

emERCHANTS

EMERCHANTS LIMITED

(Formerly Adept Solutions Limited)

ABN 93 104 757 904

Interim Financial Report

31 December 2012

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Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities

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DIRECTORS' REPORT

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

DIRECTORS' REPORT

Your directors submit the consolidated financial report of the Emerchants Limited for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors and Company Secretary

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Tony Adcock
Robert Browning
Thomas Cregan (Appointed 27 August 2012)
David Liddy
Peter Martin
John Toms

Company Secretary and General Counsel
Yasmin Broughton

Corporate actions

As per the Company's announcement made to the ASX on 17 December 2012, the Company changed its registered office and principal place of business to:

Level 2
26 Commercial Road
Newstead
Queensland 4006

Postal Address:
Locked Bag 5
Fortitude Valley BC
Queensland 4006

Telephone: +61 7 3607 0100

Facsimile: +61 7 3607 0111

DIRECTORS' REPORT

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

Review of operations

During the six months ended 31 December 2012, the Company made significant progress towards implementing our strategy of becoming a market leader in the re-loadable prepaid debit card industry in Australia. In the space of little over a year the Company has transitioned itself from a Mining company, to a Financial Services company focused largely on the distribution of non-reloadable (gift) prepaid cards, through to a company focused on being a market leader in re-loadable prepaid solutions for commercial enterprises, not-for-profit organisations and government entities.

Part of the transition process has been a focus on new product development and enhancements to our Secure Access Management ("SAM") re-loadable platform, supporting a range of new features for our customers. We launched our first EMV-enabled re-loadable Visa product, our first open loop non-reloadable product and our first Virtual Visa product, and as a result we finished the calendar year with a full product portfolio. These products coincided with the launch of a new ADI (Approved Deposit Taking Institution) partnership with Heritage Bank. The Company also signed a new ADI agreement with CUSCAL Limited, which went into effect on January 1, 2013, which provides the Company with a solid platform of strategic banking relationships.

Two other important developments for the Company was our fully subscribed capital-raising, which has financially underpinned the Company's ability to execute on its growth strategy. In November, we changed our name from Adept Solutions Limited to Emerchants Limited, a step that was both philosophically important as well as enabling us to better communicate our strategic focus by leveraging the brand name associated with our product suite.

What is pleasing is that we have undergone this transition process whilst still showing positive operating and financial results versus the comparable period.

Total revenue increased 48% to \$2.4 million. Gross margin increased 45% to \$2.15 million. Total overheads are down 7% and the cash expenses (excluding Share-based payments and Depreciation and amortisation expenses) are down 4%, leading to a negative EBITDA result of \$3.14 million, an improvement of 19% over the comparable period. Net loss for the period was \$3.62 million, an improvement of 25% on the comparable period, largely as a result of lower capital investment, with the majority of capital investment having occurred in the six months post the acquisition of Emerchants Payments Solutions Limited (formally Emerchants Limited) in July 2011.

The improved financial results have been driven by improvements in all key operating metrics. Total dollar loads onto cards increased to \$66.2 million, an improvement of 37% on the prior period. We activated 547,000 cards, an increase of 52%, and generated transactional growth of 60% to 1.75 million transactions. Card balances on deposit with our partner bank institutions ended the period at \$21.9 million versus \$14.77 million in the prior corresponding period, an increase of 48%. It is important to note that a majority of the operating metrics for the six months were still driven by non-reloadable (gift) cards. Our focus on re-loadable product solutions is expected to generate a shift in these metrics and therefore in our forward looking financial results, given the higher dollar loads, higher transactions and more predictable revenue streams associated with re-loadable prepaid programs.

The Company signed and announced some significant new business partnerships in the period. We completed the rollout of physical and virtual open loop non-reloadable cards to the e-pay retail network in December 2012. We announced a program with Macquarie Group in which we are supplying re-loadable cards to small business clients of Macquarie, and working in conjunction with their Relationship Managers to expand the program. We announced a program with Nimble, a leading consumer finance company, and a program with the Southern Division of The Salvation Army; a multi-faceted program incorporating internal payment solutions and programs for welfare and other social distributions. We are pleased to advise that the Macquarie program launched in January 2013, Nimble launched in February 2013 and initial programs for The Salvation Army are due to launch in April and we look forward to announcing other re-loadable partner programs in the months to come.

As we started the second half of the financial year, the Company has a robust sales pipeline of re-loadable sales opportunities. We are focused on executing against that pipeline and we look forward to announcing new re-loadable partner programs in the months to come. Finally, we continue to stay focused on identifying opportunities to further reduce our cash expenses wherever possible.

DIRECTORS' REPORT

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

Auditor Independence and Non-Audit Services

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5 and forms part of this report.

Non-Audit Services

No non-audit services were provided during the interim period ended 31 December 2012 by the external auditor.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Robert Browning', with a stylized flourish at the end.

Robert Browning
Chairman

20 February 2013

AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Emerchants Limited (formerly Adept Solutions Limited) for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
20 February 2013

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

M R W OHM
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hib@hibwa.com.au. Website: <http://www.hib.com.au>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a world wide organisation of accounting firms and business advisers

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

	Notes	Consolidated	
		31 December 2012	31 December 2011
		\$	\$
Revenue	2	2,404,026	1,626,509
Expenses			
Consumables used		247,857	137,766
Employee benefits expense		2,829,547	2,252,934
Acquisition – related expenses			
- Share-based payments		-	137,647
Share-based payments			
- Directors and executives		1,003,734	568,476
- Consulting fees		-	50,000
- Employees		8,343	5,594
Depreciation and amortisation expense	6,9	480,459	957,676
Interest expense		-	3,258
Other expenses	2	1,458,108	2,342,222
Total expenses		6,028,048	6,455,573
Loss before income tax		(3,624,022)	(4,829,064)
Income tax benefit		-	-
Net loss for the year		(3,624,022)	(4,829,064)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the year		(3,624,022)	(4,829,064)
Loss per share (cents per share)	5	3.89	7.83

Diluted loss per share is not shown as it is not materially different to basic loss per share.

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

	Notes	Consolidated	
		31 December 2012	30 June 2012
		\$	\$
Current Assets			
Cash and cash equivalents		2,858,071	2,289,472
Other receivables		49,246	680,187
Other assets		677,210	535,713
Total Current Assets		3,584,527	3,505,372
Non-Current Assets			
Other receivables		439,764	422,263
Plant and equipment	6	700,307	773,898
Goodwill	7	10,777,373	10,777,373
Intangibles	9	1,055,170	1,376,523
Total Non-Current Assets		12,972,614	13,350,057
Total Assets		16,557,141	16,855,429
Current Liabilities			
Trade and other payables		641,987	721,219
Borrowings	10	348,266	398,266
Employee benefits		240,199	344,472
Provisions		-	108,827
Other current liabilities		72,368	-
Total Current Liabilities		1,302,820	1,572,784
Non-Current Liabilities			
Other non-current liabilities		294,429	320,143
Total Non-Current Liabilities		294,429	320,143
Total Liabilities		1,597,249	1,892,927
Net Assets		14,959,892	14,962,502
Equity			
Issued capital	3	38,098,577	34,810,591
Reserves	4	1,938,213	1,604,787
Accumulated losses		(25,076,898)	(21,452,876)
Total Equity		14,959,892	14,962,502

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

	Notes	Consolidated	
		31 December 2012	31 December 2011
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		1,968,236	1,199,394
Payments to suppliers and employees		(4,645,625)	(5,650,253)
R & D tax offset refunded		422,110	-
Interest received		360,767	427,115
Interest paid		-	(3,258)
Net cash used in operating activities		(1,894,512)	(4,027,002)
Cash Flows From Investing Activities			
Payments for plant and equipment	6	(26,407)	(517,723)
Payments for intangibles	9	(59,108)	(492,248)
Proceeds from sale of mining tenements		135,000	-
Payments for exploration and evaluation expenditure		(42,021)	(44,419)
Payments for deposits placed		-	(410,463)
Payment for subsidiary, net of cash acquired		-	(499,901)
Net cash provided by/ (used in) investing activities		7,464	(1,964,754)
Cash Flows From Financing Activities			
Repayment of borrowings	10	(50,000)	-
Proceeds from issue of shares	3	2,664,114	134,764
Capital raising costs		(158,467)	(2,661)
Net cash provided from financing activities		2,455,647	132,103
Net increase / (decrease) in cash held		568,599	(5,859,653)
Cash at beginning of year		2,289,472	10,317,609
Cash at end of half-year		2,858,071	4,457,956

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

	Notes	Consolidated			
		Issued Capital \$	Accumulated Losses \$	Reserve \$	Total \$
Balance at 1 July 2011		15,128,715	(11,425,541)	325,436	4,028,610
Total comprehensive income					
- Loss for the period		-	(4,829,064)	-	(4,829,064)
Transactions recorded directly in equity					
- Share-based payments	3	50,000	-	711,717	761,717
- Shares issued to vendors of EML	3	9,775,000	-	-	9,775,000
- Issue of share capital	3	10,000,000	-	-	10,000,000
- Transfer on conversion of options	3	4,964	-	-	4,964
- Issue costs		(2,661)	-	-	(2,661)
Balance at 31 December 2011		34,956,018	(16,254,605)	1,037,153	19,738,566
Balance at 1 July 2012		34,810,591	(21,452,876)	1,604,787	14,962,502
Total comprehensive income					
- Loss for the period		-	(3,624,022)	-	(3,624,022)
Transactions recorded directly in equity					
- Share-based payments	3	678,651	-	333,426	1,012,077
- Issue of share capital	3	2,664,114	-	-	2,664,114
- Issue costs	3	(54,779)	-	-	(54,779)
Balance at 31 December 2012		38,098,577	(25,076,898)	1,938,213	14,959,892

The accompanying notes form part of these financial statements

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of operations

The principal activity of Emerchants Limited and its subsidiaries (**the Group or Company**) is the provision of payment services.

The Group provides both non-reloadable prepaid and re-loadable prepaid payment solutions into the commercial, government and not-for-profit segments.

The Company was renamed Emerchants Limited on 22 November 2012.

(b) Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of Emerchants Limited and its subsidiaries (**the Group or Company**) as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Emerchants Limited (formerly Adept Solutions Limited) and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(c) Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

(d) Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

In the half-year ended 31 December 2012, management reassessed its estimates in respect of:

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of goodwill and intangible assets

The Group has a carrying value of goodwill as at the reporting date of \$10,777,373 which arose on the excess consideration paid for Emerchants Payments Solutions Limited (formally Emerchants Limited) over the fair value of net identifiable assets at the time of the acquisition. In addition, the Group has intangible assets recorded of \$1,055,170 at the reporting date. During the period, the Group has recorded a loss of \$3,624,022 and a net cash outflow from operating activities of \$1,944,512. The Directors have therefore conducted an impairment assessment to ensure that the carrying value of these assets is not stated in excess of their recoverable amount.

In making this assessment, the related assets were allocated to the Emerchants Payments Solutions Limited cash-generating unit. The recoverable amount of the Emerchants Payments Solutions Limited cash-generating unit was determined based upon a value-in-use calculation using discounted cash flow projections based on financial projections approved by senior management covering a five year period. The discount rate applied to the cash flow projections was 11.3% representing the weighted average cost of capital. Based upon this assessment, management does not consider that any impairment of goodwill and/or intangible assets is present as at 31 December 2012.

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 and 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 3).

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, as described in the previous paragraph.

Breakage income

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

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recovery of deferred tax assets

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

(e) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

The following new and revised Standard and Interpretation has been adopted in the current half year.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments arising under AASB 2011-9 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.
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In addition under the amendments to AASB 101, the statement of comprehensive income is now entitled the statement of profit or loss and other comprehensive income.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies. The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. 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 change is necessary to Group accounting policies.

(f) Going Concern

Notwithstanding the fact that the Group incurred a net loss for the period of \$3,624,022 and has cash and cash equivalents on hand of \$2,858,071 at the reporting date, the directors are of the opinion that the Company is a going concern for the following reasons:

- The net loss for the period incorporates a significant amount of non-cash items such as share-based payments (\$1,012,076) and depreciation and amortisation expense (\$480,459) which accounts for a substantial proportion of the net loss for the period.
- The directors consider the Company is able to raise additional capital if considered necessary such as occurred during the period under review where the Company raised \$2,664,114 of equity capital via an issue of ordinary shares at \$0.09.
- The directors also anticipate that the Group will continue to grow its revenues in the second half of FY13 and that the growth in revenues will significantly exceed the growth in costs in FY13.
- The directors are also in the process of streamlining and rationalising the cost structure of the Group to the extent that this does not impede revenue growth and service delivery. The directors believe the Group will continue to operate as a going concern for the foreseeable future.

NOTE 2 REVENUE AND EXPENSES

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

	Consolidated	
	31 December 2012 \$	31 December 2011 \$
(a) Revenue includes		
Establishment and termination fees	1,068,621	681,702
Transaction fees	955,584	517,692
Interest received – host based stored value	282,818	241,099
Interest received – other entities	77,948	186,020
	31 December 2012 \$	31 December 2011 \$
(b) Other expenses include		
Consultancy and advisory services	212,659	322,900
Travel & entertainment	235,519	305,660
Advertising	55,987	91,522
Rent & Buildings	231,929	213,405
Recruitment	82,541	240,835
Software subscription and support	104,095	157,921
Outsourced administration services	-	350,000

NOTE 3 ISSUED CAPITAL

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
101,818,047 fully paid ordinary shares (30 June 2012: 62,772,334)	38,098,577	34,810,591

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 3 ISSUED CAPITAL (continued)

	Consolidated			
	31 December 2012		30 June 2012	
	No.	\$	No.	\$
Movement in issued shares for the period:				
Balance at start of the period	62,772,334	34,810,591	37,879,475	15,128,715
Issued for cash (i)	29,601,270	2,664,114	11,764,715	10,000,000
Shares issued for the acquisition of a subsidiary	-	-	11,500,000	9,775,000
Share based payments to director & executive (ii)	9,444,443	678,651	731,453	-
Share based payments to advisory group	-	-	739,705	-
Share based payment for consulting services	-	-	147,059	50,000
Options exercised	-	-	9,927	4,964
Costs associated with the issue of shares	-	(54,779)	-	(148,088)
Balance at end of the period	101,818,047	38,098,577	62,772,334	34,810,591

(i) Relates to the issue of:

- 15,692,942 fully paid shares issued 26 July 2012 at a price of \$0.09 for a total of \$1,412,364 being the fully subscribed renounceable Rights Issue entitling existing shareholders to subscribe for new shares on the basis of 1 new share for every 4 shares held at 20 June 2012.
- 13,908,328 fully paid ordinary shares issued at a price of \$0.09 on 3 August 2012 which comprised a placement of \$1,100,000 and additional oversubscriptions of \$151,750.

(ii) Relates to the issue of:

- 3,888,888 fully paid ordinary shares to Mr Peter Martin as Director approved by shareholders at the 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 period under review.
- 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.

	31 December 2012 No.	30 June 2012 No.
	Options over ordinary shares	
Options on issue at beginning of period (post consolidation)	39,761,399	27,788,658
Options issued during the year (i)	12,000,000	12,970,000
Options exercised during the year	-	(9,927)
Options cancelled during the year	-	(933,332)
Options expired during the year	(3,985,000)	(54,000)
Options on issue at end of period	47,776,399	39,761,399

(i) 12,000,000 performance-based options

On 21 August 2012 the Board approved the issue to Executives and other staff members of 12,000,000 performance-based options to take up fully paid ordinary shares of the Company.

On 21 September 2012, 10,250,000 performance-based options were granted to selected employees. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 10,250,000 options granted commenced on 21 September 2012 and expires on 21 September 2015 and are exercisable subject to certain financial performance criteria being achieved in FY15.

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

On 13 November 2012 an award of 1,750,000 performance-based options to Mr Thomas Cregan as Managing Director was approved by shareholders at the General Meeting. The share options are not listed, carry no rights to dividends and no voting rights. The contractual life of each of the 1,750,000 options granted commenced on 13 November 2012 and expires on 21 September 2015 and are exercisable subject to certain financial performance criteria being achieved in FY15.

No expense was recognised in profit or loss in the period under review in relation to the award of the 12,000,000 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.

		Consolidated	
		31 December 2012 No.	30 June 2012 No.
Date of Expiry	Exercise Price		
31-Oct-12	\$0.60	-	15,000
2-Nov-12	\$0.85	-	3,970,000
31-Dec-12	\$0.55	30,000	30,000
19-Apr-13	\$0.50	26,079,731	26,079,731
1-Jun-14	\$1.30	666,668	666,668
18-Jul-14	\$1.45	4,800,000	4,800,000
18-Jul-14	\$1.45	1,200,000	1,200,000
5-Jan-15	\$0.50	2,000,000	2,000,000
4-Feb-15	\$0.50	1,000,000	1,000,000
30-Sep-15	\$0.15	12,000,000	-
		47,776,399	39,761,399

NOTE 4 OPTIONS RESERVE

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
Balance at beginning of the financial year	1,604,787	325,436
Share-based payments	333,426	1,279,351
Balance at end of the period	1,938,213	1,604,787

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 4 OPTIONS RESERVE (continued)

The option reserve arises on the grant and/or issue of share options. Amounts are transferred out of the reserve to accumulated losses when the options lapse or expire. When options are exercised, amounts carried in the reserve related to those particular options are dealt with based on their origination. 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 5 LOSS PER SHARE

	Consolidated	
	31 December 2012	31 December 2011
Basic loss per share - cents	3.89	7.83
Weighted average number of ordinary shares used in calculation of loss per share	93,193,842	61,707,131
Loss used in calculation of basic loss per share (\$)	(3,624,022)	(4,829,064)

Diluted loss per share is not presented as the entity does not have on issue any dilutive potential ordinary shares.

NOTE 6 PLANT AND EQUIPMENT

	Consolidated				
	Computer Equipment	Office Equipment	Leasehold Improvements	Low Value Pool	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012					
At 1 July 2012, net of accumulated depreciation and impairment	338,982	67,712	361,770	5,434	773,898
Additions	19,937	2,760	3,710	-	26,407
Depreciation charge for the year	(57,829)	(3,848)	(34,031)	(4,290)	(99,998)
At 31 December 2012, net of accumulated depreciation and impairment	301,090	66,624	331,449	1,144	700,307
At 31 December 2012					
Cost or fair value	546,880	90,635	416,125	23,041	1,076,681
Accumulated depreciation and impairment	(245,790)	(24,011)	(84,676)	(21,897)	(376,374)
Net carrying amount	301,090	66,624	331,449	1,144	700,307

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 7 GOODWILL

	Consolidated
	Goodwill
	\$
Gross carrying amount	
Balance at 1 July 2012	10,777,373
Additions	-
Acquisitions through business combinations	-
Disposals or classified as held for sale	-
Balance at 31 December 2012	10,777,373

No impairment loss was recognised for continuing operations for the period ended 31 December 2012.

Goodwill has been allocated for impairment testing to the Emerchants Payment Solutions Limited cash generating unit. The recoverable amount of the Emerchants Payment Solutions Limited cash generating unit 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.

The discount rate applied to cash flow projections is 11.3%.

Carrying amount of goodwill, allocated to the cash generating units

	Consolidated			
	Emerchants Payment Solutions Limited		Total	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
			\$	\$
Carrying amount of goodwill	100%	100%	10,777,373	10,777,373

NOTE 8 CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		31 December 2012	30 June 2012
		%	%
Parent Entity			
Emerchants Limited (formerly Adept Solutions 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 (formerly Emerchants Limited)	Australia	100	100

NOTE 9 INTANGIBLE ASSETS

	Consolidated					
	Acquired software licenses	Internally generated software	Brand & customer lists	Restraint of trade	Customer contract	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012						
At 1 July 2012, net of accumulated amortisation and impairment	1,131,036	200,487	45,000	-	-	1,376,523
Additions	59,108	-	-	-	-	59,108
Amortisation charge for the year	(355,400)	(25,061)	-	-	-	(380,461)
At 31 December 2012, net of accumulated amortisation and impairment	834,744	175,426	45,000	-	-	1,055,170
At 31 December 2012						
Cost or fair value	1,880,899	250,608	45,000	54,000	1,040,325	3,270,832
Accumulated amortisation and impairment	(1,046,155)	(75,182)	-	(54,000)	(1,040,325)	(2,215,662)
Net carrying amount	834,744	175,426	45,000	-	-	1,055,170

NOTE 10 BORROWINGS

		Consolidated	
		31 December 2012	31 December 2011
		\$	\$
V Selochan	(i)	-	50,000
Globetrotter Group Pty Ltd	(ii)	348,266	348,266
		348,266	398,266

(i) The loan from V Selochan was fully repaid by Emerchants Payment Solutions Limited in September 2012.

(ii) The loan from Globetrotter Group Pty Ltd (Globetrotter Group) is an unsecured non-interest bearing loan repayable in the ordinary course of the Emerchants Payment Solutions Limited business.

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 10 BORROWINGS (continued)*Claim by Globetrotter Group Pty Ltd*

Globetrotter Group Pty Ltd (**Globetrotter Group**) has commenced legal proceedings in the District Court of Western Australia against Emerchants Payment Solutions Limited in the amount of \$378,407 (incorporating interest on the principal despite the fact that the loan was non-interest bearing), in respect of management services fees provided to the Company by Globetrotter Group and a loan from Globetrotter Group to the Company. The dispute is related to the expected timing of payment to Globetrotter Group and whether such payment should be offset against the Company's claims against Globetrotter Group in respect of warranties given by it to the Company under the Share Purchase Deed for the acquisition by the Company of shares in Emerchants Payment Solutions Limited. Globetrotter Group's claim is disputed by Emerchants Payment Solutions Limited.

Claim against Globetrotter Group Pty Ltd and the Vendors

The Company has commenced legal proceedings in the Supreme Court of Western Australia against Globetrotter Group Pty Ltd (**Globetrotter Group**), EMH, John Richard Battley, Richard Thomas Ferguson and Anthony Thomas Ferguson, in respect of warranties given by it to the Company under the Share Purchase Deed for the acquisition by the Company of shares in Emerchants Payment Solutions Limited. The Company is seeking damages in the amount of approximately \$240,000 plus interest and costs. This amount has not been offset against the loan from the Globetrotter Group or accounted for elsewhere in the Group's financial statements.

NOTE 11 RELATED PARTIES

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

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

	Consolidated			
	Expenditure Related Parties		Amounts Owed to Related Parties	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	\$	\$	\$	\$
<i>Expenses</i>				
J Terpu and B Firriolo (as Directors of the CAS Trust & BCF Trust trading as Chellserv for administration services)	-	353,087	-	49,759
J Terpu (as Director of Valleybrook Investments Pty Ltd for 12 months option for the Parent Entity to acquire Prospecting Licence 38/3313)	-	1,107	-	-
J. Battley (as Director of Globetrotter Corporate Travel Pty Ltd for corporate travel services)	-	44,197	-	-
J. Toms (Oakton Pty Ltd for corporate governance services)	2,922	85,683	-	-

Transaction balances with related parties are settled in cash within 30 days of invoice date.

Refer to Note 3 in relation to shares and options issued to Directors, executives and employees.

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 12 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 31 December 2012 is \$20,664,816 (2011: \$14,239,937).

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.

Debit Card Value (DCV) account with Bank of Western Australia Limited (Bankwest)

Bankwest provides a DCV 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. Bankwest has sole authority to transact on the licensee DCV account. Due to the fact that the licensee does not have ownership or the right to direct operation of the DCV account the account is not recognised as an asset in the financial statements of the Company. The total Emerchants Payment Solutions Limited system cardholder account balances as at 31 December 2012 is \$1,121,008 (2011: \$530,531).

Under the agreement:

- i. Emerchants Payment Solutions Limited shall indemnify, defend and hold Bankwest harmless against any losses incurred by Bankwest arising from any and all claims and actions brought by and third party (including legal costs on a full indemnity basis), and
- ii. The licensee is liable to Bankwest in respect of any debit balance of the HBSV account and in respect of any other moneys owing or contingently owing by the licensee to Bankwest under or in connection with the HBSV account.

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

Heritage provides a PCD account to Emerchants Payment Solutions Limited for use as a licensee which facilitates clients of Emerchants Payment Solutions Limited to deposit funds relating to 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 31 December 2012 is \$102,981 (2011: Nil).

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.

Notes to the Condensed Financial Statements

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

NOTE 12 SEGMENT INFORMATION

The Group has one reportable segment being the provision of payment services in Australia.

NOTE 13 SUBSEQUENT EVENTS

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

DIRECTORS' DECLARATION

Emerchants Limited (formerly Adept Solutions Limited) and Controlled Entities
For the half-year ended 31 December 2012

DIRECTORS' 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 31 December 2012 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.

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



Robert Browning
Chairman

20 February 2013



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Emerchants Limited (formerly Adept Solutions Limited)

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerchants Limited (formerly Adept Solutions Limited) ("the company") which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Email: hlb@hlbwa.com.au Website: <http://www.hlb.com.au>
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HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organization of accounting firms and business advisers.



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Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R Wohm'.

M R WOHM
Partner

Perth, Western Australia
20 February 2013

Appendix 4D

Half year report

Half-Year ended 31 December 2012

Introduced 1/1/2003

Name of entity

Emerchants LimitedABN or equivalent company
reference**93 104 757 904**

1. Half year ended (current period) Half year ended ('previous corresponding period')

31 December 2012	31 December 2011
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2. Results for announcement to the market

				\$A
2.1	Revenues & other income	up	47.8%	To 2,404,026
2.2	Loss from ordinary activities after tax attributable to members	down	25.0%	To 3,624,022
2.3	Net loss for the period attributable to members	down	25.0%	To 3,624,022
Dividends (distributions)				
		Amount per security		Franked amount per security
2.4	Final dividend (<i>Preliminary final report only</i>)	N/A		N/A
2.4	Interim dividend (<i>Half yearly report only</i>)	N/A		N/A
2.5	Record date for determining entitlements to the dividend	N/A		
2.6	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.			
	Refer to the review of operations report in the half year financial report.			

3. NTA backing		As at 31 December 2012	As at 30 June 2012
	Net tangible assets per security ¹	3.07 cents	4.47 cents

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

4. Control gained over entities having material effect

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

Loss of control of entities having material effect

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

5. Dividends / Distributions

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

6. Total Dividends /Distributions

Ordinary securities

N/A

Preference securities

N/A

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

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

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

8. Foreign Entities

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

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