,396
Non-Current Liabilities			
Lease incentive		190,143	217,286
Deferred income		56,321	40,635
Employee benefits		53,314	51,050
Deferred Tax Liability		1,991,943	-
Total Non-Current Liabilities		2,291,721	308,971
Total Liabilities		7,050,372	1,766,367
Net Assets		42,837,369	16,706,438
Equity			
Issued capital	5	70,227,532	44,482,683
Reserves	6	5,263,126	4,448,060
Accumulated losses		(32,653,289)	(32,224,305)
Total Equity		42,837,369	16,706,438

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

	Notes	Consolidated Half-year ended 31 December 2014 $	31 December 2013 $
Cash Flows From Operating Activities			
Receipts from customers		2,486,537	1,855,233
Payments to suppliers and employees		(4,653,799)	(4,142,533)
R & D tax offset refunded		698,033	436,096
Payments for exploration and evaluation expenditure		-	33,769
Interest received		363,443	364,408
Acquisition related expenses		(292,172)	-
Net cash used in operating activities		(1,397,958)	(1,453,027)
Cash Flows From Investing Activities			
Payments for plant and equipment	4	(7,271)	(541,919)
Payments for intangibles	8	(263,300)	(40,150)
Proceeds from sale of mining tenements		-	40,000
Payment for subsidiary, net of cash acquired		(10,834,201)	-
Net cash used in investing activities		(11,104,772)	(542,069)
Cash Flows From Financing Activities			
Repayment of borrowings		-	-
Proceeds from issue of shares	5	14,000,000	7,500,900
Payment for share issue costs	5	(705,151)	(438,144)
Net cash provided from financing activities		13,294,849	7,062,756
Net increase in cash held		792,119	5,067,660
Cash at beginning of period		4,495,896	1,359,398
Cash at end of period		5,288,015	6,427,058

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

	Notes	Issued Capital	Accumulated Losses	Other Reserve	Foreign Currency Translation Reserve	Total
		$	$	$	$	$
Balance at 1 July 2014		44,482,683	(32,224,305)	4,448,060	-	16,706,438
Total comprehensive income						
Loss for the period		-	(428,984)	-		(428,984)
Other comprehensive income						
Unrealised foreign currency gain/(loss), net of tax		-	-	-	405,285	405,285
Transactions recorded directly in equity						
Share-based payments			-	409,781	-	409,781
Issue of share capital	5	26,450,000	-	-	-	26,450,000
Issue costs		(705,151)	-	-	-	(705,151)
Balance at 31 December 2014		70,227,532	(32,653,289)	4,857,841	405,285	42,837,369
Balance at 1 July 2013		38,183,200	(26,811,947)	2,282,239	-	13,653,492
Total comprehensive income						
- Loss for the period		-	(2,160,462)	-	-	(2,160,462)
Transactions recorded directly in equity						
- Share-based payments		-	-	438,113	-	438,113
- Issue of share capital	5	7,500,900	-	-	-	7,500,900
- Issue costs		(438,144)	-	-	-	(438,144)
Balance at 31 December 2013		45,245,956	(28,972,409)	2,626,895	-	18,993,899

The accompanying notes form part of these financial statements

Notes to Condensed Consolidated Financial Statements

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year 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 half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(a) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI.

If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating retained.

(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 their operations and effective for the current half-year.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies. The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no adjustments will be necessary as a result of applying these revised accounting standards.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

AASB 1031 (2013)	Materiality
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders
AASB 2013-9 (Part B)	Amendments to Australian Accounting Standards – Materiality
AASB 2014-1 (Part A)	Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013 Cycles
AASB 2014-1 (Part C)	Amendments to Australian Accounting Standards – Materiality
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

(d) Foreign Currency Translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(e) Critical accounting estimates and judgements

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

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

Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. There have been no events or circumstances during the period that indicate that the assets are impaired.

Share-based payment transactions

Equity-settled transactions

The Group measures the cost of equity-settled transactions with employees and Directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in reserves under equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit within profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised separately in share-based payments expense.

Any expense recognised for awards that do not ultimately vest are reversed through profit and loss upon vesting period conclusion, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

Acquisition Accounting

The determination of fair values on acquisition requires estimates and judgements, A valuer was engaged to determine the fair value of separately identifiable intangible assets. Amortisation periods for these assets are:

- Customer contracts 5 years
- Customer relationships 1 year

Breakage income

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

The residual percentage is calculated using the historical data of residual funds remaining on non-reloadable accounts after their expiration over the funds initially loaded on these non-reloadable accounts each month. The calculated residual percentage is reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

Recovery of deferred tax assets

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

(f) Going Concern

Notwithstanding the fact that the Company incurred a Net Loss for the year of $428,983 the Directors are of the opinion that the Company is a going concern for the following reasons:

- The net loss for the period incorporates a significant amount of non-cash items such as share-based payments $409,781 and depreciation and amortisation expense $580,887.
- The Directors consider that the Company is able to raise additional capital if considered necessary such as occurred during the period under review where the Company raised $14,000,000 of equity capital via an issue of ordinary shares at $0.50 per share.
- The Directors also anticipate that the Group will continue to grow its revenues in the next financial year and that the growth in revenues will significantly exceed the growth in costs. The Directors believe the Group will continue to operate as a going concern for the foreseeable future.

NOTE 2 REVENUE AND EXPENSES

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

	Consolidated Half-year ended	
(a) Revenue includes	**31 December 2014 $**	**31 December 2013 $**
Breakage income	1,319,325	545,480
Establishment fees	1,493,671	400,143
Transaction fees	1,738,065	1,038,863
Interest received – host based stored value	379,866	278,242
Interest received – other entities	71,117	84,310
Service fees	77,391	65,314
	5,079,435	**2,412,352**

(b) Other expenses include		
Advertising	80,925	87,826
Consultancy and advisory services	122,434	166,159
Travel & entertainment	285,728	225,239
Rent & Buildings	222,647	252,923
Recruitment	70,576	62,486
Software subscriptions and support	154,893	94,266
Other	31,909	569,008
	969,112	**1,457,907**

NOTE 3 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 Emerchants Limited.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group, for the six months ended 31 December 2014, predominantly operated in one geographical segment (Australia). As of 1 December 2014, following the acquisition of a UK based operation, the Group now operates in two geographical locations, being Australia and Europe. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is more specifically focused on the category of customer for the type of accounts and the geography of the customer. The Group's reportable segments under AASB 8 are therefore as follows:

- Australia reloadable
- Australia non-reloadable
- Europe non-reloadable

The reportable segment Reloadable refers to accounts that can be loaded with funds as many times as desired within applicable limits. The reportable segment Non-Reloadable refers to accounts that can only be loaded once with funds within applicable limits.

Segment gross profit represents the gross profit earned by each segment without allocation of central administration costs and Directors' salaries, investment revenue and finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The following is an analysis of the Group's revenue and results by reportable operating segment for the half-years under review:

	Australia reloadable	Australia non-reloadable	Australia adjustments and eliminations	Australia segments	Europe non-reloadable	Total segments
Six months ended 31 December 2014	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	2,075,312	1,693,607	71,117	3,840,036	1,239,399	**5,079,435**
Gross profit	1,235,039	1,526,590	65,696	2,827,325	918,759	**3,746,084**
Net (loss) / profit	n/a	n/a	(1,125,913)	(1,144,979)	696,930	**(428,983)**
Six months ended 31 December 2013						
Revenue	465,996	1,785,157	161,199	2,412,352	-	**2,412,352**
Gross profit	337,866	1,573,132	116,012	2,027,010	-	**2,027,010**
Net (loss) / profit	n/a	n/a	(2,160,462)	(2,160,462)	-	**(2,160,462)**

Central administration costs, Directors' salaries, investment revenue, finance costs and income tax expense relating to the Australian operations are not allocated to the underlying reloadable or non-reloadable Australian segments as these are managed on an overall geographical basis. These are included in the Australia adjustments and eliminations disclosures above.

Assets and liabilities are not reported to the chief operating decision maker at a segment level but are managed on an overall group basis.

NOTE 4 PLANT AND EQUIPMENT

The useful life of the assets was estimated as follows:

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

	Consolidated Half-year ended				
	Computer Equipment	Office Equipment	Leasehold Improvements	Low Value Pool	Total
Balance at 31 December 2014	$	$	$	$	$
At 1 July 2014, net of accumulated depreciation and impairment	669,442	59,118	231,244	4,180	963,984
Additions	3,026	4,723	1,210	695	9,654
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Depreciation charge for the period	(132,892)	(4,111)	(34,485)	(820)	(172,308)
At 31 December 2014, net of accumulated depreciation and impairment	**539,576**	**59,730**	**197,969**	**4,055**	**801,330**
At 31 December 2014					
Cost	1,172,734	91,834	420,124	28,193	1,712,886
Accumulated depreciation and impairment	(633,158)	(32,104)	(222,155)	(24,139)	(911,556)
Net carrying amount	**539,576**	**59,730**	**197,969**	**4,054**	**801,330**
At 30 June 2014					
Cost	1,169,707	87,112	418,914	27,498	1,703,231
Accumulated depreciation and impairment	(500,265)	(27,994)	(187,670)	(23,318)	(739,247)
Net carrying amount	**669,442**	**59,118**	**231,244**	**4,180**	**963,984**

NOTE 5 ISSUED CAPITAL

	Consolidated Half-year ended	
	31 December 2014 $	30 June 2014 $
178,291,261 fully paid ordinary shares (30 June 2014: 124,668,047)	70,227,532	44,482,683

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.

	31 December 2014		30 June 2014	
Movement in issued shares for the period:	No.	$	No.	$
Balance at start of the period	124,668,047	44,482,683	101,818,047	37,419,927
Issued for cash(i)	28,000,000	14,000,000	22,730,000	7,500,900
Share-based payments to Directors & executives(ii)	723,214	-	120,000	-
Issued as consideration (iii)	24,900,000	12,450,000		
Costs associated with the issue of shares	-	(705,151)	-	(483,144)
Balance at end of the period	178,291,261	70,227,532	124,668,047	44,482,683

(i) Issued for cash: 28,000,000 fully paid ordinary shares issued at a price of $0.50 on 19 November 2014 which comprised a placement of $14,000,000 to institutional and sophisticated investors.

(ii) Share based payments - Relates to the issue of:

- 223,214 fully paid ordinary shares were issued to Mr Alastair Wilkie upon appointment as Chief Operation Officer. The fair value of the award was $125,000 which will be amortised over the 2015 - 2017 financial years.
- 250,000 fully paid ordinary shares were issued to Ms Louise Bolger as a bonus for the successful acquisition of Store Financial Services UK Limited. The fair value of the award was $140,000 which will be amortised over the 2015 and 2016 financial years.
- 250,000 fully paid ordinary shares were issued to Mr Bruce Stewart as a bonus for the successful acquisition of Store Financial Services UK Limited. The fair value of the award was $140,000 which will be amortised over the 2015 and 2016 financial years.

(iii) Issued for consideration: Relates to acquisition of subsidiary, SFUK. Refer to Note 9 for further information.

	Consolidated Half-year ended	
Options over ordinary shares	**31 December 2014 No.**	**30 June 2014 No.**
Options on issue at beginning of period	25,362,121	21,666,668
Options issued during the period (i)	300,000	6,312,121
Options exercised during the period	-	-
Options cancelled during the period	(100,000)	(1,950,000)
Options expired during the period	(6,000,000)	(666,668)
Options on issue at end of period	19,562,121	25,362,121

		Consolidated Half-year ended	
		31 December 2014 No.	**30 June 2014 No.**
Date of Expiry	**Exercise Price**		
18 July 2014	$1.45		200,000
18 July 2014	$1.45	-	5,800,000
5 January 2015	$0.50	2,000,000	2,000,000
4 February 2015	$0.50	1,000,000	1,000,000
30 September 2015	$0.15	8,500,000	8,500,000
30 September 2015	$0.15	1,750,000	1,750,000
25 November 2015	$0.56	100,000	-
31 March 2016	$0.10	2,500,000	2,500,000
30 September 2016	$0.40	2,300,000	2,400,000
30 September 2016	-	1,212,121	1,212,121
25 November 2016	$0.56	100,000	-
25 November 2017	$0.56	100,000	-
		19,562,121	25,362,121

NOTE 6 RESERVES

Reserves	Consolidated Half-year ended 31 December 2014 $	30 June 2014 $
Option reserve	4,857,841	4,448,060
Foreign currency translation reserve	405,285	-
Balance at end of the period	**5,263,126**	**4,448,060**

Option Reserve	Consolidated Half-year ended 31 December 2014 $	30 June 2014 $
Balance at beginning of the period	4,448,060	3,045,512
Bonus Shares	-	186,869
Share-based payments	409,781	1,215,679
Balance at end of the period	**4,857,841**	**4,448,060**

The option reserve arises on the grant and/or issue of share options. Amounts are transferred out of the reserve to accumulated losses when the options lapse or expire. When options are exercised, amounts carried in the reserve related to those particular options are dealt with based on their origination.

Foreign Currency Translation Reserve	Consolidated Half-year ended 31 December 2014 $	30 June 2014 $
Balance at beginning of the period	-	-
Unrealised foreign currency gain/(loss) on translation of foreign operations, net of tax	405,285	-
Balance at end of the period	**405,285**	**-**

NOTE 7 GOODWILL

	Note	Consolidated Half-year ended 31 December 2014 $	31 December 2013 $
Balance at beginning of the period		10,777,373	10,777,373
Additional amounts recognised from business combinations occurring during the period		17,817,791	-
Effect of foreign currency exchange differences		480,009	
Balance at end of the period		**29,075,173**	**10,777,373**
Accumulated impairment losses			
Balance at beginning of the period		-	-
Impairment losses		-	-
Balance at end of the period		**-**	**-**

	Consolidated Half-year ended 31 December 2014 $	Consolidated Half-year ended 31 December 2013 $
Net book value		
At the beginning of the period	**10,773,373**	**10,773,373**
At the end of the period	**29,075,172**	**10,773,373**

NOTE 8 INTANGIBLES

	Consolidated Half-year ended					
	Software licenses	Brand & customer lists	Customer Relationships	Customer contracts	Goodwill	Total
Balance at 1 July 2014	**$**	**$**	**$**	**$**	**$**	**$**
At 1 July 2014, net of accumulated amortisation and impairment	400,510	45,000	-	-	10,777,373	11,222,883
Additions	308,900	-	2,056,161	6,796,601	17,817,791	26,979,453
Amortisation charge for the period	(115,709)	-	(175,963)	(116,328)	-	(408,000)
Effect of unrealised foreign currency exchange differences	-	-	55,393	183,099	480,009	718,501
At 31 December 2014, net of accumulated amortisation and impairment	**593,701**	**45,000**	**1,935,591**	**6,863,372**	**29,075,173**	**38,512,837**
At 31 December 2014						
Cost or fair value	2,640,891	45,000	2,056,161	6,796,601	28,595,164	40,133,817
Accumulated amortisation and impairment	(2,047,190)	-	(175,963)	(116,328)	-	(2,339,481)
Accumulated effect of unrealised foreign currency exchange differences	-	-	55,393	183,099	480,009	718,501
Net carrying amount	**593,701**	**45,000**	**1,935,591**	**6,863,372**	**29,075,173**	**38,512,837**

	Consolidated Half-year ended					
	Software licenses	Brand & customer lists	Customer Relationships	Customer contract	Goodwill	Total
	$	$	$	$	$	$
Balance at 1 July 2013	682,203	45,000	-	-	10,777,373	11,504,576
At 1 July 2013, net of accumulated amortisation and impairment	40,150	-	-	-	-	40,150
Additions	(295,638)	-	-	-	-	(295,638)
Amortisation charge for the period	426,715	45,000	-	-	10,777,373	11,249,088

At 31 December 2013, net of accumulated amortisation and impairment						
At 31 December 2013	2,223,973	45,000	54,000	1,040,325	10,777,373	14,140,671
Cost or fair value	(1,797,258)	-	(54,000)	(1,040,325)	-	(2,891,583)
Accumulated amortisation and impairment	426,715	45,000	-	-	10,777,373	11,249,088
Net carrying amount	**682,203**	**45,000**	**-**	**-**	**10,777,373**	**11,504,576**

No impairment loss was recognised for the period ended 31 December 2014.

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 the cash generating units

	Consolidated Half-year ended			
	% goodwill allocated to CGU		Carrying amount of goodwill allocated to CGU	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
	$	$	$	$
Australia				
Reloadable	66%	66%	7,147,536	7,147,536
Non-reloadable	34%	34%	3,629,837	3,629,837
			10,777,373	**10,777,373**
Europe				
Non-reloadable	100%	-	18,297,800	-
			18,927,800	**-**
Consolidated Group			**29,075,173**	**10,773,373**

NOTE 9 ACQUISITION OF A SUBSIDIARY

On 1 December 2014, the Group acquired a 100% interest in Store Financial Services UK Limited (‘SFUK’), an unlisted entity based in the United Kingdom.

SFUK is an international prepaid card program manager and payment processor, largely focused on gift cards for shopping malls in the UK and Europe. Its business is underpinned by multi-year contractual arrangements with its customers, resulting in the development of relatively strong and embedded relationships.

The Group has elected to measure the interest in the acquiree at fair value.

Consideration transferred

	$
Shares issued at fair value (1)	12,450,000
Cash consideration	12,450,000
Total consideration	**24,900,000**

(1) The Group issued 24,900,000 ordinary shares as 50% of the consideration for the 100% interest in Store Financial Services UK Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition which was $0.50 per share. The fair value of the consideration given was therefore $12,450,000.

Acquisition related costs of $292,172 have been excluded from the consideration transferred and have been recognised as an expense in the profit or loss in the half year, within the 'other expense' line item. The attributable costs to the issuance of the shares to fund the acquisition of SFUIK of $705,151 have been charged to equity as a reduction to issued capital.

Analysis of cashflows on acquisition

		$
Transaction costs of the acquisition	(included in cash flows from operating activities)	(292,172)
Net cash acquired with the subsidiary	(included in cash flows from investing activities)	1,615,799
Transaction costs attributable to issuance of shares	(included in cash flows from financing activities)	(705,151)
Net cash flow from acquisition		**(618,476)**

Assets acquired and liabilities assumed

The fair value of the identifiable intangible assets at liabilities of Store Financial Services UK Limited as at the date of the acquisition were as follows. No other identifiable assets were acquired.

Fair value recognised on acquisition

	$
Goodwill	17,817,791
Customer contracts	6,796,601
Customer Relationships	2,056,161
Less:	
Deferred tax effect on customer contracts	(1,770,552)
	24,900,000

The initial accounting for the acquisition of SFUK has been only provisionally determined at the end of the half year. At the end of half year, final working capital adjustments are yet to be determined and agreed between the acquire and the sellers.

Goodwill arising on acquisition

	Note	$
Consideration transferred		24,900,000
Less:		
Fair value of identifiable intangible assets acquired		8,852,762
Add:		
Deferred tax effect on customer contracts		1,770,552
Goodwill arising on acquisition		**17,817,791**

The goodwill of $17,817,971 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. Goodwill represents the expected synergies from combining operations of the acquirer and the acquirer. None of the goodwill recognised is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition

	Note	$
Consideration paid in cash		12,450,000
Less:		
Cash and cash equivalent balances acquired		1,615,799
Net cash outflow		**10,834,201**

Impact of acquisition on the results of the Group

From the date of the acquisition, SFUK contributed $1,239,400 of revenue and $696,929 to profit before tax from continuing operations of the Group.

Had the acquisition of SFUK been effected at 1 July 2014, the revenue for the Group from continuing operations for the six months ended 31 December 2014 would have been $3,623,454 and the loss for the year would have been $20,089.

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

NOTE 10 KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

During the half-year, the following issued capital transactions occurred with key management personnel:

- 223,214 fully paid ordinary shares were issued to Mr Alastair Wilkie upon appointment as Chief Operation Officer;
- 250,000 fully paid ordinary shares were issued to Ms Louise Bolger as a bonus for the successful acquisition of Store Financial Services UK Limited;
- 250,000 fully paid ordinary shares were issued to Mr Bruce Stewart as a bonus for the successful acquisition of Store Financial Services UK Limited;
- 300,000 time based options were issued to Mr Alastair Wilkie upon appointment as Chief Operating Officer

NOTE 11 RELATED PARTY DISCLOSURES

	Consolidated entity Half-year ended			
	Expenditure Paid to Related Parties		Amounts Owed to Related Parties	
Directors	31 December 2014 $	31 December 2013 $	31 December 2014 $	31 December 2013 $
John Toms	33,912	-	-	-
Robert Browning	52,111	-	-	-
Tony Adcock	31,852	-	-	-
David Liddy	31,755	-	-	-
Peter Martin	30,112	-	-	-
	179,742	-	-	-

NOTE 12 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		31 December 2014 %	30 June 2014 %
Parent Entity			
Emerchants Limited	Australia		
Controlled entities:			
The Australian Land Company Pty Ltd(i)	Australia	100	100
Australasia Gold (SA) Pty Ltd(i)	Australia	100	100
Emerchants Payment Solutions Limited	Australia	100	100
Store Financial Services UK Limited	United Kingdom	100	-

(i)There was no activity for the two entities for the period ended 31 December 2014.

NOTE 13 CONTINGENT LIABILITIES

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

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

Cuscal provides a HBSV account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to the provision of prepaid payment products. Cuscal has sole authority to transact on the licensee HBSV account.

Due to the fact that the licensee does not have ownership or the right to direct operation of the HBSV account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 31 December 2014 is $31,927,154 (2013: $25,507,287).

Under the agreement:

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

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

Under the agreement:

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

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

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

Heritage provides a PCD account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to the provision of prepaid payment products. Heritage has sole authority to transact on the licensee PCD account. Due to the fact that the licensee does not have ownership or the right to direct operation of the PCD account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 31 December 2014 is $11,551,827 (2013: $3,608,159).

Under the agreement:

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

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

NOTE 14 SUBSEQUENT EVENTS

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

Directors Declaration

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; and

(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 Company.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Robert Browning
Chairman

12 February 2015

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Independent Auditor's Review Report to the Members of Emerchants Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerchants Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed statement of profit and loss and other comprehensive income, the condensed 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 9 to 25.

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 2014 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 Emerchants Limited, ASRE 2410 requires that we comply with the ethical requirements 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 Emerchants 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 Emerchants 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 2014 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

Philip Hardy
Partner

Chartered Accountants
Brisbane, Queensland

12 February 2015