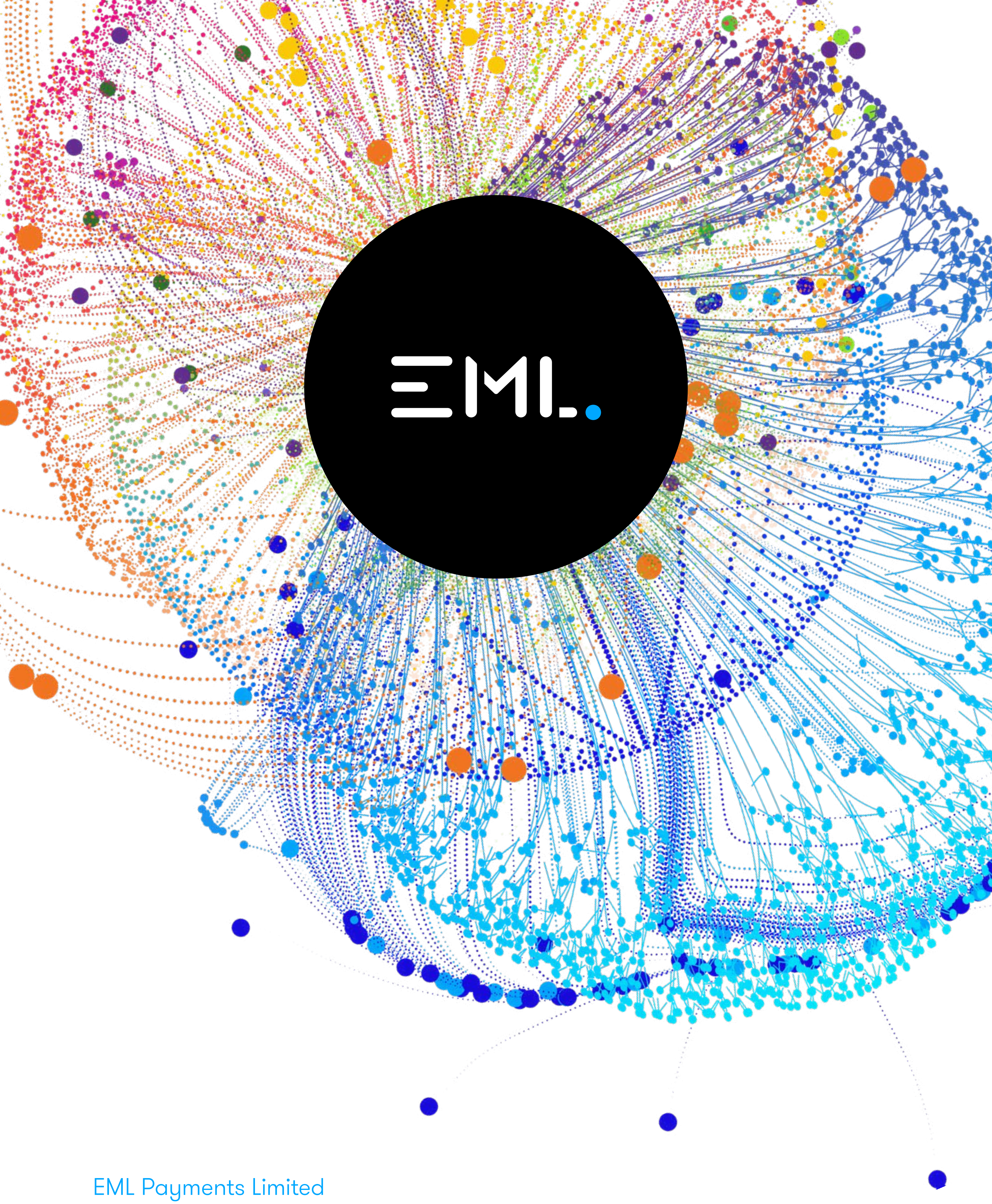
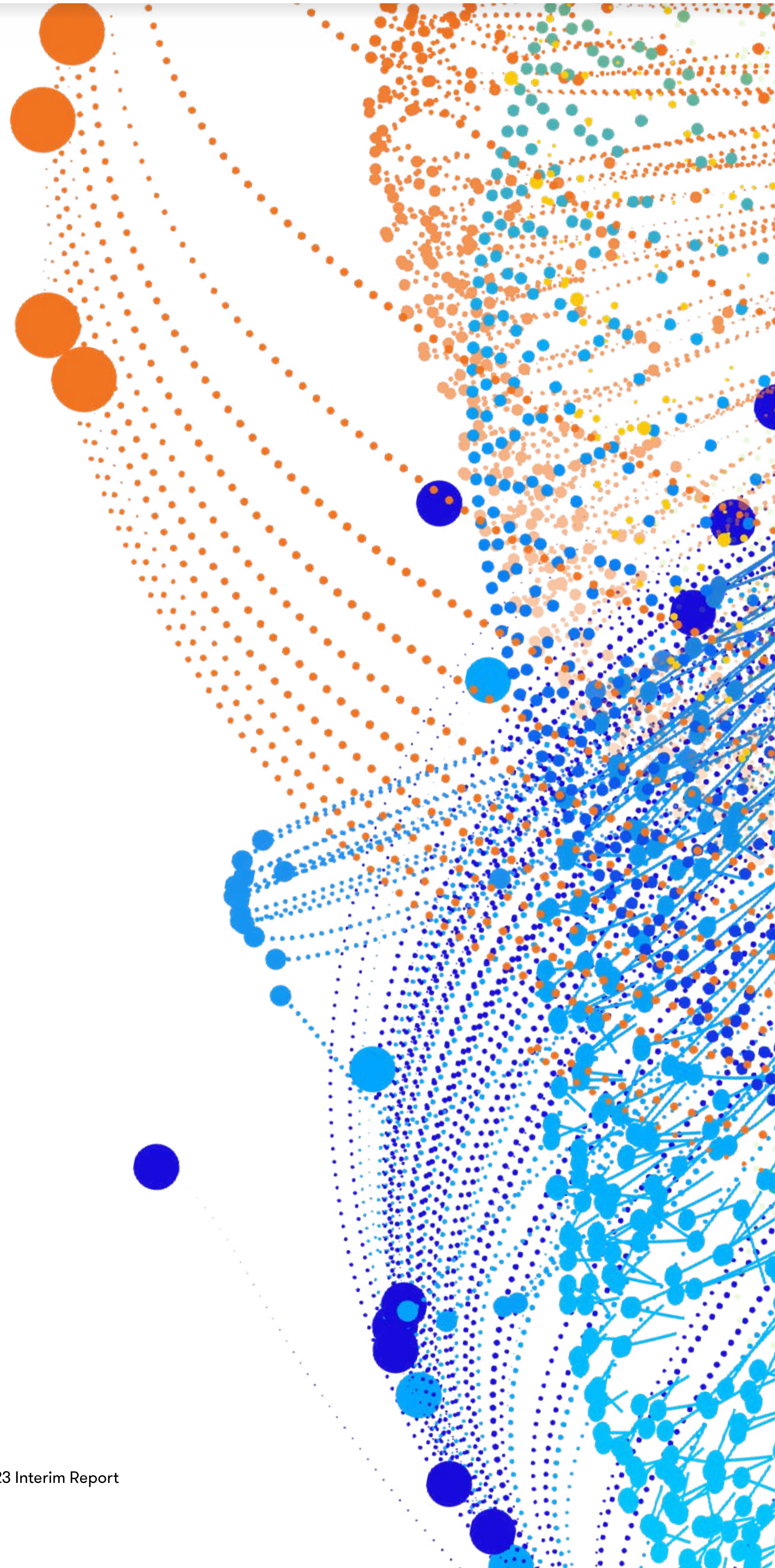
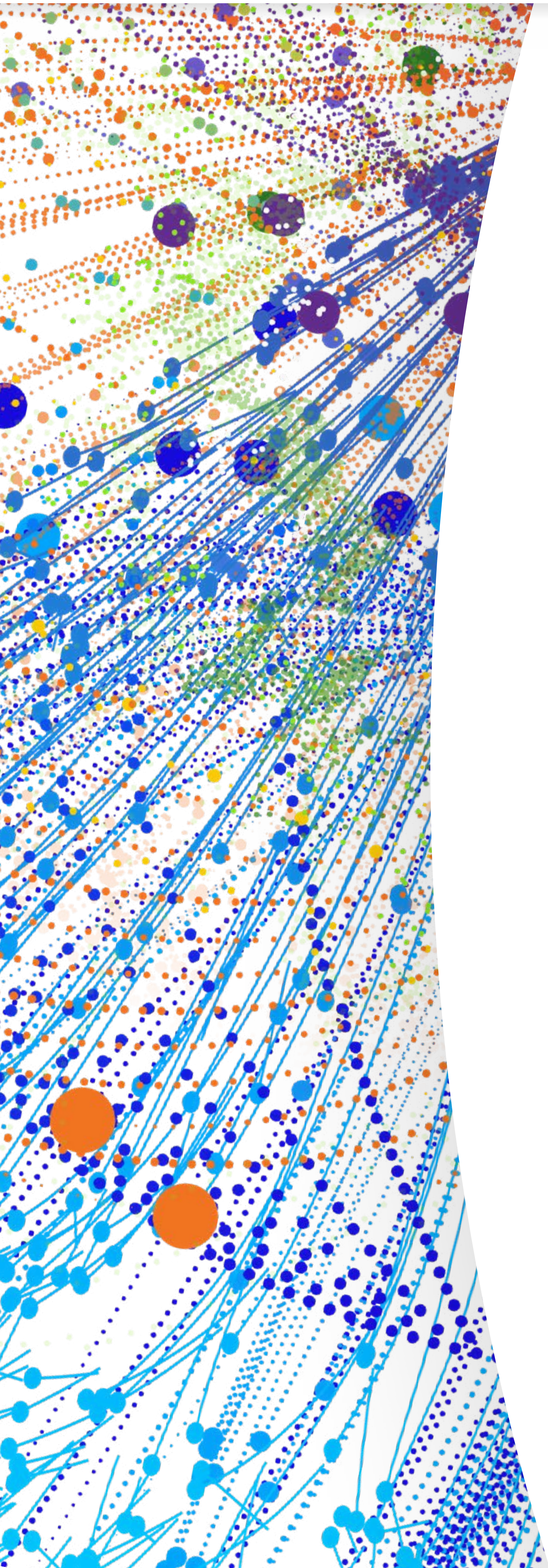


EML Payments Limited

2023 Interim Report.





— 01

Performance overview.

Performance overview.

Financial Performance Highlights:

- Gross Debit Volume growth of 57% to $49.4 billion (31 December 2021: $31.6 billion) predominantly attributable to the Sentenial acquisition included for the full year half following acquisition on 30 September 2021.
- Revenue growth of 2% on the PCP to $116.6 million, including significant growth in interest revenue by $7.6 million compared to PCP.
- Underlying gross profit improved 5% to be $78.9 million (PCP: $75.4 million) as a result of the net interest contribution of $9.0 million. Underlying gross profit has been adjusted for non-recurring fraud losses for the half year of $8.5 million.
- Underlying EBITDA of $13.4 million (PCP: $26.9 million) Is a result of the increase in operational overheads in particular employee entitlements, travel related costs and expected credit losses in Europe.
- Underlying NPATA[1] of $0.7 million (PCP: $13.1 million) reflecting EBITDA result as well as reduced share-based payments expense compared to the prior period and foreign exchange gains to the half year.
- Net loss for the period $129.9 million (PCP: loss of $12.1 million) largely as a result of impairment expense for the PFS and Sentenial Group's of $121.4 million.
- The Group's closing cash balance of $79.2 million being a 7% increase in the half year following the settlement of the Interchecks sale as well as improved underlying operating cash flows of $13.6 million[2].
- During the half year, the Group released its five-year strategy in late November and will continue to focus on the delivery of its three key pillars Elevate, Streamline and Reposition for Growth.
- The half year has seen further developments in relation to regulatory matters in the Prepaid Financial Services Group including an extension to the UK subsidiary, Prepaid Financial Services Limited. Further developments have also occurred in relation to the class action litigation.

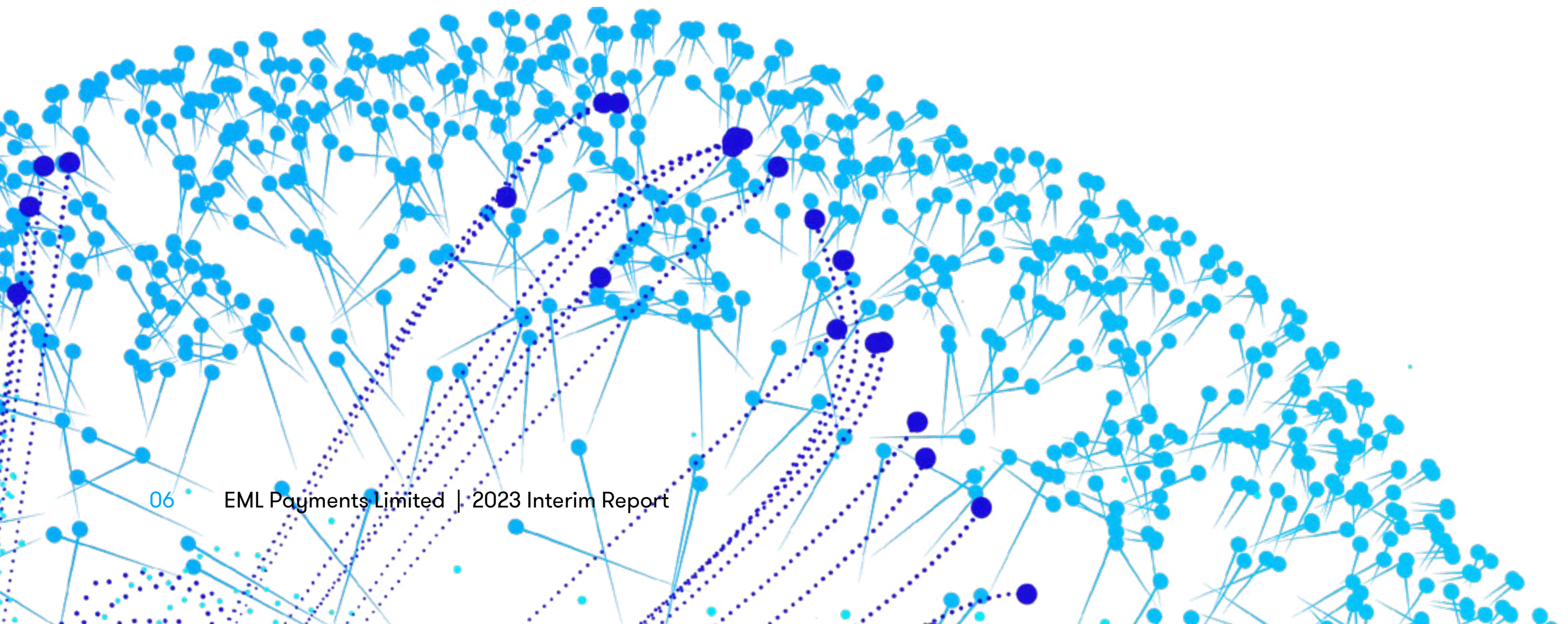
1 NPATA is reconciled to net profit after tax on the following page and is net profit/(loss) after tax, with adjustments for acquisition related costs including:
- Costs associated with the acquisition of a business;
- Amortisation expense relating to the fair valued intangible assets for software and customer relationships; and
- Fair value movements and financing costs relating to contingent consideration. EML acquisitions often include a contingent consideration tied to the future short to medium term performance of the acquired business. The contingent consideration is fair valued at each reporting report with any changes to the fair value recognised in the P&L as well as financing costs in relation to the future liability.

The Directors view NPATA as the key measure of maintainable earnings of EML and best reflects the core drivers and ongoing influences upon business financial performance. Analysis of the results in the Performance Overview has been presented to align the information that is given to users of financial reports to the way the Directors view the business.

EBITDA is reconciled on the following page 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, gains and losses on disposal of assets, impairment expense and unrealised foreign exchange included within the Statement of Profit or Loss and Other Comprehensive Income.

EML CEO and Senior Executives' short and long term incentives are linked to EBITDA and other targets NPATA. EML has included an Underlying EBITDA and NPATA on the following page that removes one-off costs, such as costs associated with the regulatory remediation and the class action, restructuring and fraud losses. The Directors consider these underlying measures aid the users understanding of the trading performance of EML.

2 Cash flow from operating activities of $2.2 million adjusted for regulatory remediation and restructuring costs of $4.2 million, fraud losses $8.8 million, tax reimbursed ($2.9 million) and other (including acquisition related costs) $1.3 million.



Performance overview.

Summary Financial Performance.

($'000)	Six months ended 31 December 2022	Growth	Six months ended 31 December 2021
Revenue	116,210	2%	113,427
Add back: Non-cash amortisation of AASB3 fair value uplift to bond investments[1]	438	-56%	989
Total Revenue	116,648	2%	114,416
Gross Profit	70,390	-7%	75,407
Gross Profit %	60%	-9%	66%
Other income	146	483%	25
Employee benefits expense	(40,799)	-33%	(30,714)
Professional fees	(15,397)	3%	(15,849)
Information technology related costs	(9,099)	-25%	(7,303)
Other expenses - operating	(13,473)	-83%	(7,362)
EBITDA	(8,232)	-158%	14,203
Less			
Depreciation and amortisation expense	(16,142)	-14%	(14,159)
Share-based payments	(2,480)	31%	(3,580)
Acquisition costs	(265)	89%	(2,508)
Finance costs	(1,283)	-14%	(1,125)
Gain on cash flow hedge	-	-100%	543
Impairment expense goodwill	(121,377)	-100%	-
Fair value gain/(loss) on financial assets and liabilities	19,160	1,104%	(1,909)
Other income/(expense) - non-operating	2,131	1,165%	(200)
Less: Loss on disposal of plant, equipment and right of use assets	(527)	-100%	-
Add back: Non-cash amortisation of AASB3 fair value uplift to bond investments[1]	(438)	56%	(989)
Loss before tax	(129,453)	1,231%	(9,723)
Tax expense	(427)	82%	(2,350)
Statutory net loss for the period	(129,880)	976%	(12,073)
Add back: Amortisation on acquisition intangibles, net of tax	8,580	0%	8,554
Add back: Non-cash amortisation of AASB3 fair value uplift to bond investments[1]	438	-56%	989
Add back: Acquisition costs	265	-89%	2,508
Deduct: Fair value movements contingent consideration and other financial assets/liabilities	(19,232)	-1,107%	1,909
Add back: Acquisition related costs - financing liabilities	1,400	-40%	2,346
Add back: Impairment of acquisition intangibles, net of tax	121,377	100%	-
Add back: Foreign exchange movements relating to acquisition	1,060	100%	-
Deduct: Gain on cashflow hedge for acquisition, net of tax	-	-100%	(272)
NPATA	(15,992)	-504%	3,961

($'000)	Six months ended 31 December 2022			Six months ended 31 December 2021	
	Gross profit	EBITDA	NPATA	EBITDA	NPATA
As reported above	70,390	(8,232)	(15,992)	14,203	3,961
Add back: Non-recurring regulatory remediation and class action costs	-	8,502	7,102	12,659	9,101
Add back: Non-recurring fraud losses	8,476	8,476	6,357	-	-
Add back: Non-recurring restructuring costs and strategy establishment	-	4,627	3,239	-	-
Underlying EBITDA and NPATA	78,866	13,373	706	26,862	13,062

1 Gross profit has been adjusted for bond investment interest income includes a reduction of $438,000 (31 December 2021: $989,000) for the non-cash amortisation of the AASB 3 fair value uplift of the Prepaid Financial Services bond portfolio at acquisition date.

Performance overview.

Underlying gross profit

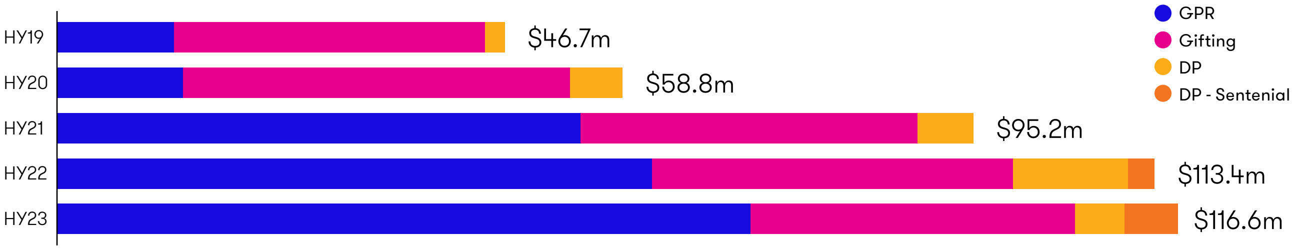
- EML's underlying gross profit margin was 68% (after adjusting for non-recurring fraud losses) as the contribution of General Purpose Reloadable increased relative to the other segments. The net interest income for the half year has assisted in achieving this margin however has been fully offset by reduced breakage revenue with one-offs in the first half of the prior period.
- EML has benefitted from the central banks increases to interest rates with net interest revenue increasing by $9.0 million for the half year. EML holds $2.7 billion in stored value (FY22: $2.0 billion) of which a portion entitles EML to interest income.
- EML has incurred fraud losses of $8.5 million during the half year in relation to non-recurring fraud incidents.

Gross Debit Volume H1 FY23 (AUD)

$49.3 billion ▲ 55%

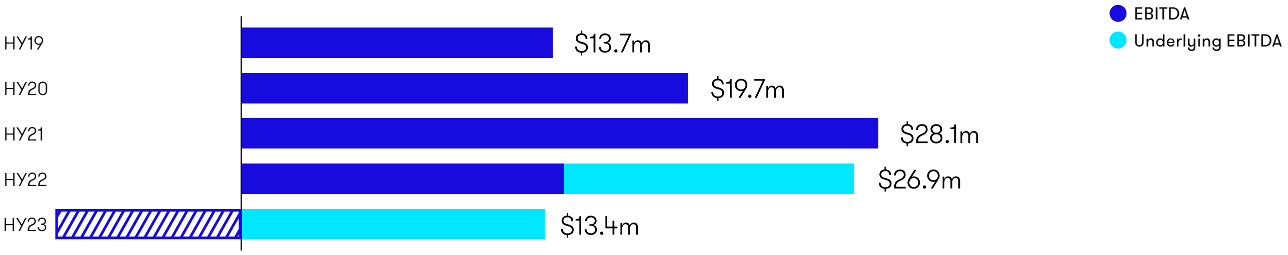
Revenue H1 FY23 (AUD)

$116.6 million ▲ 2%



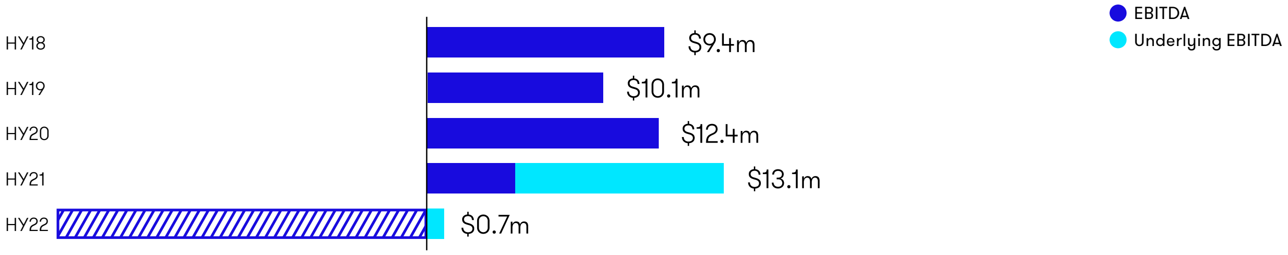
Underlying EBITDA H1 FY23 (AUD)

$13.4 million ▼ 50%



Underlying NPATA H1 FY23 (AUD)

$0.7 million ▼ 95%



Performance overview.

Underlying operating overheads

- Underlying operating overheads (i.e. cash overheads adopted in calculating EBITDA adjusted for non-recurring items) have increased 35% compared to PCP. An increase of $4.7 million (representing 26% of the total increase) relates to the Sentenial acquisition for the full half year. Details of underlying adjustments are provided below.
- Costs relating to employees increased by $6.9 million (+22%) (after adjusting for $3.2 million of non-recurring items) compared to the prior comparative period. EML will continue to invest in our people to attract and retain talent which will be a key driver of the future success of EML.

  The increase reflects increased employee retention costs which is being experienced across the industry as well as the inclusion of Sentenial Group employees for the full half year and the investment into sales and marketing resources that business committed to as part of the acquisition. The increase in employment-related expenses is expected to continue into the second half. The underlying employee related costs excludes those one-off costs relating to non-recurring changes to the Executive team of $3.2 million.
- An increase in other operating expenses of $6.1 million (+83%). The increase is largely a result of bad and doubtful debt expense of $2.9 million relating to some specific European customer disputes as well as additional travel of $1.8 million. This reflects the release of all COVID restrictions and a focus on increased global collaboration.

Non-operating overheads

- Share-based payment expense is $2.5 million (PCP: $3.6 million). This includes the expense of grants issued in the current year relating to long-term incentive rights, Executive service rights and grants on appointment of Emma Shand as CEO on 11 July 2022.
- Depreciation and amortisation costs have increased reflecting the inclusion of Sentenial software amortisation for the half year.
- $121.4 million of impairment losses in relation to acquisition goodwill from the Prepaid Financial Services Group and Sentenial Group acquisitions.
- Fair value gain on contingent consideration related to the Sentenial acquisition of $19.3 million.

Underlying cost add backs

The following have been added back to present the underlying EBITDA:

- Fraud losses relating to non-recurring incidents in the half year reflected costs of $8.5 million.
- There were an additional $8.5 million of non-recurring costs expensed resulting from the regulatory remediation requirements for the Prepaid Financial Services Group.
- The Group has announced its five year strategy and as result there have been a number of one-off costs relating to the existing structure as well as planning for the new strategy which have been incurred in the half year resulting in expenses of $4.6 million.

Performance overview.

Summary financial position.

($'000)	As at 31 December 2022	Growth	As at 30 June 2022
Total Current Assets	2,449,203	32%	1,855,122
Total Non-Current Assets	765,146	-8%	827,321
Total Assets	3,214,349	20%	2,682,443
Total Current Liabilities	2,761,228	31%	2,100,079
Total Non-Current Liabilities	136,404	-6%	145,247
Total liabilities	2,897,632	29%	2,245,326
Net assets	316,717	-29%	437,117
Equity	316,717	-29%	437,117

Assets

Cash and cash equivalents

— The Group has cash reserves at the reporting date of $79.2 million (+7%) reflecting positive cash flows in the half year after settling the sale of the Interchecks investment.

Segregated funds

— The segregated funds and bond investments total $2,658.3 million (2022: $2,005.6 million) offset by liabilities to stored value account holders of $2,652.6 million (2022: $2,000.1 million). The residual in the float, not offset by liabilities to stored value account holders reflects the premium paid to purchase bond investments using corporate funds and will convert into cash in a future period.

— The Group has a current asset deficiency at 31 December 2022 of $312,025,000 (2022: $244,957,000). This is driven by the fact that a portion of the Group's segregated funds and bond investments assets of $359,295,000 (2022: $295,842,000) are classified as non-current based on the maturity dates of those investments while the Liabilities to stored value account holders are all current liabilities. The Directors have concluded that the Group is able to continue as a going concern for at least, but not limited to, 12 months from the date of this report.

Intangible assets

— EML has significant intangible assets of $333.3 million (2022: $448.5 million) which is comprised of acquired and internally generated software, customer relationships, customer contracts and goodwill. During the half year the Group invested $8.1 million in internally generated software assets and work in progress.

— An impairment loss against acquisition goodwill of the PFS Group and Sentenial Group acquisitions has been recognised to the half year. Refer to Note C4 for details.

Liabilities

Provision

— During the half year EML has continued to invest significant resources to address regulatory concerns in Europe. EML has a provision of $13.4 million (2022: $8.1 million) in relation to the regulatory remediation requirements.

— Shine Lawyers filed proceedings in the Supreme Court of Victoria. The proceedings allege that EML did not comply with its disclosure obligations and engaged in misleading and deceptive conduct regarding disclosure. EML has recognised a provision of $9.2 million (with $1.3 million already paid) to reflect legal costs associated with defending this action.

— Please refer to Notes D2 Provisions and F1 Contingent Liabilities for further details of developments for the above remediation and litigation related matters during the half year.

Contingent consideration

— This liability of $10.7 million (2022: $28.9 million) reflects the fair value of amounts in relation to earnouts on the Sentenial acquisition and reducing due to the delay in realising revenue growth post acquisition.

Interest-bearing borrowings

— Total interest-bearing borrowings of $93.4 million reflecting external bank debt drawn in relation to the Sentenial acquisition in the prior year, loan notes relating to the Prepaid Financial Services Group in 2021 and lease liabilities.

Performance overview.

Summary cash flows.

($'000)	Six months ended 31 December 2022	Growth	Six months ended 31 December 2021
Generated by operating activities	2,174	106%	(39,219)
Generated by investing activities	4,094	107%	(62,920)
Generated by financing activities	(1,052)	-102%	46,714
Impacts of foreign exchange	284	-24%	372
Cash at the end of the period	**79,199**	-8%	86,175

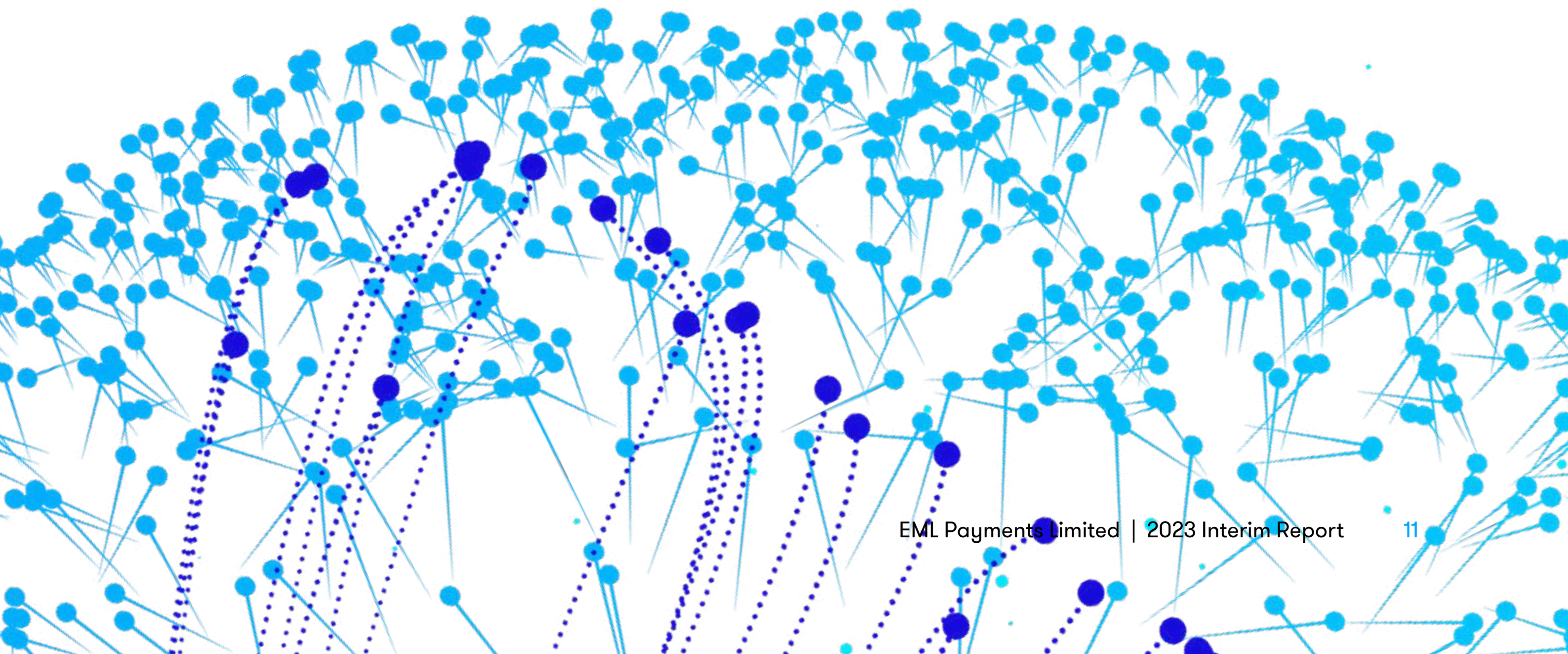
Operating cashflows

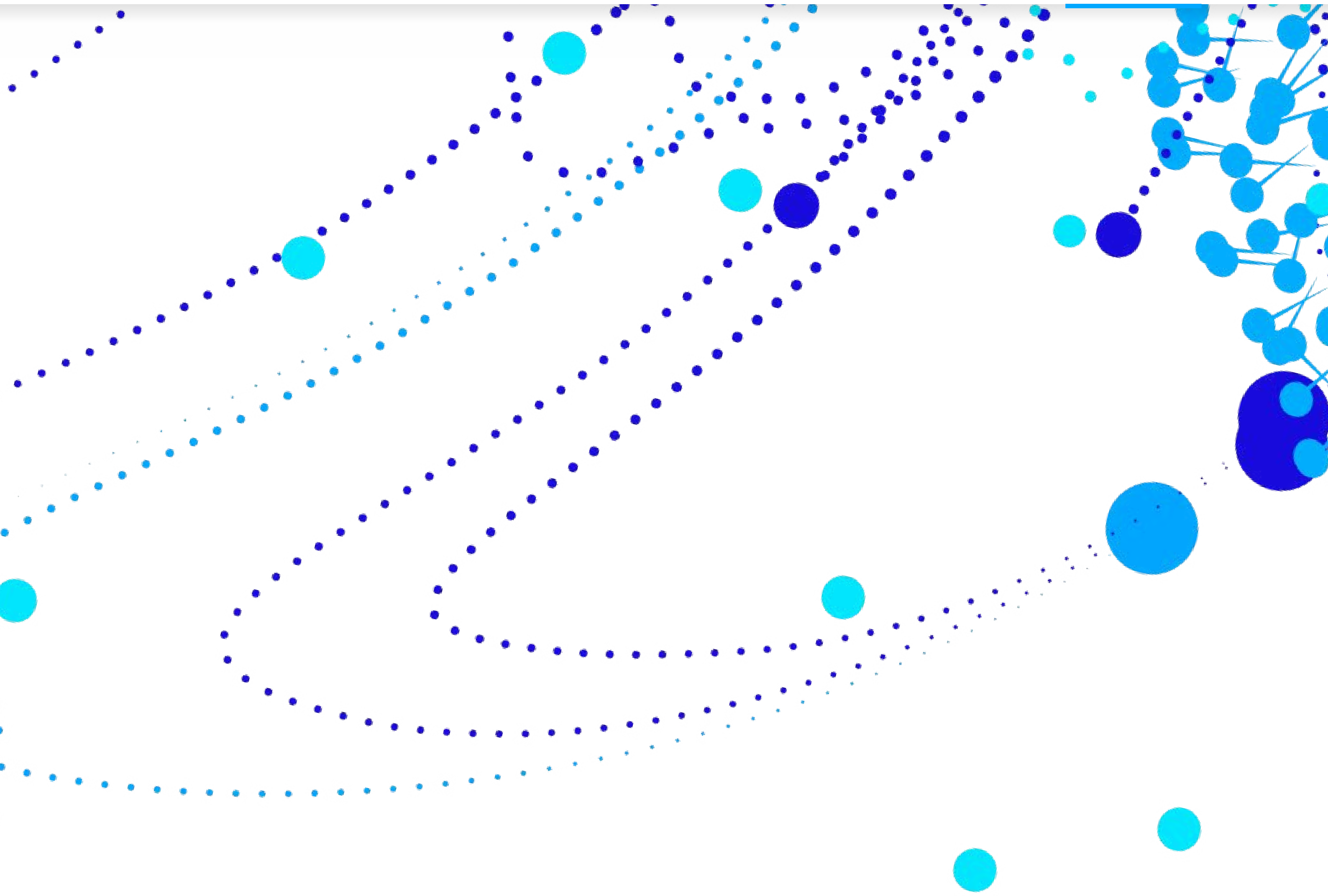
- Operating cash inflow[1] is $13.6 million (before tax) after adjusting for cash fraud losses, remediation and restructuring costs as well as other one-off items.
- Operating cashflows were negatively impacted by regulatory remediation and restructuring related costs relating to the announced Group strategy. This was offset by improved net interest receipts. Prior period operating cashflows were impacted by acquisition related costs and a one-off contribution to segregated funds arising from prior year adjustments which have not recurred in the current period.

Investing cashflows

- Net cash inflows from investing were $4.1 million which included $10.8 million from the sale of the Interchecks investment partially offset by the Group's continued investment in software during the half year ($7.1 million) which will drive EML's continued growth in future periods.

1 Cash flow from operating activities of $2.2 million adjusted for regulatory remediation and restructuring costs of $4.2 million, fraud losses $8.8 million, tax reimbursed ($2.9 million) and other (including acquisition related costs) $1.3 million.





— 02

Directors' report.

Directors’ report.

The directors submit herewith the financial report of EML Payments Limited and its subsidiaries (the Group) for the half-year ended 31 December 2022. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons were Directors of EML Payments Limited during the half year ended 31 December 2022 and up to the date of this report:

- David Liddy AM (appointed Chairman 25 November 2022)
- Peter Martin (resigned 25 November 2022)
- Tony Adcock
- Thomas Cregan (resigned 11 July 2022)
- Brent Cubis (appointed 25 November 2022)
- Manoj Kheerbat (appointed 5 December 2022)
- Emma Shand (appointed Group CEO 11 July 2022)
- Melanie Wilson

Review of operations

The full review of operations is contained in the Performance Overview.

Auditor’s Independence Declaration

The Auditor’s Independence Declaration is included on page 16 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors’ Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this directors’ report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the Directors

David Liddy AM
Non-executive Chairman

21 February 2023

Directors' declaration.

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

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 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*.

On behalf of the Directors

David Liddy AM
Non-executive Chairman

Brisbane, 21 February 2023

Auditor's Independence Declaration.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane, QLD, 4000
Australia

Tel: +61 7 3308 7000
www.deloitte.com.au

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

21 February 2023

Dear Board Members

Auditor's Independence Declaration to EML Payments Limited

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

As lead audit partner for the review of the half year financial report of EML Payments Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants

Independent Auditor's Review Report.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Level 23, Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Australia

Tel: +61 7 3308 7000
www.deloitte.com.au

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

We reviewed the half-year financial report of EML Payments Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 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.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

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.

Independent Auditor's Review Report.

Deloitte.

Auditor's Responsibility for the Review of the Half-year Financial Report

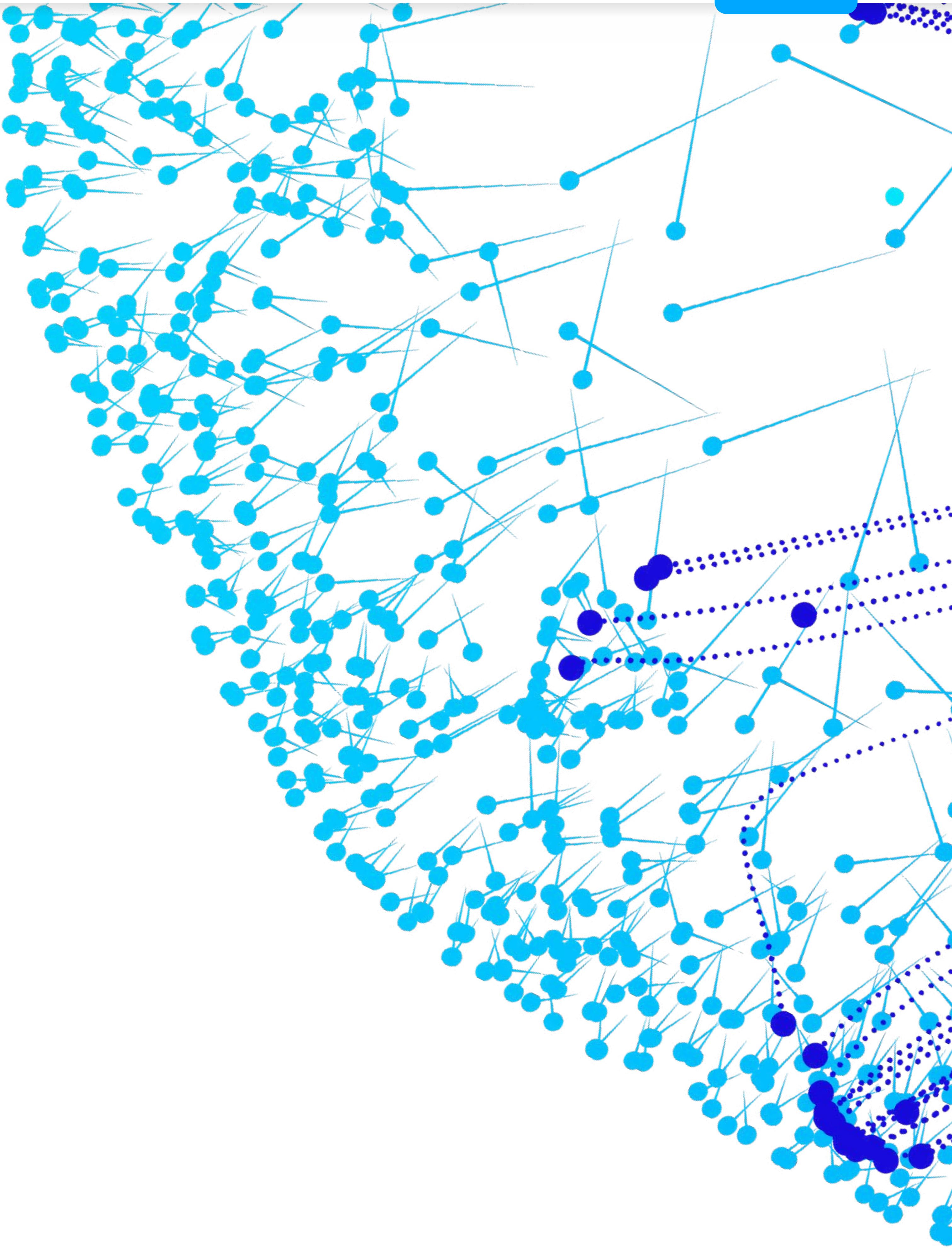
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

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.

Deloitte Touche Tohmatsu

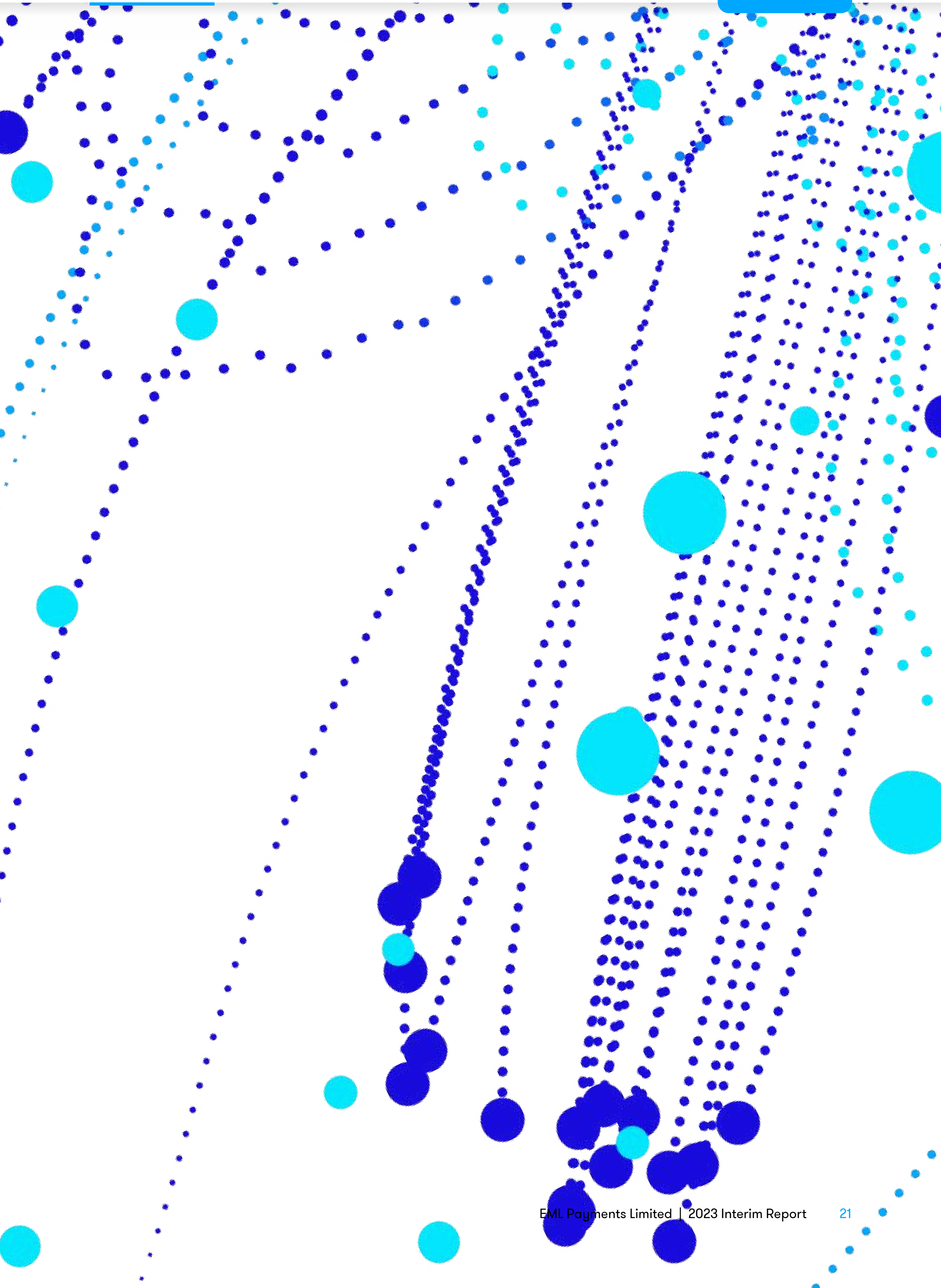
DELOITTE TOUCHE TOHMATSU

Stephen Tarling
Partner
Chartered Accountants
Brisbane, 21 February 2023



— 03

Financial statements.



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

For the half-year ended 31 December 2022.

		Consolidated	
($'000)	Notes	31 December 2022	31 December 2021
Revenue from contracts with customers	A2	107,219	112,108
Interest income	A2	8,991	1,319
Total Revenue		116,210	113,427
Cost of sales	A3	(46,257)	(39,009)
Gross Profit		69,953	74,418
Other (expense)/income[2]	A2	(382)	568
Expenses			
Employee benefits expense		(40,799)	(30,714)
Professional fees	A4	(15,397)	(15,849)
Information technology related costs[1]		(9,099)	(7,303)
Other operating expenses[1]	A5	(13,473)	(7,362)
Share-based payments		(2,480)	(3,580)
Depreciation and amortisation expense		(16,142)	(14,159)
Acquisition costs		(265)	(2,508)
Finance costs[2]	A6	(1,283)	(1,125)
Impairment expense	C3	(121,377)	-
Fair value gain/(loss) on financial assets and liabilities[2]	A7	19,160	(1,909)
Other non-operating benefits/(expenses)[2]	A5	2,131	(200)
Total Expenses		(199,024)	(84,709)
Loss before tax		(129,453)	(9,723)
Income tax expense	A8	(427)	(2,350)
Net loss for the half-year		(129,880)	(12,073)
Other comprehensive income/(loss), net of tax			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax		7,495	(5,284)
Loss on fair valuation of cashflow hedge, net of tax		-	(262)
Items that will not be reclassified subsequently to profit or loss			
(Loss)/gain on fair valuation of financial asset held at fair value through other comprehensive income, net of tax		(542)	4,467
Other comprehensive income/(loss) for the half-year, net of tax		6,953	(1,079)
Total comprehensive loss for the half-year		(122,927)	(13,152)
Total comprehensive loss for the half-year attributable to:			
Equity holders of the parent		(122,927)	(13,152)
Loss per share (cents per share)			
Basic (cents per share)		(34.74)	(3.30)
Diluted (cents per share)		(34.74)	(3.30)

The accompanying notes form part of these financial statements.

1 Information technology related costs has been disclosed separately from Other operating expenses

2 Fair value gain/(loss) on financial assets and liabilities has been disclosed separately from Other income, Finance costs and Other non-operating benefits/(expenses)

Condensed Consolidated Statement of Financial Position.

For the half-year ended 31 December 2022.

		Consolidated	
($'000)	Notes	31 December 2022	30 June 2022
Current Assets			
Cash and cash equivalents		79,199	73,699
Contract assets	B1	22,229	21,531
Trade and other receivables		34,891	35,836
Other current assets		12,030	8,583
Current tax receivable		1,847	5,758
Segregated funds and bond investments		2,299,007	1,709,715
Total Current Assets		**2,449,203**	**1,855,122**
Non-Current Assets			
Contract assets	B1	29,144	28,565
Trade and other receivables		7,599	7,399
Segregated funds and bond investments		359,295	295,842
Financial assets	C1	393	11,432
Other assets		408	-
Plant, equipment and right-of-use assets		10,858	12,719
Intangibles	C3	333,250	448,460
Deferred tax asset	A8	24,199	22,904
Total Non-Current Assets		**765,146**	**827,321**
Total Assets		**3,214,349**	**2,682,443**
Current Liabilities			
Trade and other payables		75,433	65,685
Current tax payable		5,311	2,786
Other liabilities		8,545	7,831
Provisions	D2	15,017	19,917
Interest-bearing borrowings	D1	4,286	3,721
Liabilities to stored value account holders		2,652,636	2,000,139
Total Current Liabilities		**2,761,228**	**2,100,079**
Non-Current Liabilities			
Other liabilities		10,820	10,427
Provisions	D2	8,981	90
Interest-bearing borrowings	D1	89,127	87,685
Contingent consideration	C2	10,683	28,856
Deferred tax liability	A8	16,793	18,189
Total Non-Current Liabilities		**136,404**	**145,247**
Total Liabilities		**2,897,632**	**2,245,326**
Net Assets		**316,717**	**437,117**
Equity			
Issued capital	E1	494,293	494,208
Accumulated losses		(184,588)	(60,562)
Foreign currency translation reserve		(35,934)	(43,429)
Share and options reserve		46,327	43,884
Other reserves		(3,381)	3,016
Total Equity		**316,717**	**437,117**

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Cash Flows.

For the half-year ended 31 December 2022.

		Consolidated	
($'000)	Notes	31 December 2022	31 December 2021
Cash flows from operating activities			
Receipts from customers		107,228	98,106
Payments to suppliers and employees		(114,254)	(100,684)
Payments for segregated funds		-	(27,792)
Tax reimbursed/(paid)		2,855	(5,635)
Payments for acquisition related expenses		(265)	(5,118)
Interest paid		(825)	(1,932)
Interest received		7,435	3,293
Receipt from cashflow hedge		-	543
Net cash generated by/(used in) operating activities		**2,174**	**(39,219)**
Cash flows from investing activities			
Receipts/(payments) for plant and equipment		352	(439)
Payments for intangibles		(7,124)	(6,639)
Payments for business combination, net of cash acquired		-	(55,842)
Receipts from disposal of financial assets		10,866	-
Net cash generated by/(used in) investing activities		**4,094**	**(62,920)**
Cash flows from financing activities			
Payments for principal relating to lease liability		(1,052)	(1,455)
Proceeds from interest-bearing borrowings		-	48,169
Net cash (used in)/generated by financing activities		**(1,052)**	**46,714**
Net increase/(decrease) in cash held		5,216	(55,425)
Cash at beginning of the half-year		73,699	141,228
Impacts of foreign exchange		284	372
Cash at end of half-year period		**79,199**	**86,175**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity.

For the half-year ended 31 December 2022.

($'000)	Notes	Issued capital	Accumulated losses	Foreign currency translation reserve	Share and options reserve	Other reserves	Total
Balance at 1 July 2022		494,208	(60,562)	(43,429)	43,884	3,016	437,117
Total comprehensive loss							
Loss for the half-year		-	(129,880)	-	-	-	(129,880)
Other comprehensive income							
Unrealised foreign currency gain/(loss), net of tax		-	-	7,495	-	-	7,495
Loss on fair valuation of financial asset held at fair value through other comprehensive income, net of tax		-	-	-	-	(542)	(542)
Total comprehensive (loss)/ profit for the half-year		-	(129,880)	7,495	-	(542)	(122,927)
Transactions recorded directly in equity:							
Costs associated with issue of shares	E1	85	-	-	-	-	85
Share-based payments		-	-	-	2,443	-	2,443
Transfer from fair value reserve for financial assets at FVOCI to accumulated losses		-	5,854	-		(5,854)	-
Balance at 31 December 2022		494,293	(184,588)	(35,934)	46,327	(3,381)	316,717
Balance at 1 July 2021		456,157	(55,761)	(26,208)	41,510	(803)	414,895
Total comprehensive income for the year							
Loss for the half-year		-	(12,073)	-	-	-	(12,073)
Other comprehensive income							
Unrealised foreign currency gain/(loss), net of tax		-	-	(5,284)	-	-	(5,284)
Loss on fair valuation of cashflow hedge, net of tax		-	-	-	-	(262)	(262)
Gain on fair valuation of financial asset held at fair value through other comprehensive income, net of tax		-	-	-	-	4,467	4,467
Total comprehensive (loss)/ profit for the half-year		-	(12,073)	(5,284)	-	4,205	(13,152)
Transactions recorded directly in equity:							
Costs associated with issue of shares		38,131	-	-	-	-	38,131
Share-based payments		-	-	-	2,696	-	2,696
Balance at 31 December 2021		494,288	(67,834)	(31,492)	44,206	3,402	442,570

The accompanying notes form part of these financial statements.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A1 Segment information

The operating segments have been identified based on internal reports about components of the Group. These are regularly reviewed by the Board of Directors of EML Payments Limited who are the Chief Operating Decision Maker (CODM). The CODM are responsible for resource allocation and performance assessment of the operating segments.

As the Group's operations continues to increase in scale and reach, product segments provide a clear view of the Group's results. The Group has reported its three product segments as follows:

- General Purpose Reloadable (GPR) products provide reloadable cards to a variety of industries including, but not limited to Government, Salary Packaging, Gaming and Digital Banking. This segment provides a full-service offering including issuance, processing and program management.
- Gifting products provide single load gift cards for shopping malls and incentive programs across the world.
- Digital Payments (DP), products provide payment options for consumers. Industries include, but are not limited to Open Banking, Buy-Now Pay-Later providers and Bill payment providers.

Segment financial performance is assessed on Gross Profit being revenue less directly attributable costs of goods sold.

Information reported to the Group's CODM for the purposes of resource allocation and assessment of performance is focused on the product segment location of the business operations. Information about segment performance is reviewed on a monthly basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

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 2022				Six months ended 31 December 2021			
($'000)	GPR	Gifting	DP	Group	GPR	Gifting	DP	Group
Gross debit volume (GDV)	6,543,731	1,058,116	41,787,847	49,389,694	6,264,905	911,099	24,382,147	31,558,151
Revenue conversion (bps)	110	321	3	24	111	408	3	36
Recurring revenue – Transaction based revenue[1]	53,275	17,590	9,810	80,675	49,386	17,601	7,392	74,379
Recurring revenue – Service-based revenue[1,2]	2,469	12,479	189	15,137	6,511	13,614	-	20,125
Non-recurring revenue	8,350	2,829	228	11,407	11,500	5,807	297	17,604
Total revenue from contracts with customers	**64,094**	**32,898**	**10,227**	**107,219**	**67,397**	**37,022**	**7,689**	**112,108**
Interest income – Stored value	4,281	1,084	319	5,684	196	107	8	311
Interest income – Group funds	70	-	-	70	-	-	-	11
Interest income – Bond investment	3,237	-	-	3,237	997	-	-	997
Add back: non-cash amortisation of AASB 3 bond fair value uplift from acquisition date[3]	438	-	-	438	989	-	-	989
Total interest income	**8,026**	**1,084**	**319**	**9,429**	**2,182**	**107**	**8**	**2,308**
Total revenue	**72,050**	**33,982**	**10,546**	**116,648**	**69,578**	**37,130**	**7,697**	**114,416**
Gross profit	**40,213**	**27,220**	**2,958**	**70,391**	**39,071**	**30,062**	**6,274**	**75,407**
Gross profit %	**56%**	**80%**	**28%**	**60%**	**56%**	**81%**	**82%**	**66%**
Other (expense)/income[3]				(382)				568
Total expenses[3]				(199,024)				(84,709)
Less: Non-cash amortisation of AASB 3 bond fair value uplift from acquisition date[4]				(438)				(989)
Loss before tax for the period				**(129,453)**				**(9,723)**
Income tax expense				(427)				(2,350)
Net loss for the period				**(129,880)**				**(12,073)**

1 The comparative amount of $1,474,000 was reclassified from Recurring revenue - Transaction based revenue into Recurring revenue - Service based revenue.

2 For the half year ended 31 December 2021, a $2,195,000 revenue benefit was recognised in the Gifting segment. This relates to an agreement with a customer to provide an additional once off service, with a corresponding increase to Contract assets (refer Note B1). This amount was reclassified from Recurring revenue – Service-based revenue Breakage revenue to Non-recurring revenue.

3 Fair value gain/(loss) on financial assets and liabilities has been disclosed separately from Other income, Finance costs and Other non-operating benefits/(expenses).

4 Interest income - Bond investments include a reduction of $438,000 (31 December 2021: $989,000) for the non-cash amortisation of the AASB 3 fair value uplift of the PFS bond portfolio at acquisition date.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A1 Segment information (continued)

(a) Other segment revenue information - geography

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

($'000)	Six months ended 31 December 2022 Australia	Europe	North America	Group	Six months ended 31 December 2021 Australia	Europe	North America	Group
Recurring revenue – Transaction based revenue	16,692	50,457	13,526	80,675	14,709	46,280	13,390	74,379
Recurring revenue – Service-based revenue[1, 2]	1,357	7,955	5,825	15,137	563	11,034	8,528	20,125
Non-recurring revenue[2]	1,065	9,311	1,031	11,407	1,814	14,777	1,013	17,604
Revenue from contracts with customers	**19,114**	**67,723**	**20,382**	**107,219**	**17,086**	**72,091**	**22,931**	**112,108**

1 The comparative amount of $1,474,000 was reclassified from Recurring revenue - Transaction based revenue into Recurring revenue - Service based revenue.

2 For the half year ended 31 December 2021, a $2,195,000 revenue benefit was recognised in the Gifting segment. This relates to an agreement with a customer to provide an additional once off service, with a corresponding increase to Contract assets (refer Note B1). This amount was reclassified from Recurring revenue – Service-based revenue Breakage revenue to Non-recurring revenue.

(b) Segment assets/(liabilities)

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

($'000)	As at 31 December 2022 Australia	Europe	North America	Group	As at 30 June 2022 Australia	Europe	North America	Group[1]
Current assets	303,026	2,122,378	23,799	2,449,203	281,511	1,557,757	15,854	1,855,122
Non-current assets	450,796	296,948	17,402	765,146	450,245	348,050	29,026	827,321
Total liabilities	(272,070)	(2,602,877)	(22,685)	(2,897,632)	(251,501)	(1,965,431)	(28,394)	(2,245,326)
Net assets/(liabilities)	**481,752**	**(183,551)**	**18,516**	**316,717**	**480,255**	**(59,624)**	**16,486**	**437,117**

1 Group totals include the effects of intercompany eliminations. Net assets include the intercompany balances.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A2 Revenue, Interest income and Other income

The following revenue, interest income and other income items are relevant in explaining the financial performance for the half-year period.

($'000)	Consolidated 31 December 2022	31 December 2021
(a) Revenue from contracts with customers		
Recurring revenue – Transaction-based revenue[1]	80,675	74,379
Recurring revenue – Service-based revenue		
Account management fees	5,204	4,987
Breakage revenue[2]	6,689	8,662
Dormant state accounts revenue[3]	1,403	5,002
Other service-based revenue[1]	1,841	1,474
	15,137	20,125
Non-recurring revenue		
Establishment revenue	11,407	15,409
Other service-based revenue[2]	-	2,195
	11,407	17,604
	107,219	112,108
(b) Interest income		
Interest income – Stored value	5,683	311
Interest income – Group funds	71	11
Interest income – Bond investments[4]	3,237	997
	8,991	1,319
(c) Other income		
Gain on cashflow hedge	-	543
Other	(382)	25
	(382)	568

1 The comparative amount of $1,474,000 was reclassified from Recurring revenue - Transaction based revenue into Recurring revenue - Service based revenue.

2 For the half year ended 31 December 2021, a $2,195,000 revenue benefit was recognised in the Gifting segment. This relates to an agreement with a customer to provide an additional once off service, with a corresponding increase to Contract assets (refer Note B1). This amount was reclassified from Recurring revenue – Service-based revenue Breakage revenue to Non-recurring service based revenue.

3 For the half year ended 31 December 2021, there was a $3,098,000 revenue benefit in the European region relating to the GPR segment. Dormant state accounts revenue is where cardholder liabilities are no longer required to be retained by the Group under the applicable Electronic Money Regulations (EMRs) and therefore were released from safeguarding requirements.

4 Interest income - Bond investments include a reduction of $438,000 (31 December 2021: $989,000) for the non-cash amortisation of the AASB 3 fair value uplift of the PFS bond portfolio at acquisition date.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A2 Revenue, Interest income and Other income (continued)

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

Key judgements and estimations - Account Management Fee (AMF) revenue

Estimating variable consideration

The Group estimates future cardholder behaviour to determine expected AMF revenue. These estimations utilise and analyse historical data, market-specific trends, and existing economic conditions for each program. The calculated AMF revenue rates are reviewed regularly in line with new commercial agreements and changes in cardholder behaviour.

Estimating when a highly probable reversal will not occur

The timing of the Group estimating when a highly probable reversal will not occur is at different stages for Gifting and GPR. This is due to the nature of the products.

Gifting products

AMF revenue is estimated and recognition commences from the month when funds are loaded onto the account on Gifting products. It is at this point the Group have estimated that it is highly probable that a significant reversal will not occur as there is more certainty in the spend profile on a single load product. The estimated AMF revenue is then recognised as transactions are settled in proportion to the pattern of rights exercised by the cardholder.

GPR products

AMF revenue is estimated and recognition commences from account inactivity (being 12 months from the date of last transaction) for GPR products. It is at this point the Group have estimated that it is highly probable that a significant reversal will not occur. This point has been identified as a GPR product may have multiple load and spend events. The estimated AMF revenue relating to past services is then recognised.

Key judgements and estimations - breakage revenue

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

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

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

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

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A3 Cost of sales (COS)

($'000)	Consolidated 31 December 2022	31 December 2021
Transaction costs	25,601	23,282
Fraud losses[1]	10,613	468
Establishment COS	6,935	10,405
Interest expense stored value	388	1,688
Other COS	2,720	3,166
	46,257	39,009

1 The increase in fraud losses during the half year is partially related to one-off fraud events representing $8,476,000. This is principally attributable to the Merchant Fraud announced on 24 August 2022 in respect of the Sentenial Group.

A4 Professional fees

($'000)	Consolidated 31 December 2022	31 December 2021
Professional fees incurred and provided for in relation to the regulatory remediation and litigation[1]	8,502	12,659
Other professional fees	6,895	3,190
	15,397	15,849

1 Refer to Note F1 for details regarding the regulatory remediation and litigation on shareholder class action.

A5 Other expenses

The following other expenses items are relevant in explaining the financial performance for the half-year period.

($'000)	Consolidated 31 December 2022	31 December 2021
(a) Other operating expenses		
Expected credit losses/(recovery)[1]	2,851	(103)
Bank fees and other tax costs[1]	2,681	2,359
Risk and compliance	3,445	2,740
Travel related expenses[2]	2,243	411
Other[2]	2,253	1,955
	13,473	7,362
(b) Other non-operating (benefits)/expenses		
Foreign exchange (gain)/loss, net	(2,131)	200
	(2,131)	200

1 Expected credit losses/(recovery) and Bank fees and other tax costs has been disclosed separately and previously disclosed as Fixed sponsor bank and other related costs.

2 Travel related expenses have been disclosed separately from Other.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A6 Finance costs

($'000)	Consolidated 31 December 2022	31 December 2021
Commitment fees on borrowings	223	234
Interest expense – Interest-bearing borrowings	1,060	891
	1,283	1,125

A7 Fair value (gain)/loss on financial assets and liabilities

($'000)	Note	Consolidated 31 December 2022	31 December 2021
Fair value (gain)/loss on financial assets held at FVTPL			
Fair value (gain)/loss on equity investment		292	(306)
Fair value (gain)/loss on financial liabilities held at FVTPL			
Fair value (gain)/loss on contingent consideration	C2(c)	(19,306)	1,890
Fair value (gain)/loss on other financial liabilities		(146)	325
		(19,160)	1,909

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A8 Taxation

($'000)	Consolidated 31 December 2022	31 December 2021
(a) Recognised in the statement of profit or loss and other comprehensive income		
Current income tax expense	(2,389)	(4,059)
Deferred tax benefit relating to the origination and reversal of temporary differences	2,560	3,054
Current year income tax in prior year	(598)	(1,345)
Income tax expense	**(427)**	**(2,350)**
(b) Reconciliation between income tax expense and loss before income tax		
Loss before income tax	(129,453)	(9,723)
Income tax benefit using the domestic corporation tax rate of 30% (2021: 30%)	38,836	2,917
Tax effect of:		
Non-deductible expenses	(3,878)	(3,016)
Impairment of goodwill	(15,172)	-
Tax deduction in respect of contributions to employee share trust	320	1,014
Effect of differences in tax rates[1]	(21,808)	(1,740)
Impact of changes in tax rates	(300)	-
Tax losses not previously recognised utilised in current year/(tax losses not recognised)	194	(417)
Under provision of income tax in prior year	(869)	(1,345)
Fair value gain financial assets/liabilities	2,395	-
Recognised directly in equity	85	-
Other	(230)	237
Income tax expense	**(427)**	**(2,350)**

($'000)	Consolidated 31 December 2022	30 June 2022
(c) Deferred tax asset		
Intangible assets	3,068	3,244
Recognition of tax losses and credits	13,903	12,805
Share capital costs	493	581
Provisions	4,719	4,168
Other	2,016	2,106
Deferred tax asset	**24,199**	**22,904**
(d) Deferred tax liability		
Contract assets	(650)	(885)
Intangible assets	(12,845)	(12,957)
Plant, equipment and right-of-use assets	(2,317)	(1,948)
Financial assets	-	(1,464)
Other	(981)	(935)
Deferred tax liability	(16,793)	(18,189)

1 United Kingdom corporate tax rate is 19% with a rate increase taking effect in April 2023, and applicable to the Group from 1 July 2023, when it will increase to 25%. Irish tax rate is 12.5%, Australian corporate tax rate is 30%, USA tax rate is 24.95% and Canadian tax rate is 26.5%.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

A8 Taxation (continued)

Key judgements and estimations - recovery of Deferred Tax Assets (DTA)

The Group recognises a DTA arising from unused carried forward losses for the Europe, US and Australian Groups.

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

These tax losses relate to subsidiaries that have historically incurred a tax loss, and also taxable profits. The Group has prepared forecasts that supports the recoverability of the DTAs recognised in respect of unused tax losses on the basis that the Group expects that there will be sufficient taxable profits available against which the tax losses can be realised within a reasonable time frame. Consecutive years of losses, in any single subsidiary, would reduce the likelihood of recoverability. The Group has incorporated this into its forecast.

B1 Contract assets

	Consolidated	
($'000)	31 December 2022	30 June 2022
Current		
Contract assets	22,229	21,531
Non-current		
Contract assets	29,144	28,565

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C1 Financial assets

Financial assets include the following unlisted equity investments:

($'000)	Consolidated 31 December 2022	Consolidated 30 June 2022
Equity investments – at Fair Value through Other Comprehensive Income (FVTOCI)	80	10,831
Equity investments – at Fair Value through Profit and Loss (FVTPL)	313	601
	393	11,432

The Group held Series A Convertible preferred stock in Interchecks Technologies Inc. (Interchecks) at FVTOCI. On 19 August 2022, the Group entered an agreement for the sale of this investment for $10,866,000 (US$7,392,000) and the transaction completed during the half-year. The Group had made an irrevocable election for the classification of any gains and losses to be recognised through OCI and as such on disposal the gain of $5,854,000 sale has been transferred to accumulated losses.

Key judgements and estimations - The Hydrogen Technology Corporation

The Group have determined they do not have significant influence over The Hydrogen Technology Corporation. The Group own 11% of the undiluted shares on issue (warrants not exercised as at 31 December 2022) and has a right to hold a board seat. The Group has not executed its right to the board seat at 31 December 2022. It is the Group's opinion that, together with qualitative information, the board seat, allows for monitoring of the investment.

The Group do not believe these circumstances allow for power to participate in the financial and operating policy decisions and is therefore unable to exercise significant influence over this entity.

The investment is accounted in accordance with AASB 9 and held at fair value through profit and loss.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C2 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A number of the Group's accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities. The Group's financial instruments are included in the Statement of Financial Position at amounts that approximate fair values. The basis for determining fair values is disclosed below.

(a) Bond investments

The Group measure Corporate bonds at amortised cost. The fair value, as determined by the quoted market price (i.e. Level 1), can fluctuate significantly based on conditions outside of the Group's control (i.e. economic conditions). The fair value of the portfolio at 31 December 2022 was $553,034,000 (30 June 2022: $527,577,000).

(b) Financial assets

The following table gives information about the valuation technique and inputs used.

	Consolidated					
($'000)	31 December 2022	30 June 2022	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Visa Inc.	313	601	Level 3	Quoted market price of Visa Inc. Class A common stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. This was converted at the balance date exchange rate.	The final conversion rate of Visa Inc. Series B preferred stock into Visa Inc. Class A common stock.	A decrease in conversion rate would result in a decrease in the fair value.
Pareto	81	80	Level 3	The valuation considers events during the financial year, metrics of financial performance and other contributory data.	Metrics of financial performance.	A decrease in metrics of financial performance would result in a decrease in the fair value.
Interchecks Technologies Inc. (disposed during half year ended 31 December 2023)	-	10,752	Level 3	Market price of recent capital raise, adjusted for a non-active market discount.	A non-active market discount of 20%.	A decrease in the non-active market discount would result in an increase in the fair value.
The Hydrogen Technology Corporation	-	-	Level 3	The valuation considers events during the financial year, metrics of financial performance and other contributory data. Refer to note C1.	Metrics of financial performance.	A decrease in metrics of financial performance would result in a decrease in the fair value.
	393	11,432				

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C2 Fair value

(c) Contingent consideration

The Group's contingent consideration is recognised in relation to the equity earn-out of the recent business combinations. It is measured at fair value at the end of each reporting period. The following table gives information about the valuation technique and inputs used.

	Consolidated					
($'000)	31 December 2022	30 June 2022	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Prepaid Financial Services (Ireland) Limited (PFS Group) Contingent consideration in a business combination	-	-	Level 3	Valuation has been assessed with a discounted, forecast expected EBITDA performance method and completion conditions.	Present value of forecast EBITDA for each measurement period.	A n increase in the actual or expected EBITDA would result in an increase in the fair value.
					Discount rate.	An increase in the discount rate would result in a decrease in the fair value.
Sentenial Limited Contingent consideration in a business combination	10,683	28,856	Level 3	Valuation has been assessed with a discounted, forecast expected revenue performance method.	Present value of forecast revenue for the measurement period.	An increase in the actual or expected revenue would result in an increase in the fair value.
					Discount rate.	An increase in the discount rate would result in a decrease in the fair value.
	10,683	28,856				

Movement in the fair value of contingent consideration

Set out below are the movements in the fair value of contingent consideration for the half-year ended 31 December 2022:

($'000)	PFS Group	Sentenial Group	Total
Opening balance at 1 July 2022	-	28,856	28,856
Fair value gain on contingent consideration	-	(19,306)	(19,306)
Effect of unrealised foreign currency exchange difference	-	1,133	1,133
Closing balance at 31 December 2022	-	10,683	10,683

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C2 Fair value (continued)

Contingent consideration - Sentenial Group

Contingent consideration relates to an earn-out arrangement, payable in cash or equity at EML's discretion in 2024. The earn-out relates to targets correlating to incremental open banking revenue in the year ending on 31 December 2023. The contingent consideration is capped at EUR 40,000,000 ($62,912,600).

The contingent consideration is split between the vendors, maximum of EUR 38,000,000, payable in cash or equity at EML's discretion and key employees, maximum of EUR 2,000,000, payable as equity. The key employees have been granted share options in EML that will vest in proportion to the earn-out achievement.

As required by accounting standards, a financial liability of $25,929,000 representing the fair value of the earn-out was recognised at acquisition date.

Significant estimation - contingent consideration relating to earn-out

In the event that certain pre-determined open banking revenue results are achieved by the Sentenial Group for the 12-month period ending 31 December 2023, a maximum of EUR 40,000,000 ($62,912,600) may be payable in cash or equity at EML's discretion.

Fair value is based on a discounted, estimated revenue achievement for the measurement period. At 31 December 2022, the fair value has been measured to $10,683,000.

A reasonable possible change in estimated revenue achievement has been considered that would result in a range of undiscounted earn-out payable of between $10,913,000 and $14,667,000.

Contingent consideration - PFS Group

Contingent consideration includes completion settlements and an earn-out arrangement, both payable in cash.
The earnout relates to certain predetermined EBITDA results for the three financial years ended 30 June 2021 to 2023.
The contingent consideration is capped at $110,721,000, payable in cash. The payments will be made in three tranches, payable by 31 August 2021, 31 August 2022 and 31 August 2023. The completion settlements will be released once conditions have been met.

Significant estimation - contingent consideration relating to earn-out

In the event that certain pre-determined EBITDA results are achieved by the PFS Group for the three financial years ending 30 June 2021 to 2023, a maximum of $97,533,700 (GBP 55,000,000) may be payable in cash.

Fair value is based on a discounted, estimated EBITDA achievement for the measurement periods. At 31 December 2022, the fair value has been measured to $Nil (30 June 2022: $Nil). The estimated EBITDA used in the calculations are subject to interpretation of the appropriateness of costs included and excluded from EBITDA based on the Share Purchase Agreement.

A reasonable possible change in estimated EBITDA achievement is considered to be GBP 1 million and this would not impact the fair value estimation.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C3 Intangibles

	Consolidated						
($'000)	Software	Customer relationships	Customer contracts	Goodwill	Other	WIP[2]	Total
Balance at 1 July 2022							
At 1 July 2022, net carrying amount	60,209	1,023	64,418	312,884	4,294	5,632	448,460
Additions	759	-	-	-	-	7,437	8,196
Transfers	5,945	-	-	-	-	(6,399)	(454)
Amortisation charge for the half-year period	(8,149)	(185)	(5,890)		-	-	(14,224)
Impairment expense[1]	-	-	-	(121,377)	-	-	(121,377)
Effect of unrealised foreign currency exchange differences	1,501	9	2,048	8,886	153	52	12,649
At 31 December 2022, net of accumulated amortisation and impairment	60,265	847	60,576	200,393	4,447	6,722	333,250
At 31 December 2022							
Cost or fair value	98,274	6,117	101,611	321,770	4,447	6,722	538,941
Accumulated amortisation and impairment	(38,009)	(5,270)	(41,035)	(121,377)	-	-	(205,691)
Net carrying amount	60,265	847	60,576	200,393	4,447	6,722	333,250

1 An impairment expense was recognised for $121,377,000 (2021:Nil) for the half-year ended 31 December 2022. This has been recognised separately on the Statement of Profit or Loss and Other Comprehensive Income. Refer to Note C4 for further information.

2 Intangibles – WIP has been disclosed separately from Intangibles – Software

Acquisition of Sentenial Limited

The provisional fair value of net assets as at 30 June 2022 was finalised during period in which the allowable 12 month period post acquisition date occurred. No adjustments to fair value were required to be made.

C4 Impairment assessment

Management have undertaken an impairment assessment of the Group as at 31 December 2022 as a result of indicators of impairment due to:

— The carrying amount of net assets being greater than market capitalisation at 31 December 2022.

— The financial performance forecasts for specific CGUs having been reduced during the half year ended 31 December 2022 compared to prior periods.

Details of the key assumptions and assessments of the Group, PFS Group and Sentenial Group CGUs are provided below.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C4 Impairment assessment (continued)

Carrying amount of goodwill, allocated to the cash generating units

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of each CGU is compared against the allocated goodwill to determine if an impairment exists at each reporting period end.

	Carrying amount of Goodwill allocated to CGU	
($'000)	31 December 2022	30 June 2022
Australia	10,777	10,777
Europe	55,598	55,281
North America	7,561	7,506
PFS Group	72,016	152,812
Sentenial Group	54,441	86,508
Consolidated Group	**200,393**	**312,884**

Key assumptions used from value-in-use calculations

The recoverable amount of the Group's CGUs have been determined based on a value-in-use calculation using cash flow projections based on five-year financial forecasts from FY23 onwards.

The key assumptions used in the value-in-use calculations for the CGUs at 31 December 2022 were as follows:

Assumption	Description
Forecast growth including and Gross Debit Volume (GDV) and revenue	The Group determine growth of GDV and revenue with consideration to: — Growth in existing contracts; — Recent new contracts; — Sales pipeline; — Interest income on the stored value float; and — Management estimates. The growth percentage used within the impairment calculations is based on past performance and management's expectations of market development. The long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the business in which the CGU operates. The forecast is based on FY23 forward estimates. The resulting compound annual growth rate (CAGR) of revenue for the purpose of the value-in-use calculation was as follows:

	Forecast FY23-FY27 31 December 2022	Forecast FY23-FY27 30 June 2022
Australia	10.7%	12.2%
Europe	4.1%	5.8%
North America	5.3%	4.6%
PFS Group	8.5%	9.1%
Sentenial Group	40.2%	46.4%

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C4 Impairment assessment (continued)

The revenue CAGR has been calculated to include recurring, non-recurring revenue and interest income. The forecast growth has significantly been impacted by the interest income assumptions offsetting more conservative recurring revenue growth assumptions. Additional details relevant to this for the PFS Group and Sentenial Group CGUs are detailed below.

Assumption	Description		
Weighted Average Cost of Capital (WACC)	The discount rate applied is calculated with reference to a WACC formula. The inputs are based on: Cost of equity is calculated with the following inputs: — Risk free rate for a ten-year Australian Commonwealth Government bond as at balance date, — The implied risk premium, being the required increased return required over and above a risk-free rate by an investor who is investing in the market as a whole, and — Risk adjustment applied to reflect the risk of the Group relative to the market as a whole reflected through the application of a five-year forecast beta for the Group. The cost of debt has been based on the base interest rate on borrowing of 3.5% for Australian dollar denominated borrowings plus the margin referenced in the multi-currency debt facility. The Group has access to the current facility which provides opportunity for borrowing in jurisdictions which currently have available lower interest rate levels however, the Group have determined to utilise the more conservative assumption of Australian dollar denominated debt base for base interest rate projections. The allocation between the debt to equity has been applied based on a theoretical long-term capital structure for the Group (comprising 80% equity and 20% debt). The Group also includes any specific asset risk factors into its review of the business risks associated with each CGU. The Group has assessed that a 1% change in the discount rate is reasonably possible. This does not give rise to an impairment other than detailed below. The Group has used the following post- tax WACC for each CGU with reductions largely driven by risk free rate declining during the half year:		
		31 December 2022	30 June 2022
	Australia	10.9%	11.3%
	Europe	11.0%	11.4%
	North America	11.0%	11.4%
	PFS Group	12.0%	12.1%
	Sentenial Group	15.0%	15.5%
Terminal growth rate	The terminal growth rate of 3.5% (2022: 3.5%) is the average growth rate used to extrapolate cash flows beyond the five-year forecast period. The rates are consistent with historical growth and forecasts.		

During the half-year ended 31 December 2022, there have been significant judgements made in respect of the PFS Group and Sentenial Group CGUs. Further detail of those specific significant judgements is provided below and should be read in combination with the above

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C4 Impairment assessment (continued)

Key assumptions, judgement and estimations used from value-in-use calculations - PFS Group

During the financial year ended 30 June 2021, PFS Card Services (Ireland) Limited, a wholly owned subsidiary of EML, received correspondence from Central Bank of Ireland (CBI) raising significant regulatory concerns. EML are working to address these regulatory concerns through a remediation plan, however, the remediation is still ongoing. On 10 November 2022, the Group announced the extension of the limitations to growth of 10% on annualised volumes until December 2023. A provision has been recognised for the likely costs that will be incurred to reach a resolution of the issue including professional advisory services and an estimate of any financial penalty.

During the half-year ended 31 December 2022, Prepaid Financial Services Limited (PFSL), a wholly owned subsidiary of EML, agreed with the UK's Financial Conduct Authority (FCA) to temporarily cease onboarding new customers, agents and distributors following concerns raised by the FCA primarily in relation to the risk and control frameworks and governance. PFSL's agreement to cease onboarding will remain in place until the FCA is satisfied that PFSL has successfully executed a remediation plan based on satisfactory third-party assessment.

A contingent liability has been disclosed in Note F1 in relation to additional costs that may be incurred consequential to these matters, which are unknown or do not meet the criteria to be provided at 31 December 2022.

Based on the indicators of impairment for the PFS Group CGU, the Group has undertaken a detailed impairment assessment as at 31 December 2022 and concluded that the carrying value for this CGU is greater than its recoverable amount, resulting in an impairment loss of $86,234,000 recognised as an impairment expense in the Statement of Profit or Loss and Other Comprehensive Income. The recoverable amount for the CGU is $130,888,000 within the European segment of operations. The key assumptions that have been adopted in respect of the impairment assessment include:

— Revenue growth factors have been reduced in the current period which has resulted in lower projected GDV and revenue projections for the PFS Group CGU. The PFS Group forecasts include an assessment of growth in existing customers, the pipeline and new contract prospects. The progress of the business during the first half FY2023 has confirmed that the new contract forecasts and pipeline for the PFS Group is below previous expectations influenced by business performance, market conditions and impacts on timelines to program deliveries as a result of ongoing remediation.

— This has resulted in revenue reductions for the year ending 30 June 2023 which form the base year for with growth of 10% assumed in FY24 to FY27 (30 June 2022: 10%)). Forecast growth rates in FY24 to FY27 remain lower than the historical growth rates of this business due to the current pipeline and regulatory concerns faced;

— Improved interest revenue returns reflecting increasing central bank interest rates including relevant bond investment returns. Interest income on the large stored float balance is a core component of the business model. Central bank interest rates have risen, and continue to return to more normalised levels, resulting in the CGU benefiting from improved cash inflows. The interest revenue growth had a material impact on revenue and gross profit growth for the PFS Group over the forecast period;

— Higher operating overheads to address the remediation plan alongside business-as-usual requirements are reflected in the forecast for the period. These were again revised up during the half year as further clarity on the ongoing requirements have been understood; and

— WACC of 12.0% (30 June 2022: 12.1%) reflects the base assumptions for the EML Group and an additional business risk premium for the PFS Group CGU. This additional risk premium has been increased notwithstanding the above adjustments made to the cashflows to reflects the risk in relation to the ongoing remediation activities including the extension of these to PFSL during the half year.

The above represent the key material assumptions and uncertainties on which the impairment assessment has been prepared and have given rise to the impairment loss taken aligning the recoverable amount with the carrying value of the assets of the PFS Group CGU. Any further deterioration in these key assumptions could result in the recoverable amount falling below the carrying value of the assets in a future period and may require a further impairment loss. Any improvement in these assumptions will not result in any reversal of the impairment loss.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

C4 Impairment assessment (continued)

Key assumptions, judgement and estimations used from value-in-use calculations - Sentenial Group

On 30 September 2021, the Group acquired a 100% investment in Sentenial Group. The timing of planned investment in the business to drive growth was delayed as a result of regulatory change of control approvals and resource constraints in the European market. These factors have resulted in delays to the timing of the business development relative to the acquisition plan which has extended into performance for the first half of FY2023 being below forecast expectations and a revision for the forward forecast including the remainder of FY23 and for FY24. The Group has determined that impairment indicators for the business exist and has resulted in the Group preparing detailed impairment assessments.

The Group has undertaken a detailed impairment assessment as at 31 December 2022 and concluded that the carrying value for this CGU is greater than its recoverable amount, resulting in an impairment loss of $35,143,000 recognised as an impairment expense in the Statement of Profit or Loss and Other Comprehensive Income. The recoverable amount for the CGU is $88,607,000 within the European segment of operations. The key assumptions that have been adopted in respect of the impairment assessment include:

— Revenue growth factors below the acquisition scenario reflecting the delayed completion of the acquisition and investment in additional resources to drive growth. Growth rates reflect the Group forecast for the year ended 30 June 2023 which have been reduced compared to the prior period due to the delays in revenue growth during the half year as well as revised forecast mentioned above. The growth assumptions for FY24 to FY27 are between 30 - 60% for the subsequent periods (on a declining growth curve) (2022:20 – 60%);
— Gross profit margins are projected to decline due to changing product mix as the open banking product line grow faster than the direct debit products lines;
— Investment through operating overheads and capital investment have been made and are adopted in the value-in-use models, in line with business plans to facilitate the growth targets set and minimise the risks to achieve future growth targets; and
— WACC of 15.0% (2022: 15.5%) reflecting the base assumptions above plus an assumed business risk premium. This risk premium reflects (a) the earlier stage of the business lifecycle for the Sentenial Group as compared the Group as a whole, and (b) the smaller size of Sentenial Group will have less influence on overall beta for the Group.

The above represent the key material assumptions and uncertainties on which the impairment assessment has been prepared and have given rise to the impairment loss taken aligning the recoverable amount with the carrying value of the assets of the Sentenial Group CGU. Any further deterioration in these key assumptions could result in the recoverable amount falling below the carrying value of the assets in a future period and may require a further impairment loss. Any improvement in these assumptions will not result in any reversal of the impairment loss.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

D1 Interest-bearing borrowings

($'000)	Consolidated 31 December 2022	30 June 2022
Current		
Loan notes	2,305	1,586
Financial institution loan	452	212
Lease liabilities	1,529	1,923
	4,286	3,721
Non-current		
Loan notes	36,093	36,053
Financial institution loan	47,184	45,563
Lease liabilities	5,850	6,069
	89,127	87,685

Loan notes

The loan notes relate to the unlisted, unsecured loan notes issued by the Group to the PFS Group vendors. The loan notes are interest bearing and repayable in two tranches by 28 June 2024 and 30 June 2025. The Group holds an election to repay at any earlier date.

Financial institution loan

The Group has access to a multi-currency debt facility under a Syndicated Facilities Agreement. The currencies available for draw down include AUD, USD, CAD, GBP and current borrowings are in EUR.

As at 31 December 2022, the drawn down amount was $47,184,000 (30 June 2022: $45,563,000). As at 31 December 2022, the total undrawn amount is $195,000,000 (30 June 2022: $195,000,000). The facility that was drawn down during the prior financial year has a repayment date of 30 September 2024. The termination date for undrawn facilities is 6 April 2024. Under this agreement the Group is required to provide collateral in the form of security over specific subsidiary's assets and shares[1], such that at all times:

- The aggregate EBITDA of those subsidiaries providing security over their assets and shares represents at least 85% of the annual EBITDA of the Group; and
- The net assets of those subsidiaries providing security over their assets and shares represents at least 85% of the net assets of the Group.

Loan covenants

Under the terms of the interest-bearing borrowing facility, the Group is required to comply with the following financial covenants:

- Gearing ratio, calculated as financial indebtedness including any borrowings and lease arrangements as a ratio to financial indebtedness plus equity of the Group, must not exceed 0.45:1 and not to be less than zero as at the compliance date (i.e. 31 December and 30 June annually);
- Senior debt ratio, calculated as the drawn amount under the facilities as a ratio to the Group's EBITDA as adjusted for specific items per the Syndicated Facilities Agreement including extraordinary non-recurring gains and losses, must not exceed 2.50:1 for any 12-month period ending on a compliance date and not to be less than zero; and
- Interest cover ratio, calculated as EBITDA (calculated as outlined above) as a ratio to interest expense including all interest, fees, discounts, premiums or other finance costs of a regular and recurring nature, must not be less than 5.00:1 for any 12-month period ending on a compliance date.

The Group has complied with these covenants as at 31 December 2022.

1 Funds received from customers or held on behalf of cardholders relating to stored value is specifically excluded as collateral.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

D2 Provisions

($'000)	Consolidated 31 December 2022	30 June 2022
Current		
Employee benefits	1,324	2,144
Regulatory matters	8,693	8,084
Litigation	5,000	9,689
	15,017	19,917
Non-current		
Employee benefits	57	90
Regulatory matters	4,719	-
Litigation	4,205	-
	8,981	90

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

The below table reconciles movements in regulatory matters and litigation during the half-year period.

($'000)	Regulatory matters	Litigation	Total
Opening balance at 1 July 2022	8,084	9,689	17,773
(Credited)/charged to profit or loss			
Additional provisions recognised	6,772	-	6,772
Amounts used during the period	(1,510)	(484)	(1,994)
Unrealised foreign currency exchange differences	66	-	66
Closing balance at 31 December 2022	13,412	9,205	22,617

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

D2 Provisions (continued)

(a) Regulatory matters

PFS Group regulatory findings

During the financial year ended 30 June 2021, PFS Card Services (Ireland) Limited (PCSIL), a wholly owned subsidiary of EML, received correspondence from CBI raising significant regulatory concerns. EML have invested significant resources in a remediation program to address the regulator's concerns. The CBI has constructively engaged with PCSIL and more recently identified shortcomings in components of the program, principally the sequencing and approach taken to the risk assessment of its distributors, corporates and customers. PCSIL has implemented a revised approach to these components and completion of this work may result in additional controls being embedded into the internal control framework. The remediation program is subject to independent third-party review and regulatory approval. It is anticipated that the remediation program identified will be finalised in 2023.

During the half-year ended 31 December 2022, PFSL, a wholly owned subsidiary of EML, agreed with the UK's FCA to temporarily cease onboarding new customers, agents and distributors following concerns raised by the FCA primarily in relation to the risk and control frameworks and governance. PFSL's agreement to cease onboarding will remain in place until the FCA is satisfied that PFSL has successfully executed a remediation plan based on satisfactory third-party assessment.

A provision has been recognised for the likely costs that will be incurred to reach a resolution of these matters including professional advisory services to facilitate resolution. As at 31 December 2022, the Group has a provision of $13,412,000 (30 June 2022: $8,084,000) in relation to the above matters. Additional costs may be incurred consequential to these matters, which are unknown or do not meet the criteria to be provided at 31 December 2022 which have been identified as contingent liabilities, refer Note F1.

Key estimation - regulatory matters provision

The provision for regulatory matters represents management's best estimate of the Group's liability for remediation and potential fines or enforcement costs associated with the regulatory issues. The Group have engaged expert legal and professional advisors to assist with the remediation of issues raised. Provisions for the cost of external advisors have been determined considering the likely scope of work to be undertaken and estimates received from professional advisors. Provisions for any potential fine or enforcement action have been made after receipt of legal advice. Any future changes in the amount will recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

D2 Provisions (continued)

(b) Litigation

Shareholder class action

On 16 December 2021, Shine Lawyers filed class action proceedings in the Supreme Court of Victoria. The proceedings allege that the Company did not comply with its disclosure obligations and engaged in misleading and deceptive conduct regarding disclosure. As announced on 16 December 2022, EML consented to the filing of an Amended Statement of Claim in the class action. The Amended Statement of Claim, among other things, increases the total number of allegations from 4 to 20 and expands the previous claim period from 19 December 2020 – 18 May 2021, to the period 19 December 2020 – 25 July 2022. The Company strongly denies the allegations and denies any liability. EML has engaged highly experienced and leading class action defence lawyers and will continue to vigorously defend the proceedings.

A provision has been recognised for the likely legal costs which are considered likely to be incurred in defence of the class action. As at 31 December 2022, EML has a provision of $9,205,000 (30 June 2022: $9,689,000) with movements reflecting only expenditure during the half year. Given the increase in the number of allegations and claim period, EML expects that the costs likely to be incurred in defending the class action will increase above this amount, however, at this time EML is not able to reliably estimate the amount of the increase, to allow recognition of a provision. Accordingly, EML has not increased the provision at this time, but expects to do so by 30 June 2023 following the completion of a detailed assessment of the changes in scope arising from amendments to the claims made and the expanded period of the claim.

Beyond this, additional legal costs or damages, if any, may be incurred, which are unknown or do not meet the criteria to be provided at 31 December 2022. The Group expects to recover a portion of the costs associated with the class action through their insurance policy, however this does not yet meet the criteria for recognition. Further, the Company has the benefit of deed poll from the lawyers representing the plaintiffs in the class action, such that in the event that the Company is successful in its defence of the class action, the Company also expects to recover a portion of its legal costs from the plaintiffs' lawyers.

Key estimation - litigation

The provision for litigation represents management's best estimate of the Company's liability for legal costs that meet the criteria for recognition. The Company has engaged expert legal advisors to assist with the defence. Provisions for the cost of external advisors have been determined considering the scope of work which is considered likely to be undertaken. Any future changes in the provision amount will be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

E1 Issued capital

	Consolidated	
($'000)	31 December 2022	30 June 2022
373,984,129 fully paid ordinary shares (30 June 2022: 373,462,815)	494,293	494,208

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.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

E1 Issued capital (continued)

(a) Movements in issued capital

	31 December 2022		30 June 2022	
	No.	($'000)	No.	($'000)
Balance at start of the year	373,462,815	494,208	361,828,369	456,157
Issued for consideration in business combination – Sentenial Group	-	-	9,594,897	37,324
Issued for contingent consideration – EML Money Group	-	-	621,444	887
Options exercised[1]	521,314	-	1,418,105	-
Costs associated with the issue of shares	-	85	-	(160)
Closing balance at the end of the period/year	373,984,129	494,293	373,462,815	494,208

1 Options exercised during the period relate to the employee share options.

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

E2 Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the half-year, the following are expenses arising from the remuneration that was agreed with Emma Shand as Group Chief Executive Officer and Managing Director:

Type	Value expensed 31 December 2022 $
Total fixed remuneration (TFR)	405,013
Sign-on Service Rights	857,370
FY23 LVTR Performance Rights	387,396
FY23 Deferred STVR Restricted Rights	74,499
	1,724,278

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

F1 Contingent liabilities

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

Host-based store value accounts with bin sponsors

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

Under the agreements:

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

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

Guarantees

The Group has provided the following bank guarantees at 31 December 2022:

- Bank guarantees with the lessors of the office properties to the value of $569,000 (30 June 2022: $569,000). No liability is expected to arise;
- Bank guarantees for obligations to card schemes to the value of $3,435,000 (30 June 2022: $3,430,000). No liability is expected to arise.
- Bank guarantees for obligations to payment processors to the value of $393,000 (30 June 2022: $376,000). No liability is expected to arise.

Compliance and other matters

The Group operates in a number of regulated markets and works hard to meet our evolving regulatory requirements. We aim to maintain collaborative relationships with all our regulators. The Group is subject to regulatory reviews and inquiries and from time to time these may result in litigation, fines, audits or other regulatory enforcement actions. As at 31 December 2022, the Group is engaged in regulatory and compliance audit and reviews in the normal course of operations across several jurisdictions. Actual and potential claims and proceedings may arise in the conduct of the Group's business with clients and customers, revenue authorities, regulators, employees, and other stakeholders with whom the Group interacts. The Group recognises provisions for matters where an economic outflow of resources as a result of events occurring prior to the reporting date is probable and can be reliably measured utilising information that is known as at the reporting date. Provisions for these matters are included within Note D2. In some circumstances, including under Share Purchase Agreements and other contractual rights, the Group may receive protections to cover any potential fines or warranty claims that could ultimately be incurred for conduct or issues arising prior to the Group's acquisition which may also be offset against amounts held in escrow, vendor loans or contingent consideration, refer Note C2 and D1.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

F1 Contingent liabilities (continued)

PFS Group regulatory findings

During the financial year ended 30 June 2021, PFS Card Services (Ireland) Limited, a wholly owned subsidiary of EML, received correspondence raising significant regulatory concerns from CBI. EML are working to address these regulatory concerns through a remediation plan, however, the remediation is still ongoing. A provision has been recognised for the likely costs that will be incurred to reach a resolution of the issue including professional advisory services and an estimate of any financial penalty.

During the half-year ended 31 December 2022, PFSL, a wholly owned subsidiary of EML, agreed with the UK's FCA to temporarily cease onboarding new customers, agents and distributors following concerns raised by the FCA primarily in relation to the risk and control frameworks and governance. PFSL's agreement to cease onboarding will remain in place until the FCA is satisfied that PFSL has successfully executed a remediation plan based on satisfactory third-party assessment.

A provision has been recognised for the likely costs that will be incurred to reach a resolution of these matters including professional advisory services to facilitate the resolution and an estimate of any financial penalty. As at 31 December 2022, the Group has a combined provision of $13,412,000 (30 June 2022: $8,084,000) in relation to the above matters, refer to Note D2. Additional costs may be incurred consequential to these matters, which are unknown or do not meet the criteria to be provided at 31 December 2022.

Litigation - shareholder class action

On 16 December 2021, Shine Lawyers filed class action proceedings in the Supreme Court of Victoria. As announced on 16 December 2022, EML consented to the filing of a draft Amended Statement of Claim in the class action. The Amended Statement of Claim, among other things, increases the total number of allegations from 4 to 20 and expands the previous claim period from 19 December 2020 – 18 May 2021, to the period 19 December 2020 – 25 July 2022. The Company strongly denies the allegations and denies any liability. EML has engaged highly experienced and leading class action defence lawyers and will continue to vigorously defend the proceedings.

A provision has been recognised for the likely legal costs which are considered likely to be incurred in defence of the class action. As at 31 December 2022, EML has a provision of $9,205,000 (30 June 2022: $9,689,000) with movements reflecting only expenditure during the half year. Given the increase in the number of allegations and claim period, EML expects that the costs likely to be incurred in defending the class action will increase above this amount, however, at this time EML is not able to reliably estimate the amount of the increase, to allow recognition of a provision. Accordingly, EML has not increased the provision at this time, but expects to do so by 30 June 2023 following the completion of a detailed assessment of the changes in scope arising from amendments to the claims made and the expanded period of the claim.

Beyond this, additional legal costs or damages, if any, may be incurred, which are unknown or do not meet the criteria to be provided at 31 December 2022. The Group expects to recover a portion of the costs associated with the class action through their insurance policy, however this does not yet meet the criteria for recognition. Further, the Company has the benefit of deed poll from the lawyers representing the plaintiffs in the class action, such that in the event that the Company is successful in its defence of the class action, the Company also expects to recover a portion of its legal costs from the plaintiffs' lawyers.

F2 Subsequent events

There has not arisen an 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 subsequent to 31 December 2022.

F3 Statement of significant accounting policies

(a) Reporting entity

EML Payments Limited (Company) is a for-profit company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The condensed consolidated financial report of the Company for the half-year ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or EML). The condensed consolidated financial report was authorised for issue in accordance with a resolution of the Directors on 21 February 2023.

Notes to the Financial Statements.

For the half-year ended 31 December 2022.

F3 Statement of significant accounting policies

(b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial report are consistent with those adopted and disclosed in the Company's 2022 Annual financial report for the year ended 30 June 2022. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

(c) Adoption of new and revised standards

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

(d) Going concern

During the half year ended 31 December 2022, the Group incurred a net loss after tax of $129,880,000 (2021: loss of $12,073,000). This was largely as a result of impairment expenses incurred on both the PFS Group CGU and Sentenial Group CGU as detailed in Note C4. Cash inflows were generated from operations for the half year ended 31 December of $2,174,000 (2021: outflow of $39,219,000). At balance date the group had a net current asset deficiency of $312,025,000 (30 June 2022: deficiency of $244,957,000) and net assets of $316,717,000 (30 June 2022: $437,117,000).

The financial statements have been prepared on a going concern basis. To assess the appropriateness of the Group's going concern assumption, management have:

- Updated its economic outlook to prepare forward estimates and cash flow forecasts after reviewing external market, key customer, supplier and public forecasts that assume recovery over a period of time from FY23;
- Evaluated the net current liability position of the Group. All on-demand cardholder liabilities are classified as current liabilities, whereas a portion of the surplus segregated funds are classified as non-current;
- Re-evaluated material areas of judgement and uncertainty;
- Re-assessed current cash resources and funding sources available to the Group alongside the expected future cash requirements. As outlined in Note D1, the Group has total interest-bearing liabilities of $93,413,000 as at 31 December 2022. The Group has a total of $195,000,000 of undrawn facilities which are available for drawdown until 6 April 2024 and the Group is in compliance with its loan covenants as at 31 December 2022 as discussed in Note D1 (any further draw down will be subject to maintaining compliance); and
- Considered the implications of the continuing regulatory and litigation matters.

As a result of the above analysis, the Directors have reached a conclusion that the Group is able to continue as a going concern for at least, but not limited to, 12 months from the date of this report.

(e) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Corporate information.

Directors

David Liddy AM
Non-executive Director and Chairman
(Appointed Chair on 25 November 2022)

Peter Martin
Non-executive Director and Chairman
(Resigned 25 November 2022)

Tony Adcock
Non-executive Director

Thomas Cregan
Managing Director and Group Chief Executive Officer
(Resigned 11 July 2022)

Brent Cubis
Non-executive Director
(Appointed 25 November 2022)

Manoj Kheerbat
Non-executive Director
(Appointed 5 December 2022)

Emma Shand
Managing Director and Group Chief Executive Officer
(Appointed 11 July 2022)

Non-executive Director
(Appointed 15 September 2021,
resigned 11 July 2022)

Melanie Wilson
Non-executive Director

Company Secretary

Sonya Tissera-Isaacs

ABN

93 104 757 904

Registered Office and Principal Place of Business

Level 12,333 Ann Street
Brisbane, QLD, 4000

Telephone: (07) 3557 1100

Facsimile: (07) 3607 0111

Website: www.emlpayments.com

Auditors

Deloitte Touche Tohmatsu

Level 23, Riverside Centre,
123 Eagle Street Brisbane QLD 4000

Telephone: (07) 3308 7000

Facsimile: (07) 3308 7004

Bankers

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

Share Register

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane, QLD 4000

Telephone (within Australia):
1300 554 474

Facsimile: (02) 9287 0303

Securities Exchange Listing

EML Payments Limited is listed on
the Australian Securities Exchange

(ASX: EML)

emlpayments.com

Level 12 / 333 Ann Street
Brisbane QLD 4000

Telephone: (07) 3557 1100
Facsimile: (07) 3607 0111

Connect with us

Investors
emlpayments.com/company/investor-centre/

twitter.com/emlpayments

facebook.com/emlpayments

linkedin.com/company/emlpayments

EML Payments Limited 2023 Interim Report.