

22 October 2014

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

APPENDIX 4C – Q1FY15 QUARTERLY CASH FLOW STATEMENT

Please find attached the Appendix 4C “Quarterly Report” for Emerchants Limited (**Company**) for the quarter to 30 September 2014 (**Q1FY15**).

The following are additional explanatory notes to be read in conjunction with the Report.

Cash outflows from operations were \$479K for the quarter, an improvement of \$657K on the prior year’s comparative quarter (Q1FY14) and \$299K on the immediate prior quarter.

The quarter was positively impacted by:

- Strong growth in our re-loadable operating metrics, with Total funds loaded up 182%, Transactions up 210% and Stored Value up 104% over the prior comparative period, largely driven by growth in programs including Ingogo, Ladbrokes and Nimble.
- Despite previous guidance that our non-reloadable (gift card) was expected to be flat in FY15 versus FY14, we have experienced a strong first quarter in FY15, with Total funds loaded up 28%, Transactions up 18% and Stored Value up 36% over the prior comparative period.
- The receipt of establishment fees from newly signed online wagering and consumer lending customers.
- Continued cost control measures.

Included in the \$479K of cash outflows was an expense of \$110K relating to some of the transaction costs associated with the acquisition of Store Financial Services UK Limited (**SFUK**). We will incur additional transaction costs in the current quarter associated with the acquisition. However \$1.5M of our recent institutional raising was intended to cover transaction costs, including costs associated with the capital raising.

The outlook for the year ahead remains positive as we benefit from the launch of programs with Sportsbet, Bet Easy and CC Investment Group, continued growth from our existing programs and new business development initiatives, as well as the traditional Christmas seasonality in our non-reloadable products and the financial contribution from SFUK.

The Directors are satisfied that the Company has adequate funding, that its current balance sheet is sound, and that the Company complies with Listing Rule 12.2.

The tables below summarise the Company’s quarterly progress, with key inflows and outflows described in further detail below.

Table 1: Emerchants key operating metrics

Thousands	Q1FY14 Quarter	FY14 Year-to-Date	Q1FY15 Quarter	FY15 Year-to-Date
\$ Total Funds loaded onto accounts ¹	31,786	31,786	62,797	62,797
Reloadable	14,269	14,269	40,294	40,294
<i>% Change on prior comparative period</i>	<i>16%</i>	<i>16%</i>	<i>182%</i>	<i>182%</i>
Non-Reloadable / Gift	17,517	17,517	22,503	22,503
<i>% Change on prior comparative period</i>	<i>15%</i>	<i>15%</i>	<i>28%</i>	<i>28%</i>
No. key transactions²	963	963	1,524	1,524
Reloadable	204	204	632	632
<i>% Change on prior comparative period</i>	<i>54%</i>	<i>54%</i>	<i>210%</i>	<i>210%</i>
Non-Reloadable / Gift	759	759	892	892
<i>% Change on prior comparative period</i>	<i>13%</i>	<i>13%</i>	<i>18%</i>	<i>18%</i>
No. active accounts > \$0 ³	518	518	560	560
Reloadable	43	43	68	68
<i>% Change on prior comparative period</i>	<i>34%</i>	<i>34%</i>	<i>60%</i>	<i>60%</i>
Non-Reloadable / Gift	475	475	491	491
<i>% Change on prior comparative period</i>	<i>15%</i>	<i>15%</i>	<i>3%</i>	<i>3%</i>
\$ Stored value residing on accounts⁴	20,229	20,229	31,002	31,002
Reloadable	5,101	5,101	10,390	10,390
<i>% Change on prior comparative period</i>	<i>82%</i>	<i>82%</i>	<i>104%</i>	<i>104%</i>
Non-Reloadable / Gift	15,128	15,128	20,612	20,612
<i>% Change on prior comparative period</i>	<i>13%</i>	<i>13%</i>	<i>36%</i>	<i>36%</i>

Reloadable metrics

Usage based metrics (funds loaded and transaction volumes) for the reloadable segment experienced strong growth for Q1FY15 in comparison to the prior year's comparative quarter (Q1FY14). Total Loads and Key Transactions for Q1FY15 experienced significant growth of 182% and 210% respectively, compared to Q1FY14. Growth in the reloadable segment is largely contributed by the addition of new material clients including Ingogo, Ladbrokes and Cash Converters that were not established in the prior comparative period, as well as the sustained growth from established clients such as Nimble.

¹ Total funds loaded onto prepaid accounts – total of initial and subsequent loads. This excludes any funds that clients have deposited with the Companies ADI and not loaded onto a prepaid account.

² Key transactions constituting activity such as redemption or attempted redemption of prepaid value.

³ Number of active prepaid accounts measured at the end of the period with a balance greater than \$0.00. Accounts that have expired, been made inactive or have no funds associated with them are excluded.

⁴ Total value on deposit for the prepaid portfolio measured at the end of the period. Represents unredeemed stored value that is available for the account holder to redeem.

Active accounts also reflect similar increases with 60% more accounts in the reloadable segment than Q1FY14. The increase in active accounts and funds loaded has resulted in an increase in Stored Value by 104% from \$5.1m at Q1FY14 to \$10.39m at Q1FY15.

We are pleased to advise that the CC Investment Group (Cash Converters Franchisee) program is now in market and we will see several program launches in the coming months, including Sportsbet, Bet Easy, BetStar, Bookmaker.com.au and MoneyMe.

[Non-Reloadable / Gift metrics.](#)

Usage based metrics (funds loaded and transaction volumes) for the non-reloadable segment experienced growth for Q1FY15 in comparison to the prior comparative quarter (Q1FY14). Loaded funds increased by 23%, whilst transactions increased by 18% for the quarter against the previous comparative period. Similarly, active accounts in the non-reloadable segment increased by 3% from the previous comparative quarter.

The performance of the operating metrics was higher than our expectations, given we had previously provided guidance that we expected our results in non-reloadable products to be flat versus the 2014 financial year. In the coming quarter, we look forward to the traditional seasonality that we experience in December associated with Christmas gift card sales and transactions.

Table 2: Quarterly cash flow summary

\$ Thousands	Q1FY14 Quarter	FY14 Year-to-Date	Q1FY15 Quarter	FY15 Year-to-Date
Operations	(1,135)	(1,135)	(479)	(479)
<i>% Change on prior comparative period</i>	<i>+2%</i>	<i>+2%</i>	<i>+58%</i>	<i>+58%</i>
Investing	2	2	(197)	(197)
<i>% Change on prior comparative period</i>	<i>+110%</i>	<i>+110%</i>	<i>n/a</i>	<i>n/a</i>
Financing	7,062	7,062	-	-
<i>% Change on prior comparative period</i>	<i>+188%</i>	<i>+188%</i>	<i>-100%</i>	<i>-100%</i>
Total inflows (outflow)	5,928	5,928	(676)	(676)
Closing Cash	7,288	7,288	3,820	3,820

Cash outflows from operations

Q1FY15 saw a 58% improvement in operational outflows compared to the prior year's comparative quarter (Q1FY14). That was a pleasing result given it included the \$110K in aforementioned transaction costs associated with the SFUK acquisition and the reinstatement of Directors fees which commenced in July.

Cash outflows from investing activities

The cash outflow reflected in Q1FY15 relates to the previously mentioned expenditure in I.T infrastructure enhancements.

Cash outflows from financing activities

Subject to receiving shareholder approval for the acquisition of SFUK, no further finance activities are expected in the near term as the Board considers the current funding and capital structure appropriate based on the Company's operating outlook.

-ENDS-

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Emerchants Limited

ABN

93 104 757 904

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	1,679	1,679
1.2 Payments for:		
(a) staff costs	(1,276)	(1,276)
(b) advertising and marketing	(43)	(43)
(c) leased assets	(5)	(5)
(d) other working capital	(458)	(458)
(e) accounting and administrative services	-	-
(f) acquisition-related expenses *	(110)	(110)
(g) exploration expenditure	-	-
(h) software and systems infrastructure	(136)	(136)
(i) risk and compliance	(169)	(169)
(j) rent and utilities	(108)	(108)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	147	147
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net operating cash flows	(479)	(479)

* Acquisition costs relating to the acquisition of Store Financial Services UK Limited

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(479)	(479)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property/intangible assets	(192)	(192)
(d) physical non-current assets	(5)	(5)
(e) other non-current assets	-	-
(f) cash included on consolidation of subsidiary	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
Net investing cash flows	(197)	(197)
1.14 Total operating and investing cash flows	(676)	(676)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Share Issue costs	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(676)	(676)
1.21 Cash at beginning of quarter/year to date	4,496	4,496
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	3,820	3,820

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	422
1.25	Aggregate amount of loans to the parties included in item 1.11	Nil

1.26 Explanation necessary for an understanding of the transactions

Payments to Executive Directors, Non-Executive Directors and Associates of the directors is broken down as follows:

\$000's

Directors and Executive Directors fees	324
Superannuation	104
Associates of the directors	-
Total	422

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	798	970
4.2 Deposits at call	3,022	3,526
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	3,820	4,496

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a)) N/A
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Director

Date: 22 October 2014

Print name: Tom Cregan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.