Annual Report 2017

Tyro Payments Limited
ABN 49 103 575 042

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Dear Shareholders,

In the previous financial year, Tyro raised $100m in core Tier 1 equity and was granted an unrestricted Authorised Deposit-taking Institution (ADI) licence, setting itself up for its next phase of growth. The results of 2017 reflect this stage of growth as Tyro continues to build upon its in-house, cloud-based mobile core banking platform. The EFTPOS merchant base grew from 15,565 to 18,329 over the past year, and the unsecured lending product launched during the year originating greater than $11m in loans. Tyro carried $4.5m in loans and $4.0m in deposits on the Balance sheet at 30 June 2017.

During the year, Tyro obtained from the Australian Prudential Regulation Authority (APRA) the right to use the word "Bank" in its name and in describing its activities, and has been added to the list of "Australian-owned Banks" on APRA's website.

Delivering banking to Australia's SMEs

Tyro has continued to invest heavily in its banking platform, launching a fee-free and interest paying Tyro Smart Account on 19 January 2016 and its unsecured lending product on 1 July 2016. Both of these are in a nascent stage at the date of reporting, however, enhanced with new features and capabilities during the year we saw a number of key milestones:

- Tyro processed greater than **$1b** in payments transaction volume in any single month (December 2016)
- This was the first financial year that Tyro processed greater than **$10b** in payments transaction volume for the full year
- Tyro originated greater than **$10m** in lending within its pilot year.

The Tyro vision is to remove the frictions in today's banking and cash flow management, so that Australian SMEs can focus on growing their business.

Deposits

In its quest to deliver efficient EFTPOS banking to its merchants, Tyro's Smart Account is an interest bearing and fee-free business account integrated with Xero cloud accounting.

This one bank account removes the frictions from today's term deposit management and batch bill, payroll and BPAY payments. The inconvenience of ABA file handling and sharing credentials of online banking are a thing of the past. Payments are approved in the Tyro App on the smartphone anytime. Deposits are at call, earn a daily interest with rates that increase for every dollar held for longer than 30 days, 60 days and 90 days, and are government guaranteed up to $250,000.

Tyro's Smart Account is also the first transaction account in Australia which allows payments to be made using Apple's smartphone assistant, Siri.

Lending

The pilot for unsecured lending started on 1 July 2016. This is a cash-flow based lending solution offered to eligible Tyro merchants. Loan offer and acceptance is via the Tyro App on a smartphone. Tyro merchants borrow based upon their future EFTPOS sales and repay out of their daily settlements. No security is required, and loans come with a fixed fee locked in upfront, thereby leaving no surprises for the merchant. The funds are made available in the interest-bearing Tyro Smart Account within minutes.

Performance highlights

As at 30 June 2017, Tyro was serving 18,329 SMEs, with a credit, debit and charge card transaction volume growth rate of 23 percent to **$10.6 billion**. Revenue in 2017 grew 26 percent to $120.6 million. Being in business for over ten years, Tyro has maintained a high-growth rate in revenue. Over the past five years, the Compound Annual Growth Rate has been 34 percent.

Total operating income grew 21 percent to $56.1 million, while operating expenses grew 43 percent to $70.8 million. Significant drivers for the cost increase was an investment of approximately $16.3 million in 2017 ($12.5 million in 2016) into product development and delivery, primarily for the mobile core banking platform including the first deposit and lending features. The year finished with a loss before tax result of $15 million reflecting this significant accelerated reinvestment. Tyro has an accounting policy of not capitalising investments in product development.

Financial year ended 30 June 17	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transactions ($M)	511	1,310	1,983	2,951	4,074	5,250	6,800	8,590	10,607
Revenue ($'000)	6,283	14,298	19,913	28,440	39,091	52,644	72,342	95,767	120,628
Operating results ($'000)	(5,113)	(1,824)	(1,816)	(528)	3,293	3,852	691	(3,207)	(14,988)

Employees

Tyro had 371 employees as at 30 June 2017 (compared to 297 at 30 June 2016 and 221 at 30 June 2015). Among these, 228 staff worked in end-to-end product and software development, an increase of 23 percent over the previous year.

Tyro's success reflects the strengths of its exceptional team and during the period we saw some renewal of leadership to continue our success over the coming years:

- Jost Stollmann, who was appointed CEO on 5 April 2005, and was instrumental in obtaining the full ADI licence and the $100m equity-raising, stepped down and continues as a director. Gerd Schenkel joined as CEO in October 2016 until his resignation in June 2017. Rob Ferguson, Director, has taken on the Acting CEO role.
- Peter Haig, Co-Founder and then Head of Product, announced his retirement effective 31 December 2016. Peter is the architect and innovator behind Tyro's banking model.
- Andrew Rothwell, Co-Founder and then Head of Sales, resigned in May 2017 to focus more on his passion for smaller start-ups.

A number of significant appointments were made over the year:

- Kareem Al-Bassam joined Tyro on 16 January 2017 as Director of Product. Kareem has more than 15 years of experience in a range of Product, Innovation and leadership roles for financial technology companies in Australia, America, Europe and the Asia-Pacific region.
- Natalie Dinsdale joined Tyro on 23 January 2017 as Director of Marketing. Natalie has more than 17 years of experience as an entrepreneur and marketer across a range of Australian and UK financial services challenger organisations.
- Joshua Walther joined Tyro on 25 May 2017 as Director of Sales. Joshua has more than 18 years of experience in financial services and management consulting.
- Dave Coombes joined Tyro on 3 July 2017 as Director of Engineering. Dave has nearly twenty years of experience building and leading teams that develop and operate large-scale mission-critical systems for high profile organisations across a range of industries including financial services, wagering, retail and telecommunications.

Investments for future performance

Tyro has maintained 99.98 percent uptime of its core acquiring platform with its live-live infrastructure. Tyro will continue to invest significantly to expand its EFTPOS banking platform and to deliver features and functions tailored to the specific needs of Australia's diverse SME community. In parallel, Tyro has been building the non-engineering capability of the business to support the sales and operational capability necessary to continue to scale up its product offerings.

Delivering simplicity

Hype around new mobile payment technologies, mainly capitalising on the propagation of smartphones, is invigorating innovation and investment. With NFC, Apple Pay, Android Pay, Square, PayPal and others, consumers and merchants are fed daily with news on new developments in mobile payments and mobile-pass technology.

As these new innovations get adopted, SMEs will struggle to offer their consumers these payment choices while maintaining the required reliability, efficiency and security of their payment and reconciliation processes. Tyro will use its platform, partnerships and integration architecture to offer SMEs simplicity: ONE account, ONE settlement, ONE point of contact.

Tyros and the Tyro world

Tyro stands for challenger. Against the backdrop of all the opportunities arising from new technologies, rapid growth in itself has challenges, but Tyro is a very special and attractive place for people that want to challenge the status quo.

The Tyro team, the Tyros, embrace agile and lean methods. They marry deep banking knowledge, strong risk management and regulatory compliance with creative and innovative solutions. Tyros live in all these different worlds and most importantly have an opportunity to make a major difference for the Australian SME community.

Rob Ferguson
Acting Chief Executive Officer

23 August 2017

Directors' Report

The Board of Directors of Tyro Payments Limited (the **Company**) present their report together with the financial statements for the financial year ended 30 June 2017.

Directors

The names and details of the Company's Directors holding office during the financial year and until the date of this report are Kerry Chisholm Dart Roxburgh, Michael Alexander Cannon-Brookes, Robert Alexander Ferguson, Catherine Harris, Paul Gordon Rickard and Hans-Josef Jost Stollmann. Skills, qualifications, experience and special responsibilities for each Director are set out below:

Kerry Roxburgh, Chairman

Non-executive Director since 18 April 2008

Kerry is currently the Lead Independent Non-executive Director of Ramsay Health Care Ltd, and a Non-Executive Director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. He is Chairman of the Eclipx Group Ltd.

Kerry is a Member Practitioner of the Stockbrokers and Financial Advisers Association of Australia. In 2000 he completed a 3 year term as CEO of E*TRADE Australia (a business that he co-founded in 1997), continuing as its non-executive Chairman until June 2007, when it was acquired by the ANZ Bank and subsequently re-named ANZ Share Investing. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia Group (now HSBC Bank Australia) where for 10 years from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Kerry practiced for more than 20 years as a Chartered Accountant.

Kerry is Chairman of the Board of Tyro Payments Limited and of the Tyro Risk Committee, and a member of the Tyro Audit Committee.

Other Directorships held in the last three years:

- Charter Hall Group Ltd - Chairman (ceased November 2014)
- Tasman Cargo Airlines Ltd - Chairman (ceased December 2015)
- Marshall Investments Pty Ltd (ceased December 2015)
- Ramsay Healthcare Ltd
- Eclipx Group Ltd - Chairman
- Medical Indemnity Protection Society Ltd
- MIPS Insurance Ltd

Mike Cannon-Brookes

Non-executive Director since 10 December 2009

Mike Cannon-Brookes is the co-founder and co-CEO of Atlassian, a collaboration software company that helps teams organise, discuss and complete shared work. More than 89,000 large and small organisations around the world use Atlassian's tracking, collaboration, communication, service management and development products to work smarter and faster every day.

Mike has received international recognition for his work, including Ernst & Young's Australian Entrepreneur Of The Year in 2006 and Australian Business Person of the Year by the Australian Financial Review in 2017. He's also been honoured by the World Economic Forum as a Young Global Leader in 2009 and was named on the 2017 Forbes Global Game Changers list for reshaping the business world.

Outside Atlassian, Mike is an active angel investor. He serves as an adjunct professor at the University of New South Wales' School of Computer Science and Engineering, as well as chair of the Computer Science and Engineering Industry Advisory Board. Mike holds a Bachelor of Commerce in information systems from the University of New South Wales, Australia.

Mike is Chair of the Tyro Nominations and Remuneration Committee and a member of the Tyro Risk Committee.

Other Directorships held during the past three years:

- Atlassian Corporation & subsidiaries

Rob Ferguson

Acting Chief Executive Officer, appointed 14 June 2017.

Rob began his career as a research analyst for a Sydney stockbroker. He joined Bankers Trust Australia in 1972 and became Managing Director in 1985. By mid 1990s, BT had $50 billion under management. Rob became chairman of BT Funds Management in 1999 until he resigned from the position in 2002. He was previously Non-Executive Director of IMF Bentham Ltd and Westfield. Rob stepped down from the Tyro Committees upon appointment to the role of Acting Chief Executive Officer.

Other Directorships held during the past three years:

- Non-executive Chairman of Primary Health Care Ltd
- Non-executive Chairman of The GPT Group Ltd
- Smartward Pty Ltd
- Watermark Market Neutral Fund Ltd

Prior to taking up the Acting Chief Executive Officer role, Rob held the position of Non-executive Director since 14 November 2005, and was a member of the Tyro Audit Committee and the Tyro Nominations and Remuneration Committee.

Catherine Harris

Non-executive Director since 17 December 2015

Catherine Harris is the Chair of Harris Farm Markets Pty Ltd. Her previous roles have included Federal Director of Affirmative Action and Deputy Chancellor of the University of NSW, Trustee of the Sydney Cricket Ground Trust, The National Gallery of Australia, The Australian Defence Force Academy, The MCA, St Margaret's Public Hospital and the Australia Japan Foundation.

Catherine is an Officer in the Order of Australia and was awarded the Australian Public Service Medal, The Centenary Medal and has an Honorary Doctorate in Business from UNSW.

Catherine is a member of the Tyro Nominations and Remuneration Committee and the Tyro Risk Committee.

Other Directorships held during the past three years:

- The Australian Rugby League Commission
- The Australian Ballet
- The Sports Australia Hall of Fame
- The Australian School of Business of UNSW
- The National Gallery of Australia (ceased June 2015)

Paul Rickard

Non-executive Director since 28 August 2009

Paul is a company director, financial adviser and financial services consultant. He was previously the Executive General Manager, Payments & Business Technology for the Commonwealth Bank. During his 20 year career at the CBA, Paul was the founding Managing Director of CommSec, which he led from 1994 through to 2002. In 2005, Paul was named 'Stockbroker of the Year' and admitted to the Industry Hall of Fame.

Paul is Chair of the Tyro Audit Committee and member of the Tyro Risk Committee.

Other Directorships held during the past three years:

- Property Exchange Australia Ltd
- Contango Global Growth Ltd
- Switzer Financial Group Pty Ltd
- Switzer Asset Management Ltd
- Lumus Financial Services Pty Ltd

Jost Stollmann

Non-executive Director, appointed 14 June 2017

Jost founded and grew the German system and network integrator CompuNet Computer AG into a US$1B company, sold it to GE Capital and led the integration and expansion of GE Capital IT Solutions across the continent as president of Europe. As Federal Shadow Minister of Economy and Technology, he ran and managed his own election campaign contributing significantly to the landslide victory of the first German government of Chancellor Gerhard Schröder.

No other Directorships were held during the past three years.

Prior to taking up the Non-executive Director position, Jost held the position of Executive Director and Chief Executive Officer of Tyro Payments Limited since 5 April 2005. Jost retired as Chief Executive Officer, effective 24 October 2016 and as Executive Director, effective 14 June 2017.

Company Secretary

Our Company Secretary as at 30 June 2017 was Justin Mitchell.

Justin was appointed on 19 March 2007 to build and manage the compliance and risk frameworks and oversee all regulatory obligations. Justin was appointed Company Secretary on 12 April 2007. The Company Secretary ensures all relevant business is put to the Board and the decisions of the Board are implemented. In addition, Justin is the Chief Risk Officer, accountable for enabling the efficient and effective governance of significant risks. A main priority for Justin is to ensure that the organisation is in full compliance with all applicable regulations.

DIVIDENDS

No dividends have been declared or paid since the date of incorporation.

CORPORATE INFORMATION

Corporate Structure

Tyro Payments Limited is an unlisted public company. It is incorporated and domiciled in Australia. The registered office of the Company is 155 Clarence Street, Sydney, New South Wales, 2000.

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

As at the date of this report, the interests of the Directors in the shares and options of the Company were:

Director	Shares	Options
Kerry Roxburgh[1]	3,140,008	137,032
Mike Cannon-Brookes[2]	17,010,668	1,716,354
Rob Ferguson[3]	22,205,282	3,426,499
Catherine Harris[4]	400,000	17,140
Paul Rickard	1,478,157	758,021
Jost Stollmann[5]	64,447,496	7,634,302

[1] Includes ordinary shares and options jointly held with Alex Roxburgh as trustees for the Kerry & Alex Roxburgh Superannuation Fund being an associate of Kerry Roxburgh

[2] Includes ordinary shares by Abyla Pty Ltd and Grokco Pty Ltd being associates of Michael Cannon-Brookes

[3] Includes ordinary shares held by Torryburn Superannuation Fund and Simon Peter Price and Rachel Emma Ferguson being associates of Rob Ferguson

[4] Includes ordinary shares held by HFM Superannuation Pty Ltd and Angus and Louisa Harris Family Superannuation Fund being associates of Catherine Harris

[5] Includes options held by Fiona Stollmann being an associate of Jost Stollmann

Nature of operations and principal activities

The Company is an Authorised Deposit-taking Institution (ADI) providing EFTPOS banking solutions to Australian merchants. The Company has implemented appropriate systems and controls to comply with the stringent prudential and regulatory requirements to perform transaction processing, clearing and settlement as well as deposit-taking and lending for EFTPOS merchants within the Australian Banking System.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The Company reported the following operating results for the year and the comparative period:

(amounts in $'000s)	2017	2016
Revenues	$120,628	$95,767
Operating income	$56,090	$46,183
Operating loss before tax expense	($14,988)	($3,207)
Net loss	($12,775)	($746)

The Company had a net loss of $12.8m for the year ended 30 June 2017. The Company continued to scale up its investment in building a banking business and embarked on a significant growth program including new product design, improved operating systems and distribution. The Company had interest income of $3.3m for the year.

Capital Structure and Funding

The Company holds an authority under the Banking Act to carry on a banking business as an ADI and is subject to prudential capital requirements set by the Australian Prudential Regulation Authority (APRA). The Company is fully compliant with the prudential capital requirements prescribed by APRA and has sufficient capital to fund on-going operations.

During the period, 37,612,657 ordinary shares were issued upon exercise of options, raising a total of $3.8m in fully paid capital. Total Tier 1 capital held as at 30 June 2017 was $109.2m. The Company has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

The Company had cash and cash equivalents of $24.1m at the end of the reporting period.

Risk Management

The Board is responsible for reviewing and approving the risk management strategy, including determining the Company's appetite for risk. The Chief Executive Officer and Management team are responsible for implementing the risk management strategy and framework, and for developing policies, controls, processes and procedures for identifying and managing risk.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 July 2016, the Company commenced the pilot for the Smart Growth Funding product, which was offered to existing Tyro EFTPOS merchants. On 1 January 2017, the Tyro Smart Growth Funding product exited pilot into wider availability with offers to Tyro EFTPOS and Smart Account merchants.

On 24 October 2016, Gerd Schenkel was appointed Chief Executive Officer. Jost Stollmann, the outgoing Chief Executive Officer continued as an Executive Director on the Board, as well as heading up Public Affairs for the Company.

On 13 June 2017, Gerd Schenkel resigned as Chief Executive Officer.

On 14 June 2017, Rob Ferguson was appointed Acting Chief Executive Officer and ceased the role as Non-executive Director. Jost Stollmann was appointed Non-executive Director and ceased the role as Executive Director and Head of Public Affairs.

Significant events after balance date

There were no significant events after balance date.

Likely developments and expected results

The Directors expect the investment phase will continue for some time into the future and is designed to capitalise on our market opportunities.

SHARE OPTIONS

Unissued shares

As at 30 June 2017, there were 47,548,390 unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company (named above) and the Company Secretary against a liability incurred as an officer of the Company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into deeds of access and indemnity with its Directors and Company Secretary which will indemnify them against liability incurred as an officer of the Company to a third party only to the extent permitted by the Corporations Act.

The Company has agreed to indemnify its auditor, EY, against a liability incurred as auditor only to the extent permitted by law.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Board Meetings	Audit Committee	Risk Committee	Nominations & Remuneration Committee
Meetings held during the year	9	4	6	4
Director				
Kerry Roxburgh	9	4	6	4
Mike Cannon-Brookes	7	1	6	4
Rob Ferguson	9	4	5	4
Catherine Harris	8	1	6	4
Paul Rickard	9	4	6	3
Jost Stollmann	9	4	6	4

Committee Membership

As at the date of this report, the Company had an Audit Committee, a Risk Committee and a Nominations and Remuneration Committee of the Board of Directors.

Members acting on the Committees of the Board during the year were:

Audit Committee	Risk Committee	Nominations & Remuneration Committee
P. Rickard (Chair)	K. Roxburgh (Chair)	M. Cannon-Brookes (Chair)
R. Ferguson	M. Cannon-Brookes	R. Ferguson
K. Roxburgh	C. Harris	C. Harris
	P. Rickard	

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' report for the year ended 30 June 2017.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the ASIC Corporations Instrument.

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Auditor's Independence Declaration to the Directors of Tyro Payments Limited

As lead auditor for the audit of Tyro Payments Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Andrew Price
Partner
23 August 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $000	2016 $000
Continuing Operations			
Fees and commission income	2	115,453	92,683
Interchange, integration and support fees expense	2	(63,761)	(48,876)
Net fees and commission income		51,692	43,807
Interest income on loans		450	-
Interest expense on deposits		(33)	(3)
Net banking operating income/(expense)		417	(3)
Terminal and accessories sale		327	212
Terminal and accessories COGS		(744)	(705)
Net terminal and accessories sale expense		(417)	(493)
Interest income on treasury investments		2,866	2,010
Other income	2	1,532	862
Total operating income		**56,090**	**46,183**
Expenses			
Employee benefits expense	2	(47,661)	(32,181)
Administrative expenses	2	(16,920)	(12,946)
Depreciation	10	(5,984)	(4,025)
Interest and fee expenses		(180)	(113)
Impairment of inventories		(16)	(14)
Other expenses		(34)	(121)
Total operating expenses		**(70,795)**	**(49,400)**
Loan impairment expense	8	(230)	-
Foreign currency (loss)/gain		(53)	10
Operating loss before tax expense		**(14,988)**	**(3,207)**
Income tax benefit	3	2,213	2,461
Net loss for the year		**(12,775)**	**(746)**
Other comprehensive income			
Net fair value gain on available-for-sale investments, net of tax		203	60
Total comprehensive loss for the period		**(12,572)**	**(686)**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $000	2016 $000
ASSETS			
Current assets			
Cash and cash equivalents	4	24,052	82,224
Due from other financial institutions	5	52,438	27,803
Trade and other receivables	6	10,489	7,191
Prepayments		1,992	966
Inventories	7	1,148	923
Loans	8	4,511	-
Total current assets		94,630	119,107
Non-current assets			
Available-for-sale investments	9	21,097	681
Property, plant and equipment	10	13,482	12,557
Net deferred tax assets	3	10,300	8,174
Total non-current assets		44,879	21,412
TOTAL ASSETS		**139,509**	**140,519**
LIABILITIES			
Current liabilities			
Deposits	12	3,948	459
Trade payables and other liabilities	13	11,430	9,542
Provisions	14	2,064	1,526
Total current liabilities		17,442	11,527
Non-current liabilities			
Provisions	15	676	685
Total non-current liabilities		676	685
TOTAL LIABILITIES		**18,118**	**12,212**
NET ASSETS		**121,391**	**128,307**
EQUITY			
Contributed equity	16	138,381	134,566
Reserves	16	12,157	9,572
Accumulated losses	16	(29,147)	(15,831)
TOTAL EQUITY		**121,391**	**128,307**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $000	2016 $000
Cash flows from operating activities			
Interest, fee and rental income received		117,112	91,101
Payments to suppliers and employees		(126,378)	(92,848)
Net inflow from retail deposits		3,489	459
Net outflow from customer lending		(4,741)	-
Receipts from terminals & accessories sale		327	212
Dividend income received		-	3
Net cash flows from operating activities	4	**(10,191)**	**(1,073)**
Cash flows from investing activities			
Investments in term deposits[1]		(24,698)	(20,000)
Investments in available-for-sale assets		(20,125)	-
Purchase of property, plant and equipment	10	(6,945)	(8,941)
Proceeds from disposal of property, plant and equipment		24	139
Lease incentive received		-	2,080
Net cash flows from investing activities		**(51,744)**	**(26,722)**
Cash flows from financing activities			
Proceeds from exercise of share options	16	3,815	412
Proceeds from fund raising, net of related costs		-	99,720
Proceeds from shareholder loans		-	4,600
Shareholder loan repayment		-	(4,600)
Interest and fees paid on shareholder loans		-	(113)
Net cash flows from financing activities		**3,815**	**100,019**
Net (decrease)/increase in cash and cash equivalents		(58,120)	72,224
Net foreign exchange difference		(52)	10
Cash and cash equivalents at beginning of year		82,224	9,990
Cash and cash equivalents at end of year	4	**24,052**	**82,224**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

[1.] Term deposits which have a contractual maturity greater than three months from date of acquisition.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

		Attributable to equity holders of Tyro Payments Limited						
	Note	Contributed Equity $000	Available-for-Sale Revaluation Reserve $000	Share-Based Payments Reserve $000	Accumulated Losses $000	Option Premium Reserve $000	General Reserve for Credit Losses $000	Total $000
At 30 June 2015		**34,013**	**360**	**7,470**	**(14,932)**	**480**	**397**	**27,788**
Loss for the year		-	-	-	(746)	-	-	(746)
Other comprehensive income		-	60	-	-	-	-	60
Total comprehensive income		-	60	-	(746)	-	-	(686)
Issue of share capital – from fund raising[1]		99,828	-	-	-	-	-	99,828
Issue of share capital – from options exercised		725	-	-	-	-	-	725
Share-based payments		-	-	965	-	(313)	-	652
Transfer to general reserve for credit losses		-	-	-	(153)	-	153	-
At 30 June 2016		**134,566**	**420**	**8,435**	**(15,831)**	**167**	**550**	**128,307**
Loss for the year		-	-	-	(12,775)	-	-	(12,775)
Other comprehensive income		-	203	-	-	-	-	203
Total comprehensive income		-	203	-	(12,775)	-	-	(12,572)
Issue of share capital – from options exercised		3,815	-	-	-	-	-	3,815
Share-based payments		-	-	1,841	-	-	-	1,841
Transfer to general reserve for credit losses		-	-	-	(541)	-	541	-
At 30 June 2017	16	**138,381**	**623**	**10,276**	**(29,147)**	**167**	**1,091**	**121,391**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. Net of related capital raising after-tax costs of $299k

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are set out below.

The financial report of Tyro Payments Limited (the **Company**) was authorised for issue in accordance with a resolution of the Directors on 23 August 2017.

The Company is an unlisted public company, incorporated and domiciled in Australia. The nature of the operations and principal activities of the Company are described in the Directors' report.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

Similar categories of income and expenses have been grouped together. Prior year comparative information for these amounts, and where necessary, has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars, under the option available to the Company under ASIC Corporations Instrument 2016/191, unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board and complies with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

(c) Going concern

The Company had net current assets of $77.2m as at 30 June 2017 (2016: $107.6m).

The Directors consider the Company is able to pay its debts as and when they fall due, and therefore the Company is able to continue as a going concern.

(d) New accounting standards and interpretations

(i) Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period, apart from the treatment of the new Tyro Smart Account deposits and the Tyro Smart Growth Funding loans which previously did not exist. The treatment for these items is covered within this report.

(ii) Accounting standards and interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations, which have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2017:

- AASB 9 *Financial Instruments* – simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The new standard also:
    - simplifies requirements for embedded derivatives.
    - removes the tainting rules associated with held-to-maturity assets.
    - provides an opportunity to fair value investments in equity instruments to other comprehensive income, with no separate impairment test, whilst taking dividends to income.
    - requires entities to reclassify their financial assets when there is a change in the entity's business model.
    - simplifies hedge accounting requirements, including hedge effectiveness testing.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

For financial liabilities, where the fair value option is used, changes in fair value attributable to the issuer's own credit risk are presented in other comprehensive income, removing the volatility in profit or loss. A new impairment model is also included which requires more timely recognition of expected credit losses from when financial instruments are first recognised, and recognition of full lifetime expected losses on a more timely basis. AASB 9 applies to annual reporting periods on or after 1 January 2018. AASB 9 is not mandatory until 1 July 2018 for the Company.

- AASB 15 *Revenue from Contracts with Customers* - establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principles explained in a step by step approach in the standard. AASB 15 applies to annual reporting periods on or after 1 January 2018. AASB 15 is not mandatory until 1 July 2018 for the Company.

- AASB 16 *Leases* – introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, enhanced disclosures are required to improve information about the lessor's risk exposure, particularly to low value risk. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019. AASB 16 is not mandatory until 1 July 2019 for the Company.

The potential financial impacts of the above to the Company have not yet been determined. The Company does not intend to early adopt AASB 9 and AASB 15, but may early adopt AASB 16 to align with the adoption of AASB 9 and AASB 15.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Company's accounting policies.

(e) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, Management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management. Actual results may differ from judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by Management in the preparation of these financial statements are outlined as follows:

<u>Share-based payments transactions</u> - The Company recognises the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using the Black-Scholes option valuation model, with the assumptions detailed in Note 11.

<u>Classification of and valuation of investments</u> - The Company classifies its investments in listed securities and floating rate notes as 'available-for-sale' investments and movements in fair values are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market. Where no active market exists for a particular asset, the Company uses a valuation technique to arrive at the fair value. The fair value of floating rate notes has been estimated using pricing data inputs provided by an independent third party pricing service which factors in recent arm's length transactions into their valuation methods. This makes maximum use of observable market inputs and places minimal reliance on entity specific inputs.

<u>Estimation of useful lives of assets</u> - The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against their remaining useful lives. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in Note 10. An impairment assessment is conducted and reviewed by Management at least annually as to whether indicators of impairment such as technical obsolescence exist.

<u>Long service leave</u> - Entitlements that arise in respect of non-current long service leave have been measured at their present values of expected future payments. Long service leave is calculated based on assumptions and estimates of when employees will take leave and the prevailing wage rates at the time the leave will be taken. Long service leave liability also requires a prediction of the number of employees that will achieve entitlement to long service leave.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Taxation – Provisions for taxation require significant judgement with respect to outcomes that are uncertain. The Company has estimated its tax provisions based on expected outcomes. Deferred tax assets are recognised for deductible temporary differences as Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. In forming their view, Management considers the probability of forecast future taxable income and performs stress testing on expecting budgets to assess the likelihood of deferred tax assets being utilised. Management does not recognise deferred tax assets where utilisation is not considered probable. An assessment of research and development (R&D) activities and associated expenditure that is considered claimable, is conducted and reviewed by Management at least annually as part of the annual R&D tax incentive application.

Software capitalisation – The Company does not capitalise any investments on in-house product development, with such costs being expensed to the Statement of Comprehensive Income based on Management's assessment of the recognition criteria in AASB 138.

Loan impairment – Individually assessed provisions are made against loans that have been individually assessed as impaired. The Company raises specific provisions for impairment of these loans when there is objective evidence of impairment (i.e. when an event of default is triggered). The specific provision raised is based on the exposure amount at the date of default.

Loans that do not have an individually assessed provision are assessed collectively for impairment. A collective provision is raised based on a risk rating system that considers the probability of default (based on an externally rated business score), loss given default rates (using an internally derived probability factor that takes into consideration the loans being unsecured), and the exposure at default.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Fee income

The Company derives fee income from the following sources:

- Merchant service fee income is generated from merchant customers for credit, debit and charge card acquiring services. Fees are charged to merchants depending on the type of transaction being performed based on a percentage of transaction value or on a fixed amount per transaction. Fees related to the payment transactions are recognised at the time transactions are processed. Related interchange fee, which is collected from merchants and paid to credit institutions is recognised as an expense instead of netting-off against merchant service fee income in the Statement of Comprehensive Income.
- Revenue from terminal rental income generated from merchants is based on a fixed rental from terminals.
- Revenue from Debit Card Interchange generated from banks is based on a fixed fee per transaction and is recognised when transactions are processed.
- Revenue from processing Medicare Easyclaim generated from merchants is based on a fixed fee per transaction and is recognised when transactions are processed.
- Revenue from Dynamic Currency Conversion (DCC) transactions generated from merchants is calculated based on the individual value of the transactions and is recognised once the transaction has been processed.

(ii) Interest income

Interest income is recognised in the Statement of Comprehensive Income using a method that approximates the effective interest method. The effective interest method measures the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases in which the Company does not retain substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental income. Operating lease payments are recognised as an income or expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Deferred income is recognised as a liability on the Statement of Financial Position on inception of the lease. The deferred lease incentive is then recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease, through rent expense.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and term deposits with an original maturity of three months or less from the date of acquisition.

(i) Due from other financial institutions

Includes term deposits with maturities greater than three months from the date of acquisition, and term deposits pledged to counterparties as collateral. These are initially measured at fair value and subsequently measured at amortised cost using a method that approximates the effective interest method.

(j) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(k) Prepayments

Prepayments are recognised for amounts paid whereby goods have not transferred ownership to the Company or where services have not yet been provided. Upon receipt of goods or the service the corresponding asset is recognised in the Statement of Financial Position or the expense is recognised in the Statement of Comprehensive Income.

(l) Inventories

(i) Cost and valuation

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Inventories are subsequently held at the lower of cost and their net realisable value. Impairment is assessed on an annual basis. Inventories are derecognised upon transfer to property, plant and equipment when leased out to merchants or rights to benefits are transferred to a third party.

(ii) Impairment

Management make assessments of the net realisable value of inventory on an annual basis. The cost of inventory may not be recoverable where the inventory is damaged, wholly or partially obsolete, or if selling prices have declined. In accordance with AASB 102, where the cost of inventory exceeds the net realisable value, inventory is written down to their net realisable value.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Net realisable value is an estimate, based on the most reliable evidence at the time, of the amount the inventories are expected to realise.

(m) Loans

(i) Recognition and measurement

Loans to merchants are initially recognised at fair value. Subsequent to initial recognition, these assets are measured at amortised cost, less any provisions for impairments. As the merchant receives daily settlements, a percentage is taken towards loan repayments. The loan repayment includes a portion which recycles the upfront unearned fee charged to the merchant into the Statement of Comprehensive Income as interest income. This method of recognition approximates the effective interest method.

(ii) Provisions for loan impairments

Individually assessed provisions are made against loans that have been individually assessed as impaired. The Company raises specific provisions for impairment of these loans when there is objective evidence of impairment (i.e. when an event of default is triggered). The specific provision raised is based on the exposure amount at the date of default.

Loans that do not have an individually assessed provision are assessed collectively for impairment. A collective provision is raised based on a risk rating system that considers the probability of default (based on an externally rated business score), loss given default rates (using an internally derived probability factor that takes into consideration the loans being unsecured), and the exposure at default.

When a loan is uncollectible, it is written off against the related provision for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off go to the Statement of Comprehensive Income.

(n) Available-for-sale investments

Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the investment. After initial recognition these investments are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the Statement of Comprehensive Income.

Purchase and sale of investments are recognised on settlement date - the date on which the Company receives or delivers the asset.

(o) Income taxes

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

(p) Deferred tax asset

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date (Note 3).

(q) Other taxes

Goods and Services Tax (GST)

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

- when the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

- trade receivables and trade payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of other receivables or other payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST.

(r) Acquisition of non-financial assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus any incidental costs directly attributable to the acquisition.

Expenditure is recognised as an asset only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other expenditure is expensed as incurred.

(s) Property, plant and equipment

(i) Cost and Valuation

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing parts when the cost is incurred and the recognition criteria are met. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant or equipment, as a replacement, provided that the recognition criteria are satisfied.

(ii) Depreciation

Depreciation is provided on a straight-line basis over the estimated useful life of each specific item of property, plant and equipment.

Estimated useful lives are as follows:	**2017**	**2016**
Plant and equipment:		
EFTPOS terminals	3 years	3 years
Furniture and office equipment	5 years	5 years
Computer equipment	4 years	4 years
Leasehold improvements	Remaining term of lease	Remaining term of lease

The assets' residual values, remaining useful lives and depreciation methods are reassessed and adjusted, if appropriate at each reporting date.

(iii) Impairment

Management has identified applicable impairment indicators in accordance with AASB 136 *Impairment of Assets*. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs of disposal and its value in use.

(iv) De-recognition and disposal

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the Statement of Comprehensive Income in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(t) Deposits from customers

Deposits from customers are initially recognised at fair value. Subsequent to initial recognition, these liabilities are measured at amortised cost. Interest expense on deposits is recognised in the Statement of Comprehensive Income using a method that approximates the effective interest method.

(u) Trade and other payables

Merchant payables arise when the Company has received monies from the relevant schemes and financial institutions that have not yet been settled with the merchant.

Payables to merchants are only recognised to the extent that a liability arises. This liability arises when the proceeds have been paid by the schemes and financial institutions and received by the Company.

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

(v) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and liabilities are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the cost of the loans and liabilities. The fair value of the options attached to the loan is also included in the cost of the loan. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for 12 months after the reporting date. Borrowing costs consists of interest and other costs incurred in the borrowing of funds.

(w) Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits may be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the impact of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the relevant notes to the financial statements. They may arise from uncertainty as to the existence of a liability or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. Only when settlement becomes probable will a liability be recognised.

The Company is contingently liable for processed credit card sales transactions in the event of a dispute between the cardholder and a merchant. If a dispute is resolved in the cardholder's favour, the Company will credit or refund the amount to the cardholder and charge back the transaction to the merchant. If the Company is unable to collect the amount from the merchant, the Company will bear the loss for the amount credited or refunded to the cardholder.

Management evaluates the risk of such transactions and estimates its potential loss for credit losses based primarily on historical experience and other relevant factors. A provision is recognised for merchant losses necessary to absorb chargebacks and other losses for merchant transactions that have been previously processed and on which revenues have been recorded.

(x) General reserve for credit losses

The Company provides for estimated future credit losses primarily from chargebacks, with a general reserve for credit losses. The Company estimates the reserve by using a multiple of historical losses over a rolling 120 day period of transaction values. The general reserve for credit losses is then allocated as a separate reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

The Company also provides for estimated future credit losses from loans to ensure the Company has sufficient capital to cover credit losses estimated to arise over the full life of the loans as required by APRA Prudential Standard APS 220.

The methodology and assumptions used for estimating the general reserve for credit losses required are reviewed regularly.

(y) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Entitlements arising in respect of salaries and wages, annual leave and other employee benefits that are expected to be settled within one year have been measured at their nominal amounts. Employees are entitled to 20 days annual leave each year. The company classes as a current liability the portion that is expected will be taken by the employees in the next 12 months.

Entitlements that arise in respect of long service leave which are expected to be settled more than 12 months after the reporting date have been measured at their present values of expected future payments. Long service leave is calculated based on assumptions and estimates of when employees will take leave and the prevailing wage rates at the time the leave will be taken. Long service leave liability also requires a prediction of the number of employees that will achieve entitlement to long service leave.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave to be taken in the future by all employees at reporting date is estimated to be less than the annual entitlement for sick leave.

(z) Share-based payment transactions

Share-based compensation benefits are provided to employees (including Key Management Personnel) via the Employee Share Option Plan, whereby employees render services in exchange for rights over the Company's shares.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined internally using the Black-Scholes option valuation model.

The cost of equity-settled transactions is recognised, together with any corresponding increase in equity, over the period in which the employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest. There were no modifications to the terms of the outstanding options during the financial year. Details of the types of share-based payments and their respective terms and vesting conditions are disclosed in Note 11.

(aa) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are accounted in contributed equity as a deduction, net of tax, from the proceeds of issue.

(ab) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date.

Non-monetary assets and liabilities are translated at their historic rates of exchange at their respective transaction dates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(ac) De-recognition of assets and liabilities

Assets and liabilities are derecognised from the Statement of Financial Position upon sale, maturity or settlement. The Company de-recognises scheme receivables against associated merchant payables as the risks and rewards are passed through in line with contractual obligations.

2. REVENUE AND EXPENSES

The operating loss before tax expense has been arrived at after accounting for the following items:

	2017 $000	2016 $000
Fees and commission income		
Merchant service fee	101,092	79,823
Terminal rental income	9,643	7,404
Other fee income	4,718	5,456
	115,453	92,683
Interchange, integration and support fees expense		
Interchange fees and scheme fees	57,656	42,913
Integration and support fee expense	5,905	5,363
Other settlement fees and expenses	200	600
	63,761	48,876
Other income		
Sublease and other rental income	1,310	743
Gain on disposal of property, plant and equipment	-	107
Other income	222	12
	1,532	862
Employee benefits expense		
Wages, salaries and bonuses	41,693	27,984
Superannuation	3,747	2,608
Share-based payments expense	1,841	965
Other employee benefits expense	380	624
	47,661	32,181
Administrative expenses		
Rent	4,013	3,164
Communications, hosting and licencing costs	3,098	2,070
Marketing	1,690	557
Contractor and consulting costs	1,532	1,176
Recruitment	1,453	2,053
Accounting and legal	1,384	1,645
Terminal management and logistics	1,162	613
Other administrative expenses	2,588	1,668
	16,920	12,946

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. INCOME TAX

a) Income tax expense

Major components of income tax expense for the period ended 30 June 2017:

	2017 $000	2016 $000
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,213)	(2,461)
Income tax benefit in the statement of comprehensive income	**(2,213)**	**(2,461)**
Amount reported directly in other comprehensive income		
Deferred tax related to items recognised in equity during the year	-	(108)
Deferred tax on unrealised gain on available-for-sale investment	87	25
Income tax benefit/(expense) reported in equity	**87**	**(83)**

b) Reconciliation of income tax expense and prima facie tax:

	2017 $000	2016 $000
Operating loss before tax	**(14,988)**	**(3,207)**
At the statutory income tax rate of 30%	(4,496)	(962)
Research and development incentive	(435)	(1,247)
Share-based payment remuneration	551	289
Entertainment expenses	62	32
Adjustment in respect to previous year's tax balances	711	(573)
Current year losses for which no deferred tax asset is recognised	1,394	-
Total income tax benefit	**(2,213)**	**(2,461)**

c) Deferred income tax assets and liabilities

	2017			2016			
	Statement of Financial Position $000	SOCI $000	OCI $000	Statement of Financial Position $000	SOCI $000	OCI $000	Share Capital $000
Deferred income tax assets							
Fixed assets	925	(224)	-	701	(155)	-	-
Provisions & accruals	2,508	(398)	-	2,110	(876)	-	-
Other (legal fees)	83	4	-	87	22	-	108
Lease break fee	42	21	-	63	21	-	-
R&D credits [2]	6,641	(1,182)	-	5,459	(5,459)	-	-
Tax losses [1, 2]	416	(416)	-	-	4,010	-	-
	10,615	(2,195)		8,420	(2,437)	-	108
Prepayments	(6)	6	-	-	-	-	-
Available-for-sale investments	(267)	-	(87)	(180)	-	(25)	-
Unrealised FX gain	(42)	(24)	-	(66)	(24)	-	-
	(315)	(18)	(87)	(246)	(24)	(25)	-
Total	**10,300**	**(2,213)**	**(87)**	**8,174**	**(2,461)**	**(25)**	**108**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. INCOME TAX (cont'd)

1. The Company had $6.0m of benefits relating to tax losses in the year ending 30 June 2017. $4.6m of these tax losses ($1.4m DTA) was not recognised resulting in a net DTA of $10.3m.

2. During the prior year ended 30 June 2016, the Company submitted requests for amended assessments to the Commissioner of Taxation in respect to the 30 June 2013 and 2014 income years. The effect of these amendments was to deduct prior year carried forward tax losses, and to carry forward Research and Development tax credits. There was no net change to the tax payable of the Company as a consequence of these amendments.

4. CASH AND CASH EQUIVALENTS

	2017 $000	2016 $000
Deposits at call	24,052	15,497
Short term deposits	-	66,727
	24,052	82,224

Deposits at call include cash at banks, cash held in the exchange settlement account with the Reserve Bank of Australia, and cash in hand. Short-term deposits are those with maturities of three months or less from date of acquisition.

Reconciliation of operating loss after tax to net cash flows used in operations	**2017 $000**	**2016 $000**
Operating loss	(12,775)	(746)
Adjustments for:		
Depreciation	5,984	4,025
Share-based payments expense	1,841	965
Loan impairment expense	230	-
Loss/(gain) on disposal of property plant and equipment	12	(107)
Deferred tax benefits	(2,213)	(2,461)
Changes in assets and liabilities		
(Increase) in loans	(4,741)	-
(Increase) in trade and other receivables	(3,188)	(3,430)
(Increase) in prepayments	(1,026)	(472)
(Increase) in inventories	(225)	(69)
Decrease/(increase) in term deposits held as collateral	63	(1,009)
Increase in deposits	3,489	459
Increase in trade and other payables	1,829	1,060
Increase in provisions	529	712
Net cash from operating activities	(10,191)	(1,073)

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

	2017 $000	2016 $000
Term deposits	44,698	20,000
Deposits held as collateral	7,740	7,803
	52,438	27,803

Includes term deposits with maturities greater than three months from the date of acquisition and deposits pledged to counterparties as collateral. Refer to Note 18 for details of deposits held as collateral.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

6. TRADE AND OTHER RECEIVABLES

	2017 $000	2016 $000
Merchant acquiring fees	3,192	2,730
Scheme and other receivables	6,897	4,270
Interest receivable	400	191
	10,489	7,191

The Company's ageing of trade debtors and receivables (schemes and merchants) is as follows:
Scheme and other trade receivables before impairment:

	Total $000	Current $000	1-30 days $000	31-60 days $000	61-90 days $000	>90 days $000
Carrying value 2017	**6,897**	6,013	476	23	292	93
Carrying value 2016	**4,270**	3,601	426	6	33	204

7. INVENTORIES

	2017 $000	2016 $000
Terminals & accessories	1,148	923
	1,148	923

8. LOANS

	2017 $000	2016 $000
Loans (net of unearned fees)	4,647	-
Collective provision for impairment	(112)	-
Specific provision for impairment	(24)	-
Net loans	4,511	-

In July 2016, the Company launched in pilot the Smart Growth Funding product, which was offered to existing Tyro EFTPOS merchants. The loans are unsecured, with an upfront ("unearned") fee charged to the merchant. As the merchant receives daily settlements, a percentage is taken towards loan repayments. The loan repayment includes a portion which recycles the unearned fee into the Statement of Comprehensive Income as interest income. This method of recognition approximates the effective interest method.

During the year, six loans were assessed as impaired due to reasonable doubt over collectability, out of which two loans were written off.

Provision for impairment

	2017 $000	2016 $000
Specific provisions		
Opening balance	-	-
Net movement in provision	118	-
Sub-total	**118**	**-**
Bad debts written off	(94)	-
Closing balance – specific provisions	**24**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

8. LOANS (cont'd)

	2017 $000	2016 $000
Collective provisions		
Opening balance	-	-
Net movement in provision	112	-
Closing balance – collective provisions	**112**	**-**
Total provision for impairment	**136**	**-**

9. AVAILABLE-FOR-SALE INVESTMENTS

	2017 $000	2016 $000
Floating rate notes	20,265	-
Investment in VISA shares	832	681
	21,097	**681**

VISA shares were acquired following the demutualisation of VISA International, as a result of which listed VISA shares were issued to members of the VISA network.

10. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of net carrying amounts at the beginning and end of the year:

	EFTPOS Terminals $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Year ended 30 June 2017					
At 30 June 2016 net of accumulated depreciation and impairment	6,364	1,212	1,716	3,265	12,557
Additions/transfers	4,871	444	1,242	388	6,945
Disposals/transfers	(36)	-	-	-	(36)
Depreciation for the year	(4,266)	(314)	(802)	(602)	(5,984)
At 30 June 2017 net of accumulated depreciation and impairment	6,933	1,342	2,156	3,051	13,482
At 30 June 2016					
Cost or fair value	15,853	1,662	3,662	3,607	24,784
Accumulated depreciation and impairment	(9,489)	(450)	(1,946)	(342)	(12,227)
Net carrying amount	6,364	1,212	1,716	3,265	12,557
At 30 June 2017					
Cost or fair value	20,484	2,113	4,909	3,995	31,501
Accumulated depreciation and impairment	(13,551)	(771)	(2,753)	(944)	(18,019)
Net carrying amount	6,933	1,342	2,156	3,051	13,482

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	EFTPOS Terminals $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Year ended 30 June 2016					
At 30 June 2015 net of accumulated depreciation and impairment	5,031	679	957	1,006	7,673
Additions/transfers	4,415	743	1,272	2,511	8,941
Disposals/transfers	(32)	-	-	-	(32)
Depreciation for the year	(3,050)	(210)	(513)	(252)	(4,025)
At 30 June 2016 net of accumulated depreciation and impairment	6,364	1,212	1,716	3,265	12,557
At 30 June 2015					
Cost or fair value	11,560	919	2,390	1,096	15,965
Accumulated depreciation and impairment	(6,529)	(240)	(1,433)	(90)	(8,292)
Net carrying amount	5,031	679	957	1,006	7,673
At 30 June 2016					
Cost or fair value	15,853	1,662	3,662	3,607	24,784
Accumulated depreciation and impairment	(9,489)	(450)	(1,946)	(342)	(12,227)
Net carrying amount	6,364	1,212	1,716	3,265	12,557

11. SHARE-BASED PAYMENTS

The Company will provide benefits to employees and Directors from time to time including share-based payments as remuneration for service.

(a) Employee Share Option Plan

The Employee Share Option Plan (ESOP) was established to grant options over ordinary shares in the Company to employees or Directors who provide services to the Company.

Options granted pursuant to the ESOP may be exercised, in whole or part, subject to vesting terms and conditions as indicated below:

Type of Option	Vesting Terms and Conditions
Linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuous status as an employee or consultant with the Company during the vesting schedule.
Service vesting schedule	The options that vest according to a period of service may be exercised as to a set number of shares per agreed day of service, as defined in the specific option grant.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

All option grants must be held for a minimum period commencing on the date on which the options are granted and continuing until the earlier of:

- the date which is 3 years after the date on which options are granted; or
- the date on which the participant ceases employment with the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11. SHARE-BASED PAYMENTS (cont'd)

Other relevant terms and conditions applicable to options granted under the Employee Share Option Plan include:

- the term of each option grant shall be 7 years from the date of grant or such shorter term as provided in the Employee Share Option Plan agreement.
- Each option entitles the holder to one ordinary share.
- All awards granted under the Employee Share Option Plan are equity-settled.

(b) Fair value of options under the ESOP

The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model. The table below lists the assumptions used in determining the fair value of the options granted during the year ended 30 June 2017:

	Nov 2016	**Apr 2017**	**Jun 2017**
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	40%	42%	42%
Risk-free interest rate (%)	1.87%	2.19%	1.91%
Share price ($)	$0.995	$1.08	$1.08

A zero dividend policy assumption is used for valuing all option grants. This is in line with the Company's capital management policy and growth strategy.

Expected volatility used is the historical volatility of the peer group. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The average expected life for 7 year options is assumed to be 5 - 6 years from the grant date. The expected life for 10 year options is assumed to be 5 - 8 years. For all other options with a contractual life of 5 year or less, the expected life is assumed to be the total contractual life from the date of grant to the expiry date.

There were 37,612,657 options exercised during the year ended 30 June 2017 (2016: 3,840,607).

The weighted average remaining contractual life for share options outstanding as at 30 June 2017 was 4 years (2016: 3 years).

The following table summarises further details of the share options outstanding at 30 June 2017:

Range of Exercise Prices	**Contractual life**	**Vesting conditions**	**No. of Outstanding Options**	
			2017	**2016**
162 cents	10 years or less	No vesting in first 6 months of 5 year linear vesting period	700,000	-
6 cents to 162 cents	10 years or less	5 year linear vesting	30,455,628	35,158,554
6 cents to 45 cents	5 years and 10 years	12 months service	1,043,478	1,043,478
6 cents to 55 cents	3, 5 and 10 years	12 months linear vesting	3,208,697	11,445,679
6 cents to 55 cents	10 years or less	Fully vested at time of grant	4,640,587	21,684,244
Total			40,048,390	69,331,955

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11. SHARE-BASED PAYMENTS (cont'd)

The following table illustrates the number and weighted average exercise prices (WAEP) in cents and movements of share options during the year:

	2017 *No*	**2017** *WAEP (cents)*	**2016** *No*	**2016** *WAEP (cents)*
Linear vesting schedule				
Outstanding at the beginning of the year	46,604,233	12	41,647,914	21
Granted during the year	11,782,640	150	9,138,435	60
Exercised during the year	(20,686,087)	13	(2,210,172)	14
Forfeited/expired during the year	(3,336,461)	110	(1,971,944)	47
Outstanding at the end of the year	34,364,325	70	46,604,233	28
Exercisable at the end of the year	8,819,708	19	25,510,673	12
Fully vested at time of grant				
Outstanding at the beginning of the year	21,684,244	10	23,314,679	7
Granted during the year	-	-	-	-
Exercised during the year	(16,926,570)	7	(1,630,435)	1
Forfeited/expired during the year	(117,087)	55	-	-
Outstanding at the end of the year	4,640,587	8	21,684,244	10
Exercisable at the end of the year	4,640,587	8	21,684,244	10
Service Vesting Schedule				
Outstanding at the beginning of the year	1,043,478	6	1,043,478	6
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited/expired during the year	-	-	-	-
Outstanding at the end of the year	1,043,478	6	1,043,478	6
Exercisable at the end of the year	1,043,478	6	1,043,478	6
Total outstanding at the end of the year	40,048,390		69,331,955	
Total exercisable at the end of the year	14,503,773		48,238,398	

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is disclosed in Note 2.

Refer to Note 22, for outstanding share options at the end of the year that are not part of ESOP.

12. DEPOSITS

	2017 $000	**2016 $000**
Deposits	3,948	459
	3,948	459

The deposits are at call, earn a daily interest with rates that increase for every dollar held for longer than 30 days, 60 days and 90 days, and are guaranteed by the Australian Government up to $250,000 per customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13. TRADE PAYABLES AND OTHER LIABILITIES

	2017	2016
	$000	$000
Accounts payable	2,340	1,319
Deferred rent incentive	3,239	3,345
Accruals – scheme fees, commissions, bonuses and others	3,971	3,349
Other liabilities	1,880	1,529
	11,430	9,542

14. PROVISIONS

	2017	2016
	$000	$000
Annual leave provision		
Balance at the beginning of the year	1,240	850
Provided for during the year	2,885	1,827
Released during the year	(2,360)	(1,437)
Balance at the end of the year	1,765	1,240
Long Service Liability		
Balance at the beginning of the year	286	231
Provided for during the year	258	79
Released during the year	(245)	(24)
Balance at the end of the year	299	286
Total provisions - current liabilities	**2,064**	**1,526**

15. NON-CURRENT LIABILITIES

	2017	2016
Provisions:	$000	$000
Annual Leave Liability		
Balance at the beginning of the year	222	103
Provided for during the year	111	136
Released during the year	(191)	(17)
Balance at the end of the year	142	222
Long Service Leave Liability		
Balance at the beginning of the year	349	290
Provided for during the year	117	135
Released during the year	(194)	(76)
Balance at the end of the year	272	349
Make Good Provision		
Balance at the beginning of the year	114	25
Provided for during the year	148	89
Balance at the end of the year	262	114
Total provisions - non-current liabilities	**676**	**685**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary shares

Issued and fully paid	2017 Number of Shares	2016 Number of Shares	2017 $000	2016 $000
Ordinary shares paid at 5 cents each	61,018,733	61,018,733	3,051	3,051
Ordinary shares paid at 6 cents each	182,642,334	158,561,386	10,959	9,513
Ordinary shares paid at 8 cents each	9,355,246	1,925,274	748	154
Ordinary shares paid at 10 cents each	8,089,164	5,774,963	809	577
Ordinary shares paid at 12 cents each	112,037	21,311	13	3
Ordinary shares paid at 15 cents each	10,475,433	10,475,433	1,571	1,571
Ordinary shares paid at 30 cents each	34,055,009	32,767,214	10,217	9,830
Ordinary shares paid at 37.5 cents each	1,146,511	128,803	430	48
Ordinary shares paid at 45 cents each	8,347,550	8,286,412	3,756	3,729
Ordinary shares paid at 55 cents each	12,562,168	11,357,777	6,909	6,247
Ordinary shares paid at 60 cents each	148,696	22,918	89	14
Ordinary shares paid at 1.0361 dollars each	96,638,869	96,638,869	100,128	100,128
	424,591,750	**386,979,093**	**138,680**	**134,865**
Costs directly attributable to the capital raising (net of tax)			(299)	(299)
Ordinary shares			**138,381**	**134,566**

During the year ended 30 June 2017, 37,612,657 ordinary shares were issued upon exercise of options, raising a total of $3,815k in fully paid capital.

Terms and conditions of contributed equity
Ordinary shares have the right to receive dividends when declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on ordinary shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(ii) Share-based payments reserve	2017 $000	2016 $000
Balance at the beginning of the year	8,435	7,470
Share-based payments expensed	1,841	965
Balance at the end of the year	**10,276**	**8,435**

The share-based payments reserve is used to record the value of share-based payments or benefits provided to any Directors, Employees and Consultants as part of their remuneration or compensation.

(iii) General reserve for credit losses	2017 $000	2016 $000
Balance at the beginning of the year	550	397
Transfer from accumulated losses:		
Provision for chargeback losses	146	153
Provision for lending losses	395	-
Balance at the end of the year	**1,091**	**550**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16. CONTRIBUTED EQUITY AND RESERVES (cont'd)

The general reserve for credit losses has been created to satisfy APRA's prudential standards for ADIs as described in Note 1(x). The Company applies an internal methodology to estimate the credit risk of its merchant customers and the maximum losses based upon a number of assumptions concerning the performance of merchants in relation to the Company's credit risk grading system and actual experience.

(iv) Available-for-sale revaluation reserve	**2017 $000**	**2016 $000**
Balance at the beginning of the year	420	360
Total revaluations for the year	203	60
Balance at the end of the year	**623**	**420**

(v) Option premium reserve	**2017 $000**	**2016 $000**
Balance at the beginning of the year	167	480
Total options transferred to shares	-	(313)
Balance at the end of the year	**167**	**167**

	2017 $000	**2016 $000**
Total reserves at the end of the year	**12,157**	**9,572**

(vi) Accumulated losses	**2017 $000**	**2016 $000**
Movements in accumulated losses were as follows:		
Accumulated losses at the beginning of the financial year	(15,831)	(14,932)
Net loss attributable to shareholders of the Company	(12,775)	(746)
Transfer to general reserve for credit losses	(541)	(153)
Accumulated losses at the end of the financial year	**(29,147)**	**(15,831)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The Company's principal financial instruments include cash and cash equivalents, deposits due from other financial institutions, trade and other receivables, loans, available-for-sale investments, deposits and trade and other payables.

(i) Risk management

The Board is responsible for approving and reviewing the risk management strategy, including determining the Company's appetite for risk. The CEO and Management team are responsible for implementing the risk management strategy and framework, and for developing policies, controls, processes and procedures for identifying and managing risk.

Various Management committees, including the Management Risk Committee (MRC) and the Asset and Liability Management Committee (ALCO), ensure appropriate execution of the risk management strategy and framework is applied in the day-to-day operations and regularly report to the Board Risk Committee.

(ii) Risk controls

Risks are controlled through a system that identifies key risks, establishes controls to manage those risks (with an emphasis on preventative control), and maintains a regular review process to monitor the effectiveness of controls. Business risks are controlled within tolerance levels approved by the MRC, ALCO and the Board.

(iii) Internal Audit

The Company has an independent and adequately resourced Internal Audit function. The Internal Audit function provides independent assurance to the Board on the adequacy and effectiveness of the control environment and risk framework.

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and available-for-sale investments.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets at reporting date. The Company's credit risk management principles define the framework and core values which govern its credit risk taking activities and reflect the priorities established by the Board.

From these principles flow the development of target market strategies, underwriting standards and credit procedures which define the operating processes. The operation of a credit risk grading system coupled with ongoing monitoring, reporting and review allows the Company to identify changes in credit quality at client and portfolio levels and to take corrective actions in a timely manner.

Credit losses from chargebacks

In addition, the Company is subject to the risk of credit card losses via chargebacks. The maximum period the Company is potentially liable for such chargebacks is 120 days after the date of the transaction. The Company prudently manages credit risk associated with its merchant portfolio both at an individual and a portfolio level, by monitoring the concentration of risk by industry and type of counterparty.

It is the Company's policy that all merchants are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

As part of equity, a General Reserve for Credit Losses is raised to cover losses due to uncollectible chargebacks that have not been specifically identified. The reserve is calculated based on estimated future credit losses as described in Note 1(x). The Company does not hold any credit derivatives or collateral to offset its credit exposure. The Company trades only with recognised, creditworthy third parties and as such no collaterals are requested. Credit exposures are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant at reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

Credit losses from loans

The Company is also subject to the risk of credit losses from its unsecured loan product which commenced on 1 July 2016. The Company manages this risk in accordance with the Board approved Lending Credit Risk policy. Responsibility for monitoring and management of this risk is delegated to the CRO. The CRO is also responsible for ensuring the Lending Credit Risk policy is reviewed regularly and submitted to the Board Risk Committee for approval.

To manage the risk of credit losses, various underwriting criteria is in place before a loan can be offered, which includes assessment of credit bureau scores, age of credit files and no adverse records, time in business, and an internal credit risk grading. A merchant must also have an acquiring transaction history to be eligible for a loan offer. A personal guarantee is required.

The Company provides for credit losses from these loans to ensure the Company has sufficient provisions and capital to cover credit losses estimated to arise over the full life of the loans as described in Note 1(x).

30 June 2017

Standard & Poors Credit Rating*	Cash and balances with financial institutions ($000)	Due from other financial institutions ($000)	Trade receivables ($000)	Available-for-sale investments ($000)	Loans and advances ($000)
AAA	15,336	-	951	-	-
AA	8,716	39,340	22	5,114	-
A+	-	65	-	5,020	-
A	-	-	-	3,927	-
A-	-	-	48	-	-
BBB+	-	13,033	-	7,036	-
unrated	-	-	9,468	-	4,511
	24,052	**52,438**	**10,489**	**21,097**	**4,511**

30 June 2016

Standard & Poors Credit Rating*	Cash and balances with financial institutions ($000)	Due from other financial institutions ($000)	Trade receivables ($000)	Available-for-sale investments ($000)	Loans and advances ($000)
AAA	6,731	-	649	-	-
AA	75,493	7,736	67	-	-
A+	-	67	4	681	-
A	-	10,000	-	-	-
A-	-	10,000	185	-	-
unrated	-	-	6,286	-	-
	82,224	**27,803**	**7,191**	**681**	**-**

*Long-term credit rating

(v) Operational risk

Operational risk is the risk that arises from inadequate or failed internal processes and systems, human error or misconduct, or from external events. It also includes, amongst other things, technology risk, model risk and outsourcing risk.

The Board Risk Committee is responsible for monitoring the operational risk profile, the performance of operational risk management and controls, and the development and ongoing review of operational risk policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

(vi) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign currency risk, commodity price risk and other price risk, such as equity price risk. The Company does not engage in financial market trading activities nor assume any foreign exchange, interest rate or other derivative positions and does not have a trading book. The Company does not undertake any hedging around the values of its financial instruments as any risk of loss is considered insignificant to the operations of the Company.

Any government securities, bank bills or other marketable instruments that the Company holds are for investment or liquidity purposes and held in the normal course of business in line with investment and liquidity guidelines. Each component of market risk is detailed below as follows:

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has exposure to interest rate risk primarily on its variable interest-bearing cash and cash equivalent balances, floating rate notes, term deposits and variable Smart Account deposits.

Interest rate sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the Company's profit after tax is affected as follows:

An increase of 50 basis points for 12 months in the general cash rate (assuming other factors remain constant) will increase the Company's profit after tax and increase equity by $486,949 (2016: $549,796). A decrease of 50 basis points in the general cash rate will have an equal and opposite effect.

The following table shows the financial assets and liabilities on which the interest rate sensitivity analysis has been performed.

(amounts in $'000s)	**Variable Interest Rate**	**Fixed Interest Rate**			**Total**
		< 3 Months	**3 to 12 Months**	**> 1 Year**	
Financial assets					
Cash and cash equivalents	24,052	-	-	-	**24,052**
Other term deposits	1,460	35,380	13,843	-	**50,683**
USD term deposit	-	-	1,690	-	**1,690**
Loans (before impairment)	-	993	3,354	300	**4,647**
Floating rate notes	20,265	-	-	-	**20,265**
Financial liabilities					
Smart Account deposits	(3,948)	-	-	-	**(3,948)**

2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is not exposed to foreign currency risk in the settlement of merchant transactions as all monies received and paid are in Australian Dollars. The Company's settlement of fees with card schemes and the purchases of inventory from foreign suppliers are transacted in foreign currencies at the exchange rate prevailing at the transaction date. At reporting date the Company has some US Dollar and Euro exposure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

Foreign currency sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro exchange rates, with all other variables held constant.

An appreciation of 15% of the US Dollar and Euro compared to the Australian Dollar (assuming other factors remain constant), will increase the Company's profit after tax and increase equity by $396,464 (2016: $362,192). A depreciation of 15% of the US Dollar and Euro compared to the Australian Dollar will reduce the Company's profit after tax and reduce equity by $293,038 (2016: $267,707).

The following table shows the financial assets and liabilities on which the foreign currency sensitivity analysis has been performed.

		AUD 2017 ($000)	AUD 2016 ($000)
USD Term Deposit	USD	1,690	1,751
Union Pay Deposit	USD	65	67
Available-for-sale investments - VISA shares	USD	832	681
Trade Payables	EUR	254	446
Trade Payables	USD	86	1

3) Other price risk

The Company's investment in available-for-sale financial investments (Visa shares) is valued by way of reference to an underlying listed equity on the New York Stock Exchange and as such its fair value will fluctuate in direct proportion with the quoted market price indicated.

(vii) Capital Management

The Company's capital management objectives are to:

- Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow the Company to continue as a going concern; and
- Ensure that capital management is closely aligned with the Company's business and strategic objectives.

The Company manages capital adequacy according to the framework set out by APRA Prudential Standards.

APRA determines minimum prudential capital ratios (eligible capital as a percentage of total risk-weighted assets) that must be held by all ADIs. Accordingly, the Company is required to maintain a minimum prudential capital ratio (eligible capital as a percentage of total risk-weighted assets) on a Level 1 basis as determined by APRA.

The Board considers the Company's strategy, financial performance objectives, and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within the Company's Internal Capital Adequacy Assessment Process (ICAAP). The Company operates under the specific capital requirements set by APRA. The Company has satisfied its minimum capital requirements throughout the 2017 financial year in the form of Tier 1 capital which is the highest quality components of capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

Capital Adequacy

	2017 ($000)	2016 ($000)
Risk weighted capital ratios		
Common equity tier 1	178%	249%
Tier 1	178%	249%
Total capital ratio	**179%**	**250%**
Qualifying capital		
Tier 1		
Contributed capital	138,381	134,566
Accumulated losses & reserves	(18,081)	(6,809)
Common equity tier 1 capital	**120,300**	**127,757**
Less		
Net deferred tax assets	(10,300)	(8,174)
Other adjustments	(831)	(681)
Total Tier 1 capital	**109,169**	**118,902**
Tier 2		
General reserve for credit losses[1]	695	550
Total Tier 2 capital	**695**	**550**
Total qualifying capital	**109,864**	**119,452**
Total risk weighted assets	**61,494**	**47,765**

1. Standardised approach (to a maximum of 1.25% of total credit risk weighted assets)

(viii) Liquidity risk

The Company's liquidity risk is the risk that the Company will have insufficient liquidity to meet its obligations as they fall due. This could potentially arise as a result of mismatched cash flows.

The Company manages this risk by the ALCO approved liquidity framework. Responsibility for liquidity management is delegated to the CFO and CEO. The CFO manages liquidity on a daily basis and submits weekly reports to the Management team, and bi-monthly reports to ALCO. The CFO is also responsible for monitoring and managing capital planning. The capital plan outlines triggers for additional funding should liquidity be required.

Liquidity risk management framework models the ability to fund under both normal conditions and periods of stress. The capital plan and liquidity management is reviewed at least annually.

At reporting date, the Board of Directors determined that there was sufficient cash available to meet its anticipated expenditure and other financial liabilities.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

Maturity analysis

Amounts in the table below are based on contractual undiscounted cash flows for the remaining contractual maturities.

(amounts in $'000s)	**< 3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Total**
As at 30 June 2017						
Financial assets						
Cash and cash equivalents	24,052	-	-	-	-	24,052
Due from other financial institutions	35,380	10,865	4,668	-	1,525	52,438
Loans (before impairment)	993	1,707	1,646	301	-	4,647
Trade and other receivables	10,489	-	-	-	-	10,489
Floating rate notes	-	-	-	2,020	18,245	20,265
	70,914	12,572	6,314	2,321	19,770	111,891
Financial liabilities						
Deposits	(11,430)	-	-	-	-	(11,430)
Trade payables and other liabilities	(3,948)	-	-	-	-	(3,948)
	(15,378)	-	-	-	-	(15,378)
Net inflow	**55,536**	**12,572**	**6,314**	**2,321**	**19,770**	**96,513**

	< 3 months	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Total**
Year ended 30 June 2016						
Financial assets						
Cash and cash equivalents	82,224	-	-	-	-	82,224
Due from other financial institutions	1,547	10,000	14,729	-	1,527	27,803
Trade and other receivables	7,191	-	-	-	-	7,191
	90,962	10,000	14,729	-	1,527	117,218
Financial liabilities						
Trade payables and other liabilities	(9,542)	-	-	-	-	(9,542)
Interest-bearing loans and borrowings	(459)	-	-	-	-	(459)
	(10,001)	-	-	-	-	(10,001)
Net inflow	**80,961**	**10,000**	**14,729**	**-**	**1,527**	**107,217**

(ix) Fair values

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The table below shows the Company's financial assets that are measured at fair value. Management has assessed that for other financial assets and liabilities not disclosed in the table below, that due to their short term maturity profile, the carrying amount is an approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

	Year ended 30 June 2017 ($000)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Asset				
Floating rate notes	-	20,265	-	20,265
VISA shares	832	-	-	832
	832	**20,265**	**-**	**21,097**

	Year ended 30 June 2016 ($000)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Asset				
VISA shares	681	-	-	681
	681	**-**	**-**	**681**

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs.

In the year ended 30 June 2017, the Company invested in floating rate notes which have a short-term repricing profile and are of high credit quality. The fair value of floating rate notes has been estimated using pricing data inputs provided by an independent third party pricing service, which factors in recent arm's length transactions into their valuation methods.

Transfer between categories

There were no transfers between Level 1, Level 2 or Level 3 during the current year.

18. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

The Company pays merchants through the BECS system (Bulk Electronic Clearing System). As a result of BECS intra-day settlements, which went live in November 2013, all merchant settlements committed are processed on the same day.

Contingent liabilities arising from commitments are secured by way of standby letters of credit or bank guarantees as follows:

Contingent liabilities – secured	**2017 $000**	**2016 $000**
(I) Irrevocable standby letters of credit in favour of:		
MasterCard International	3,090	3,151
Visa International	60	60
UnionPay International	65	67
(ii) Bank Guarantee in favour of:		
UIR Australia, the lessor of 155 Clarence Street, Sydney	4,525	4,525
	7,740	**7,803**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18. COMMITMENTS AND CONTINGENCIES (cont'd)

The Company has provided an irrevocable standby letter of credit of $3.2m (in 2016: $3.3m) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to MasterCard International, Visa International and Union Pay International. These are one-year arrangements that are subject to automatic renewal on an annual basis. MasterCard International and Visa International, at their discretion, may increase the required amounts of the standby letters of credit upon written request to the Company. The required amounts of the standby letters of credit are dependent on MasterCard International's and Visa International's view of their risk exposure to the Company.

A bank guarantee is held with the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents 9 month's rent, includes all annual increases of 4% until lease maturity and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

19. LEASES

(a) Operating lease commitments - Company as lessor

Prior to April 2010, the Company operated a "rent to own" model whereby ownership of the terminal would transfer to the merchant once they had made 36 consecutive rental payments. However, the Company carried the risk of repairing or replacing the terminal over the 3 year period. The merchant would then continue to pay a service and maintenance fee after this period.

From April 2010, the Company has moved to a perpetual rental model whereby there will be no transfer of ownership of the asset, and the merchant will pay terminal rental for the duration that they are with the Company. There is no minimum rental period for merchants and they are able to terminate with the Company at any time with no penalty or buy out fees.

Type of Terminals	**Cost ($000)**	**Accumulated Depreciation ($000)**	**Net Carrying Value ($000)**
Yomani, Yomani XR and Yoximo 3G (including accessories)	15,554	8,621	6,933
Xenta and Xentissimo	4,930	4,930	-
	20,484	**13,551**	**6,933**

(b) Operating lease commitments - Company as lessee

Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2017 are as follows:

	2017 $000	**2016 $000**
Within one year	4,212	3,725
After one year but not more than five years	16,424	16,888
More than five years	-	2,549
	20,636	**23,162**

The operating lease commitments relate to the lease of the Company's registered office located at 155 Clarence Street, Sydney NSW. It is a non-cancellable lease with a term of up to 7 years ending 22 January 2022. The lease agreement provides the Company with the option to extend the lease for another 3 years. Lease payments are subject to annual increases of 4%.

20. SEGMENT REPORTING

The Company operates in one geographical segment being Australia. Currently the acquiring business segment which provides EFTPOS solutions to merchants (transaction processing, clearing and settlement activities within the Australian Payments System) comprises the only material contributor to the Company's Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

21. AUDITOR'S REMUNERATION

	2017 $000	2016 $000
Received or due and receivable by Ernst & Young:		
Audit of the financial reports of the Company	347	354
Other services in relation to the Company	223	160
	570	**514**

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

The Directors are of the opinion that the services as disclosed in Note 21 do not compromise the external auditor's independence for the following reasons:

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

22. RELATED PARTY DISCLOSURES

(a) Compensation of Key Management Personnel

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Details of Key Management Personnel

Directors	Title	Appointed
Kerry Roxburgh	Non-Executive Director, Chairman	18-Apr-08
Mike Cannon-Brookes	Non-Executive Director	10-Dec-09
Rob Ferguson[1]	Executive Director	14-Jun-17
Catherine Harris	Non-Executive Director	17-Dec-15
Paul Rickard	Non-Executive Director	28-Aug-09
Jost Stollmann[2]	Non-Executive Director	14-Jun-17

1. Non-Executive Director since 14 November 2005. Appointed to Acting Chief Executive Officer on 14 June 2017.
2. Executive Director since 5 April 2005. Appointed to Non-Executive Director on 14 June 2017.

Executives	Title	Appointed
Kareem Al-Bassam	Director of Product	16-Jan-17
Justin Mitchell	Chief Risk Officer	19-Mar-07
Praveenesh Pala	Chief Financial Officer	20-Oct-14
Paul Peterson[1]	Head of Product	6-Jun-16
Andrew Rothwell[2]	VP Product & Channel Management	3-Feb-03
Gerd Schenkel[3]	Chief Executive Officer	24-Oct-16
Joshua Walther	Director of Sales	25-May-17

1. Resigned as Head of Product on 7 April 2017
2. Resigned as VP of Sales on 19 May 2017
3. Resigned as the CEO on 13 June 2017

22. RELATED PARTY DISCLOSURES (cont'd)

	2017 $000	2016 $000
Compensation of Key Management Personnel		
Short-term benefits	2,661	2,217
Long-term benefits (long service leave)	71	14
Post-employment benefits (superannuation)	254	165
Termination benefits	924	-
Share-based payments	330	158
Total	**4,240**	**2,554**

Interests held by Key Management Personnel

Share options held by Key Management Personnel to purchase ordinary shares have the following expiry dates and exercise prices.

Issue Year	Expiry Year	Exercise Price($)	2017 Number Outstanding	2016 Number Outstanding
FY06/07	FY16/17	$0.550	-	466,641
FY07/08	FY17/18	$0.300	436,996	958,735
FY07/08	FY17/18	$0.550	-	244,002
FY08/09	FY18/19	$0.060	1,043,478	4,956,521
FY09/10	FY16/17	$0.060	-	7,964,639
FY09/10	FY16/17	$0.080	-	3,319,193
FY09/10	FY16/17	$0.100	-	541,416
FY10/11	FY17/18	$0.060	2,940,587	6,231,891
FY10/11	FY17/18	$0.080	5,250,001	4,621,301
FY10/11	FY20/21	$0.080	-	3,250,000
FY13/14	FY20/21	$0.375	1,758,644	2,624,744
FY14/15	FY21/22	$0.450	1,140,846	1,235,212
FY15/16	FY22/23	$0.600	929,030	1,011,288
FY16/17	FY23/24	$1.490	932,051	-
FY16/17	FY23/24	$1.620	400,000	-

(b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. These transactions were on commercial terms & conditions.

Related Party		2017 $000	2016 $000
Atlassian Pty Ltd	Software purchased	(73)	(43)
Atlassian Pty Ltd	Sub-lease rental income	560	132

Mike Cannon-Brookes, a Non-Executive Director of Tyro Payments is Co-Founder, CEO and Director of Atlassian. The Company entered into an agreement with Atlassian to sublease Level 4 of 155 Clarence Street, commencing 1 April 2016 to 31 December 2016, with an option to renew for up to two months. Atlassian vacated the premises in March 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22. RELATED PARTY DISCLOSURES (cont'd)

(c) Loans with related parties

In December 2010, the Company granted 7.5 million share options for draw down on a now expired loan facility. These options are not under ESOP. As at 30 June 2017, all of these options were outstanding with a WAEP of 8 cents.

	Outstanding options at the end of the year
Euclid Capital Partners, related party of David Fite (Shareholder)	2,625,000
Abyla Pty Ltd, related party of Mike Cannon-Brookes (Director)	1,625,000
Robert Ferguson (Director)	1,625,000
Fiona Stollmann, related party of Jost Stollmann (Director)	1,625,000
Total	**7,500,000**

In October 2015, the Company entered into a loan facility of $4.6m with 7 lenders, all of whom are either Directors and/or shareholders of the Company. That facility was not drawn upon in the year ending 30 June 2017 and expired on 30 April 2017.

23. MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

No matter or circumstance other than those already disclosed in the financial report, has arisen subsequent to 30 June 2017 that has affected or may significantly affect:

(a) the Company's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Tyro Payments Limited, I state that:

In the opinion of the Directors:

a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   I. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

   II. complying with Accounting Standards and Corporations Regulations 2001;

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;

c) 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

d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board

Kerry Roxburgh
Chairman

Sydney, 23 August 2017

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Independent Auditor's Report to the Members of Tyro Payments Limited

Opinion

We have audited the financial report of Tyro Payments Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.
In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon. The other information comprises the Chief Executive Officer's Year in Review and Directors' Report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
23 August 2017

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Information for Shareholders

We report to Shareholders each year, following the end of financial year, with the Annual Report and then the Annual General Meeting. A hard copy of the Annual Report can be obtained by contacting the Company Secretary. The Company became a disclosing entity in the 2016 financial year and publishes an Interim Financial Report for each half-year ended 31 December.

Annual General Meeting

The Tyro Annual General Meeting will be held at the Company premises, 155 Clarence Street, Sydney NSW 2000 on Tuesday 17 October 2017, commencing at 3pm.

Shareholder Information

For information about your shareholding or to notify a change of address etc., you should contact the company via the Company Secretary.

Tyro Payments Limited
Attn: Company Secretary
155 Clarence Street
Sydney NSW 2000

Phone: (02) 8907 1714

Email: jmitchell@tyro.com

Electronic Communications

Shareholders can elect to receive the Annual Report and shareholder newsletters by email. Shareholders who wish to register or notify a change of their email address should contact the company via the Company Secretary.

Tyro Payments Limited
Attn: Company Secretary
155 Clarence Street
Sydney NSW 2000

Phone: (02) 8907 1714

Email: jmitchell@tyro.com

CORPORATE DIRECTORY

Directors
Kerry Roxburgh (Chairman)
Mike Cannon-Brookes
Rob Ferguson
Catherine Harris
Paul Rickard
Jost Stollmann

Company Secretary
Justin Mitchell

Registered Office
155 Clarence Street
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Auditors
Ernst & Young
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