APPENDIX 4E

Preliminary Final Report

EMERCHANTS LIMITED
93 104 757 904

1. Details of the reporting period and the previous corresponding period	
	• Current period: 1 July 2013 to 30 June 2014. • Previous corresponding period: 1 July 2012 to 30 June 2013.

2. Results for announcement to the market			
	Key information	**Percentage change**	**Year ended 30 June 2014 $**
2.1	Revenues from ordinary activities	Up 3.0% to	5,184,092
2.2	Loss from ordinary activities after tax attributable to members	Down 0.9% to	(5,412,358)
2.3	Net loss for the period attributable to members	Down 0.9% to	(5,412,358)
	Dividends	**Amount per security**	**Franked amount per security**
2.4	Final dividend	-	-
2.5	Record date for determining entitlements to the dividend	N/A	
2.6	**Commentary on results for the financial year** Refer Annual Report Attached.		

3. Consolidated Statement of Comprehensive Income	
	Refer Annual Report Attached

4. Consolidated Statement of Financial Position	
	Refer Annual Report Attached

5. Consolidated Statement of Cash Flow	
	Refer Annual Report Attached

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

7. Dividend	
	It is not proposed to pay dividends

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

9. Net tangible assets per security			
		Year ended 30 June 2014 $	Year ended 30 June 2013 $
	Ordinary shares	0.5	0.2

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

11. Investment in associates and joint ventures	
	Not applicable.

12. Other information	
	Refer Annual Report Attached

13. Foreign entities	
	Not applicable.

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

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

16. Attachments	
	The Annual Report of Emerchants Limited for the year ended 30 June 2014 is attached.

EMERCHANTS LIMITED

ABN 93 104 757 904

Annual Financial Report

30 June 2014

Corporate Information

Emerchants Limited and Controlled Entities

ABN	93 104 757 904
Directors	Robert Browning (Non-executive Chairman) Thomas Cregan (Managing Director and Chief Executive Officer) Tony Adcock (Non-executive Director) David Liddy (Non-executive Director) Peter Martin (Non-executive Director) John Toms (Non-executive Director)
Company Secretary	Louise Bolger
Registered Office and Principal Place of Business	Level 2, 26 Commercial Road Newstead QLD 4006 Telephone: (07) 3607 0100 Facsimile: (07) 3607 0111
Auditors	Deloitte Touche Tohmatsu Level 25, Riverside Centre, 123 Eagle Street Brisbane QLD 4000 Telephone: (07) 3308 7000 Facsimile: (07) 3308 7004
Bankers	Bank of Western Australia Ltd (Bankwest) 25 Cantonment Street Fremantle WA 6160 Heritage Bank Limited (Heritage) 305 Queen Street Brisbane QLD 4000
Share Register	Link Market Services Limited Level 15, 324 Queen Street Brisbane, QLD 4000 Telephone: (within Australia): 1300 554 474 Facsimile: (02) 9287 0303
Website	www.emerchants.com.au
Securities Exchange Listing	Emerchants Limited is listed on the Australian Securities Exchange (ASX: EML)

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Chairman's Report

Dear Shareholder

Fiscal year 2014 was an extremely eventful year that, when looked back on, will be seen as being an enormous contributor toward emerchants' profitable future.

Emerchants strengthened its balance sheet following a successful capital raise in August 2013. This set the stage for management to be able to further invest in information technology to support the higher load volumes we are continuing to enjoy. An investment of $0.74m in information technology, the introduction of a quality assurance function and a relentless focus on automation and efficiency will continue to pay dividends as our growth rate continues into the future.

The pursuit of our stated strategy of focusing on a handful of large industry verticals saw the successful signing of an agreement with the Queensland Government and emerchants becoming a preferred provider of prepaid card solutions to its various government departments. Consumer Lending continues to be an important industry for emerchants and the Company signed Cash Converters in addition to extending its relationship with Nimble through additional card orders. The advantages of more efficient cash distribution through the use of prepaid cards and emerchants' processing systems has been leveraged by the gambling industry with companies such as Ladbrokes Digital, Bet Easy and Sportsbet all contracting with your Company over the past year.

Revenue and EBITDA were somewhat disappointing as compared to the prior year with a modest increase of 3% and decrease of 12% respectively. The Company enters FY15 with a solid balance sheet including circa $4.5m in cash and no debt on the balance sheet. Dollar loads in FY14 were up over 25% as compared to the prior year and stored value exceeded the prior year by approximately 31%. These are two important metrics that point to the underlying strength of the Company. Closed loop gift card growth rates have decreased markedly over the past two years. This was foreseen by management and was the primary reason for emerchants' strategic shift to reloadable prepaid cards as our primary product. The Company has been successful in shifting the balance of total dollar loads to approximately 50% of loads attributed to reloadable cards in FY14. We expect this shift in dollar loads to continue in favour of reloadable cards, which underpins much more predictable and longer term transaction volumes.

As a result of contracting with the above mentioned new customers, in combination with the extremely high retention rate of emerchants' existing customers and signing several other material new contracts, emerchants expects to experience its best financial year yet in FY15.

Emerchants' recognises as one of its most important goals that of providing strong shareholder returns. To that end, shareholders experienced an improvement in share price of 106% in the past fiscal year. We fully expect to continue to see strong share price growth in the coming fiscal year, with the further goal of achieving positive cash flow that will underpin future dividends.

As always, the Board and management greatly appreciate our longer term and newer shareholders' support of the company and are anxious to share with you the successes we expect to experience in the coming year.

Robert Browning
Non-executive Chairman

20 August 2014

Managing Director’s Report

The transformation of emerchants continued in 2014, with reloadable dollar loads representing 48% of total loads and over 50% of loads in the last quarter. We are now well positioned to scale our business in 2015 and beyond.

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

Following, is a review of the market segments in which we operate:

Online Wagering Segment

Our focus on this segment is on the corporate bookmaking market where we have provided the ability for customers to immediately access their winnings versus having those winnings distributed to their bank account, emerchants provide the solutions to what was a time consuming and cumbersome process. We plan on extending our product offering to our customers in this segment in the coming year.

The corporate bookmaking market generates turnover in the region of $5.5bn per annum, which translates into winnings of $900m. This represents the market opportunity for emerchants in this segment in terms of our load potential.

We were successful in signing several agreements in this segment. We signed and launched Ladbrokes Digital in March 2014 and they have been very active in marketing the card program in mass media and social media channels. Ladbrokes Digital subsequently acquired Bet Star and branded cards for Bet Star will be in the market in September 2014.

We entered into an agreement with Bet Easy in June 2014, with this program due to launch in September 2014. The founders of Bet Easy were the original founders of Sportsbet prior to its sale to Paddy Power, and their expertise and knowledge of the market should see a strong performance from our card program.

Subsequent to year end, we executed and announced an agreement with Sportsbet, the largest corporate bookmaker in Australia. Based on the 2013 annual report from Paddy Power PLC, Sportsbet ended the last financial year with 419,000 customers and the business was described by their CEO as “hotter than centre court at an Aussie Open, growing its net revenue by 28% and its operating profit by 25% last year in constant currency”. As the market leader in Australia, Sportsbet will be a key partnership of emerchants in the coming years, with the program launch in early October 2014.

We continue to hold discussions with a number of other companies in this segment and look forward to providing further information to shareholders over the course of the coming year.

Consumer Lending Segment

In the Consumer Lending segment we are providing the customers of our Consumer Lending partners with immediate access to their funds, and are seeing positive growth in dollar loads going onto our cards.

In the 2013 financial year we launched programs with Nimble and First Stop Money, and in the 2014 financial year we signed an agreement with CC Investment Group, a leading franchise of Cash Converters, operating 24 stores, with the program due to launch in September 2014.

We are in discussions with a number of other companies in this segment and look forward to securing additional partnerships in the coming year.

Commercial Segment

Our commercial segment includes prepaid programs for customers outside of the Online Wagering, Consumer Lending and Government segments.

We continue to look for applications for our product where we believe our customisation makes it a superior value proposition to a traditional bank. In the second half of the 2014 financial year we launched a program with Ingogo, a company competing in the taxi industry that combines a booking app with a payments capability. The program has grown strongly since inception and we look forward to expanding our relationship with them in the coming years.

Queensland Government

Following our announcement in relation to our agreement with the Queensland Government, we launched our initial program for emergency response cards in response to Cyclone Ita. Given the cyclone did not make landfall in a highly populated area, we issued a small number of cards that had no impact on our financials but it did prove that our systems and platforms were ready, tested and functioned as required.

We have recently executed an agreement with Heritage Bank and the Queensland Government, such that we can now offer programs for the government using both Heritage Bank and CUSCAL Limited as our ADI partners.

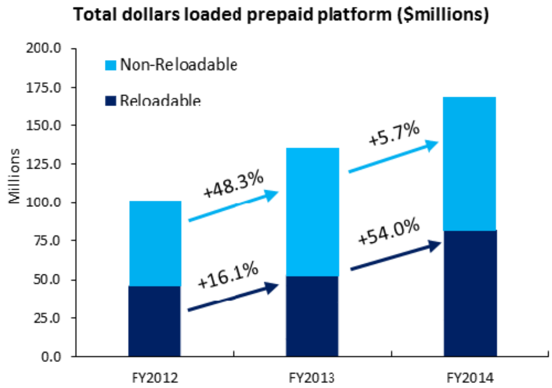
Given the delays in executing this agreement, we were unable to make the progress that we would have liked to in relation to engaging with other agencies of the Queensland Government, but that process has now commenced and we are in dialogue with a number of agencies. It is our expectation that we would look to sign a number of agreements in the coming financial year but given the time required for implementation, we would expect that these programs are financially accretive in 2016 and beyond.

As a result of our growth in these other segments, the company is not actively targeting Not-For-Profit customers. We have launched a number of programs in this industry vertical and will continue to support these programs, but it is our view that this is a less scalable market segment for the company than the others mentioned above.

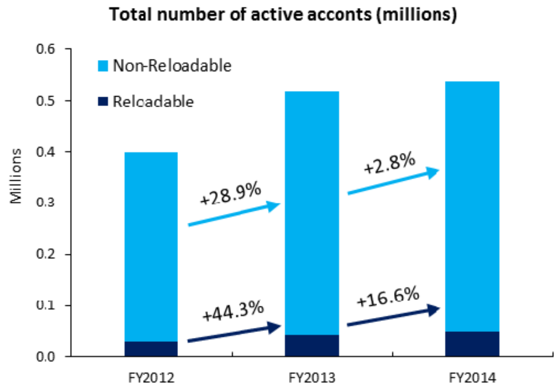
Performance Metrics

The performance metrics in our reloadable segment are very encouraging:

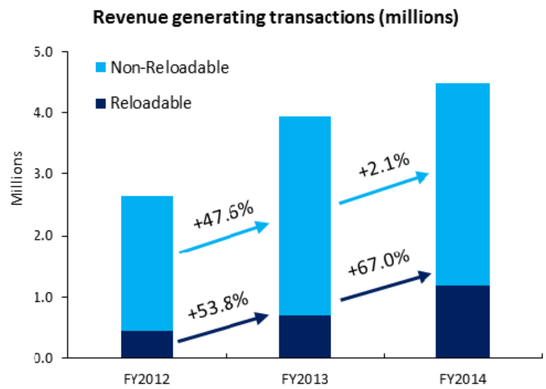
Total dollars loaded onto our prepaid platform:
$168.50m (+25% on prior year)



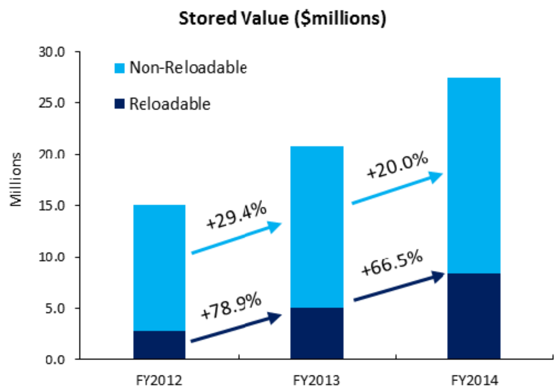
Total Number of Active Cards:
537K (+4% on prior year)



Key Transactions:
4.48m (+14% on prior year)



Cardholder Funds Stored Value:
$27.40m (+31% on prior year)



We ended the year with total dollars loaded of $168.50m, an increase of 25% on the prior year, this growth was largely from our reloadable segment, which grew 54% in terms of dollars loaded. This drove a 67% increase in reloadable transactions, and a 66.5% increase in our stored value associated with reloadable products. Our active card numbers grew by 16.6%, demonstrating why we are strategically focused on the right product type. The non-reloadable or gift card segment is driven by the number of cards in market as those cards will eventually expire and generate breakage revenue. Conversely the reloadable products that are used frequently are driven by active accounts, experiencing an increase of 16.6% in our customer count and generating growth above 50% in the other categories. This gives us confidence that as we launch programs with Bet Easy, CC Investment Group, and Sportsbet, to name a few, we will see continued growth rates of this magnitude.

Our non-reloadable business generated growth of between 2.1% and 5.7% in all categories, with the exception of stored value, which grew by 20%. We would have benefitted from higher growth rates but as previously advised, we are dependent on our distribution partners to sell these programs and we believe we have reached a natural saturation point with the type of non-reloadable cards that we manage. Our focus remains the expansion of our reloadable business and for that business to contribute materially to revenues in the coming financial year.

That performance translated into revenue of $5.18m (up 3% on the prior year), EBITDA of negative $3.34m (a decline of 12% on the prior year) and a Net loss of $5.41m (in line with prior year).

Revenue was adversely impacted by the lower growth rate that we experienced in the non-reloadable products and was also impacted by timing of new program launches being pushed back into FY15. We can advise shareholders that July 2014 was a record revenue month for the company, equating to 20% of our full year 2014 revenues, so we are confident of stronger revenue growth in the current year and those stronger revenues leading to improved bottom line results, in line with what you would expect from a highly scalable business.

We have continued to develop our sales channels and continued to invest in the foundations of the business, so that we are fully prepared for the expected increase in volume in the coming years. I'm confident that this is the right strategy and is a good use of shareholders' funds, one that will become evident as we grow the business.

Yours sincerely,

Thomas Cregan
Managing Director

Directors and Company Secretary

Your Directors submit their report together with the financial statements of the Group (emerchants) consisting of Emerchants Limited and the entities it controlled during the period for the financial year ended 30 June 2014 (Report). The names of Directors who held office during or since the end of the year and until the date of this Report are as follows:

Directors

Robert Browning – Non-executive Chairman

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

Experience

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

Other directorships and offices (current and recent)

Nil

Board committee memberships

Nil

Thomas Cregan – Managing Director/ Chief Executive Officer

B.Bus and MBA from Monash University.

Experience

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

Other directorships and offices (current and recent)

Nil

Board committee memberships

Nil

Tony Adcock – Non-executive Director

B.Sc. (Hons) from Keele University and MBA from University of Hull, and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.

Experience

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

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

Other directorships and offices (current and recent)

Discovery Resources Ltd

Board committee memberships

Member of Audit Committee

David Liddy – Non-executive Director

MBA from Macquarie University, Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

Experience

Mr Liddy has over 43 years' experience in banking, including international postings in London and Hong Kong. He was Managing Director and Chief Executive Officer of Bank of Queensland from April 2001 to August 2011.

Other directorships and offices (current and recent)

Collection House Limited
Steadfast Group Limited

Board committee memberships

Member of Audit Committee

Peter Martin – Non-executive Director

MBA from Harvard Business School and a Bachelor of Civil Engineering from Monash University.

Experience

Mr Martin was formerly the Chief Executive Officer of Rothschild Australia Asset Management (Rothschild) and was a director of a number of Rothschild boards in Australia and overseas, as well as being instrumental in the sale of Rothschild to Westpac Banking Corporation. Mr Martin has 35 years international commercial experience in marine construction, finance and investment management.

Other directorships and offices (current and recent)

Nil

Board committee memberships

Nil

John Toms – Non-executive Director

B.Comm. UNSW, Degree in Economics, Econometrics and Accounting. Mr Toms undertook post graduate study courses at Cambridge in the UK and Princeton in the US.

Experience

Mr Toms experience includes 17 years as CEO of an Approved Deposit-taking Institution (ADI), Non-executive Director for 17 years of Australian Payments Clearing Association, Non-executive Director of Mercer Nominees, and executive director of Insurance Agents Association of Australia, Consulting Director to government; and a senior Commonwealth public servant.

Other directorships and offices (current and recent)

Nil

Board committee memberships

Chairman of Audit Committee

Louise Bolger – Company Secretary and General Counsel

(Appointed 22 April 2014)

Ms Bolger is a qualified solicitor with more than 14 years' experience across a variety of industry sectors, including financial services, media and telecommunications. Prior to joining emerchants in April 2014, Louise's most recent roles included that of general counsel and company secretary at ASX listed companies Southern Cross Media Group Limited and PIPE Networks Limited.

Directors' Report

Directors' Meetings

The number of meetings of the Company's Board of Directors attended by each Director during the year ended 30 June 2014 were as follows:

Directors	Number of Board Meetings Held Whilst in Office	Number of Board Meetings Attended
Robert Browning	8	8
Thomas Cregan	8	7
Tony Adcock	8	7
David Liddy	8	8
Peter Martin	8	8
John Toms	8	8

Audit Committee (AC) Members	Number of AC Meetings Held Whilst on Committee	Number of AC Meetings Attended
Tony Adcock	5	5
David Liddy	5	5
John Toms	5	5

Remuneration & Nomination Committee (RNC) Members	Number of RNC Meetings Held Whilst on Committee	Number of RNC Meetings Attended
Robert Browning	1	1
Thomas Cregan	1	1
Tony Adcock	1	1
David Liddy	1	1
Peter Martin	1	1
John Toms	1	1

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

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

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Robert Browning	706,522	1,600,375
Thomas Cregan	4,962,121	11,111,109
Tony Adcock	450,310	80,549
David Liddy	450,310	1,000,000
Peter Martin	427,019	9,486,320
John Toms	465,839	-

Options

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

Non-executive Directors	Options series	Number of options granted
Robert Browning	Series 8	706,522
Tony Adcock	Series 8	450,310
David Liddy	Series 8	450,310
Peter Martin	Series 8	427,019
John Toms	Series 8	465,839
Executive Director		
Thomas Cregan	Series 10	1,212,121
Executives		
Richard Anderson	Series 9	100,000
Andrew Betts	Series 9	150,000
Yasmin Broughton	Series 9	150,000
James Ingham	Series 9	100,000
Bruce Stewart	Series 9	150,000

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

Expiry date	Options series	Exercise price	Number of options	Class of share
Unlisted				
5/1/2015	Series 4	$0.50	2,000,000	Ordinary
4/2/2015	Series 5	$0.50	1,000,000	Ordinary
30/9/2015	Series 6 & 7	$0.15	10,250,000	Ordinary
31/3/2016	Series 8	$0.10	2,500,000	Ordinary
30/9/2016	Series 9	$0.40	2,400,000	Ordinary
30/9/2016	Series 10	$0.00	1,212,121	Ordinary
			19,362,121	

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

Dividends

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

Principal Activities

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

Review of operations

The full review of operations immediately precedes this report.

Operating results for the year

The net result of operations for the year was a loss after income tax of $5,412,358 (2013: $5,359,071).

($ Millions)	FY 2014	Growth on prior comparative 12 months	FY 2013	Growth on prior comparative 12 months
Total dollars loaded (Millions)				
Reloadable	81.35	54%	52.84	16%
Non-reloadable	87.15	6%	82.46	48%
Total dollars loaded	**168.50**	**25%**	**135.30**	**34%**
Revenue	5.18	3%	5.03	33%
Gross profit	**4.05**	**(7%)**	**4.37**	**29%**
Gross profit %	78%	(10%)	87%	(3%)
Other income	0.06	n/a	-	-
Research and Development tax offset	0.44	(12%)	0.49	24%
Overheads – employment related	(4.89)	7%	(5.28)	(13%)
Overheads – other	(3.00)	(17%)	(2.58)	39%
EBITDA*	(3.34)	(12%)	(3.00)	41%
Depreciation and amortisation expense	(0.72)	25%	(0.96)	53%
Share-based payments	(1.40)	3%	(1.44)	(8%)
Other non-cash charges	0.05	26%	0.04	102%
Net loss for the year	**(5.41)**	**(1%)**	**(5.36)**	**47%**

* EBITDA is reconciled above and disclosed within the Directors' Report and is equivalent to the Net loss for the period excluding Share-based payments, Depreciation and amortisation expense, included within the Statement of Comprehensive income and has been subject to review by our auditors. The analysis of results below is primarily based on EBITDA so as to align the information that is given to users of financial reports to the way the Directors view the business and to assist better understanding of the Group's performance. The Directors believe that EBITDA is the most appropriate measure of maintainable earnings of the Group and therefore best reflects the core drivers and ongoing influences upon those earnings. The Directors also link the CEO and Senior Executives' short and long term incentives to EBITDA as detailed in the remuneration report.

The key drivers for the increase in the net loss for the year by 1% to $5.41m were:

- Revenue increased by 3% to $5.18m, underpinned by our existing non-reloadable portfolio which accounted for 70% of the Groups revenue and is further detailed in Note 3 to the Financial Statements. The reloadable portfolio experienced a decline in revenue of 7% to $1.37m despite an increase in total dollars loaded of 25% to $168.50m, due to a significant order of upfront plastic cards in the prior financial year compared to a lower corresponding amount of plastic cards in the current financial year. As described in the Managing Directors report, the Group signed up a number of new reloadable online wagering clients late in the current financial year but were only able to recognise a significant amount of revenue from these clients post the financial year end, once regulatory approvals were obtained and initial card orders were made. In the coming financial year we do not anticipate significant growth from our non-reloadable portfolio but we expect a significant revenue uplift from our reloadable portfolio, in particular our online wagering clients, most of whom begin to use our product for the first time from the start of the upcoming September Spring racing carnival.

- Gross profit declined over the prior year by 7% to $4.05m, generating a 78% Gross profit margin. The decrease is primarily due to the one off recording of reloadable plastic sales in the prior year at favourable margins without a similar corresponding amount in the current financial year for reasons described above.

- The refund from the R&D Tax Concession program has been included in the EBITDA measure as this is a refund of expenditure previously incurred, predominantly as internal employment costs, on qualifying research and development activities that the Group undertakes to ensure we are able to continue offering innovative market leading products. The 12% decline on the prior year is a function of the different stages of each project under which the 2012/2013 qualifying expenditure was able to be claimed under the legislation and not an indication of a lower investment in innovation by the Group.

- Employment related overhead expenses decreased by 7% to $4.89m, mainly due to the Non-executive Directors choosing to forego Director's fees for the period from March 2013 to June 2014. The Non-executive Directors were awarded options in return for their election to forego director's fees and the costs associated with these options, amounting to $989,175, were expensed under share based payments in the current financial year period.

- Other overhead expenses increased by 17% to $3.00m, mainly attributable to systems infrastructure and outsourced software development costs. Outsourced software development costs were incurred to improve the controls and functionality of our system interfaces in order to enable us to expedite the achievement of the ASAE 3402 accreditation on our internal controls and systems. Higher costs were incurred in the current financial year on software licencing associated with our systems infrastructure to ensure adequate redundancy and performance levels associated with the growth in volumes we are expecting in our reloadable portfolio.

($ Millions)	FY 2014	Growth on prior comparative 12 months	FY 2013	Growth on prior comparative 12 months
Summary Financial Position				
Cash and cash equivalents	4.50	231%	1.36	(41%)
Other receivables and other assets	1.79	20%	1.49	(9%)
Plant and equipment	0.96	58%	0.61	(21%)
Goodwill and intangibles	11.22	(2%)	11.50	(5%)
Total assets	**18.47**	**23%**	**14.96**	**(11%)**
Total Liabilities	**1.76**	**35%**	**1.31**	**(31%)**
Equity	**16.71**	**22%**	**13.65**	**(9%)**
Cash flows from operating activities	(3.19)	(3%)	(3.10)	52%
Cash flows from investing activities	(0.74)	(2639%)	(0.03)	98%
Cash flows from financing activities	7.06	222%	2.20	2242%

- The increase in cash outflows from operating activities compared with the prior year was adversely impacted by receiving both the 2010/2011 and 2011/2012 refunds from the R&D Tax Concession program in the prior year. Aside from the impacts of the R&D refunds, cash outflows from operating activities were in line with the prior year and benefited from increased interest receipts on higher cardholder stored value balances and higher group cash balances following the August 2013 capital raise. The Company does not expect a significant increase in the level of overheads in the coming financial year and therefore the expected growth in reloadable revenues is expected to result in significant improvements in the cash flows from operating activities.
- Cash outflow from investing activities increased by 2639% to $0.74m due to investments made in our systems infrastructure to ensure the Group is seamlessly positioned from a product offering and risk mitigation perspective to appropriately scale with the expected growth in reloadable activities in the years to come. In order to remove duplication, drive long term efficiencies and accelerate the attainment of our ASAE 3402 controls accreditation, we expect to make further investments in our underlying systems and software infrastructure in the coming financial year. We feel these investments will appropriately position the Group for long term growth.
- Cash inflows from financing activities increased by 222% to $7.06m as a result of a placement to sophisticated and institutional investors of 22.70m new shares at $0.33 per share in August 2013.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Significant events after balance date

In early July 2014 we advised shareholders that we had signed a multi-year agreement with leading corporate bookmaker Sportsbet to provide their customers with personalised cards for immediate access to winnings. The program, which is set to launch in the second half of 2014, has since received approval from emerchants' sponsoring Authorised Deposit-taking Institution. We expect the Sportsbet program to significantly contribute toward increased operational metrics in the 2015 financial year and beyond, and coupled with our existing Ladbrokes Digital and Bet Easy programs, will provide emerchants with a significant portion of the domestic online wagering market utilising our winnings card.

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

Likely developments and expected results

The Company will continue to grow volumes by identifying industries that offer significant mass and will benefit from customised payment solutions to improve their offerings or current processes. This strategy has been successfully demonstrated with the recent execution of a number of agreements in the online wagering market and we expect a significant increase in the volumes associated with these reloadable products in coming financial year, with the initial increase coinciding with the Spring racing carnival. We have identified a number of industries that would offer similar scale to the online wagering market and would benefit from customised functionality. In the coming financial year we will continue to improve our product offerings and actively target clients in these industries. We will continue to leverage our relationships with third party distributors to offer our non-reloadable products and seek opportunities that offer significant mass, but the non-reloadable segment is not an area of focus for the Company and we do not expect a significant level of growth in volumes in the coming financial year.

Environmental legislation

The Group is not subject to any significant environmental legislation.

Indemnification and insurance of Directors and Officers

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

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

Remuneration report

This report outlines the remuneration arrangements in place for the key management personnel of the Group for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

Key Management Personnel

The Directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

Non-executive Directors	Position
Robert Browning	Chairman
Tony Adcock	Non-executive Director
David Liddy	Non-executive Director
Peter Martin	Non-executive Director
John Toms	Non-executive Director
Executive Director	
Thomas Cregan	Managing Director, Chief Executive Officer
Executive	
Richard Anderson	General Manager Sales
Andrew Betts (Appointed 1 July 2013)	Chief Risk Officer
Louise Bolger (Appointed 22 April 2014)	Company Secretary & General Counsel
Yasmin Broughton (Resigned 13 January 2014)	Company Secretary & General Counsel
James Ingham (Resigned 1 July 2014)	Chief Technical Officer
Bruce Stewart	Chief Financial Officer

Remuneration philosophy

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

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

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

Voting and comments made at the company's 2013 Annual General Meeting

The Group passed the resolution on the adoption of the remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration structure

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

Non-executive Director remuneration

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

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

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

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

On 13 November 2013 an award of 2,500,000 non-performance-based options to the Non-executive Directors of the Company to forgo Director's fees from March 2013 to June 2014 was approved by shareholders at the Annual General Meeting with an exercise price of $0.10. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 2,500,000 options granted commenced on 13 November 2013 and expire on 31 March 2016. Fair value at grant date is valued at $0.40 per option using the Black Scholes model and will be amortised over the 2014 financial year.

The share options will be subject to a voluntary escrow for the period from the issue date of 10 December 2013 until 29 February 2016 (inclusive of the Escrow Period), the Non-Executive Directors will not be able to transfer the share options during the Escrow Period without the Company's consent.

Senior manager and Executive Director remuneration

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

Services from remuneration consultants

The Board did not engage remuneration consultants for their services during the financial year.

Fixed remuneration

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

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

Short-term incentives

The Short-term Incentive Plan ("STIP") is an "at risk" bonus pool provided in cash calculated annually by any surplus achieved in excess of the Board approved annual EBITDA budget, determined at the beginning of each financial year. This is paid to the Chief Executive Officer ("CEO") and other employees not entitled to participate in the Sales Commission Plan, as a maximum tiered percentage of their annual remuneration and a component of the STI linked to the individual performance of the employee (this is based on a number of factors, including achievement of Key Performance Indicators ("KPI's") and other personal objectives).

The STI bonus pool will only be available to fund STI payments if the Company exceeds the annual Board approved EBITDA budget determined at the beginning of each financial year. As the Company did not exceed the EBITDA budget in the financial year under review, no STI payments were made.

All STI payments to the CEO and other executives are set by the Board at the beginning of each performance year.

Using the EBITDA performance targets and personal performance objectives assessed against KPIs, the Company ensures variable rewards are only paid when the CEO and other executives have met or exceeded their agreed individual work plan objectives and value has been created for shareholders.

The STI target annual payment is reviewed annually. The Board reserves the right to exercise ultimate discretion in the assessment of STIs.

Long-term incentives

Long-term incentives to the CEO and employees are provided via the Group's Long Term Incentive Plan by way of an Employee Share Option Plan ("ESOP"). Information on the ESOP is detailed under Note 15 to the financial statements. The Group Long-Term Incentive Plan ("LTIP") is part of Group's remuneration strategy and is designed to align the interests of its management and shareholders and assist the Group in the attraction, motivation and retention of executives. In particular, the LTIP is designed to provide relevant executives with an incentive for future performance, with conditions for the vesting and exercise of options and performance rights under the ESOP encouraging those executives to remain with emerchants and contribute to the future performance of the Group. The Company's shareholders approved the terms, the implementation and the operation of the LTIP on 20 November 2006.

Under the LTIP, eligible persons participating in the ESOP may be granted options on terms and conditions determined by the Board from time to time. An option is a right to acquire a share, subject to the satisfaction of applicable vesting and/or exercise conditions. The Board determine the exercise price required to be paid to exercise a vested option. Options granted under the plan carry no dividend or voting rights.

The Board is responsible for administering the LTIP in accordance with the ESOP Rules and the terms and conditions of specific grants of options and/or performance rights to participants in the LTIP. The Board may determine which persons will be eligible to participate in the LTIP from time to time. The Group had the performance based remuneration components built into Director and executive remuneration packages in the current financial year.

Remuneration and Company Performance

A key objective of the Executive Remuneration Policy is to link an increased proportion of executive remuneration to the performance of the Company, with an emphasis on the creation of sustainable value for shareholders. Financial performance from continuing operations for the past three years is indicated by the following table:

	30 June 2014	30 June 2013	30 June 2012
Revenue	5,184,092	5,033,617	3,771,285
Net loss before tax	(5,848,454)	(5,853,080)	(10,424,445)
Net loss after tax	(5,412,358)	(5,359,071)	(10,027,335)

	30 June 2014	30 June 2013	30 June 2012
Share price at start of year	$0.31	$0.10	$0.75 (i)
Share price at end of year	$0.64	$0.31	$0.10
Interim dividend	n/a	n/a	n/a
Final dividend	n/a	n/a	n/a
Basic loss per share	4.47	5.50	16.11
Diluted loss per share	4.40	5.50	n/a

(i) Date relisted on ASX on 18 July 2011after the acquisition of Emerchants Payments Solutions Limited.

Service agreements

Remuneration and other terms of employment for the chief executive officer and the other executives are formalised in service agreements.

Name	Title	Type of agreement	Base salary including superannuation $	Termination notice period
Thomas Cregan	Chief Executive Officer	Permanent	416,000	3 months either party
Richard Anderson	General Manager Sales	Permanent	164,250	3 months either party
Andrew Betts	Chief Risk Officer	Permanent	218,000	3 months either party
Louise Bolger (i)	Company Secretary & General Counsel	Permanent	215,000	1 month either party
James Ingham (ii)	Chief Technical Officer	Permanent	239,800	3 months either party
Bruce Stewart	Chief Financial Officer	Permanent	240,000	3 months either party

(i) Appointed 22 April 2014.
(ii) Resigned 1 July 2014.

30 June 2014

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based Payments				
	Salary & Fees	Bonuses	Non-Monetary Benefits	Other	Superannuation	Long-service leave	Options	Shares	Total	Performance Related	Value of Share-based payments as a Proportion of Remuneration
Non-executive Directors	$	$	$	$	$	$	$		$	%	%
Robert Browning	(33,063) (i)	-	-	-	-	-	335,221 (i)	**-**	**302,158**	-	111%
Tony Adcock	(21,073) (i)	-	-	-	-	-	178,174 (i)	**-**	**157,101**	-	113%
David Liddy	(21,073) (i)	-	-	-	-	-	178,174 (i)	**-**	**157,101**	-	113%
Peter Martin	(19,983) (i)	-	-	-	-	-	168,958 (i)	**-**	**148,975**	-	113%
John Toms	(21,800) (i)	-	-	-	-	-	184,318 (i)	**-**	**162,518**	-	113%
Executive Director											
Thomas Cregan	386,225	-	-	-	29,775	-	145,475	170,648	**732,123**	-	43%
Executives											
Richard Anderson	218,225	-	-	-	17,775	-	-	**-**	**236,000**	-	-
Andrew Betts	179,633	-	-	-	16,367	-	-	**-**	**196,000**	-	-
Louise Bolger	37,353	-	-	5,000 (ii)	4,444	-	-	-	**46,797**	-	-
Yasmin Broughton	135,387	-	-	-	10,369	-	24,356	**-**	**170,112**	-	14%
James Ingham	281,498 (iii)	-	-	9,758 (iv)	20,737	-	-	**-**	**311,993**	-	-
Bruce Stewart	217,225	-	-	-	22,775	-	57,307	16,227	**313,534**	-	23%
Total key management personnel compensation (group)	**1,338,554**	**-**	**-**	**14,758**	**122,242**	**-**	**1,271,983**	**186,875**	**2,934,412**	**-**	**-**

(i) In order to assist with cash management, for the period 1 March 2013 to 30 June 2014, the Non-executive Directors agreed to forego the cash payment of Director's fees in substitution for an issue of options, which were subsequently approved by shareholders at the Company's Annual General Meeting in November 2013.
(ii) Relates to relocation assistance payments paid to Ms Bolger.
(iii) Mr Ingham resigned effective 1 July 2014 and as part of the resignation, the Company agreed to pay Mr Ingham an additional two months' pay in lieu of notice of $37,004; and one month ex-gratia pay of $18,502 plus superannuation. The amounts were paid and expensed in June 2014.
(iv) Relates to relocation assistance payments paid to Mr Ingham.

30 June 2013

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Share-based Payments				
	Salary & Fees	Bonuses	Non-Monetary Benefits	Other	Superannuation	Long-service leave	Options	Shares	Total	Performance Related	Value of Share-based payments as a Proportion of Remuneration
Non-executive Directors	$	$	$	$	$	$	$		$	%	%
Robert Browning	132,987 (i)	-	9,013 (ii)	-	9,847	-	156,429	-	**308,276**	-	51%
Tony Adcock	59,414 (i)	-	-	-	3,451	-	-	-	**62,865**	-	-
David Liddy	59,406 (i)	-	-	-	3,450	-	-	-	**62,856**	-	-
Peter Martin	56,650 (i)	-	-	-	3,300	-	-	505,555	**565,505**	-	89%
John Toms	60,974 (i)	-	-	-	3,526	-	-	-	**64,500**	-	-
Executive Director											
Thomas Cregan	399,530	-	-	-	16.470	-	173,400	257,718	**847,118**	-	51%
Executives											
Richard Anderson	219,530	-	-	39,249 (iv)	16,470	-	11,975	-	**287,224**	-	4%
Yasmin Broughton	246,505	-	2,007 (iii)	-	16,470	-	97,796	-	**362,778**	-	27%
James Ingham	250,115	-	-	-	16,470	-	11,975	-	**278,560**	-	4%
Bruce Stewart	203,530	-	-	-	16,470	-	77,973	**-**	**297,973**	-	26%
Total key management personnel compensation (group)	**1,688,641**	**-**	**11,020**	**39,249**	**105,924**	**-**	**529,548**	**763,273**	**3,137,655**	**-**	**-**

(i) In order to assist with cash management, for the period 1 March 2013 to 30 June 2014, the Non-executive Directors have agreed to forego the cash payment of Director's fees in substitution of an issue of options, which were subsequently approved by shareholders at the Company's Annual General Meeting in November 2013. The foregone fees have been accrued in the Company's Financial Statements (see Note 13).
(ii) Relates to Board approved spouse travelling with Mr Browning to attend board meeting from USA to Australia.
(iii) Relates to a car parking benefit provided to Ms Broughton.
(iv) Relates to relocation assistance payments paid to Mr Anderson.

Bonuses and share-based payments granted as compensation for the current year

Share Bonuses

Mr Bruce Stewart was granted 120,000 fully paid ordinary shares on 26 July 2013, for exceptional performance. The shares will remain in voluntary escrow until 6 August 2015 and Mr Stewart will be required to remain employed by the company until the date the bonus shares are released from escrow in order to become entitled to the shares.

Employee share option plan

The Company operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at the Annual General Meeting held on 29 June 2011.

Each employee share option converts into one ordinary share of Emerchants Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

The number of options granted is calculated in accordance with the performance based formula approved by shareholders at a previous annual general meeting and is subject to approval by the Board. The formula rewards Executives and senior employees against the extent of the consolidated entity's and individual's achievement against both qualitative and quantitative requirements.

The options granted generally expire within three years of their issue, or upon the resignation of the executive or senior employee (unless deemed under a good leaver provision), whichever is the earlier.

The following grants of share-based payment compensation to key management personnel relate to the current financial year:

			During the financial year				
Non-executive Directors	**Options Series**	**Date Granted**	**No. granted during the year**	**No. vested during the year**	**% of grant vested**	**% of grant forfeited**	**Share Option Plan**
Robert Browning	Series 8	13/11/2013	706,522	706,522	100%	-	n/a
Tony Adcock	Series 8	13/11/2013	450,310	450,310	100%	-	n/a
David Liddy	Series 8	13/11/2013	450,310	450,310	100%	-	n/a
Peter Martin	Series 8	13/11/2013	427,019	427,019	100%	-	n/a
John Toms	Series 8	13/11/2013	465,839	465,839	100%	-	n/a
Executive Director							
Thomas Cregan	Series 10	13/11/2013	1,212,121	-	-	-	ESOP 2
Executives							
Richard Anderson	Series 9	9/8/2013	100,000	-	-	-	ESOP 2
Andrew Betts	Series 9	9/8/2013	150,000	-	-	-	ESOP 2
Yasmin Broughton	Series 9	9/8/2013	150,000	-	-	-	ESOP 2
James Ingham	Series 9	9/8/2013	100,000	-	-	-	ESOP 2
Bruce Stewart	n/a	26/7/2013	120,000	-	-	-	n/a
	Series 9	9/8/2013	150,000	-	-	-	ESOP 2

Other transactions

Where Directors had other transactions with the Company, particulars of those transactions, which do not form part of this Remuneration Report, are shown at Note 18(c) to the Financial Statements.

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year:

Non-executive Directors	Options Series	Value of the options granted at the grant date (i) $	Value of the options exercised at the exercised date $	Value of the options lapsed at the lapsed date (ii) $	Share Option Plan
Robert Browning	Series 8	279,551	-	-	n/a
Tony Adcock	Series 8	178,174	-	-	n/a
David Liddy	Series 8	178,174	-	-	n/a
Peter Martin	Series 8	168,958	-	-	n/a
John Toms	Series 8	184,318	-	-	n/a
Executive Director					
Thomas Cregan	Series 10	696,970	-	-	ESOP 2
Executives					
Richard Anderson	Series 9	25,024	-	-	ESOP 2
Andrew Betts	Series 9	37,535	-	-	ESOP 2
Yasmin Broughton	Series 9	37,535	-	-	ESOP 2
James Ingham	Series 9	25,024	-	-	ESOP 2
Bruce Stewart	Series 9	37,535	-	-	ESOP 2

(i) The value of the options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

Option plans in existence during the financial year

For details of employee share option plans in existence during the year, refer to Note 15 to the Financial Statements.

For details on the valuation of the options, including models and assumptions used, refer to Note 16. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

During the financial year, the following share-based payment arrangements were in existence:

Options – Series	Share Option Plan	Grant Date	Expiry Date	Fair value at grant date	Number outstanding at 30 June 2014	Vest Date	Exercise Price
Series 1	ESOP 2	29/6/2011	18/7/2014	$0.24	200,000	29/6/2011	$1.45
Series 2	ESOP 2	29/6/2011	18/7/2014	$0.24	5,800,000	(i)	$1.45
Series 4	ESOP 2	3/1/2012	05/1/2015	$0.22	2,000,000	2/1/2015	$0.50
Series 5	ESOP 2	1/2/2012	04/2/2015	$0.17	1,000,000	1/2/2015	$0.50
Series 6	ESOP 2	21/9/2012	30/9/2015	$0.03	8,500,000	21/9/2015	$0.15
Series 7	ESOP 2	13/11/2012	30/9/2015	$0.07	1,750,000	21/9/2015	$0.15
Series 8	n/a	13/11/2013	31/3/2016	$0.40	2,500,000	(ii)	$0.10
Series 9	ESOP 2	9/8/2013	30/9/2016	$0.25	2,400,000	1/9/2016	$0.40
Series 10	ESOP 2	13/11/2013	30/9/2016	$0.58	1,212,121	1/9/2016	$0.00

(i) In accordance with the terms of the share-based arrangements, the options will vest in three tranches on 18 April 2012, 18 April 2013 and 18 April 2014.
(ii) In accordance with the terms of the share-based arrangements, the options will vest in seven tranches over the period from 31 December 2013 to 30 June 2014.

Option series subject to performance hurdles vesting conditions:

	Series 6 (i)	Series 7 (i)	Series 9 (i)	Series 10 (i)
Financial year in which performance hurdles will be measured	FY15	FY15	FY16	FY16
Financial performance hurdles				
(a) Revenue	= or > $16.7m	= or > $16.7m	n/a	n/a
(b) EBITDA	= or > $2.33m	= or > $2.33m	= or > $4.48m	= or > $4.48m
(c) EBIT	= or > $1.22m	= or > $1.22m	= or > $2.94m	= or > $2.94m
Other performance hurdles				
(d) Total dollars loaded	n/a	n/a	> $450m	> $450m
(e) Gross margin percentage	n/a	n/a	> 85%	> 85%
(f) Total active accounts	n/a	n/a	> 1.1m	> 1.1m
Number of performance hurdles required for options to vest	(ii)	(ii)	(iii)	(iii)

(i) Should any of the applicable performance hurdles not be fully achieved, the options will be pro rata vested on a sliding scale, provided the total percentage of the performance hurdles achieved is greater than 90% of the target amount.
(ii) Two out of the three performance hurdles.
(iii) Three or more of the performance hurdles, one of which must be either (e) or (f).

Share holdings of key management personnel

Ordinary shares held in Emerchants Limited (number)

30 June 2014	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net change Other	Balance at end of year/Ceasing employment
Non-executive Directors					
Robert Browning	1,600,375	-	-	-	**1,600,375**
Tony Adcock	80,549	-	-	-	**80,549**
David Liddy	1,000,000	-	-	-	**1,000,000**
Peter Martin	9,486,320	-	-	-	**9,486,320**
John Toms	-	-	-	-	**-**
Executive Director					
Thomas Cregan	11,111,109	-	-	-	**11,111,109**
Executives					
Richard Anderson	277,777	-	-	-	**277,777**
Andrew Betts	-	-	-	-	**-**
Louise Bolger	-	-	-	-	**-**
Yasmin Broughton	8,300	-	-	-	**8,300**
James Ingham	444,444	-	-	(70,736)	**373,708**
Bruce Stewart	564,385	120,000(i)	-	-	**684,385**
Total	**24,573,259**	**120,000**	**-**	**(70,736)**	**24,622,523**

(i) Mr Bruce Stewart was granted 120,000 fully paid ordinary shares on 26 July 2013, for exceptional performance. The shares will remain in voluntary escrow until 6 August 2015 and Mr Stewart will be required to remain employed by the company until the date the bonus shares are released from escrow in order to become entitled to the shares. The fair value of the award amounted to $36,000 and will be amortised over the financial years 2014, 2015 and 2016.

30 June 2013	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net change Other	Balance at end of year
Non-executive Directors					
Robert Browning	1,093,635	-	-	506,740	**1,600,375**
Tony Adcock	20,000	-	-	60,549	**80,549**
David Liddy	250,000	-	-	750,000	**1,000,000**
Peter Martin	33,502	3,888,888 (ii)	-	5,563,930	**9,486,320**
John Toms	-	-	-	-	**-**
Executive Director					
Thomas Cregan	-	5,555,555 (i)	-	5,555,554	**11,111,109**
Executives					
Richard Anderson	-	-	-	277,777	**277,777**
Yasmin Broughton	8,300	-	-	-	**8,300**
James Ingham	-	-	-	444,444	**444,444**
Bruce Stewart	-	-	-	564,385	**564,385**
Total	**1,405,437**	**9,444,443**	**-**	**13,723,379**	**24,573,259**

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

Option holdings of key management personnel

30 June 2014	Opening Balance	Granted as remuneration	Options exercised	Net change Other	Closing balance	Balance vested at 30 June 2014	Vested but not exercisable	Vested and exercisable	Options vested during year
Non-executive Directors									
Robert Browning	2,600,000	706,522	-	-	3,306,522	3,306,522	706,522	2,600,000	1,506,522
Tony Adcock	-	450,310	-	-	450,310	450,310	450,310	-	450,310
David Liddy	-	450,310	-	-	450,310	450,310	450,310	-	450,310
Peter Martin	-	427,019	-	-	427,019	427,019	427,019	-	427,019
John Toms	200,000	465,839	-	-	665,839	665,839	465,839	200,000	665,839
Executive Director									
Thomas Cregan	3,750,000	1,212,121	-	-	4,962,121	-	-	-	-
Executives									
Richard Anderson	1,750,000	100,000	-	-	1,850,000	-	-	-	-
Andrew Betts	500,000	150,000	-	-	650,000	-	-	-	-
Louise Bolger	-	-	-	-	-	-	-	-	-
Yasmin Broughton	2,950,000	150,000	-	-	3,100,000	1,200,000	-	1,200,000	350,000
James Ingham	1,750,000	100,000	-	-	1,850,000	-	-	-	-
Bruce Stewart	2,750,000	150,000	-	-	2,900,000	-	-	-	-
Total	**16,250,000**	**4,362,121**	**-**	**-**	**20,612,121**	**6,500,000**	**2,500,000**	**4,000,000**	**3,850,000**

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

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

Proceedings on behalf of the Company

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

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 4 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page the next page and forms part of this Directors' report for the year ended 30 June 2014.

Signed in accordance with a resolution of the Directors.

Robert Browning
Non-executive Chairman

20 August 2014

Corporate Governance Statement

The Company is committed to implementing standards of corporate governance consistent with the ASX Corporate Governance Council's second edition Corporate Governance Principles and Recommendations (Recommendations). Where the Company's corporate governance practices do not correlate with the Recommendations, the Company does not currently regard it as appropriate to meet that specific Recommendation, due to the nature and size of the Company's operations. The Board's reasoning for any departure from the Recommendations is explained below. Unless specified otherwise, all of the information contained in this corporate governance statement is current as at 20 August 2014. The Board of the Company has approved this corporate governance statement.

Principle 1 – Lay Solid Foundations for Management and Oversight

Role of the Board

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

Responsibilities of the Board

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

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

The Board holds regular meetings and also meets periodically throughout the year as required. Directors are provided with Board reports in advance of Board meetings, which contain sufficient information to enable informed discussion of all agenda items. Directors' attendance at meetings for the 2013-2014 financial year is set out in the Directors' Report.

All Non-executive Directors have received a letter of appointment addressing the matters recommended by the Recommendations.

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

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

Performance Review/Evaluation

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

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

Principle 2 – Structure the Board to Add Value

Composition of the Board

Name	Position
Robert Browning	Non-executive Chairman (appointed 27 August 2012)
Thomas Cregan	Managing Director (appointed 27 August 2012)
Tony Adcock	Non-executive, independent Director (appointed 21 November 2011)
David Liddy	Non-executive, independent Director (appointed 27 April 2012)
Peter Martin	Non-executive, independent Director (appointed 19 April 2012)
John Toms	Non-executive Director (appointed 2 July 2011)

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

Further details about the Directors including their skills, experience and expertise are set out in the Directors' Report.

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

Given the size and nature of the Company's operations, the Board considers that, at present, the composition of the Board is appropriate.

Independent Professional Advice and Access to Information

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

Performance Review/Evaluation

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

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

Mix of Skills and Diversity

At the same time as undertaking its annual review of the performance of the Board, the Board as a whole considers the adequacy of its size and composition, and the mix of skills, desirable competencies, experience and attributes of its members relative to the size and operations of the Company.

Principle 3 – Promote Ethical and Responsible Decision Making

Code of Conduct

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

A copy of the Code of Conduct is available on the Company's website under "Corporate Governance".

Diversity Policy

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

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

The proportion of women employees across the organisation at the date of this statement is as follows:

	Actual	
	Number	Percentage
Number of women employees in the whole organisation	12	36%
Number of women in senior executive positions	2	33%
Number of women on the board	0	0%

The Company's Diversity Policy is available on the Company's website under "Corporate Governance".

Principle 4 – Safeguard Integrity in Financial Reporting

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

The Company's Audit Committee consists of three members. The Chair, Mr John Toms, is a Non-executive Director and is not the Chair of the Board. The Audit Committee Charter is available on the Company's website under "Corporate Governance". The Charter sets out the Committee's role, responsibilities and composition. The Committee is responsible for overseeing the structure and management systems that ensure the integrity of the Company's financial reporting.

The Audit Committee meets with the Company's external auditors without management or Executive Directors present at least once a year and more frequently if required.

The auditor attends the Company's Annual General Meeting and is available to answer security holder questions on the conduct of the audit, the preparation and content of the auditor's report.

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

Principle 5 – Make Timely and Balanced Disclosure

The Company is committed to:

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

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

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

Principle 6 – Respect the Rights of Shareholders

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

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

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

Principle 7 – Recognise and Manage Risk

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

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

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

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

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

Principle 8 – Remunerate Fairly and Responsibly

From 21 August 2012, the full Board assumed the responsibilities of the Remuneration and Nomination Committee.

Remuneration Report and Remuneration Policies

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

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

In order to assist with cash management, for the period 1 March 2012 to 30 June 2014, the Non-executive Directors agreed to forego a cash payment of Director's fees in substitution of an issue of share options, which was subject to shareholder approval. Shareholder approval for the issue of options to the Non-executive Directors was granted at the Company's Annual General Meeting on 13 November 2013.

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

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

Trading in Securities

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

A copy of the securities trading policy is available on the Company's website under "Corporate Governance".

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

Departure from Best Practice Recommendations

From 1 July 2013 to 30 June 2014, the Company complied with the Recommendations published by the ASX Corporate Governance Council, other than the recommendations specified in the table below:

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

Auditor's Independence Declaration

Deloitte Services Pty Ltd
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The Board of Directors
Emerchants Limited
22 Commercial Road
NEWSTEAD QLD 4006

20 August 2014

Dear Board Members

Emerchants Limited

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

As lead audit partner for the audit of the financial statements of Emerchants Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Consolidated	
		30 June 2014	30 June 2013
		$	$
Revenue	2	5,184,092	5,033,617
Cost of sales		(1,135,301)	(667,131)
Gross Profit		4,048,791	4,366,486
Other income		60,393	-
Expenses			
Employee benefits expense		4,887,589	5,282,052
Share-based payments		1,402,548	1,440,725
Depreciation and amortisation expense	10,20	715,959	957,097
Loss on disposal of fixed assets		-	15,469
Other expenses	2	2,951,542	2,524,223
Total expenses		9,957,638	10,219,566
Loss before income tax		(5,848,454)	(5,853,080)
Income tax benefit	5	436,096	494,009
Net loss for the year		(5,412,358)	(5,359,071)
Total comprehensive loss for the year		(5,412,358)	(5,359,071)
Loss per share (cents per share)	6		
Basic (cents per share)		4.47	5.50
Diluted (cents per share)		4.40	5.50

The accompanying notes form part of these financial statements.

Statement of Financial Position

	Notes	Consolidated	
		30 June 2014	30 June 2013
		$	$
Current Assets			
Cash and cash equivalents	7	4,495,896	1,359,398
Other receivables	8	343,248	232,895
Other assets	9	972,787	750,134
Total Current Assets		5,811,931	2,342,427
Non-Current Assets			
Other receivables	8	474,007	507,034
Plant and equipment	10	963,984	609,014
Intangibles	20	11,222,883	11,504,576
Total Non-Current Assets		12,660,874	12,620,624
Total Assets		18,472,805	14,963,051
Current Liabilities			
Trade and other payables	11	712,075	755,633
Employee benefits	12	314,399	274,212
Provisions		430,922	-
Other current liabilities		-	11,000
Total Current Liabilities		1,457,396	1,040,845
Non-Current Liabilities			
Lease incentive		217,286	268,714
Deferred income		40,635	-
Employee benefits	12	51,050	-
Total Non-Current Liabilities		308,971	268,714
Total Liabilities		1,766,367	1,309,559
Net Assets		16,706,438	13,653,492
Equity			
Issued capital	13	44,482,683	37,419,927
Reserves	14	4,448,060	3,045,512
Accumulated losses		(32,224,305)	(26,811,947)
Total Equity		16,706,438	13,653,492

The accompanying notes form part of these financial statements.

Statement of Cash Flows

	Notes	Consolidated	
		30 June 2014	30 June 2013
		$	$
Cash Flows From Operating Activities			
Receipts from customers		4,340,223	4,176,359
Payments to suppliers and employees		(8,766,089)	(8,762,552)
R & D tax offset refunded		436,096	916,119
Receipts / (Payments) for exploration and evaluation expenditure		33,769	(27,959)
Interest received		768,979	598,859
Net cash used in operating activities	17	(3,187,022)	(3,099,174)
Cash Flows From Investing Activities			
Payments for plant and equipment	10	(641,067)	(50,566)
Payments for intangibles	20	(148,169)	(111,423)
Proceeds from sale of mining tenements		50,000	135,000
Net cash used in investing activities		(739,236)	(26,989)
Cash Flows From Financing Activities			
Repayment of borrowings		-	(309,557)
Proceeds from issue of shares	13	7,500,900	2,664,114
Capital raising costs	13	(438,144)	(158,468)
Net cash provided from financing activities		7,062,756	2,196,089
Net increase / (decrease) in cash held		3,136,498	(930,074)
Cash at beginning of year		1,359,398	2,289,472
Cash at end of year	7	4,495,896	1,359,398

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

	Notes	Issued Capital	Accumulated Losses	Reserve	Total
		$	$	$	$
Balance at 1 July 2012		34,810,591	(21,452,876)	1,604,787	14,962,502
Total comprehensive income					
- Loss for the period		-	(5,359,071)	-	(5,359,071)
Transactions recorded directly in equity					
- Share-based payments		-	-	1,440,725	1,440,725
- Issue of share capital	13	2,664,114	-	-	2,664,114
- Issue costs		(54,778)	-	-	(54,778)
Balance at 30 June 2013		37,419,927	(26,811,947)	3,045,512	13,653,492
Balance at 1 July 2013		37,419,927	(26,811,947)	3,045,512	13,653,492
Total comprehensive income					
- Loss for the period		-	(5,412,358)	-	(5,412,358)
Transactions recorded directly in equity					
- Share-based payments		-	-	1,402,548	1,402,548
- Issue of share capital	13	7,500,900	-	-	7,500,900
- Issue costs		(438,144)	-	-	(438,144)
Balance at 30 June 2014		44,482,683	(32,224,305)	4,448,060	16,706,438

The accompanying notes form part of these financial statements

Notes to Financial Statements

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

Emerchants Limited (Company) is a company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or emerchants).

(b) Basis of preparation

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

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

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

The financial report is presented in Australian dollars.

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

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

(c) Adoption of new and revised standards

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

Standards and Interpretations in issue not yet adopted

Standards/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' – Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' – Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standards/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 9 Financial Instruments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies. The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no adjustments will be necessary as a result of applying these revised accounting standards.

As IFRS 15 has only recently been adopted, the Group has not yet determined the impact, material or otherwise, of the standard on its business.

Standards affecting presentation and disclosure

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

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle'
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires retrospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 10

Due to 100% ownership of the subsidiaries, there is no change to the assessment of 'control' under AASB 10.

The application of AASB 10 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119

The application of AASB 119 has not had any material impact on the amounts recognised in the consolidated financial statements.

(d) Statement of compliance

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

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

(e) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2014 and the results of all subsidiaries for the year then ended.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its return. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

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

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

(f) Critical accounting estimates and judgements

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

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

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and other intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and other intangibles with indefinite useful lives are discussed in Note 20.

Share-based payment transactions

Equity-settled transactions

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in reserves under equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit within profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised separately in share-based payments expense (Note 16).

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

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

Breakage income

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

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

Recovery of deferred tax assets

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

(g) Going Concern

Notwithstanding the fact that the Group incurred a Net Loss for the year of $5,412,358, the Directors are of the opinion that the Group is a going concern for the following reasons:

- The net loss for the period incorporates a significant amount of non-cash items such as share-based payments ($1,402,548) and depreciation and amortisation expense ($715,959) which accounts for a substantial proportion of the net loss for the period.
- The Directors consider the Group is able to raise additional capital if considered necessary such as occurred during the period under review where the Group raised $7,500,900 of equity capital via an issue of ordinary shares at $0.33 per share.
- The Directors also anticipate that the Group will continue to grow its revenues in the next financial year and that the growth in revenues will significantly exceed the growth in costs.

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

(h) Segment reporting

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

(i) Revenue recognition

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

(i) Sale of goods

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

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

(ii) Rendering of services

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

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

(iii) Breakage income

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

(iv) Interest income

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

(j) Leases

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

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

(k) Income tax

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

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

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

Tax consolidation legislation

The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

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

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

(l) Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

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

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

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

(n) Cash and cash equivalents

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

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

(o) Trade and other receivables

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

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

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

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

(p) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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

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

(ii) Held-to-maturity investments

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

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

(q) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(ii) Financial liabilities

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

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

(r) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale investments

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

(s) Plant and equipment

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

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

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

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

(i) Impairment

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

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

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

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

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

(ii) Derecognition and disposal

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

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

(t) Goodwill

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

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

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

(u) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets – research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

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

Capitalised development	5 years

(v) Trade and other payables

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

(w) Provisions

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

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

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

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

(x) Employee leave benefits

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

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

(ii) Long service leave

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

(y) Share-based payment transactions

(i) Equity settled transactions:

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

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

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

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in Note 13.

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

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

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

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

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

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

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

(z) Issued capital

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

(aa) Earnings per share

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

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

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

(ab) Parent entity financial information

The financial information for the parent entity, Emerchants Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Share-based payments

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

NOTE 2 REVENUE AND OTHER EXPENSES

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

	Consolidated	
(a) Revenue includes	**2014 $**	**2013 $**
Breakage income	1,152,157	983,797
Establishment income	1,096,858	1,290,075
Transaction fees	1,987,895	1,925,183
Interest income – host based stored value	612,885	585,819
Interest income – group funds	177,901	118,468
Service fees	156,396	130,275
	5,184,092	5,033,617
(b) Other expenses include		
Advertising	151,614	106,251
Audit services	222,376	114,318
Communication	238,580	212,005
Consultancy and advisory services	497,597	332,753
Insurance	120,551	93,593
Recruitment	166,538	148,343
Rent & Buildings	473,422	433,203
Software subscription and support	213,484	130,003
Travel and entertainment	424,970	452,069
Other	442,410	501,685
	2,951,542	2,524,223

NOTE 3 SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Emerchants Limited.

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of performance is focused on the functionality of accounts provided to the customer. The Group's reportable segments under AASB 8 are therefore as follows:

- Reloadable
- Non-reloadable

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

In the prior financial period, the Group did not report such information to the Group's Chief Operating Decision Maker and consequently only one segment was previously identified, being the provision of payment services in Australia. The change in information reported to the Chief Operating Decision Maker in the current financial period, has resulted in these two new reportable operating segments. No further information beyond the Gross profit regarding these segments, including any allocation of assets, liabilities, expenses or taxes has been reported to the Group's Chief Operating Decision Maker and therefore only information that has been reported to the Group's Chief Operating Decision Maker is presented below.

The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group operates predominantly in one geographical segment (Australia). The following is an analysis of the Group's revenue and results by reportable operating segment for the full year under review:

	Consolidated full-year ended			
	Revenue		Gross profit	
Reportable segments	2014 $	2013 $	2014 $	2013 $
Reloadable	1,366,930	1,463,891	754,369	1,074,949
Non-reloadable	3,639,261	3,451,258	3,116,521	3,173,069
Interest received – group funds	177,901	118,468	177,901	118,468
Consolidated Revenue and Gross Profit for the period	**5,184,092**	**5,033,617**	**4,048,791**	**4,366,486**

Segment gross profit represents the gross profit earned by each segment without allocation of central administration costs and Directors' salaries, investment revenue and finance cost, and income tax expense. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

NOTE 4 AUDITOR'S REMUNERATION

	2014 $	2013 $
(a) Audit services (current auditor):		
Deloitte Touche Tohmatsu Australian firm:		
Statutory audit and review of financial reports	74,000	-
Total remuneration for audit services	**74,000**	-
(b) Non-audit services (current auditor):		
Deloitte Touche Tohmatsu Australian firm:		
ASAE3402 Internal control audit services	111,000	-
Other consulting services	6,000	-
Total remuneration for Non-audit services	**117,000**	-
Total (current auditor)	**191,000**	-
(c) Audit services (former auditor):		
HLB Mann Judd Australian firm:		
Statutory audit and review of financial reports	37,376	124,750
BDO Audit Pty Ltd		
Other services – audit of Cardholders funds accounts required under agreement with existing Authorised Deposit-taking Institutions	5,832	16,235
Total (former auditor)	**43,208**	**140,985**

NOTE 5 INCOME TAX BENEFIT

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

	Consolidated	
	2014 $	2013 $
Current income tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Refundable R & D tax offset	436,096	494,009
Total income tax benefit	436,096	494,009

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

Loss before income tax	(5,848,454)	(5,853,080)
Income tax using the domestic corporation tax rate of 30% (2013: 30%)	(1,754,536)	(1,755,924)
Tax effect of:		
Prior year adjustments	-	-
Non-deductible expenses	432,805	433,604
Unused tax losses and temporary differences not recognised as deferred tax assets	1,321,731	1,322,320
Refundable R & D tax offset	436,096	494,009
Income tax benefit	436,096	494,009

(c) Unrecognised deferred tax balances

Deferred tax assets and (liabilities) calculated at 30% (2013: 30%) have not been recognised in respect of the following:

Income tax losses	6,444,733	5,852,756
Temporary differences	428,281	473,739
	6,873,014	6,326,495

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

NOTE 6 LOSS PER SHARE

	Consolidated	
(a) From continuing operations attributable to shareholders	2014 Cents per share	2013 Cents per share
Basic loss per share	4.47	5.50
Diluted loss per share	4.40	5.50
(b) Losses used in calculating basic and diluted loss per share	(5,412,358)	(5,359,071)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	121,168,869	97,470,502
Adjustment for shares deemed to be issued at nil consideration in respect of option rights entitlements	1,725,197	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share (i)	122,894,066	97,470,502

(i) The options included in the calculation above are Series 4, Series 5 and Series 8. All other options have been excluded from the above calculation.

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated	
	2014 $	2013 $
Cash on hand and at bank	969,555	559,398
Short-term deposits	3,526,341	800,000
	4,495,896	1,359,398

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

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

NOTE 8 OTHER RECEIVABLES

	Consolidated	
	2014 $	2013 $
Current		
Interest receivable	154,034	129,749
Other receivables	189,214	103,146
	343,248	232,895
Non-current		
Cuscal security deposit (i)	250,000	250,000
Bank guarantee deposit (ii)	160,462	160,462
Other	63,545	96,572
	474,007	507,034

No receivables are overdue.
(i) Security Deposit required in regard to obligations under Cuscal Limited Standard Terms and Conditions for the provision of services.
(ii) Deposit placed for the issue of bank guarantee to the lessor of premise located at 26 Commercial Road, Newstead QLD.

NOTE 9 OTHER ASSETS

	Consolidated	
	2014 $	2013 $
Accrued breakage fee (i)	653,455	578,565
Shortfall funding (ii)	-	70,000
Prepaid insurance expenses	275,688	89,251
Other	43,644	12,318
	972,787	750,134

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

NOTE 10 PLANT AND EQUIPMENT

The useful life of the assets was estimated as follows for both 2013 and 2014:	
Computer Equipment	4 years
Office Equipment	10 years
Leasehold Improvements	6 – 7 years
Low Value Pool	2 – 3 years

	Consolidated				
	Computer Equipment $	Office Equipment $	Leasehold Improvements $	Low Value Pool $	Total $
Year ended 30 June 2014					
At 1 July 2013, net of accumulated depreciation and impairment	251,043	58,908	299,063	-	609,014
Additions	627,867	7,752	990	4,458	641,067
Depreciation charge for the year	(209,468)	(7,542)	(68,809)	(278)	(286,097)
At 30 June 2014, net of accumulated depreciation and impairment	669,442	59,118	231,244	4,180	963,984
At 1 July 2013					
Cost	541,840	79,398	417,924	23,041	1,062,203
Accumulated depreciation and impairment	(290,797)	(20,490)	(118,861)	(23,041)	(453,189)
Net carrying amount	251,043	58,908	299,063	-	609,014
At 30 June 2014					
Cost	1,169,707	87,112	418,914	27,498	1,703,231
Accumulated depreciation and impairment	(500,265)	(27,994)	(187,670)	(23,318)	(739,247)
Net carrying amount	669,442	59,118	231,244	4,180	963,984

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

NOTE 11 TRADE AND OTHER PAYABLES

	Consolidated	
	2014 $	2013 $
Trade and other payables	712,075	638,641
Accrued Directors fees (i)	-	116,992
	712,075	755,633

All payables are non-interest bearing and are normally settled on 30 day terms.
(i) Accrued Director's fee based on the Non-executive Directors agreement to forego the cash payment of Director's fees in substitution of an issue of options. The accrual was reversed upon the Shareholders approval to issue those options at the Company's Annual General Meeting on 13 November 2013.

NOTE 12 EMPLOYEE BENEFITS

	Consolidated	
Current	2014 $	2013 $
Employee benefits	314,399	274,212
Non-current		
Employee benefits	51,050	-
	365,449	274,212

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

NOTE 13 ISSUED CAPITAL

	Consolidated	
	2014 $	2013 $
124,668,047 fully paid ordinary shares (30 June 2013:101,818,047)	44,482,683	37,419,927

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.

	2014		2013	
Movement in issued shares for the year:	No.	$	No.	$
Balance at start of the year	101,818,047	37,419,927	62,772,334	34,810,591
Issued for cash (i)	22,730,000	7,500,900	29,601,270	2,664,114
Share-based payments to directors & executives (ii)	120,000	-	9,444,443	-
Options exercised	-	-	-	-
Costs associated with the issue of shares	-	(438,144)	-	(54,778)
Balance at end of the year	124,668,047	44,482,683	101,818,047	37,419,927

(i) Relates to the issue of:

- 22,730,000 fully paid ordinary shares issued at a price of $0.33 on 26 August 2013 which comprised a placement of $7,500,900 to institutional and sophisticated investors.

(ii) Relates to the issue of:

- 120,000 fully paid ordinary shares to Mr Bruce Stewart as bonus for services as CFO. The shares were issued on 6 August 2013. The fair value of the award amounted to $36,000 and will be amortised over the financial years 2014, 2015 and 2016, of which $16,227 has been expensed during the year. Other Share-based payments expensed during the year amount to $170,648 which relates to shares issued to Mr Thomas Cregan in financial year 2013 pursuant to his employment agreement. The fair value of these shares amounted to $437,620 and will be amortised over the financial years 2012, 2013, 2014 and 2015, of which $145,475 has been expensed during the year.

	Consolidated	
Options over ordinary shares	**2014 No.**	**2013 No.**
Options on issue at beginning of year	21,666,668	39,761,399
Options issued during the year (i)	6,312,121	12,000,000
Options exercised during the year	-	-
Options cancelled during the year	(1,950,000)	-
Options expired during the year	(666,668)	(30,094,731)
Options on issue at end of year	25,362,121	21,666,668

(i) 3,812,121 Performance-based options

On 9 August 2013, 2,600,000 performance-based options were granted to selected employees with an exercise price of $0.40 per option. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 2,600,000 options granted commenced on 9 August 2013 and expires on 30 September 2016 and are exercisable subject to certain financial performance criteria being achieved in financial year ending 30 June 2016. Fair value at grant date was valued at $0.25 per option using the Black Scholes model. See Note 16 Option Series 9 for further details.

On 13 November 2013 an award of 1,212,121 performance-based options to Mr Thomas Cregan as Managing Director was approved by shareholders at the Annual General Meeting with an exercise price of nil. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 1,212,121 options granted commenced on 13 November 2013 and expires on 30 September 2016 and are exercisable subject to certain financial performance criteria being achieved in FY16. Fair value at grant date was valued at $0.58 per option using the Black Scholes model. See Note 16 Option Series 10 for further details.

No expense was recognised in the profit or loss during the period in relation to the award of the 3,812,121 performance based options. Management have assessed that the vesting conditions would not be met and the options would not ultimately vest. This assessment will be reviewed at each reporting date.

2,500,000 Non-performance-based options

On 13 November 2013 an award of 2,500,000 non-performance-based options to the Non-executive Directors of the Company to forgo Director's fees from March 2013 to June 2014 was approved by shareholders at the Annual General Meeting with an exercise of $0.10. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 2,500,000 options granted commenced on 13 November 2013 and expires on 31 March 2016. Fair value at grant date is valued at $0.40 per option using the Black Scholes model, and was amortised over the financial year 2014.

The Options will be subject to a voluntary escrow for the period from the issue date of 10 December 2013 until 29 February 2016 (inclusive the Escrow Period), The Non-executive Directors will not be able to transfer the Options during the Escrow Period without the Company's consent.

A total expense of $989,175 was recognised in the profit or loss during the year in relation to the award of the 2,500,000 non-performance-based options.

Date of Expiry	Exercise Price	Options Series	Consolidated 2014 No.	Consolidated 2013 No.
1/6/2014	$1.30	-	-	666,668
18/7/2014	$1.45	Series 1	200,000	200,000
18/7/2014	$1.45	Series 2	5,800,000	5,800,000
5/1/2015	$0.50	Series 4	2,000,000	2,000,000
4/2/2015	$0.50	Series 5	1,000,000	1,000,000
30/9/2015	$0.15	Series 6	8,500,000	10,250,000
30/9/2015	$0.15	Series 7	1,750,000	1,750,000
31/3/2016	$0.10	Series 8	2,500,000	-
30/9/2016	$0.40	Series 9	2,400,000	-
30/9/2016	$0.00	Series 10	1,212,121	-
Options on issue at end of year			25,362,121	21,666,668

NOTE 14 RESERVES

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of the financial year	3,045,512	1,604,787
Bonus shares	186,869	763,273
Share-based payments	1,215,679	677,452
Balance at end of the year	4,448,060	3,045,512

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

NOTE 15 SHARE OPTION PLAN

(a) Employee Share Option Plan (1) (“ESOP 1”)

The Group has an equity-based compensation plan for employees which has been in existence since December 2006. In accordance with the provisions of ESOP 1, as approved by shareholders at an Annual General Meeting, Directors may issue options to purchase shares in the Company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No Directors participate in ESOP 1.

In accordance with the terms of ESOP 1, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

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

The expense recognised in the statement of profit and loss and other comprehensive income in relation to share-based payments made under ESOP 1 is $0 (2013: $0).

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

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

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

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

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

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

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

The expense recognised in the statement of profit and loss and other comprehensive income in relation to share-based payments made under ESOP 2 is $226,500 (2013: $677,452).

The following share-based payment arrangements were in existence during the year under the ESOP 2:

Options	Grant date	Number	Vest Date	Expiry Date	Exercise Price	Fair value at grant date
ESOP 2						
Series 1	29/6/2011	200,000	29/6/2011	18/7/2014	$1.45	$0.24
Series 2	29/6/2011	5,800,000	(i)	18/7/2014	$1.45	$0.24
Series 4	3/1/2012	2,000,000	2/1/2015	5/1/2015	$0.50	$0.22
Series 5	1/2/2012	1,000,000	1/2/2015	4/2/2015	$0.50	$0.17
Series 6	21/9/2012	8,500,000	21/9/2015	30/9/2015	$0.15	$0.03
Series 7	13/11/2012	1,750,000	21/9/2015	30/9/2015	$0.15	$0.07
Series 9	9/8/2013	2,400,000	9/8/2013	30/9/2016	$0.40	$0.25
Series 10	13/11/2013	1,212,121	13/11/2013	30/9/2016	$0.00	$0.58

The weighted average of fair value of options granted during the year under ESOP 2 is $0.4558 per option (2013: $0.0333).
(i) In accordance with the terms of the share-based arrangements, the options will vest in three tranches on 18 April 2012, 18 April 2013 and 18 April 2014.

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

	Consolidated			
	2014		2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	21,000,000	$0.5714	13,015,000	$1.0449
Issued during the financial year	3,812,121	$0.2728	12,000,000	$0.1500
Exercised during the financial year (i)	-	-	-	-
Cancelled during the financial year	(1,950,000)	($0.1756)	-	-
Lapsed during the financial year		-	(4,015,000)	($0.8468)
Balance at end of the financial year (ii)	22,862,121	$0.5554	21,000,000	$0.5714

(i) Options exercised during the financial year:
No share options granted under the plans were exercised during the financial year.

(ii) Options outstanding at end of the financial year:

Issued share options outstanding at the end of the financial year had a weighted average exercise price of $0.5554 (2013: $0.5714) and a weighted average remaining contractual life of 347 days (2013: 660 days).

NOTE 16 SHARE-BASED PAYMENTS

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

	Series 1	Series 2	Series 4	Series 5	Series 6	Series 7	Series 8	Series 9	Series 10
Share option plan	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2	ESOP 2	n/a	ESOP 2	ESOP 2
Number at the end of financial year	200,000	5,800,000	2,000,000	1,000,000	8,500,000	1,750,000	2,500,000	2,400,000	1,212,121
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expected volatility	70%	70%	135%	136%	99%	124%	100%	147%	100%
Risk-free interest rate	5.29%	5.29%	4.76%	4.76%	2.52%	2.52%	2.92%	3.24%	2.92%
Expected life of option	3.05 years	3.02 years	3.01 years	3.01 years	3.02 years	2.88 years	2.38 years	3.15 years	2.88 years
Vesting date	29/6/2011	(iii)	2/1/2015	1/2/2015	21/9/2015	21/9/2015	(iv)	1/9/2016	1/9/2016
Expiry date	18/7/2014	18/7/2014	5/1/2015	4/2/2015	30/9/2015	30/9/2015	31/3/2016	30/9/2016	30/9/2016
Exercise price	$1.45	$1.45	$0.50	$0.50	$0.15	$0.15	$0.10	$0.40	$0.00
Grant date share price	$0.85	$0.85	$0.37	$0.30	$0.07	$0.13	$0.58	$0.39	$0.58
Fair value of option	$0.24	$0.24	$0.22	$0.17	$0.03	$0.07	$0.40	$0.25	$0.58
Performance measures	n/a	n/a	n/a	n/a	(i)	(i)	n/a	(ii)	(ii)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(i) In accordance with the terms of the share-based arrangements, the options are exercisable subject to at least two of three specific financial performance criteria being achieved in the financial year ending 30 June 2015. The specific details of the financial performance criteria have been disclosed in the Remuneration report.
(ii) In accordance with the terms of the share-based arrangements, the options are exercisable subject to at least three of five specific financial performance criteria being achieved in the financial year ending 30 June 2016, one of which must be either Gross margin percentage or Total active accounts. The specific details of the financial performance criteria have been disclosed in the Remuneration report.
(iii) In accordance with the terms of the share-based arrangements, the options will vest in three tranches on 18 April 2012, 18 April 2013 and 18 April 2014
(iv) In accordance with the terms of the share-based arrangements, the options will vest in seven tranches over the period from 31 December 2013 to 30 June 2014.

NOTE 17 STATEMENT OF CASH FLOWS

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

	Consolidated	
	2014 $	2013 $
Operating loss after income tax	(5,412,358)	(5,359,071)
Add: Non-cash items		
Depreciation and amortisation	715,959	957,097
Loss on disposal of plant and equipment	-	15,469
Exploration and evaluation expenditure written off	-	-
Share-based payments	1,402,548	1,440,725
Breakage accrual	(74,890)	(152,971)
Change in operating assets and liabilities		
(Increase) / decrease in other assets	(186,528)	214,979
(Increase) / decrease in other receivables	(110,354)	(70,729)
Increase / (decrease) in trade and other payables	(43,558)	34,414
Increase / (decrease) in employee benefits	91,237	(70,260)
Increase / (decrease) in provisions	430,922	(108,827)
Net cash used in operating activities	(3,187,022)	(3,099,174)

NOTE 18 KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	1,353,312	1,738,910
Post-employment	122,242	105,924
Other long-term benefits	-	-
Share-based payments	1,458,858	1,292,821
	2,934,412	3,137,655

NOTE 19 RELATED PARTY DISCLOSURES

(a) Equity Interests in related parties

Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 21 to the financial statements.

(b) Transactions within wholly owned group

The wholly owned group includes:

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

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

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

(c) Transactions with key management personnel

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

	Consolidated entity			
	Expenditure Related Parties		Amounts Owed to Related Parties	
Non-executives Directors	2014 $	2013 $	2014 $	2013 $
John Toms (Oakton Pty Ltd for corporate governance services)	-	2,922	-	-
Robert Browning (i)	(33,063)	33,063	-	33,063
Tony Adcock (i)	(21,073)	21,073	-	21,073
David Liddy (i)	(21,073)	21,073	-	21,073
Peter Martin (i)	(19,983)	19,983	-	19,983
John Toms (i)	(21,800)	21,800	-	21,800

(i) Director's fees accrued from 1 March to 30 June 2013. The Non-executive Directors agreed to forgo Director's fees from March 2013 until June 2014 in return for a long-term, three year escrowed option grant. The options were approved by shareholders at the Annual General Meeting in November 2013 and the accrued Director's fees were extinguished in FY14.

NOTE 20 INTANGIBLES

	Consolidated					
	Software licenses $	Brand & customer lists $	Restraint of trade $	Customer contract $	Goodwill $	Total $
Balance at 1 July 2013						
At 1 July 2013, net of accumulated amortisation and impairment	682,203	45,000	-	-	10,777,373	11,504,576
Additions	148,169	-	-	-	-	148,169
Amortisation charge for the year	(429,862)	-	-	-	-	(429,862)
At 30 June 2014, net of accumulated amortisation and impairment	**400,510**	**45,000**	**-**	**-**	**10,777,373**	**11,222,883**
At 30 June 2014						
Cost or fair value	2,331,991	45,000	54,000	1,040,325	10,777,373	14,248,689
Accumulated amortisation and impairment	(1,931,481)	-	(54,000)	(1,040,325)	-	(3,025,806)
Net carrying amount	**400,510**	**45,000**	**-**	**-**	**10,777,373**	**11,222,883**

No impairment loss was recognised for continuing operations for the year ended 30 June 2014.

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

Carrying amount of goodwill, allocated to the cash generating units

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

	Consolidated			
	% goodwill allocated to CGU		Carrying amount of goodwill allocated to CGU	
	2014 $	2013 $	2014 $	2013 $
Reloadable (i)	66%	-	7,147,536	-
Non-reloadable (i)	34%	-	3,629,837	-
Emerchants Payment Solutions Limited	-	100%	-	10,777,373
Total	**100%**	**100%**	**10,777,373**	**10,777,373**

(i) Refer to Note 3 of the Financial Statements. In the current financial year the Group began reporting the performance of the Reloadable and Non-reloadable segments to the Chief Operating Decision Maker for the first time. Consequently, in the current financial year, goodwill was reallocated to the Reloadable and Non-reloadable cash generating units.

The recoverable amount of the Groups cash generating units has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts approved by senior management and the Directors covering a 5 year period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of 16.0% that reflects current market assessments of the time value of money and the risks specific to the cash generating units.

Key assumptions used in value-in-use calculations for the cash generating units at 30 June 2014.

Assumptions	How Determined
Forecast revenues	The basis used to determine the value assigned to the forecast revenues is the volume growth in the four key metrics and the forecasted sales price for each client. A probability factor was applied to transaction volumes (the major driver of revenues) following consideration of recent contracts and the sales pipeline and ultimately the following reloadable transaction volume growth rates, which represent the lower end of the growth rate scenarios, was applied for the purpose of the value in use assessment:

	FY15	FY16	FY17	FY18	FY19
Reloadable Transaction volumes growth	75%	25%	25%	10%	10%

Assumptions	How Determined
Forecast gross margin	The basis used to determine the value assigned to the forecasted gross margins is the average gross margins achieved in FY14, decreased for expected margin erosion thereafter. Thus, values assigned to gross margins reflect past experience, with some provision for margin erosion based on increased sales volumes.
Interest Income	Interest income on Stored value is based on the Reserve Bank of Australia overnight lending rate at the beginning of the budgeted year, less the specific yield charged by each ADI
Weighted Average Cost of Capital (WACC)	The above 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 discount rate applied to the cash flows of each of the Group's CGU's is based on the risk free rate for ten year Commonwealth Government bonds as at 30 June 2014, adjusted for a risk premium to reflect both the increased risk of investing in equities. In making this adjustment, inputs required are the equity markets risk premium (that is 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 the risk adjustment, beta, applied to reflect the risk of the Group relative to the market as a whole, giving rise to the Group's Cost of Equity Capital. The Group's WACC is calculated with reference to its Cost of Equity Capital, based on a theoretical long-term capital structure for the Group (comprising 80% equity and 20% debit).

The outcomes of the value in use assessment results in headroom above carrying value of $9.3m and $1.2m for the reloadable and non-reloadable CGUs respectively.

Sensitivity to changes in key assumptions

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

The Group is satisfied that all the assumptions on which the recoverable amounts are based are fair and reasonable, and that currently, there are no reasonably known changes to these assumptions that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of any of the Group's CGUs as at 30 June 2014. The recoverable amount is most sensitive to revenue growth assumptions and the Directors believe that the likelihood of a reduction in anticipated growth to a level where carrying value would exceed recoverable amount, is remote.

NOTE 21 CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		2014 %	2013 %
Parent Entity (i)			
Emerchants Limited	Australia		
Controlled Entities			
The Australian Land Company Pty Ltd	Australia	100	100
Australasia Gold (SA) Pty Ltd	Australia	100	100
Emerchants Payment Solutions Limited	Australia	100	100

(i) There is no significant restrictions or financial support from the parent entity to the controlled entities. The transactions related to the intercompany loan from Emerchants Limited to Emerchants Payment Solutions Limited are eliminated according to the Group's accounting policy, refer to Note 1(e).

NOTE 22 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Other Expenditure Commitments

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

	2014 $	2013 $
Not later than one year	241,590	407,000
Later than one year but not later than five years	57,928	192,917
	299,518	**599,917**

The Group has the following material commitments:

1. Service agreement with Cuscal Limited. The terms are 24 months and are due to expire in January 2015 with an option to extend for a further 3 years to January 2018.
2. Service agreement with Heritage Bank Limited. The terms are 36 months and are due to expire in August 2015 with an option to extend for a further 2 years to August 2017.
3. Two separate service agreement with Interactive Pty Ltd. The terms are 12 months and 24 months and are due to expire in January 2015 and December 2015 respectively.

(b) Operating Lease Commitments

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

	2014 $	2013 $
Not later than one year	410,508	437,856
Later than one year but not later than five years	1,336,682	1,503,068
More than five years	-	-
	1,747,190	**1,940,924**

The Group has the following non-cancellable operating leases:

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

(c) Contingent Liabilities

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

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

Cuscal provides an HBSV account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to the provision of prepaid payment products. Cuscal has sole authority to transact on the licensee HBSV account. Due to the fact that the licensee does not have ownership or the right to direct operation of the HBSV account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 30 June 2014 is $22,183,309 (2013: $18,487,384).

Under the agreement:

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

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

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

Heritage provides a PCD account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to in the provision of prepaid payment products. Heritage has sole authority to transact on the licensee PCD account. Due to the fact that the licensee does not have ownership or the right to direct operation of the PCD account, the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 30 June 2014 is $4,559,145 (2013: $1,086,360).

Under the agreement:

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

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

NOTE 23 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Credit risk

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

Cash and cash equivalents

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

Trade and other receivables

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

Exposure to credit risk

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

	Consolidated	
	Carrying amount	
	2014 $	2013 $
Cash and cash equivalents	4,495,896	1,359,398
Other receivables	343,248	232,895

Impairment Losses

None of the Group's other receivables are past due (2013: nil).

Liquidity Risk

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

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

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

30 June 2014

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

30 June 2013

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

Market Risk

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

Currency Risk

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

Interest Rate Risk

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

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

Profile

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

	Consolidated	
	Carrying amount	
	2014 $	2013 $
Variable rate instruments		
Financial assets – cash and cash equivalents	4,495,896	1,359,398

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

Company	Profit or loss		Equity	
	100bp increase $	100bp decrease $	100bp increase $	100bp decrease $
30 June 2014				
Variable rate instruments	44,959	(44,959)	44,959	(44,959)
30 June 2013				
Variable rate instruments	13,594	(13,594)	13,594	(13,594)

Fair Values

Fair values versus carrying amounts

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

	Consolidated			
	30 June 2014		30 June 2013	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash and cash equivalents	4,495,896	4,495,896	1,359,398	1,359,398
Other receivables	343,248	343,248	232,895	232,895
Trade and other payables	(712,075)	(712,075)	(755,633)	(755,633)
Borrowings	-	-	-	-
	4,127,069	4,127,069	836,660	836,660

Capital Management

Capital is defined as the equity of the Group.

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

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

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

The Group is not subject to externally imposed capital requirements.

NOTE 24 PARENT ENTITY DISCLOSURES

Financial position	30 June 2014 $	30 June 2013 $
Assets		
Current assets	3,762,536	128,733
Non-current assets	20,380,890	18,681,109
Total assets	24,143,426	18,809,842
Liabilities		
Current Liabilities	332,436	368,236
Total liabilities	332,436	368,236
Net Assets	23,810,990	18,441,606
Equity		
Issued capital	44,482,683	37,419,927
Reserves	4,448,060	3,045,512
Accumulated losses	(25,119,753)	(22,023,833)
Total equity	23,810,990	18,441,606

Financial performance	30 June 2014 $	30 June 2013 $
Loss for the year	(3,095,920)	(4,077,545)
Other comprehensive income	-	-
Total comprehensive loss for the year	(3,095,920)	(4,077,545)

Commitments and Contingencies – refer Note 22.

Operating lease commitments referred to the Parent Entity.

NOTE 25 SUBSEQUENT EVENTS

In early July 2014 we advised shareholders that we had signed a multi-year agreement with leading corporate bookmaker Sportsbet.com.au to provide their customers with personalised cards for immediate access to winnings. The program, which is set to launch in the second half of 2014, has since received approval from emerchants' sponsoring Authorised Deposit-taking Institution. We expect the Sportsbet program to significantly contribute toward increased operational metrics in the 2015 financial year and beyond and coupled with our existing Ladbrokes Digital and Bet Easy programs, will provide emerchants with a significant portion of the domestic online wagering market utilising our winnings card.

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

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DIRECTOR'S DECLARATION

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

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

(i) giving a true and fair view of the Group's financial position at 30 June 2014 and of its performance for the year then ended; and

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

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

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in Note 1(d).

2. 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.

Robert Browning
Chairman

20 August 2014

Independent Auditor's Report

Deloitte.

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Independent Auditor's Report to the members of Emerchants Limited

Report on the Financial Report

We have audited the accompanying financial report of Emerchants Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 33 to 69.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(d), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(d).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Emerchants Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants
Brisbane, Queensland
20 August 2014

ASX Additional Information

Additional information as required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1.1 Share Information

As at 8 August 2014 the Company only has one class of shares, fully paid ordinary share. Therefore all holders listed hold fully paid ordinary shares. There are no unlisted securities and there is currently no on-market buy-back.

Voting Rights

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

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

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

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

1.2 Distribution of Shares (as at 8 August 2014)

No.	No of Shareholders	Fully Paid Shares
1-1,000	232	78,436
1,001-5,000	379	1,093,515
5,001-10,000	278	2,202,273
10,001-100,000	711	25,075,813
100,001-over	132	96,218,010
Total	**1,732**	**124,668,047**
Unmarketable Parcels	**0**	**0**

The number of shareholders holding less than a marketable parcel is 0.

1.3 Substantial Shareholders (as at 8 August 2014)

The following shareholders are recorded as substantial shareholders:

Name	Fully Paid Shares
	Number
Citicorp Nominees Pty Limited	9,046,674
UBS Nominees Pty Ltd	7,367,910
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	5,910,000
BT Portfolio Services Limited <Martin Super Fund A/C>	5,597,432
Ms Diana Barton Cregan	5,555,555
Total	**33,477,571**

1.4 Holders of Unquoted Equity Securities (as at 8 August 2014)

A total of 19,362,121 unlisted options are on issue. 16,362,121 unlisted options are held by employees under the Company's Employee Share Options Plan.

1.5 Twenty Largest Shareholders (as at 8 August 2014)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
Citicorp Nominees Pty Limited	9,046,674	7.26%
UBS Nominees Pty Ltd	7,367,910	5.91%
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	5,910,000	4.74%
BT Portfolio Services Limited <Martin Super Fund A/C>	5,597,432	4.49%
Ms Diana Barton Cregan	5,555,555	4.46%
Valleyrose Pty Ltd <TERPU Super Fund A/C>	4,350,000	3.49%
Wulura Investments Pty Ltd <PIT Gammell Super Fund A/C>	3,889,333	3.12%
BT Portfolio Services Limited Martin Super Fund	3,888,888	3.12%
Thomas Anthony Cregan	3,888,888	3.12%
J P Morgan Nominees Australia Limited	3,683,977	2.96%
Lee Smash Repairs Pty Ltd <LSR Superannuation Fund A/C>	2,000,000	1.60%
Mr Victor John Delosa & Ms Gayle Winter Moore <Alicudi Super Fund A/C>	1,721,665	1.38%
Tom Cregan And Associates Pty Ltd	1,666,666	1.34%
BT Portfolio Services Limited <Maxwell Family A/C>	1,611,111	1.29%
Mirrabooka Investments Limited	1,601,776	1.28%
Sandhurst Trustees Ltd <Australian New Horizons A/C>	1,277,593	1.02%
Wulura Investments Pty Ltd <PIT Gammell Super Fund A/C>	1,176,471	0.94%
IOOF Investment Management Limited <IIML IPS 322604Md201 A/C>	1,172,776	0.94%
St Super Pty Ltd <Samuel Tusa Super Fund A/C>	1,000,000	0.80%
INVIA Custodian Pty Limited <Liddy Family Super Fund A/C>	1,000,000	0.80%
HSBC Custody Nominees (Australia) Limited	854,932	0.69%
Mr John Croft & Mrs Mary Angela Croft <Croft Family Super Fund A/C>	852,575	0.68%
Total	**69,114,222**	**55.44%**

1.6 Share Buy-Backs

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

2. Other Information

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