Money in Motion

+61 (07) 3557 1100

Level 12
333 Ann Street
Brisbane QLD 4000

EML Payments Limited

28 February 2024

ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

EML announces 1H24 results

- **Revenue of $150.7 million (+ 30% on 1H23)**
- **Group underlying EBITDA of $29.3 million[1] (+ 119% on 1H23)**
- **Net loss after tax of $12.4 million inclusive of impairment of $9.3 million in relation to PCSIL intangibles as previously flagged**
- **Cash balance as at 31 December 2023 of $77.3 million, with underlying operating cash flows of $20.8 million**
- **Progress made on the four operational priorities announced in April 2023, including the resolution of PSCIL via liquidation**
- **FY24 underlying EBITDA guidance of $52-58 million reaffirmed.**

EML Payments Limited (ASX:EML) ("**EML**") has today released its 1HFY24 Appendix 4D and Financial Results.

EML's Interim Group Chief Executive Officer Kevin Murphy said:

"I'm pleased today to announce strong revenue growth which is up 30% in the half to $150.7 million. Underlying EBITDA has also grown 119% to $29.3 million. The result reflects stable recurring revenue generation in all three business units (GPR, Gifting and Digital Payments) as well as a material uplift in interest revenue driven by strong treasury management and market rate improvement.

"We recently announced the provisional liquidation of PCSIL, subsequently ratified by the Irish High Court on the 13 February 2024. Significant management time and resource is now pointed at our core business which we believe has significant room for optimization.

"Beyond these announcements, we have made progress in restoring corporate stability and are gaining momentum on our operational priorities where we are focused on solving remediation and operational challenges in our PFS Group, rebuilding our senior leadership team to upweight execution capabilities, and rebuilding our go to market team as we look to grow the profitable parts of our business. There is more work to do, particularly around the cost optimization program and energizing our sales efforts in all markets. The strategic review remains ongoing.

"Together with the Board, the leadership team will remain focused on creating a stronger EML in the near term."

Money in Motion

About EML Payments Limited

EML Payments is a global payments company that operates in Australia, the UK, Europe, and the US. Our customers are diverse and include major banks in Europe, government, retail brands and financial services companies. For more information: EMLPayments.com

This announcement has been authorised for release by the Board of Directors.

For further information, please contact:

Investor enquiries

M +61 455 470 055
E investorrelations@emlpayments.com

Media enquiries

Lauren Thompson
M +61 438 954 729

Celia Moore
M +61 432 344 069

+61 (07) 3557 1100

Level 12
333 Ann Street
Brisbane QLD 4000

EML Payments Limited

Rule 4.2A.3

Appendix 4D

Half year report
Half-year ended 31 December 2023

Introduced 1/1/2003

Name of entity

EML Payments Limited

ABN or equivalent company reference

93 104 757 904

1.

Half year ended (current period)	Half year ended ('previous corresponding period')
31 December 2023	31 December 2022

2. Results for announcement to the market

		Movement	31 December 2023	31 December 2022
			A$'000	A$'000
2.1	Revenues & other income	30%	150,715	116,210
2.2	Profit/(Loss) from ordinary activities after tax attributable to members	(90%)	(12,364)	(129,880)
2.3	Profit/(Loss) for the period attributable to members	(90%)	(12,364)	(129,880)

Dividends (distributions)		Amount per security	Franked amount per security
2.4	Final dividend *(Preliminary final report only)*	N/A	N/A
2.4	Interim dividend *(Half yearly report only)*	N/A	N/A
2.5	Record date for determining entitlements to the dividend	N/A	
2.6	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood. Refer to the Performance Overview in the half-year financial report.		

3. NTA backing		As at 31 December 2023 $	As at 30 June 2023 $
	Net tangible assets per security [1]	(0.02)	(0.05)

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

4. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of gain 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	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

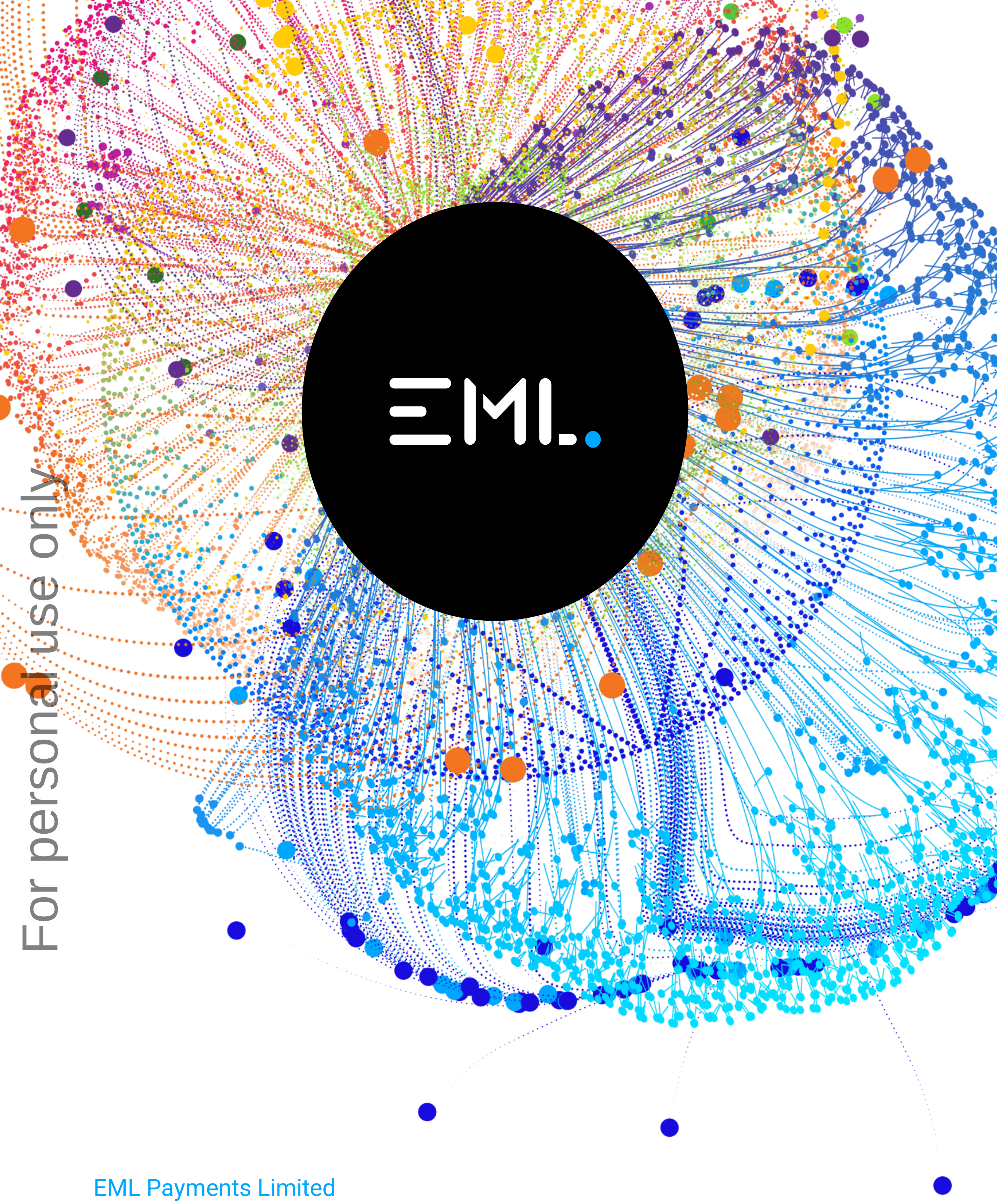
Name of associate/joint venture:	N/A		
Holding in entity		N/A	
Group's share of associates' and joint venture entities':		Current period $A'000	Previous corresponding period - $A'000
Profit (loss) from ordinary activities before tax		N/A	N/A
Income tax on ordinary activities		N/A	N/A
Profit (loss) from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

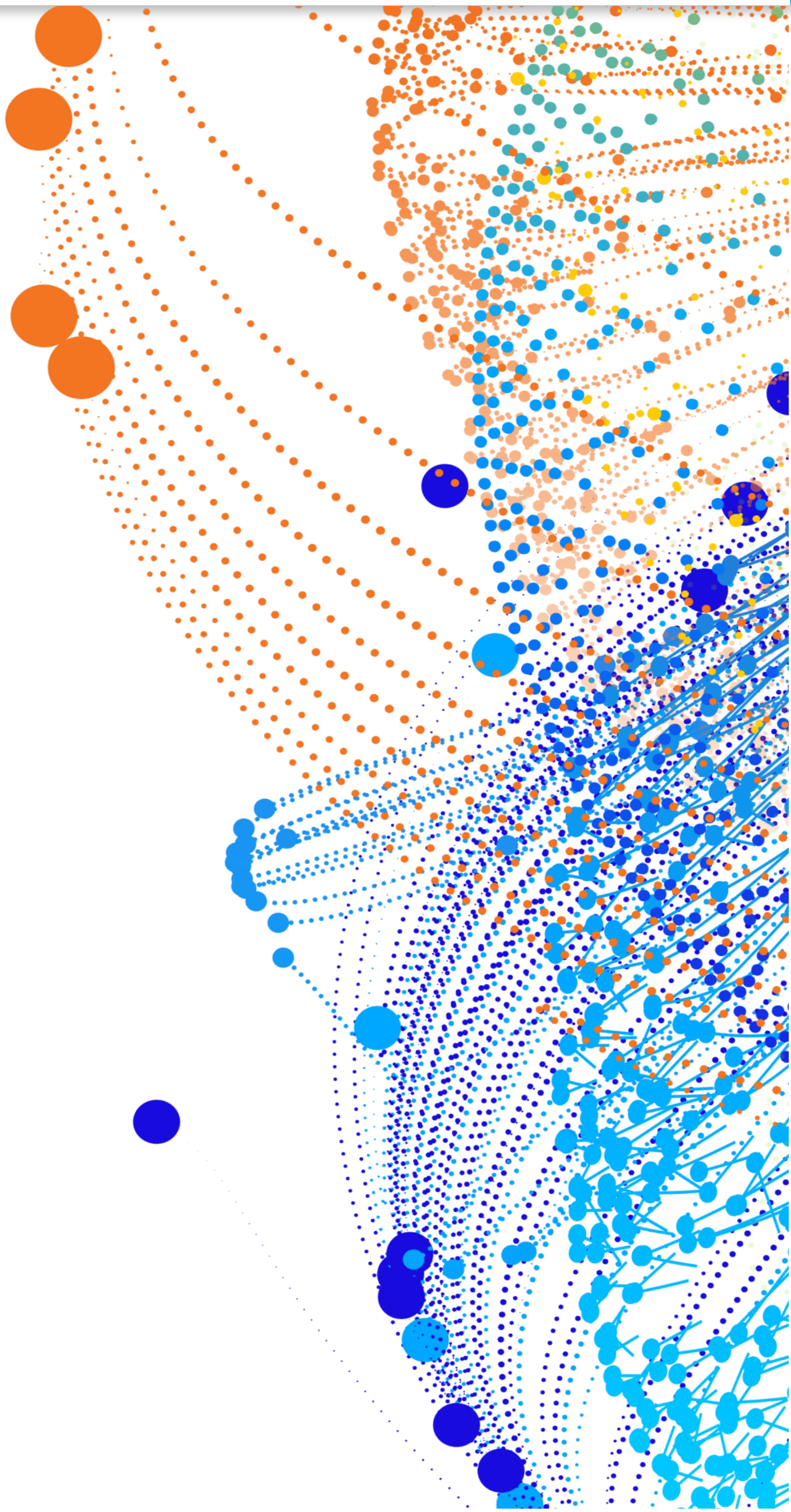
9. All Entities

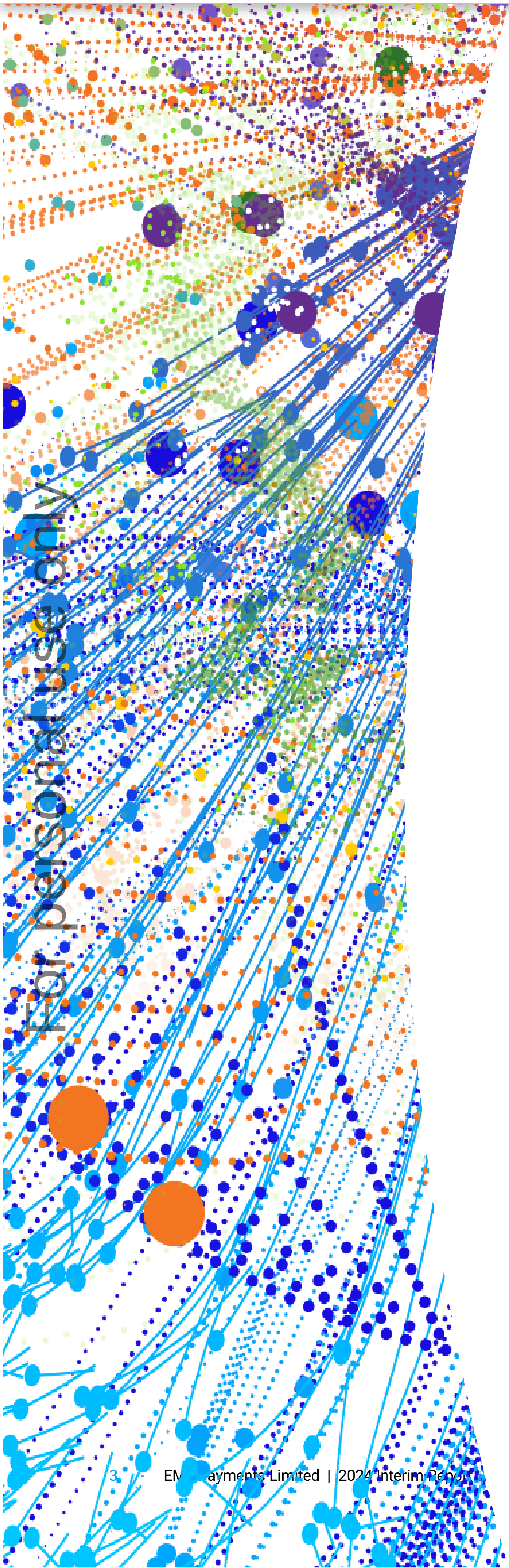
A description of Accounts subject to audit dispute or qualification: N/A



EML Payments Limited

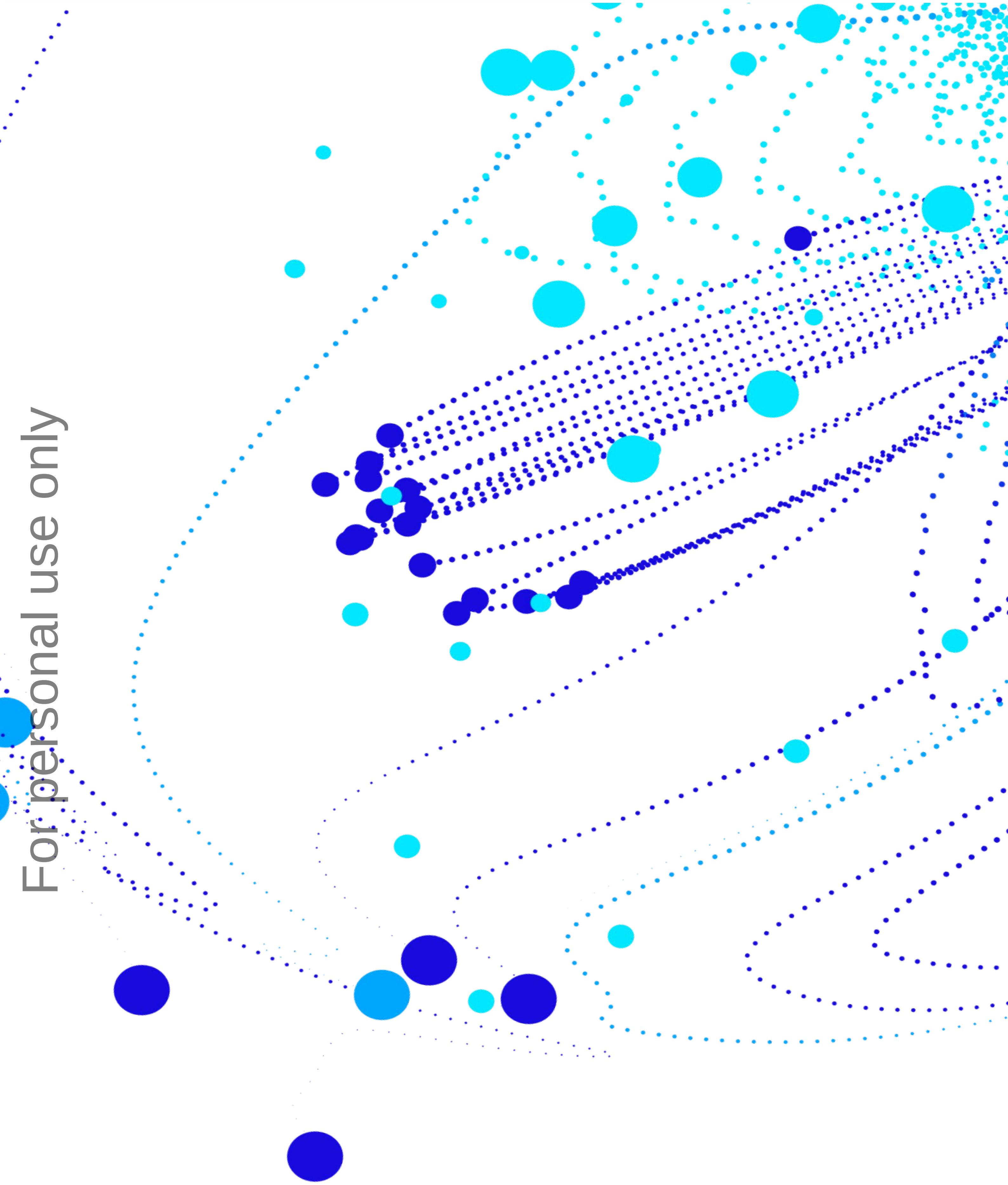
2024 Interim Report.





— 01

Performance overview.



Performance overview.

Financial performance highlights.

Revenue growth of 30% on the PCP to $150.8 million, including significant growth in interest revenue to $34.7 million from PCP.

Underlying gross profit[1] improved 41% to be $111.0 million (PCP: $78.9 million) as a result of the improved transaction revenue, breakage and account management fees as well as the interest revenue of $34.7 million.

Underlying EBITDA[1] of $29.3 million (PCP: $13.4 million) is a result of the increase in gross profit offset by anticipated operational overheads increases in particular employee entitlements, professional fees and information technology related costs.

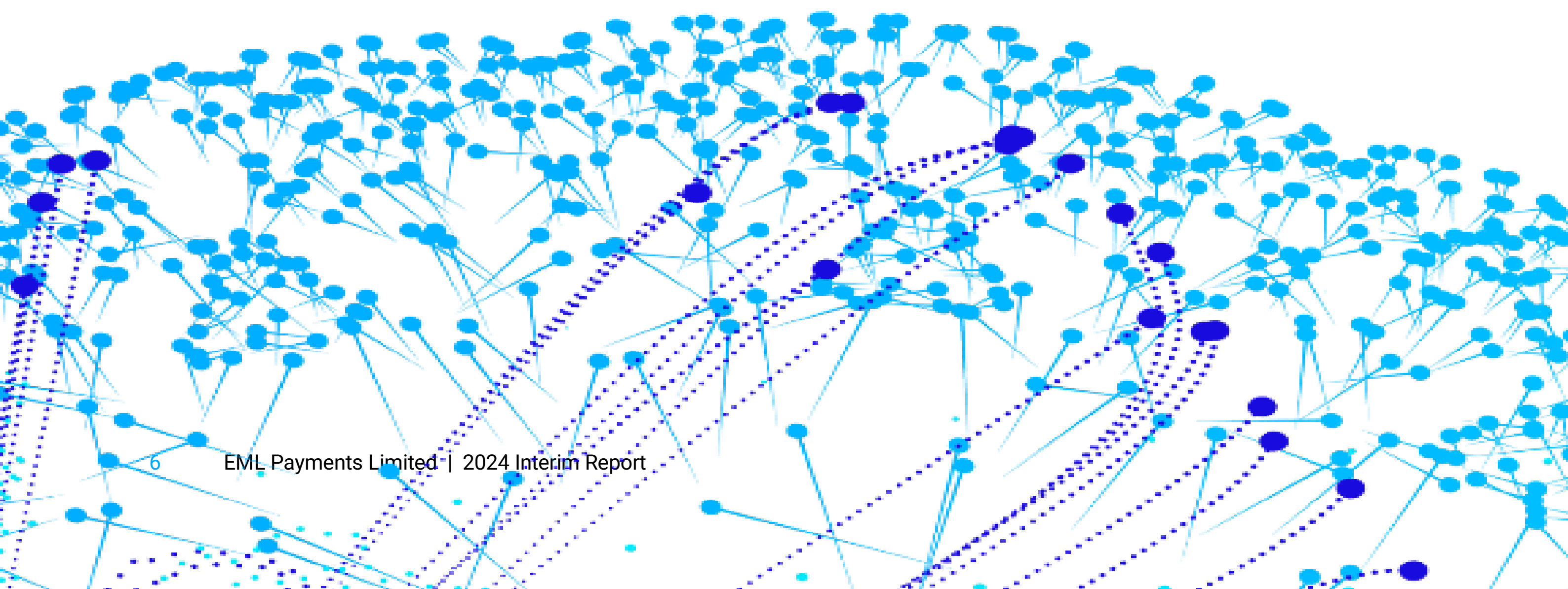
Net loss for the period $12.4 million (PCP: loss of $129.9 million) largely as a result of impairment expense for the Prepaid Financial Services (Ireland) Limited (PFS) software and customer contracts of $9.3 million (31 December 2022: total Group impairment $121.4 million).

The Group's closing cash balance of $77.3 million being a 8% increase during the half year attributable to the increased interest received offset by tax paid, investment in fixed assets of $5.6 million (31 December 2022: $6.8 million).

The Group has continued its focus on reshaping EML as a stronger and simpler business for our shareholders, customers and employees. This has included key focus on core, profitable and cash flow positive businesses as part of the ongoing strategic review activities. For further details please refer to the Investor Presentation released with this financial report.

Please refer to the Directors Report on page 13 for details of subsequent events for the Group.

[1] Underlying gross profit and underlying EBITDA is explained on page 7 within the Performance overview. These measures are non-IFRS measures and have not been audited or reviewed.



Performance overview.

Summary Financial Performance.

($'000)	Six months ended 31 December 2023	Impact	Six months ended 31 December 2022
Revenue	150,715	30%	116,210
Gross profit	**110,785**	**58%**	**69,953**
Gross profit %	74%	22%	60%
Other income	19	(87%)	146
Employee and employee-related expense	(46,195)	(13%)	(40,799)
Professional fees	(13,949)	9%	(15,397)
Information technology related costs	(12,930)	(42%)	(9,099)
Other expenses – operating	(12,254)	9%	(13,473)
Operating EBITDA[1]	**25,476**	**394%**	**(8,669)**
Less:			
Share-based payments	(4,552)	(84%)	(2,480)
Depreciation and amortisation expense	(14,065)	13%	(16,142)
Acquisition costs	(780)	(194%)	(265)
Finance costs	(2,576)	(101%)	(1,283)
Loss on disposal of plant, equipment and right of use assets	-	100%	(527)
Impairment expense	(9,347)	92%	(121,377)
Add:			
Fair value gain on financial assets and liabilities	1,754	(91%)	19,160
Other income - non-operating	257	(88%)	2,131
Loss before tax	**(3,833)**	**97%**	**(129,453)**
Tax expense	(8,531)	(1,898%)	(427)
Net loss after tax (NLAT) for the period	**(12,364)**	**90%**	**(129,880)**

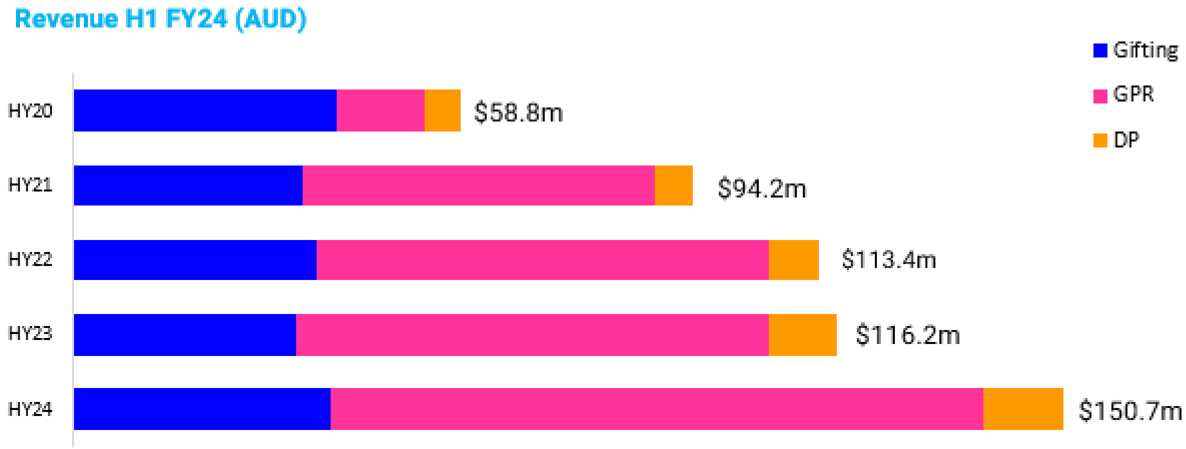
($'000)	Six months ended 31 December 2023		Six months ended 31 December 2022	
	Gross profit	EBITDA	Gross profit	EBITDA
As reported above	110,785	25,476	69,953	(8,669)
Add: AASB 3 fair value adjustment	164	164	437	437
Add back: Non-recurring regulatory remediation and class action costs	-	1,244	-	8,502
Add back: Non-recurring fraud losses	-	-	8,476	8,476
Add back: Non-recurring restructuring costs and strategy establishment	-	2,447	-	4,627
Underlying gross profit and EBITDA[1]	**110,949**	**29,331**	**78,866**	**13,373**

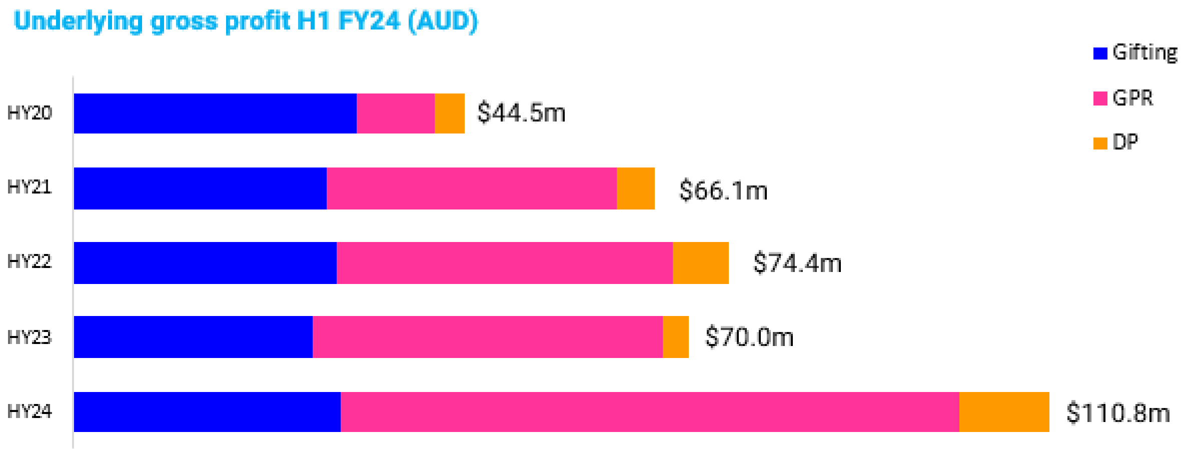
[1] Underlying gross profit and underlying EBITDA are non-IFRS measures and have not been audited or reviewed.

Performance overview.

Segment performance

The below provides the key segment metrics of revenue and underlying gross profit for the half-year period:





[1] Underlying gross profit and Underlying EBITDA is explained on page 7 within the Performance overview. These measures are non-IFRS measures and have not been audited or reviewed.

Performance overview.

Underlying gross profit

Underlying gross profit[1] improved 41% to be $111.0 million (PCP: $78.9 million) as a result of the improved transaction revenue, breakage and account management fees as well as the contribution from interest revenue of $34.7 million. The improved revenue has been partially offset by increased operating overhead costs relating to the increased transactional activity and fraud related costs for the half year.

Underlying adjustments to gross profit include the AASB 3 fair value interest adjustment relating to the PFS acquisition for the current and prior half year as well as $8.5 million of fraud losses in the PCP.

Underlying operating overhead costs

Underlying operating overhead costs (i.e. operating overhead costs adopted in calculating EBITDA adjusted for non-recurring items) have increased 25% compared to PCP. Details of non-operating and underlying adjustments are provided above on page 7.

Costs relating to employees increased by $8 million (+18%) (after adjusting for $0.5 million (PCP: $3.2 million) of non-recurring items) compared to the prior comparative period. As identified in the strategic review and as announced at the Annual General Meeting investment has been made into new leadership and our talent. The Group continues to review its cost base to deliver the cost reductions previously outlined.

An increase in other operating expenses of $8.5 million (+83% (after adjusting for $3.2 million (PCP: $10.3 million) predominantly attributable to professional fees in Gifting and PFS Ireland.

Non-operating overheads

Share-based payment expense is $4.6 million (PCP: $2.5 million). This includes the expense of grants issued in the current year relating to remediation activities and special incentive programs, Executive sign on rights have also been granted in the half year.

Depreciation and amortisation costs have decreased following the impairment of intangible amortising assets at 30 June 2023.

Impairment expenses of $9.3 million (31 December 2023: $121.4 million) were recognised in the half year in relation to acquired customer contracts and software from the Prepaid Financial Services Group, specifically the PFS Ireland cash generating unit (CGU) as per the detailed impairment assessment in note C3.

Fair value gain on contingent consideration related predominantly to the Sentenial acquisition of $1.7 million (31 December 2022: $19.3 million).

Underlying cost add backs

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

- There were $1.2 million (31 December 2022: $8.5 million) of non-recurring costs expensed resulting from the regulatory remediation requirements for the Prepaid Financial Services Group.
- The Group has been investing in strategic review activities and restructuring its business during the current and prior half year period. As a result, there have been a number of one-off costs which have been adjusted from underlying of $2.6 million (31 December 2022: $4.6 million).
- In PCP there are fraud losses relating to non-recurring incidents in the half year reflected costs of $8.5 million.

[1] Underlying gross profit and Underlying EBITDA is explained on page 7 within the Performance overview. These measures are non-IFRS measures and have not been audited or reviewed.

Performance overview.

Summary Financial Position.

($'000)	As at 31 December 2023	Growth	As at 30 June 2023
Total Current assets	2,547,092	6%	2,413,220
Total Non-current assets	596,466	3%	581,309
Total assets	**3,143,558**	**5%**	**2,994,529**
Total Current liabilities	2,922,960	8%	2,709,866
Total Non-current liabilities	54,971	(50%)	110,110
Total liabilities	**2,977,931**	**6%**	**2,819,976**
Net assets	**165,627**	**(5%)**	**174,553**
Equity	**165,627**	**(5%)**	**174,553**

Assets

Cash and cash equivalents

- The Group has cash reserves at the reporting date of $77.3 million (+8%) reflecting positive cash flows in the half year driven by increased earnings supported by interest receipts and reduced capital investment partially offset by higher tax paid on improved profits generated.

Segregated funds

- The segregated funds and bond investments total $2,736.7 million (30 June 2023: $2,576.2 million) offset by liabilities to stored value account holders of $2,722.8 million (30 June 2023: $2,566.5 million). The residual in the float, not offset by liabilities to stored value account holders, reflects the premium paid to purchase bond investments using corporate funds and will convert into cash in a future period.
- The Group has a current asset deficiency at 31 December 2023 of $375,868,000 (30 June 2023: $296,646,000). This is predominantly driven by the fact that a portion of the Group's segregated funds and bond investments assets of are classified as non-current based on the maturity dates of those investments while the Liabilities to stored value account holders are all current liabilities. The Directors have concluded that the Group is able to continue as a going concern for at least, but not limited to, 12 months from the date of this report.

Intangible assets

- EML has intangible assets of $173.3 million (30 June 2023: $192.5 million) which is comprised of acquired and internally generated software, customer relationships, customer contracts and goodwill. During the half year the Group invested $5.7 million in internally generated software assets and work in progress.
- An impairment loss against acquisition customer contracts for the PFS Ireland CGU has been recognised to the half year. Refer to Note C3 for details.

Liabilities

Provisions

- During the half year EML has continued to invest significant resources to address regulatory concerns in Europe. EML has a provision of $10.9 million (30 June 2023: $14.5 million) in relation to the regulatory remediation requirements.
- Shine Lawyers filed proceedings in the Supreme Court of Victoria. The proceedings allege that EML did not comply with its disclosure obligations and engaged in misleading and deceptive conduct regarding disclosure. EML has recognised a provision at the end of the half year of $14.1 million (30 June 2023: $15.1 million) to reflect legal costs associated with defending this action.

Contingent consideration

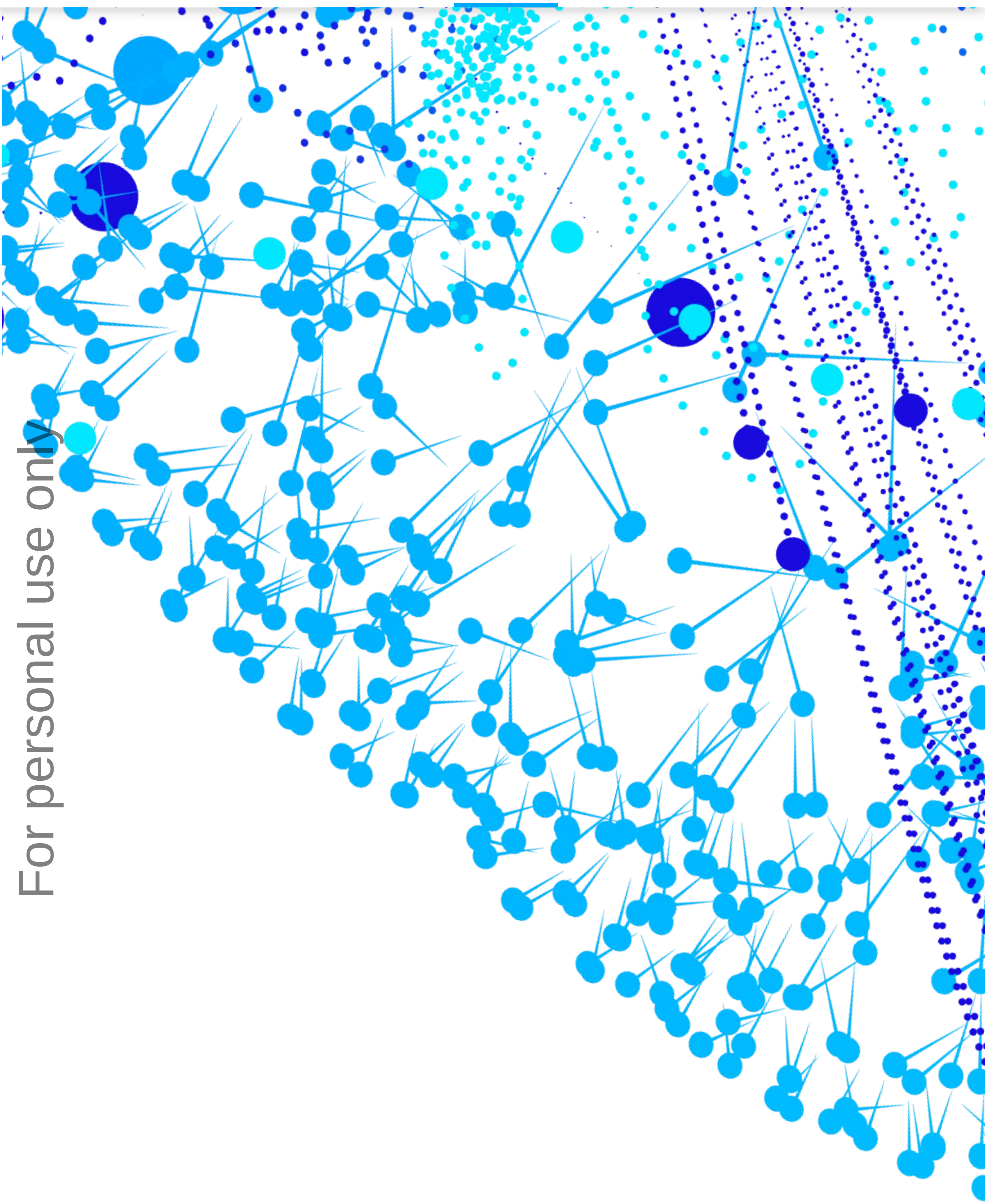
- This liability of $5.2 million (30 June 2023: $7.0 million) reflects the liability in relation to earnout on the Sentenial acquisition with the earnout period having ended on 31 December 2023.

Interest-bearing borrowings

- Total interest-bearing borrowings of $96.7 million reflecting external bank debt drawn in relation to the Sentenial acquisition in the prior year, loan notes relating to the Prepaid Financial Services Group in 2021 and lease liabilities. The Group has in early January 2024, secured an extension of the maturity date on its syndicated debt facility. Refer to the Directors Report on page 13 for further details on this significant event after reporting date.

— 02

Directors' report.



Directors' report.

The Directors submit herewith the financial report of EML Payments Limited and its controlled subsidiaries (the Group) for the half year ended 31 December 2023 and the review report thereon. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

Directors

The following persons were Directors of EML Payments Limited during the half year ended 31 December 2023 and up to the date of this report:

- Dr Luke Bortoli (Chair)
- Brent Cubis
- Connor Haley
- Manoj Kheerbat
- Peter Lang (appointed Executive Director and ceased as Independent Non-executive Director on 1 September 2023).

Review of operations

The full review of operations is included in the Performance Overview on page 6.

Significant events after balance date

In January 2024, Group has secured an extension of the existing loan facility which has deferred the maturity date of the drawn facility and an appropriately sized undrawn working capital facility of $20,000,000 (previously $50,000,000) to have a maturity date of 31 March 2025. To align with the current Group strategy, the remaining unused undrawn acquisition facilities totalling $145,000,000 (30 June 2023: $145,000,000) were cancelled as they were no longer deemed required for the Group to utilise.

After close of trading on 17 January 2024, the reconstituted Board of PFS Card Services Ireland Limited (PCSIL) with the approval of the Board of EML Payments Limited applied to the High Court of Ireland (the Court) for the appointment of a provisional liquidator. The Board considered a number of strategic options and ultimately concluded that the PCSIL business was no longer commercially viable and sustainable.

As at 3.35pm (GMT) on 17 January 2024, the Court appointed Interpath Advisory as the provisional liquidator with immediate effect. Interpath Advisory are now in control of PCSIL, its day-to-day activities and wind-down. Please refer to Note F1 for further details on this significant event including further details relating to related impairments and losses on deconsolidation as noted in the announcement on 18 January 2024. After close of business on 13 February 2024, the Court made an order to appoint Interpath Advisory as official liquidators.

There are no other transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company subsequent to 31 December 2023.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 15 and forms part of the Directors' report of the condensed consolidated interim financial report.

Rounding off of amounts

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

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

Dr Luke Bortoli
Independent Non-executive Chair

28 February 2024

Directors' declaration.

The Directors of EML Payments Limited (the Company) declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached consolidated interim financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

Dr Luke Bortoli
Independent Non-executive Chair

28 February 2024

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of EML Payments Limited

I declare that, to the best of my knowledge and belief, in relation to the review of EML Payments Limited for the half-year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Scott Guse

Partner

28 February 2024

Independent Auditor's Review Report

To the shareholders of EML Payments Limited

Conclusion

We have reviewed the accompanying ***2024 Interim Report*** of EML Payments Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Report of EML Payments Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2023 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***2024 Interim Report*** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2023
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the Interim Period ended on that date
- Notes A1 to F2 including selected explanatory notes
- The Directors' Declaration.

The ***Group*** comprises EML Payments Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the six (6) months ended on 31 December 2023.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Responsibilities of the Directors for the Condensed Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Condensed Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Condensed Interim Financial Report

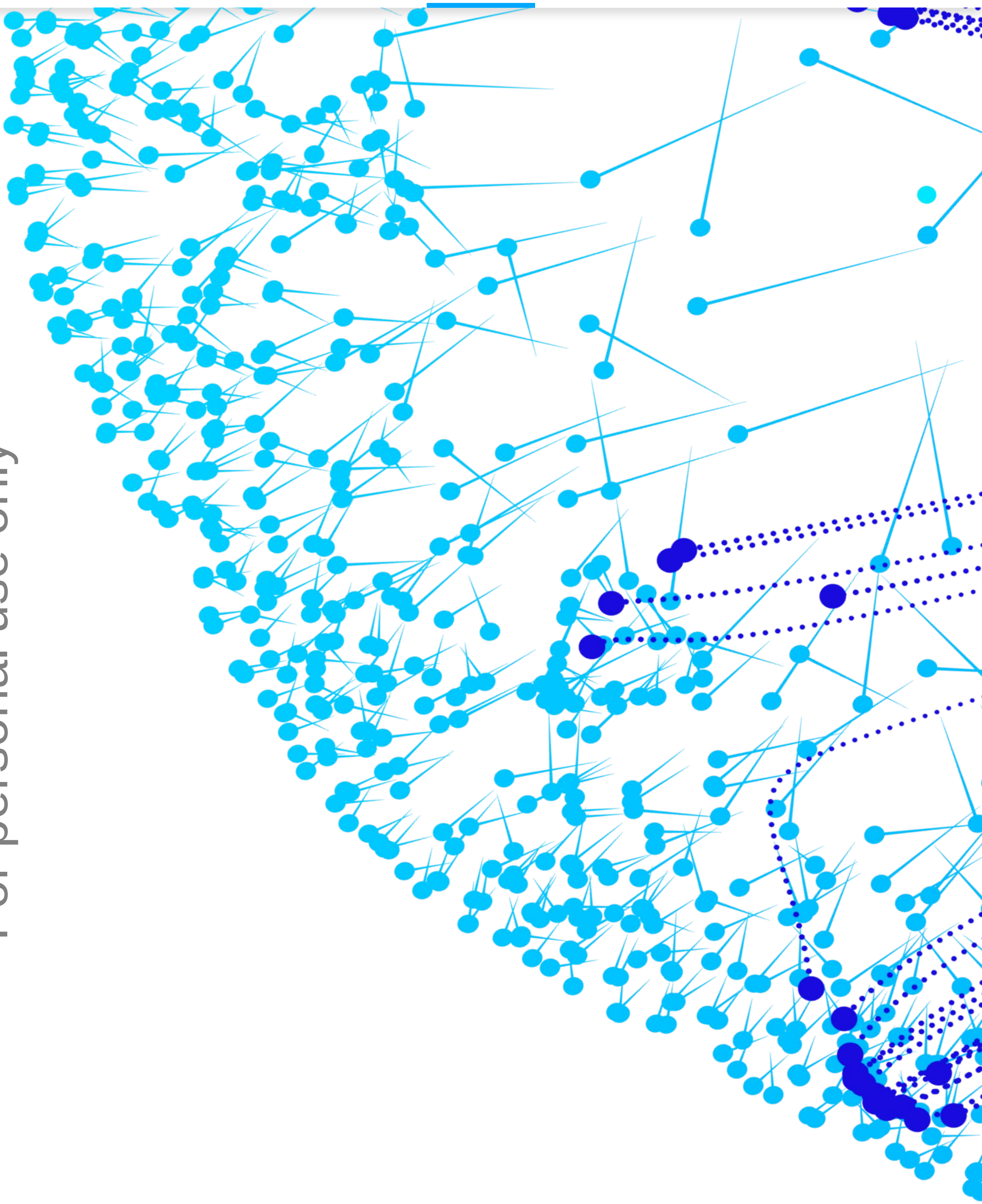
Our responsibility is to express a conclusion on the Condensed Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Interim Period 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.

KPMG

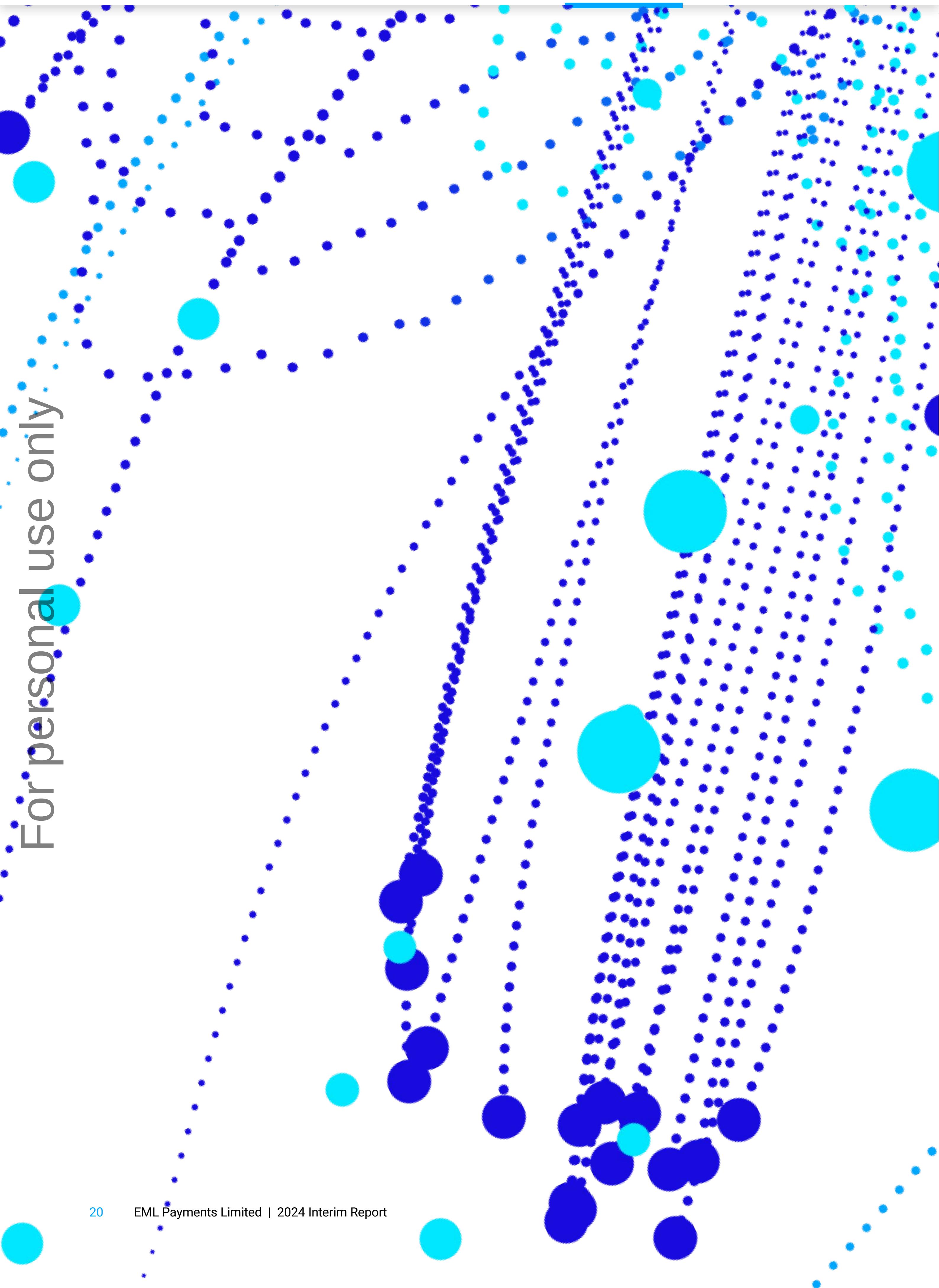
KPMG

Scott Guse	Ben Flaherty
Partner	Partner
Brisbane	Brisbane
28 February 2024	28 February 2024



— 03

Financial statements.



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

For the half year ended 31 December 2023.

		Consolidated	
($'000)	Notes	31 December 2023	31 December 2022[1]
Revenue from contracts with customers	A2	115,994	107,219
Interest income	A2	34,721	8,991
Total revenue		**150,715**	**116,210**
Expenses			
Selling costs[1]	A3	(39,930)	(46,257)
Employee and employee-related expenses		(46,195)	(40,799)
Professional fees	A4	(13,949)	(15,397)
Information technology related costs		(12,930)	(9,099)
Impairment loss on trade receivables[1]		(1,079)	(2,851)
Other operating expenses[1]	A5	(11,156)	(11,004)
Share-based payments	E3	(4,552)	(2,480)
Depreciation and amortisation expense		(14,065)	(16,142)
Acquisition and disposal related costs		(780)	(265)
Finance costs	A6	(2,576)	(1,283)
Impairment expense	C3	(9,347)	(121,377)
Fair value gain on financial assets and liabilities	A7	1,754	19,160
Other non-operating benefits	A5	257	2,131
Total expenses		**(154,548)**	**(245,663)**
Loss before tax		**(3,833)**	**(129,453)**
Income tax expense	A8	(8,531)	(427)
Net loss for the half year		**(12,364)**	**(129,880)**
Other comprehensive (loss)/income, net of tax			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(2,318)	7,495
Items that will not be reclassified subsequently to profit or loss:			
Loss on fair valuation of financial asset held at fair value through other comprehensive income, net of tax		-	(542)
Other comprehensive (loss)/income for the half year, net of tax		**(2,318)**	**6,953**
Total comprehensive loss for the half year		**(14,682)**	**(122,927)**
Total comprehensive loss for the half year attributable to:			
Equity holders of the parent		(14,682)	(122,927)
Loss per share (cents per share)			
Basic (cents per share)		(3.30)	(34.74)
Diluted (cents per share)		(3.30)	(34.74)

1 Refer to note F2(e) for details relating to the reclassification of the prior period balances.

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position.

For the half year ended 31 December 2023.

($'000)	Notes	Consolidated 31 December 2023	Consolidated 30 June 2023
Current assets			
Cash and cash equivalents		77,331	71,362
Contract assets	B1	24,886	27,482
Trade and other receivables		41,047	38,857
Other assets		14,167	12,318
Current tax receivable		2,481	3,169
Segregated funds and bond investments		2,387,180	2,260,032
Total current assets		**2,547,092**	**2,413,220**
Non-current assets			
Contract assets	B1	38,053	35,706
Trade and other receivables		7,411	7,809
Segregated funds and bond investments		349,514	316,208
Equity investments	C1	1,707	1,613
Other assets		167	301
Plant, equipment and right-of-use assets		9,599	10,570
Intangibles	C2	173,289	192,468
Deferred tax asset	A8	16,726	16,634
Total non-current assets		**596,466**	**581,309**
Total assets		**3,143,558**	**2,994,529**
Current liabilities			
Trade and other payables		91,742	82,284
Current tax payable		4,541	3,105
Other liabilities		5,850	7,165
Provisions		18,893	18,836
Interest-bearing borrowings	D1	73,896	24,951
Contingent consideration	C1	5,241	7,016
Liabilities to stored value account holders		2,722,797	2,566,509
Total current liabilities		**2,922,960**	**2,709,866**
Non-current liabilities			
Other liabilities		11,930	11,737
Provisions		7,790	11,888
Interest-bearing borrowings	D1	22,838	73,541
Deferred tax liability	A8	12,413	12,944
Total non-current liabilities		**54,971**	**110,110**
Total liabilities		**2,977,931**	**2,819,976**
Net assets		**165,627**	**174,553**
Equity			
Issued capital	E1	494,123	494,208
Accumulated losses		(351,970)	(339,606)
Foreign currency translation reserve		(24,825)	(22,507)
Share and options reserve		51,681	45,840
Other reserves		(3,382)	(3,382)
Total equity		**165,627**	**174,553**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows.

For the half year ended 31 December 2023.

($'000)	Notes	Consolidated 31 December 2023	31 December 2022
Cash flows from operating activities			
Receipts from customers		113,282	107,228
Payments to suppliers and employees		(120,328)	(114,254)
Tax (paid)/refunded		(5,805)	2,855
Payments for acquisition/disposal related expenses		(780)	(265)
Interest paid		(1,364)	(825)
Interest received		28,826	7,435
Net cash generated by operating activities		**13,831**	**2,174**
Cash flows from investing activities			
(Payments)/receipts for plant and equipment		(787)	352
Payments for acquisition of intangibles		(4,784)	(7,124)
Receipts from sale of financial assets		-	10,866
Net cash (used in)/ generated by investing activities		**(5,571)**	**4,094**
Cash flows from financing activities			
Payments for principal relating to lease liability		(957)	(1,052)
Net cash used in financing activities		**(957)**	**(1,052)**
Net increase in cash held		7,303	5,216
Cash and cash equivalents at 1 July		71,362	73,699
Impacts of foreign exchange		(1,334)	284
Cash and cash equivalents at 31 December		**77,331**	**79,199**

The accompanying notes form part of these financial statements.

For personal use only

Condensed Consolidated Statement of Changes in Equity.

For the half year ended 31 December 2023.

($'000)	Notes	Issued capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share and options reserve $'000	Other reserves $'000	Total $'000
Balance at 1 July 2023		**494,208**	**(339,606)**	**(22,507)**	**45,840**	**(3,382)**	**174,553**
Total comprehensive loss							
Loss for the half year		-	(12,364)	-	-	-	(12,364)
Other comprehensive income							
Unrealised foreign currency loss, net of tax		-	-	(2,318)	-	-	(2,318)
Total comprehensive (loss)/profit for the half year		**-**	**(12,364)**	**(2,318)**	**-**	**-**	**(14,682)**
Transactions recorded directly in equity:							
Issue costs, net of tax	E1	(85)	-	-	-	-	(85)
Share-based payments, net of tax		-	-	-	5,841	-	5,841
Balance at 31 December 2023		**494,123**	**(351,970)**	**(24,825)**	**51,681**	**(3,382)**	**165,627**
Balance at 1 July 2022		494,208	(60,562)	(43,429)	43,884	3,016	437,117
Total comprehensive loss							
Loss for the half year		-	(129,880)	-	-	-	(129,880)
Other comprehensive loss							
Unrealised foreign currency gain, net of tax		-	-	7,495	-	-	7,495
Loss on fair valuation of financial asset held at fair value through other comprehensive income, net of tax		-	-	-	-	(542)	(542)
Total comprehensive (loss)/profit for the half year		-	(129,880)	7,495	-	(542)	(122,927)
Transactions recorded directly in equity:							
Issue costs, net of tax		85	-	-	-	-	85
Share-based payments, net of tax		-	-	-	2,443	-	2,443
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to accumulated losses, net of tax		-	5,854	-		(5,854)	-
Balance at 31 December 2022		**494,293**	**(184,588)**	**(35,934)**	**46,327**	**(3,381)**	**316,717**

The accompanying notes form part of these financial statements.

Notes to the Financial statements.

For the half year ended 31 December 2023.

A1 Segment information

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

The product segments provide a clear view of the Group's results. The Group has reported its three product segments as follows:

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

Segment financial performance is assessed on gross profit being revenue less directly attributable selling costs.

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

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

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-year under review:

	Six months ended 31 December 2023				Six months ended 31 December 2022			
($'000)	Gifting	GPR	DP	Group	Gifting	GPR	DP	Group
Recurring revenue - Transaction based revenue	17,264	58,185	11,275	86,724	17,590	53,275	9,810	80,675
Recurring revenue – Service-based revenue	15,616	6,162	152	21,930	12,479	2,469	189	15,137
Non-recurring revenue	3,084	3,884	372	7,340	2,829	8,350	228	11,407
Total revenue from contracts with customers	**35,964**	**68,231**	**11,799**	**115,994**	**32,898**	**64,094**	**10,227**	**107,219**
Interest income – Stored value	3,134	22,363	586	26,083	1,084	4,281	319	5,684
Interest income – Group funds	-	-	-	29	-	-	-	70
Interest income - Bond investment	-	8,609	-	8,609	-	3,237	-	3,237
Total interest income	**3,134**	**30,972**	**586**	**34,721**	**1,084**	**7,518**	**319**	**8,991**
Total revenue	**39,098**	**99,203**	**12,385**	**150,715**	**33,982**	**71,682**	**10,546**	**116,210**
Gross profit	**30,441**	**70,226**	**10,088**	**110,784**	**27,220**	**39,775**	**2,958**	**69,953**
Gross profit %	78%	71%	81%	74%	80%	55%	28%	60%
Other (expense)/income				(17)				(382)
Total expenses				(114,600)				(199,024)
Loss before tax for the period				**(3,833)**				**(129,453)**
Income tax expense				(8,531)				(427)
Net loss for the period				**(12,364)**				**(129,880)**

For personal use only

Notes to the Financial statements.

For the half year ended 31 December 2023.

A1 Segment information (continued)

(a) Other segment revenue information - geography

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

($'000)	Six months ended 31 December 2023 Australia	Europe	North America	Group	Six months ended 31 December 2022 Australia	Europe	North America	Group
Recurring revenue - Transaction based revenue	18,044	55,188	13,492	86,724	16,692	50,457	13,526	80,675
Recurring revenue - Service-based revenue[1]	831	14,863	6,236	21,930	1,357	7,955	5,825	15,137
Non-recurring revenue	1,089	5,390	861	7,340	1,065	9,311	1,031	11,407
Revenue from contracts with customers	**19,964**	**75,441**	**20,589**	**115,994**	**19,114**	**67,723**	**20,382**	**107,219**

(b) Segment assets/(liabilities)

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

($'000)	As at 31 December 2023 Australia	Europe	North America	Group	As at 30 June 2023 Australia	Europe	North America	Group[1]
Current assets	335,458	2,188,501	23,133	2,547,092	320,474	2,074,172	18,574	2,413,220
Non-current assets	214,543	361,517	20,406	596,466	235,711	303,788	41,810	581,309
Total liabilities	(316,166)	(2,642,067)	(19,698)	(2,977,931)	(329,212)	(2,454,982)	(35,872)	(2,819,976)
Net assets/(liabilities)	**233,835**	**(92,049)**	**23,841**	**165,627**	**226,973**	**(77,022)**	**24,602**	**174,553**

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

Notes to the Financial statements.

For the half year ended 31 December 2023.

A2 Revenue and Interest income

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

($'000)	Consolidated 31 December 2023	31 December 2022
(a) Revenue from contracts with customers		
Recurring revenue – Transaction-based revenue	**86,724**	**80,675**
Recurring revenue – Service-based revenue		
Account management fees	9,214	5,204
Breakage revenue	7,629	6,689
Dormant state accounts revenue	2,301	1,403
Other service-based revenue	2,786	1,841
	21,930	**15,137**
Non-recurring revenue		
Establishment revenue	7,340	11,407
	115,994	**107,219**
(b) Interest income		
Interest income – Stored value	26,083	5,683
Interest income – Group funds	29	71
Interest income – Bond investments	8,609	3,237
	34,721	**8,991**

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

Notes to the Financial statements.

For the half year ended 31 December 2023.

A2 Revenue and interest income (continued)

Key judgements and estimations – Account management fee (AMF) revenue

Estimating variable consideration

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

Estimating when a highly probable reversal will not occur

The timing of the Group estimating when a highly probable reversal will not occur is at different stages for single use gift and incentive cards and multi-use reloadable cards. This is due to the nature of the products.

Gifting products

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

Reloadable products

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

Key judgements and estimations – Breakage revenue

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

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

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

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

Notes to the Financial statements.

For the half year ended 31 December 2023.

A3 Selling costs

($'000)	Consolidated 31 December 2023	31 December 2022
Transaction costs	28,603	25,601
Fraud losses[1]	3,338	10,613
Establishment costs	5,357	6,935
Interest expense stored value	-	388
Other costs	2,632	2,720
	39,930	**46,257**

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

A4 Professional fees

($'000)	Consolidated 31 December 2023	31 December 2022
Professional fees incurred and provided for in relation to the regulatory remediation and litigation	517	8,502
Other professional fees	13,432	6,895
	13,949	**15,397**

A5 Other expenses

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

($'000)	Consolidated 31 December 2023	31 December 2022
(a) Other operating expenses		
Bank fees and other tax costs	3,323	2,681
Risk and compliance spend	4,227	3,445
Travel related expenses	1,729	2,243
Other[1]	1,877	2,635
	11,156	**11,004**
(b) Other non-operating benefits		
Foreign exchange net gain	**(257)**	**(2,131)**

1 Refer to note F2(e) for reclassification of the prior period balance.

Notes to the Financial statements.

For the half year ended 31 December 2023.

A6 Finance costs

($'000)	Consolidated 31 December 2023	31 December 2022
Commitment fees on borrowings	246	223
Interest expense – Interest-bearing borrowings	2,130	1,060
Interest expense - other	200	-
	2,576	**1,283**

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

($'000)	Note	Consolidated 31 December 2023	31 December 2022
Fair value (gain)/loss on financial assets held at FVTPL			
Fair value (gain)/loss on equity investment		**(125)**	**292**
Fair value (gain)/loss on financial liabilities held at FVTPL			
Fair value gain on contingent consideration	C1(c)	(1,691)	(19,306)
Fair value loss/(gain) on other financial liabilities		62	(146)
		(1,754)	**(19,160)**

For personal use only

Notes to the Financial statements.

For the half year ended 31 December 2023.

A8 Taxation

(a) Recognised in the statement of profit or loss and other comprehensive income

($'000)	Consolidated 31 December 2023	31 December 2022
Current income tax expense	(5,322)	(2,389)
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	(297)	2,560
Current income tax from prior years	(2,912)	(598)
Income tax expense	**(8,531)**	**(427)**
(b) Reconciliation between income tax expense and loss before income tax		
Loss before income tax	(3,833)	(129,453)
Income tax benefit using the domestic corporation tax rate of 30% (31 December 2022: 30%)	1,150	38,836
Tax effect of:		
Non-deductible expenses	(1,526)	(3,878)
Impairment of goodwill	-	(15,172)
Tax deduction in respect of contributions to employee share trust	791	320
Effect of differences in tax rates	(2,264)	(21,808)
Impact of changes in tax rates	-	(300)
Tax losses not recognised/(previously not recognised utilised)	(896)	194
Under provision of income tax in prior year	(5,556)	(869)
Fair value gain on financial assets/liabilities	-	2,395
Recognised directly in equity	-	85
Other	(230)	(230)
Income tax expense	**(8,531)**	**(427)**

(b) Deferred tax balances and movements

($'000)	Consolidated 31 December 2023	30 June 2023
Deferred tax asset		
Provisions	5,563	5,698
Intangible assets	713	3,110
Recognition of tax losses and credits	4,200	4,978
Share capital costs	920	343
Other	5,330	2,505
Deferred tax asset	**16,726**	**16,634**
Deferred tax liability		
Contract assets	(1,877)	(1,548)
Intangible assets	(7,118)	(8,004)
Plant, equipment and right-of-use assets	(1,399)	(1,258)
Financial assets	(375)	(383)
Other	(1,644)	(1,751)
Deferred tax liability	**(12,413)**	**(12,944)**

Notes to the Financial statements.

For the half year ended 31 December 2023.

A8 Taxation (continued)

Movement in deferred tax balances during the financial period:

	Consolidated			
	Deferred tax asset		Deferred tax liability	
($'000)	31 December 2023	30 June 2023	31 December 2023	30 June 2023
Balance at the beginning of the period	16,634	22,904	(12,944)	(18,189)
Movement recognised in profit or loss	(1,031)	(6,892)	730	4,869
Movement recognised in equity	1,306	231	-	1,464
Foreign currency exchange movement and other	(183)	391	(199)	(1,088)
Balance at the end of the period	**16,726**	**16,634**	**(12,413)**	**(12,944)**

Key judgements and estimations - recovery of Deferred tax assets (DTA)

The Group recognises DTAs arising from unused carried forward losses and credits in Europe, North America and Australia. DTAs are recognised for unused tax losses to the extent that probable future taxable profits will be available against which the losses can be utilised. Significant judgement on future profitability is required to determine the amount of DTAs that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. In addition to assessing future taxable profits in determining the DTA to be recognised on carried forward losses and credits the Group has also given consideration to the level of taxable temporary differences arising in the relevant tax jurisdiction, the drivers for the incurrence of the tax losses and expectation of these continuing, consecutive years of losses and any tax planning opportunities available.

The Group has prepared forecasts of taxable profits based on approved forecasts of financial performance adjusted for taxable profits that supports the recoverability of the DTAs recognised in respect of unused tax losses. These have been recognised on the basis that the Group expects that there will be sufficient future taxable profits available against which the tax losses can be realised within a reasonable time frame. The Group has a further $19,014,000 (30 June 2023: $19,643,000) of DTA's arising from tax losses which have not been recognised however remain available to the Group.

For personal use only

Notes to the Financial statements.

For the half year ended 31 December 2023.

B1 Contract assets

($'000)	Consolidated 31 December 2023	30 June 2023
Current		
Contract assets	**24,886**	**27,482**
Non-current		
Contract assets	**38,053**	**35,706**

The below table reconciles movements in contract assets during the financial period:

($'000)	Consolidated 31 December 2023	30 June 2023
Opening balance – 1 July	63,188	50,096
Revenue recognised	19,143	38,054
Cash receipts	(18,305)	(28,673)
Effect of unrealised foreign exchange	(1,087)	3,711
	62,939	**63,188**

C1 Fair value

(a) Bond investments

The Group measure Corporate bonds at amortised cost. The fair value, as determined by the quoted market price (i.e. Level 1), can fluctuate significantly based on conditions outside of the Group's control - i.e. economic conditions. The fair value of the portfolio at 31 December 2023 was $615,333,000 (30 June 2023: $608,775,000).

(b) Equity investments

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

($'000)	Consolidated 31 December 2023	30 June 2023	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Visa Inc.	1,627	1,531	Level 3	Quoted market price of Visa Inc. Class A common stock to which a discount has been applied for the illiquidity and the conversion rate variability of the preferred stock of Visa Inc. This was converted at the balance date exchange rate.	The final conversion rate of Visa Inc. Series B preferred stock into Visa Inc. Class A common stock.	A decrease in conversion rate would result in a decrease in the fair value.
Pareto	80	82	Level 3	The valuation considers events during the financial year, metrics of financial performance and other contributory data.	Metrics of financial performance.	A decrease in metrics of financial performance would result in a decrease in the fair value.
	1,707	**1,613**				

Notes to the Financial statements.

For the half year ended 31 December 2023.

C1 Fair value (continued)

(c) Contingent consideration

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

($'000)	Consolidated 31 December 2023	30 June 2023	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Sentenial Limited Contingent consideration in a business combination	5,241	7,016	Level 3	Valuation has been assessed with a discounted, forecast expected revenue performance method.	Present value of forecast revenue for the measurement period.	An increase in the actual or expected revenue would result in an increase in the fair value.
					Discount rate.	An increase in the discount rate would result in a decrease in the fair value.

Movement in the fair value of contingent consideration

Set out below are the movements in the fair value of contingent consideration for Sentenial Group for the half year ended 31 December 2023:

($'000)	Consolidated 31 December 2023	30 June 2023
Opening balance – 1 July	7,016	28,856
Fair value gain on contingent consideration	(1,691)	(23,414)
Effect of unrealised foreign exchange	(84)	1,574
	5,241	**7,016**

Contingent consideration - Sentenial Group

Contingent consideration relates to an earn-out arrangement, payable in cash or equity at EML's discretion in 2024. The earn-out relates to targets correlating to incremental open banking revenue in the year ended on 31 December 2023. The contingent consideration is capped at EUR 40,000,000 ($64,880,000).

The contingent consideration is split between the vendors, maximum of EUR 38,00,000, payable in cash or equity at EML's discretion and key employees, maximum of EUR 2,000,000, payable as equity. The key employees have been granted share options in EML that will vest in proportion to the earn-out achievement.

A financial liability of $5,241,000 (30 June 2023: $7,016,000) representing the fair value of the earn-out is recognised at 31 December 2023 representing the amount considered payable at the end of the earn-out period. The balance for this financial period is not an estimate as the earn-out has been fully recognised at 31 December 2023.

For personal use only

Notes to the Financial statements.

For the half year ended 31 December 2023.

C2 Intangibles

($'000)	Software	Customer relationships	Customer contracts	Goodwill	Other	WIP	Total
	Consolidated						
Useful life (in years)	4 – 7	3 – 6	5 – 8				
Balance at 1 July 2023							
At 1 July 2023, net carrying amount	56,254	637	29,433	100,410	4,642	1,092	192,468
Additions	1,217	-	-	-	-	3,567	4,784
Transfers	769	-	-	-	-	(769)	-
Amortisation charge for the half year period	(8,175)	(204)	(3,967)	-	-	-	(12,346)
Impairment expense[1]	(719)	-	(8,628)	-	-	-	(9,347)
Effect of unrealised foreign currency exchange differences	(606)	(9)	(278)	(1,151)	(56)	(170)	(2,270)
At 31 December 2023, net of accumulated amortisation and impairment	**48,740**	**424**	**16,560**	**99,259**	**4,586**	**3,720**	**173,289**
At 31 December 2023							
Cost	111,798	6,483	105,121	330,641	4,586	3,720	562,349
Accumulated amortisation and impairment	(63,058)	(6,059)	(88,561)	(231,382)	-	-	(389,060)
Net carrying amount	**48,740**	**424**	**16,560**	**99,259**	**4,586**	**3,720**	**173,289**

1 An impairment expense was recognised for $9,347,000 (2022: $121,377,000) for the half year ended 31 December 2023. This has been recognised separately on the Statement of Profit or Loss and Other Comprehensive Income.

C3 Impairment assessment

(i) Other intangible assets

Impairment of customer contracts and relationships – PFS Ireland

During the half year ended 31 December 2023, PFS Ireland has seen increased stress in ongoing customer contracts as well as a decline in a significant customer contracts performance. The ongoing challenges posed on these contracts of the ongoing remediation activities and the negative performance of the customer contract are indicators of impairment for the customer contracts and relationship assets belonging to PFS Ireland.

As at 31 December 2023, it was determined that the carrying amount for PFS Ireland's customer contracts and relationships were greater than the recoverable amount, resulting in an impairment loss of $8,628,000 recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Impairment of software – PFS Ireland

During the half year ended 31 December 2023, PFS Ireland obtained an external valuation for its software as result of the ongoing strategic review activities being undertaken by the Group. It was determined that the carrying amount for PFS Ireland's software was greater than its recoverable amount, resulting in an impairment loss of $719,000 recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial statements.

For the half year ended 31 December 2023.

D1 Interest-bearing borrowings

($'000)	Consolidated 31 December 2023	30 June 2023
Current		
Loan notes	23,293	22,296
Financial institution loan	48,767	677
Lease liabilities	1,836	1,978
	73,896	**24,951**
Non-current		
Loan notes	18,987	19,540
Financial institution loan	-	49,252
Lease liabilities	3,851	4,749
	22,838	**73,541**

The interest-bearing borrowings are held at amortised cost.

Loan notes

The loan notes relate to the unlisted, unsecured loan notes issued by the Group to the PFS Group vendors. The loan notes are interest bearing at 4% (2023: 4%) and repayable in two tranches by 28 June 2024 and 30 June 2025. The Group holds an election to repay at any earlier date.

Financial institution loan

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

There were no further amounts drawn during the half year ended 31 December 2023. The drawn facility has a repayment date of 28 September 2024. As at 31 December 2023, the total undrawn amount is $195,000,000 (2023: $195,000,000) and this undrawn facility expires on 30 April 2024. In January 2024, Group has secured an extension of the existing loan facility which has deferred the maturity date of the drawn facility and an appropriately sized undrawn working capital facility of $20,000,000 (previously $50,000,000) to have a maturity date of 31 March 2025. To align with the current Group strategy, the remaining unused undrawn acquisition facilities totalling $145,000,000 (30 June 2023: $145,000,000) were cancelled as they were no longer deemed required for the Group to utilise. Please refer to Note F1 for further details of this subsequent event.

Under the facility agreement the Group is required to provide collateral in the form of security over specific subsidiary's assets and shares, such that at all times:

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

Notes to the Financial statements.

For the half year ended 31 December 2023.

D1 Interest-bearing borrowings (continued)

Loan covenants

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

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

The Group has complied with these covenants as at 31 December 2023.

E1 Issued capital

	Consolidated	
($'000)	31 December 2023	30 June 2023
374,602,267 fully paid ordinary shares (30 June 2023: 373,984,129)	**494,123**	**494,208**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(a) Movements in issued capital

	31 December 2023		30 June 2023	
	No.	($'000)	No.	($'000)
Balance at start of the period	373,984,129	494,208	373,462,815	494,208
Options/rights exercised[1]	618,138	-	521,314	-
Costs associated with the issue of shares	-	(85)	-	-
Closing balance at the end of the period	**374,602,267**	**494,123**	**373,984,129**	**494,208**

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

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

For personal use only

Notes to the Financial statements.

For the half year ended 31 December 2023.

E2 Key management personnel

Remuneration arrangements of key management personnel (KMP) are disclosed in the annual financial report. In addition, the following are expenses arising from the remuneration during the half year for Executive KMP:

Type	31 December 2023 $	31 December 2022 $
Total fixed remuneration (TFR)	752,934	405,013
Non-executive Director fees	23,379	-
Sign-on service rights	163,987	857,370
Interim CEO performance rights	33,783	-
LVTR performance rights	-	387,396
Deferred STVR restricted rights	-	74,499
	974,083	**1,724,278**

E3 Share-based payments

Share-based payments grants are disclosed in the annual financial report. During the half year, the Group has granted rights as an incentive for certain employees as part of delivery of the remediation program for PFSUK, a special incentive program in line with the strategic talent retention focus and sign-on bonuses for new senior leadership roles appointed during the half year.

Outlined in the table below are the share-based payments expenses arising from new rights granted during the half year:

Type	31 December 2023 $
Series 63	581,646
Series 64	3,124,401
Series 65	159,532
Series 66	163,987
Series 67	45,149
Expense relating to existing grants included in the 30 June 2023 Annual Report	476,920
	4,551,635

Notes to the Financial statements.

For the half year ended 31 December 2023.

E3 Share-based payments (continued)

The fair value of equity-settled share rights granted during the half year is estimated, as at grant date, using the Black-Scholes model. The inputs into the model are as follows:

Grant name	Series 63	Series 64	Series 65	Series 66	Series 67
Number at the end of half year	1,006,944	7,257,813	494,263	826,121	862,069
Fair value at grant date	0.70	1.12	0.77	0.98	0.85
Grant date share price	0.70	1.12	0.77	0.98	0.85
Exercise price	0.00	0.00	0.00	0.00	0.00
Expected volatility	0.87	0.87	0.83	0.87	0.90
Risk-free interest rate	3.85%	3.95%	3.95%	4.05%	4.48%
Term (vesting period)	0.73	0.97	1.02	3.01	1.93
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Grant date	07/07/2023	12/09/2023	25/07/2023	29/08/2023	11/12/2023
Vesting date	31/10/2023	31/08/2024	31/07/2024	01/09/2026	16/11/2025
Expiry date	30/10/2038	31/08/2039	29/09/2024	31/08/2041	15/11/2040
Performance measures	Yes[1]	Yes[1]	N/A	N/A	N/A

1 The number of rights available at vesting date will be impacted by the Group's and the individual's achievement against qualitative criteria specific to the grant.

F1 Subsequent events

In January 2024, the Group has secured an extension of the existing loan facility which has deferred the maturity date of the drawn facility and an appropriately sized undrawn working capital facility of $20,000,000 (previously $50,000,000) to have a maturity date of 31 March 2025. To align with the current Group strategy, the remaining unused undrawn acquisition facilities totalling $145,000,000 (30 June 2023: $145,000,000) were cancelled as they were no longer deemed required for the Group to utilise.

After close of trading on 17 January 2024, the reconstituted Board of PFS Card Services Ireland Limited (PCSIL) with the approval of the Board of EML Payments Limited applied to the High Court of Ireland (the Court) for the appointment of a provisional liquidator. The Board considered a number of strategic options and ultimately concluded that the PCSIL business was no longer commercially viable and sustainable.

As at 3.35pm (GMT) on 17 January 2024, the Court appointed Interpath Advisory as the provisional liquidator with immediate effect. Interpath Advisory are now in control of PCSIL, its day-to-day activities and wind-down. As a result of the appointment of provisional liquidator, PCSIL will deconsolidate from the Group. After close of business on 13 February 2024, the Court made an order to appoint Interpath Advisory as official liquidators.

Notes to the Financial statements.

For the half year ended 31 December 2023.

F1 Subsequent events (continued)

In addition to the non-cash impairment recognised of $8.6 million in relation to remaining customer contract intangible assets of the PFS Ireland CGU as at 31 December 2023, the financial consequences of the deconsolidation estimated as at the date of this report are:

- Cash out flow of approximately $18-$20 million projected between 9-12 months into the liquidation process in relation to intercompany loan balances owing to PCSIL by the Group. This reflects the repayment of intercompany loan and is not an expense in the accounts.
- Non-cash loss on discontinued operations estimated as $18.5 million based on the un-audited net assets of the PCSIL Group at 31 December 2023 and will be recognised on 17 January 2024, which will be included in the second half results.

The combination of the loss on discontinued operations and impairment loss recognised at 31 December 2023 reflect the estimated $25.0 million as outlined in the Group's ASX announcement on 18 January 2024. The financial performance for PCSIL for the half year ended 31 December 2023 included revenue of $43.4 million and a net profit after tax of $2.0 million. The segregated funds and bonds investments asset and liability for PCSIL as at 31 December 2023 is $781.9 million.

There are no other transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company subsequent to 31 December 2023.

F2 Statement of material accounting policies

(a) Reporting entity

EML Payments Limited (the Company) is a for-profit company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The condensed consolidated interim financial report of the Company for the half year ended 31 December 2023 comprises the Company and its subsidiaries (together referred to as the Group or consolidated entity or EML). The condensed consolidated interim financial report was authorised for issue in accordance with a resolution of the Directors on 28 February 2024.

(b) Basis of preparation

The condensed consolidated interim financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

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

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial report are consistent with those adopted and disclosed in the Company's 2023 Annual financial report for the year ended 30 June 2023. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The condensed consolidated interim 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 condensed consolidated interim financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated, in accordance with ASIC Corporations *(Rounding in Financials/Directors' Reports) Instrument 2016/191.*

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

(c) Adoption of new and revised standards

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

Notes to the Financial statements.

For the half year ended 31 December 2023.

F2 Statement of material accounting policies (continued)

(d) Going concern

During the half year ended 31 December 2023, the Group incurred a net loss after tax of $12,364,000 (31 December 2022: $129,880,000). This was largely as a result of impairment expenses of $9,347,000 (31 December 2022: $121,377,000) incurred on the PFS Ireland CGU as detailed in Note C3. Cash inflows were generated from operations for the half year ended 31 December 2023 of $13,831,000 (31 December 2022: outflow of $2,174,000). At balance date the Group had a net current asset deficiency of $375,868,000 (30 June 2023: deficiency of $296,646,000) and net assets of $165,627,000 (30 June 2023: $174,553,000).

The Directors note that the net current asset deficiency results from:

- The classification of Liabilities to stored value accounts holders as current liabilities on the basis these are on-demand cardholder liabilities;
- A portion of the surplus segregated funds, $349,514,000 (30 June 2023: $316,208,000) being classified as non-current assets due to investment of these funds into secure, liquid and low credit risk bonds with maturities greater than 12 months; and
- The Financial institution loan of $49,767,000 at 31 December 2023 has been reclassified from non-current liabilities at 30 June 2023 to current liabilities on the basis that it was due to be repaid on 28 September 2024 which is in part contributing to the net current asset deficiency. This loan facility has been extended subsequent to half year end which has deferred the maturity date until 31 March 2024 and as such is no longer required to be settled on a current basis. Please refer to Note F1 for further details of this subsequent event.

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

- Updated its economic outlook and prepared Group cash flow forecasts having regard to the working capital and liquidity requirements of the Group under various scenarios.
- The Group has recognised growth in revenue for the half year period and has generated operating and net cash inflows. The Group notes the improved interest rate environment and outlook which continues to benefit the Group through improved interest revenue returns with interest revenue on the stored float balance representing a core component of the business model. In addition, the Group is executing on its cost optimisation program, which has identified further opportunities for cost optimisation in FY24 and beyond;
- Re-evaluated material areas of judgement and uncertainty;
- Re-assessed current cash resources and funding resources available to the Group alongside the expected future cash requirements. As outlined in Note D1, the Group has total interest-bearing liabilities of $96,734,000 as at 31 December 2023. The Group has secured in early January 2024, a refinancing of a right sized facility which allows it to maintain the current drawn facility to 31 March 2025 as well as an undrawn working capital facility of $20,000,000; and
- Considered the implications of the continuing regulatory and litigation matters. Please refer to Note F1 which provides details on the decision to liquidate PCSIL which is a significant component of the previous regulatory matters with an identified exposure of approximately $20,000,000 relating to the repayment of intercompany loans.

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

Notes to the Financial statements.

For the half year ended 31 December 2023.

F2 Statement of material accounting policies (continued)

(e) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The following key changes have been reflected in the financial statements to the half year ended 31 December 2023:

Reclassification

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income has been updated to reflect the following:

- Removal of references to Gross profit;
- Renaming of Cost of sales to Selling costs;
- Separation of Impairment loss on trade receivables of $2,851,000 from Other operating expenses due to the increase in materiality;
- Reclassification of Other (expense)/income of $382,000 to Other operating expenses.

Corporate information

(as at 31 December 2023)

Directors

Dr. Luke Bortoli
Non-executive Chair

Brent Cubis
Non-executive Director

Connor Haley
Non-executive Director

Manoj Kheerbat
Non-executive Director

Peter Lang
Executive Director

Company Secretary

Sonya Tissera-Isaacs

ABN

93 104 757 904

Registered office and Principal place of business

Level 12, 333 Ann Street
Brisbane City QLD 4000

Telephone: (07) 3557 1100

Facsimile: (07) 3607 0111

Website: www.emlpayments.com

Auditors

KPMG
Heritage Lanes
Level 11, 80 Ann Street
Brisbane QLD 4000

Telephone: (07) 3233 3111

Facsimile: (07) 3233 3100

Bankers

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

Share register

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

Telephone (within Australia): 1300 554 474

Facsimile: (02) 9287 0303

Website: www.linkmarketservices.com.au

Securities exchange listing

EML Payments Limited is listed on
the Australian Securities Exchange

(ASX: EML)

emlpayments.com

Level 12 / 333 Ann Street
Brisbane QLD 4000

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

Connect with us

Investors
emlpayments.com/company/investor-centre/

twitter.com/emlpayments

facebook.com/emlpayments

linkedin.com/company/emlpayments