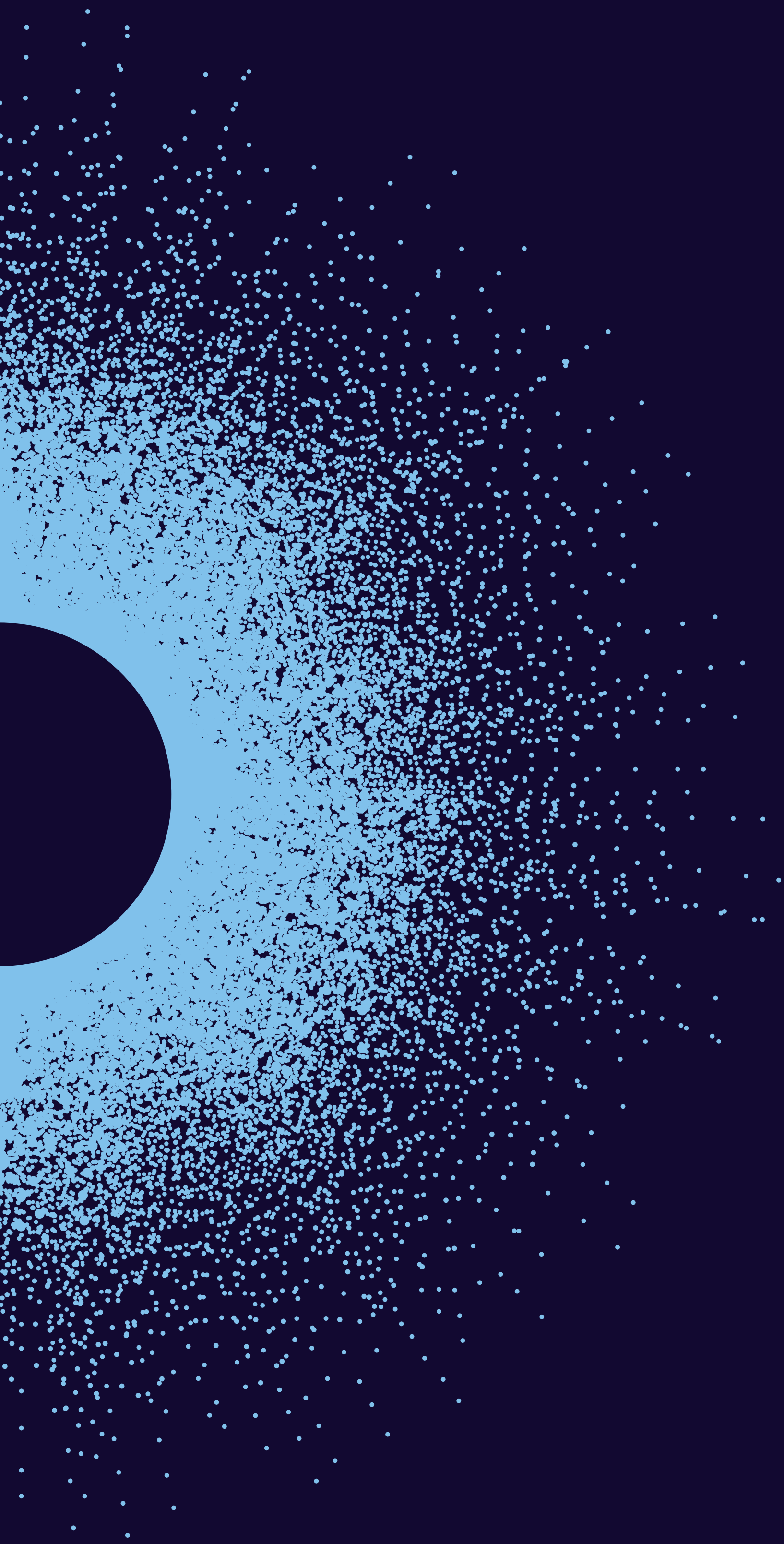
Tyro Payments Limited

ANNUAL REPORT 2019

(with comparatives for the years ended 30 June 2018, 30 June 2017 and 30 June 2016)

ABN 49 103 575 042



19


1300 966 639
www.tyro.com
VISA
Platinum
worldline
$42.30
Tap, insert or Swipe
Stop

Directors' Report

The Board of Directors of Tyro Payments Limited (the **Company** or **Tyro**) present their report together with the financial statement for the financial year ended 30 June 2019.

DIRECTORS AND COMPANY SECRETARIES

The names and details of Tyro's Directors that held office during the period commencing on 1 July 2018 and ending on the date of this report are:

David Thodey (Chairman)	Director since 16 November 2018; Chairman since 15 October 2019
Kerry Roxburgh	Director since 18 April 2008 (retired 15 October 2019)
Robbie Cooke	Managing Director since 15 October 2019
Hamish Corlett	Director since 18 April 2019
David Fite	Director since 3 July 2018
Catherine Harris	Director since 17 December 2015
Fiona Pak-Poy	Director since 4 September 2019
Paul Rickard	Director since 28 August 2009
Mike Cannon-Brookes	Director since 10 December 2009 (resigned 28 February 2019)
Rob Ferguson	Director since 17 November 2005 (resigned 3 July 2018)

Skills, qualifications, term of office, experience and responsibilities for each Director (as at the date of this report) are set out below.

DAVID THODEY AO, CHAIRMAN

NON-EXECUTIVE DIRECTOR SINCE 16 NOVEMBER 2018; CHAIRMAN SINCE 15 OCTOBER 2019

David is a business executive with more than 40 years' of global experience in the technology and telecommunications industries. He was CEO of Telstra and previously CEO of IBM Australia/New Zealand. David is currently a Director of Ramsay Health Care Ltd, Xero Limited and Vodafone Group Plc. He is also Chair of the Commonwealth and Scientific Industrial Research Organisation (**CSIRO**). David has a track record of creating brand and shareholder value and has been successfully involved in innovation across a wide range of sectors. In 2017, David was awarded an Order of Australia for integrity and leadership in business. David holds a Bachelor of Arts in Anthropology and English from the Victoria University of Wellington, and a postgraduate general management degree from the Northwestern University in Chicago.

OTHER CURRENT DIRECTORSHIPS

Chairman of CSIRO; Non-executive Director of Ramsay Health Care Ltd; Non-executive Director of Xero Limited; Non-executive Director Vodafone Group Plc.

SPECIAL RESPONSIBILITIES

Member of the Nomination and Remuneration Committee.

DIRECTORS AND COMPANY SECRETARIES (cont'd)

ROBBIE COOKE

MANAGING DIRECTOR SINCE 15 OCTOBER 2019

Robbie joined Tyro in 2018 as Chief Executive Officer and was appointed as Managing Director in October 2019.

Robbie has over 30 years' experience in the oil and gas, mining, wagering, lotteries and wagering, and online travel industries. Prior to Tyro, Robbie was the Managing Director and CEO of Tatts Group Limited. This role concluded upon Tatts merging via a scheme of arrangement with its Australian peer, Tabcorp.

Prior to Tatts, Robbie served initially as COO, and then as Managing Director and CEO, of one of Australia's leading online travel group, Wotif.com Holdings Limited. During his seven years at Wotif, Robbie oversaw the group's significant scale up from start-up mode, achieving a circa fivefold increase in profits and undertaking a successful IPO on the ASX in 2006.

Robbie is a member of the Australian Institute of Company Directors, an associate of the Governance Institute of Australia and a solicitor of the Supreme Court of Queensland. Robbie also sits on the advisory board of in-home care provider Five Good Friends.

Robbie holds a Bachelor of Laws (Honours) from the University of Queensland Law School and a Bachelor of Commerce from the University of Queensland.

HAMISH CORLETT

NON-EXECUTIVE DIRECTOR SINCE 18 APRIL 2019

Hamish is a founder and director of TDM Growth Partners, a private investment firm specialising in high growth companies globally. He has over 20 years' experience in investing and investment banking. Prior to TDM, Hamish worked as an Investment Manager at Caledonia Investments, a global fund manager, and an Analyst at Caliburn Partnership (now Greenhill).

Hamish holds a Bachelor of Commerce with Honours Class 1 (Accounting and Finance) from the University of Sydney and a Graduate Diploma of Counselling from the Australian College of Applied Psychologists.

OTHER CURRENT DIRECTORSHIPS

Non-executive Director of Somnomed Ltd.

SPECIAL RESPONSIBILITIES

Member of the Audit and Nomination and Remuneration Committees.

DIRECTORS AND COMPANY SECRETARIES (cont'd)

DAVID FITE

NON-EXECUTIVE DIRECTOR SINCE 3 JULY 2018

David is currently an investor in various credit, financial services and technology businesses, and has been a shareholder in and consultant to Tyro since 2008. David has 25 years' experience in the financial services industry. David has held various roles at Westpac, including Treasurer, Assistant Chief Financial Officer and the Group Executive responsible for all retail and business banking products in Australia. David has also worked at Japan's Shinsei Bank (formerly known as The Long-Term Credit Bank of Japan) as its Senior Corporate Executive Officer, Chief Financial Officer and a member of its Board. David holds a Bachelor of Arts in Government (magna cum laude) from Harvard College, and a Masters in Economics from Stanford University.

OTHER CURRENT DIRECTORSHIPS

Non-executive Director of Judo Capital Holdings Ltd and Judo Bank Pty Ltd; Non-executive Director of Evari Insure Pty Ltd and associated entities; Non-executive Director of Collect Ltd (New Zealand company) and ETA Australia Holdings Pty (the parent of MYOB).

SPECIAL RESPONSIBILITIES

Member of the Risk Committee.

CATHERINE HARRIS AO

NON-EXECUTIVE DIRECTOR SINCE 17 DECEMBER 2015

Catherine is currently Chair of Harris Farm Markets Pty Ltd. Catherine has over 40 years' experience in the Retail industry. She has held roles at the Affirmative Action Agency, the University of NSW, the Sydney Cricket Ground Trust, The National Gallery of Australia, the Australian Defence Force Academy, the Museum of Contemporary Art Australia, St Margaret's Public Hospital, The Australian Rugby League Commission, the Sports Australia Hall of Fame 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.

OTHER CURRENT DIRECTORSHIPS

Chair of Harris Farm Markets Pty Ltd; Director of The Australian Ballet; Cox's River Rest Pty Ltd; Director of The UNSW School of Business.

SPECIAL RESPONSIBILITIES

Chair of the Nominations and Remuneration Committee.

DIRECTORS AND COMPANY SECRETARIES (cont'd)

FIONA PAK-POY

NON-EXECUTIVE DIRECTOR SINCE 4 SEPTEMBER 2019

Fiona has over 25 years' experience in a variety of industries, for companies ranging from startups to large public companies and not-for-profits. She has served on various boards, including MYOB, StatePlus, and the commercialisation office of the University of Adelaide, Adelaide Research and Innovation. She was a strategy consultant for the Boston Consulting Group in the US and Australia, and was also partner in an Australian venture capital fund focussed on technology startups.

Fiona holds an Honours degree in Engineering from the University of Adelaide and an MBA from the Harvard Business School.

OTHER CURRENT DIRECTORSHIPS

Director of iSentia; Director of Novotech; Director of the Sydney School of Entrepreneurship.

SPECIAL RESPONSIBILITIES

Member of the Audit and Risk Committees.

PAUL RICKARD

NON-EXECUTIVE DIRECTOR SINCE 28 AUGUST 2009

Paul has over 25 years' experience in the financial services industry. He was previously the Executive General Manager, Payments & Business Technology for the Commonwealth Bank of Australia. 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 holds Bachelor of Science degrees in Mathematics and Computer Science from the University of Sydney.

OTHER CURRENT DIRECTORSHIPS

Non-executive Director of OpenInvest Ltd, OpenInvest Holdings Pty Ltd, Switzer Financial Group Pty Ltd and ASX listed WCM Global Growth Ltd and holds board positions with several other Australian private companies.

SPECIAL RESPONSIBILITIES

Chair of the Audit Committee; Chair of the Risk Committee.

COMPANY SECRETARY

Tyro's Company Secretary as at 30 June 2019 was Sami Wilson.

Sami was appointed Company Secretary on 7 May 2018. In addition, Sami is Tyro's General Counsel and joined Tyro in April 2018. Sami holds Bachelors of Law and Commerce and was previously a member of Herbert Smith Freehills' Private Equity team.

DIVIDENDS

No dividends or distributions were declared or paid for the year ended 30 June 2019.

CORPORATE INFORMATION AND CAPITAL STRUCTURE

CORPORATE STRUCTURE

Tyro is an unlisted public company. It is incorporated and domiciled in Australia. Tyro's registered office is Level 1, 155 Clarence Street, Sydney, New South Wales, 2000.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Tyro is an Australian bank and operates under the supervision of the Australian Prudential Regulation Authority (**APRA**). Tyro provides credit, debit and EFTPOS card acquiring, Medicare and private health fund claiming and rebating services to Australian businesses. Tyro takes money on deposit and offers unsecured cash-flow based lending to Australian EFTPOS merchants. Tyro has implemented appropriate systems and controls to comply with the stringent prudential and regulatory requirements within the Australian banking system.

SHARE CAPITAL

Tyro's issued share capital as at the date of this report was 450,472,423 fully paid ordinary shares.

During the period commencing on 1 July 2018 and ending on the date of this report (**Relevant Period**), 10,165,168 fully-paid ordinary shares were issued by Tyro upon the exercise of options, raising a total of $2.86 million in fully paid capital.

CORPORATE INFORMATION AND CAPITAL STRUCTURE (cont'd)

OPTIONS, PERFORMANCE RIGHTS AND REMUNERATION SACRIFICE RIGHTS

As at the date of this report, there were 40,646,604 unissued ordinary shares under either options, performance rights or remuneration sacrifice rights. When exercised (assuming they have vested), Tyro will issue one fully-paid ordinary share in respect of each option, performance right or remuneration sacrifice right exercised. Holders of such rights or options do not have any right, by virtue of the option or right, to participate in any share issue of the Company. A summary of these options and rights is as follows:

OPTION TYPE[1]	EXERCISE PRICE	EXPIRY DATE[2]	GRANTED DURING RELEVANT PERIOD	UNISSUED SHARES UNDER OPTION AS AT THE DATE OF THIS REPORT (11 NOVEMBER 2019)[3]
Share options not issued under ESOP[4]	$0.08	17 December 2020	-	2,625,000
Monthly Linear Vesting Schedule	$0.10	29 August 2019	-	-
	$0.12	29 August 2019	-	-
	$0.14	29 August 2019	-	-
	$0.375	17 October 2020	-	1,733,690
	$0.45	9 October 2021	-	2,494,143
	$0.60	5 October 2022	-	4,090,418
	$1.49	1 November 2023	-	5,281,359
	$1.62	31 March 2024 – 15 October 2024	-	740,000
	$1.76	1 February 2024 - 31 December 2024	2,218,180	8,229,513
Annual Linear Vesting Schedule	$0.00	30 December 2024	2,274,946	1,875,218
	$0.00	29 March 2025	459,525	459,525
	$0.00	31 August 2025	1,554,294	1,537,129
Performance Annual Linear Vesting Schedule	$1.50	30 April 2026	6,154,423	6,154,423
Performance Rights	$0.00	10 years from the date on which the performance right vests	4,100,000	4,100,000
Remuneration Sacrifice Rights[5]	$0.00	N/A	1,974,204	1,326,186
Total			**18,735,572**	**40,646,604**

(1) *Per 'Type of Option' description in Note 11 of the Financial Report.*

(2) *Initial expiry date, not taking into account any acceleration of the expiry date (for example due to cessation of employment).*

(3) *Number of options as at the date of this report (11 November 2019) may not reconcile with the number of options reported at balance date (30 June 2019) in the accompanying Financial Report.*

(4) *See Note 23 of the Financial Report.*

(5) *See Note 11 of the Financial Report. As at the date of this report, these rights have fully vested and automatically converted to restricted shares.*

CORPORATE INFORMATION AND CAPITAL STRUCTURE (cont'd)

DIRECTOR AND OFFICER OPTION, PERFORMANCE RIGHT AND REMUNERATION SACRIFICE RIGHT GRANTS

During the Relevant Period, the following options, performance rights and remuneration sacrifice rights were granted by Tyro to:

- Tyro's Non-executive Directors; and
- Tyro's 6 most highly remunerated officers (other than Non-executive Directors).

NON-EXECUTIVE DIRECTOR	OPTIONS GRANTED DURING RELEVANT PERIOD	REMUNERATION SACRIFICE RIGHTS	PERFORMANCE RIGHTS
Kerry Roxburgh[6]	134,829	309,207	-
Mike Cannon-Brookes[7]	-	-	-
Hamish Corlett	68,000	89,658	-
Rob Ferguson[8]	-	-	-
David Fite	82,286	89,658	-
Catherine Harris	97,486	199,997	-
Paul Rickard	112,586	199,904	-
David Thodey	82,286	131,905	-
OFFICER			
Robbie Cooke, Managing Director and Chief Executive Officer	3,766,945	377,187	1,200,000
Dave Coombes, Chief Technology Officer	721,220	78,410	500,000
Angela Green, Chief Risk Officer	39,607	7,553	300,000
Bronwyn Yam, Chief Product Officer	675,886	72,940	500,000
Joshua Walther, Chief Customer Officer	675,886	72,940	500,000
Prav Pala, Chief Financial Officer	706,109	85,792	500,000

(6) Kerry Roxburgh retired as a Director on 15 October 2019.

(7) Mike Cannon-Brookes resigned as a Director on 28 February 2019.

(8) Rob Ferguson resigned as a Director on 3 July 2018.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS AND FINANCIAL POSITION

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

(AMOUNTS IN $000)	2019	2018	2017	2016
Revenue	**$189,770**	$148,231	$120,575	$95,777
Gross profit	**$83,260**	$69,068	$56,037	$46,193
Loss before tax expense	**($20,263)**	($18,297)	($17,033)	($3,210)
Loss for the year	**($18,439)**	($17,146)	($14,820)	($749)

The Company had a net loss of $18.4 million for the year ended 30 June 2019. Tyro continued to scale up its investment in building its banking business and embarked on a significant growth program including new product design, improved operating systems and distribution.

REGULATORY LANDSCAPE, CAPITAL AND FUNDING

Tyro holds an authority under the Banking Act 1959 (Cth) to carry on a banking business as an Authorised Deposit-taking Institution and is subject to prudential capital requirements set by APRA. Tyro is fully compliant with the prudential capital requirements prescribed by APRA and has sufficient capital to fund on-going operations. The information required by APS 330: Public Disclosure is provided in the 'Investors' section of Tyro's website at www.tyro.com/investors (under Regulatory Disclosures).

Tyro had cash and cash equivalents of $23.9 million at the end of the Reporting Period.

Total Tier 1 capital held as at 30 June 2019 was $75.4 million. Tyro has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

RISK MANAGEMENT

The Board is responsible for reviewing and approving the risk management strategy, including determining Tyro's appetite for risk. The CEO/ Managing Director 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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In the opinion of the Directors, there have been no matters or circumstances which have arisen during the financial year that have significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 8 July 2019, Tyro announced it was investigating the potential to move from its current non-listed public company structure to an ASX listed structure.

In October 2019, the Company became aware of an error in the 2017, 2018 and 2019 financial statements issued to shareholders. This error relates to a possible payroll tax underpayment to the Office of State Revenue in New South Wales as a result of incorrectly attributing zero tax values to certain options issued between the 2008 and 2011 financial years. The majority of these options were exercised in the 2017 to 2019 financial years with no payroll tax liability under the original valuation.

The financial statements for each of these financial years have been restated and audited with the corrected numbers as outlined below. The comparative information disclosed in these accounts reflect the corrected numbers.

(AMOUNTS IN $000)	2019	2018	2017	2016
Employee benefits expenses	$52	$776	$2,045	$3

In the opinion of the Directors, there have been no other matters or circumstances which have arisen between 30 June 2019 and the date of this report that have significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Tyro's key priorities and strategies for FY20 are focused on continued growth in both our payments and banking businesses. In the Directors' opinion, any further disclosure of information would be likely to result in unreasonable prejudice to the Company.

INDEMNIFICATION AND INSURANCE

Tyro's Constitution allows it to pay insurance premiums for contracts insuring a Director, Secretary or other officer of the Company against any liability incurred in that person's capacity as an officer of the Company, to the extent permitted by law. During the financial year, consistent with Tyro's Constitution, Tyro paid a premium in respect of a contract insuring the current and former Directors of the Company, the Company Secretary and the officers of the Company. The contract of insurance prohibits disclosure of the nature of the liabilities insured against and the amount of the premium.

Clause 104.1 of Tyro's Constitution provides that each current and former Director, Secretary or other officer of the Company is indemnified, to the maximum extent permitted by law against any liability incurred by the person in their capacity as an officer of the Company (including legal costs incurred in defending any legal action or proceedings). Tyro has also entered into deeds of indemnity, insurance and access with its Directors, Chief Executive Officer, Company Secretary and Chief Financial Officer (and certain former officers) which will indemnify them against liability incurred as an officer of the Company, to the extent permitted by law.

Pursuant to the terms of Tyro's standard engagement letter with Tyro's auditor, Ernst & Young (EY), the Company has agreed to indemnify EY against any liability incurred as auditor, to the extent permitted by law.

MEETINGS OF DIRECTORS

The number of Board meetings and meetings of Board Committees held during the year and the number of meetings attended by each Director is as follows:

	BOARD		AUDIT COMMITTEE		RISK COMMITTEE		NOMINATIONS & REMUNERATION COMMITTEE	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Kerry Roxburgh	6	6	nm	nm	7	6	4	4
Mike Cannon-Brookes[9]	4	1	nm	nm	5	0	nm	nm
Hamish Corlett	1	1	nm	nm	nm	nm	nm	nm
Rob Ferguson[10]	-	-	-	-	-	-	-	-
David Fite	6	6	4	4	nm	nm	nm	nm
Catherine Harris	6	5	4	4	nm	nm	4	4
Paul Rickard	6	6	4	4	7	7	4	4
David Thodey	4	4	nm	nm	4	4	nm	nm

A: *number of meetings during the year while the Director was a member of the Board or Committee*

B: *number of meetings attended by the Director as a member during the year*

nm: *not a member of the relevant Committee*

(9) Mike Cannon-Brookes resigned as a Director on 28 February 2019.

(10) Rob Ferguson resigned as a Director on 3 July 2018.

COMMITTEE MEMBERSHIP

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

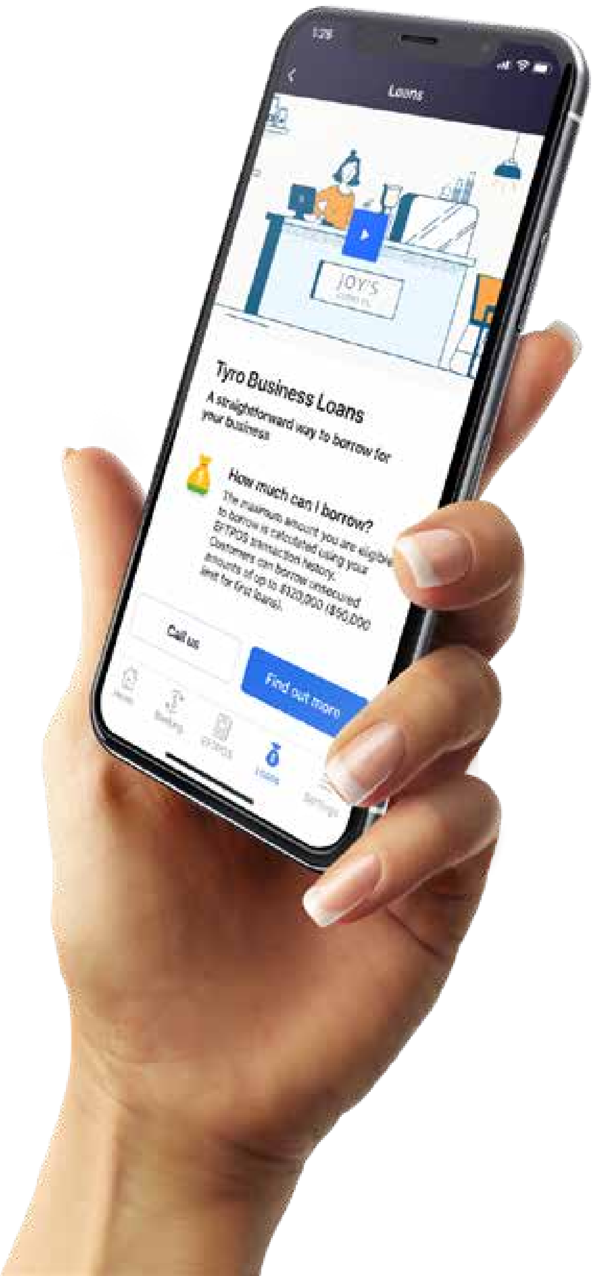
Directors appointed to the Board Committees as at 30 June 2019 were:

AUDIT COMMITTEE	RISK COMMITTEE	NOMINATIONS & REMUNERATION COMMITTEE
P. Rickard (Chair)	P. Rickard (Chair)	C. Harris (Chair)
D. Fite	K. Roxburgh	P. Rickard
C. Harris	D. Thodey	K. Roxburgh

David Thodey AO
Chairman

Sydney, 11 November 2019

Auditor’s Independence Declaration



Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Tyro Payments Limited for the financial years ended 30 June 2019, 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

Michael Byrne
Partner
11 November 2019

Financial Report

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019[1] $000	2018 $000	2017 $000	2016 $000
Fees and commission income	2	**182,787**	142,213	115,453	92,683
Interest income on loans[2]		**2,912**	1,567	450	-
Fair value gain on loans[2]		**26**	-	-	-
Interest income on treasury investments – at amortised cost		**1,298**	1,580	2,866	2,010
Interest income on treasury investments – at FVOCI[3]		**1,035**	918	-	-
Terminal and accessories sale		**898**	810	327	212
Other revenue and income	2	**814**	1,143	1,479	872
Revenue		**189,770**	148,231	120,575	95,777
Interchange, integration and support fees expense	2	**(105,489)**	(78,511)	(63,761)	(48,876)
Interest expense on deposits		**(276)**	(110)	(33)	(3)
Terminal and accessories COGS		**(745)**	(542)	(744)	(705)
Total direct expenses		**(106,510)**	(79,163)	(64,538)	(49,584)
Gross profit		**83,260**	**69,068**	**56,037**	**46,193**
Employee benefits expense (exc. share-based payments)	2	**(60,813)**	(54,146)	(47,865)	(31,220)
Share-based payments expense		**(3,788)**	(1,411)	(1,841)	(965)
Administrative expenses	2	**(17,775)**	(16,162)	(13,597)	(11,300)
Contractor and consulting expenses		**(7,715)**	(5,201)	(1,531)	(1,176)
Marketing expenses		**(4,771)**	(2,899)	(2,000)	(621)
Depreciation	9	**(7,849)**	(7,064)	(5,984)	(4,025)
Amortisation	10	**(15)**	-	-	-
Lending and non-lending losses	2	**(797)**	(482)	(252)	(96)
Total operating expenses		**(103,523)**	(87,365)	(73,070)	(49,403)
Loss before tax expense		**(20,263)**	**(18,297)**	**(17,033)**	**(3,210)**
Income tax benefit	3	**1,824**	1,151	2,213	2,461
Loss for the year		**(18,439)**	**(17,146)**	**(14,820)**	**(749)**
Other comprehensive income					
FVOCI[3,4] reserve – net revaluation gain, net of tax		**42**	232	203	60
Total comprehensive loss for the year		**(18,397)**	**(16,914)**	**(14,617)**	**(689)**

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

(1) The 2019 financial year results reflect the adoption of AASB 9 Financial instruments (AASB 9) and AASB 15 Revenue from contracts with customers (AASB 15). The Company has not restated prior periods as permitted by AASB 9 and AASB 15, with applicable transition adjustments being recognised in opening retained earnings at 1 July 2018. Refer to Note 1 for details on the impact of initial adoption of AASB 9 and AASB 15.

(2) Upon adoption of AASB 9, loans that were classified as loans and receivables and measured at amortised cost under AASB 139 have certain features that resulted in the loans not meeting AASB 9's solely payments of principal and interest requirements. Accordingly, these loans have been re-classified to fair value through profit or loss (FVTPL). Loans measured at FVTPL are not subject to separate impairment testing requirements as the expected repayments are factored into the fair valuation of the portfolio.

(3) Fair value through other comprehensive income. Refer Note 1(d)

(4) Represents the available-for-sale revaluation reserve for periods prior to the adoption of AASB 9 on 1 July 2018.

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTE	2019[1] $000	2018 $000	2017 $000	2016 $000
ASSETS					
Current assets					
Cash and cash equivalents	4	**23,900**	28,564	24,052	82,224
Due from other financial institutions	5	**7,910**	17,812	52,438	27,803
Trade and other receivables	6	**27,762**	15,935	10,489	7,191
Loans	7	**15,665**	7,590	4,511	-
Prepayments		**1,943**	1,925	1,992	966
Inventories		**60**	61	1,148	923
Total current assets		**77,240**	71,887	94,630	119,107
Non-current assets					
Financial investments – at FVOCI	8	**37,159**	39,097	21,097	681
Property, plant and equipment	9	**18,734**	17,223	13,482	12,557
Intangible assets	10	**2,503**	-	-	-
Deferred tax assets	3	**13,028**	11,351	10,300	8,174
Total non-current assets		**71,424**	67,671	44,879	21,412
TOTAL ASSETS		**148,664**	**139,558**	**139,509**	**140,519**
LIABILITIES					
Current liabilities					
Deposits	12	**26,918**	11,563	3,948	459
Trade payables and other liabilities	13	**24,469**	16,588	13,478	9,545
Provisions	14	**3,162**	3,922	2,206	1,748
Total current liabilities		**54,549**	32,073	19,632	11,752
Non-current liabilities					
Provisions	15	**1,046**	768	534	463
Total non-current liabilities		**1,046**	768	534	463
TOTAL LIABILITIES		**55,595**	**32,841**	**20,166**	**12,215**
NET ASSETS		**93,069**	**106,717**	**119,343**	**128,304**
EQUITY					
Contributed equity	16	**141,856**	141,258	138,381	134,566
Reserves	16	**17,492**	13,973	12,157	9,572
Accumulated losses	16	**(66,279)**	(48,514)	(31,195)	(15,834)
TOTAL EQUITY		**93,069**	**106,717**	**119,343**	**128,304**

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

(1) *The 2019 financial year results reflect the adoption of AASB 9 and AASB 15. The Company has not restated prior periods as permitted by AASB 9 and AASB 15, with applicable transition adjustments being recognised in opening retained earnings at 1 July 2018. Refer to Note 1 for details on the impact of initial adoption of AASB 9 and AASB 15.*

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2019 $000	2018 $000	2017 $000	2016 $000
Cash flows from operating activities					
Fees and commission income received		**183,137**	142,178	115,265	92,138
Interchange, integration and support fees expenses paid		**(105,743)**	(78,582)	(63,783)	(48,979)
Interest received		**5,386**	4,004	2,827	1,928
Interest paid		**(258)**	(103)	(29)	(2)
Other operating income received		**1,572**	1,998	1,733	891
Payments to employees and suppliers:					
Employee benefits expenses paid		**(59,899)**	(52,321)	(45,134)	(30,461)
Terminals purchased		**(8,103)**	(6,688)	(5,060)	(4,415)
Other operating expenses paid		**(29,901)**	(22,923)	(17,409)	(11,040)
Movement in net schemes receivable and other items		**(7,416)**	(4,489)	(2,729)	(3,788)
Net increase in customer loans		**(8,061)**	(3,489)	(4,741)	-
Net increase in merchant deposits		**15,355**	7,616	3,489	459
Net cash flows from operating activities	4	**(13,931)**	(12,799)	(15,571)	(3,269)
Cash flows from investing activities					
Movement in term deposit investments					
Purchases		**-**	-	(24,698)	(20,000)
Proceeds on maturity		**10,037**	35,013	281	-
Movement in financial investments					
Purchases		**(3,500)**	(17,668)	(20,125)	-
Proceeds		**5,691**	-	-	-
Purchase of property, plant and equipment (exc. terminals)		**(1,045)**	(2,891)	(1,822)	(4,526)
Payment for recognised intangible assets		**(2,518)**	-	-	-
Net cash flows from investing activities		**8,665**	14,454	(46,364)	(24,526)
Cash flows from financing activities					
Proceeds from exercise of share options		**598**	2,877	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		**598**	2,877	3,815	100,019
Net (decrease)/increase in cash and cash equivalents		**(4,668)**	4,532	(58,120)	72,224
Effect of foreign exchange rates on cash and cash equivalents		**4**	(20)	(52)	10
Cash and cash equivalents at beginning of year		**28,564**	24,052	82,224	9,990
Cash and cash equivalents at end of year	4	**23,900**	28,564	24,052	82,224

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

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

ATTRIBUTABLE TO EQUITY HOLDERS OF TYRO PAYMENTS LIMITED	NOTE	CONTRIBUTED EQUITY	FVOCI RESERVE[2]	SHARE-BASED PAYMENTS RESERVE	ACCUMULATED LOSSES	OPTION PREMIUM RESERVE	GENERAL RESERVE FOR CREDIT LOSSES	TOTAL
		$000	$000	$000	$000	$000	$000	$000
At 30 June 2015		**34,013**	**360**	**7,470**	**(14,932)**	**480**	**397**	**27,788**
Loss for the year		-	-	-	(749)	-	-	(749)
Other comprehensive income		-	60	-	-	-	-	60
Total comprehensive income		-	60	-	(749)	-	-	(689)
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	16	**134,566**	**420**	**8,435**	**(15,834)**	**167**	**550**	**128,304**
Loss for the year		-	-	-	(14,820)	-	-	(14,820)
Other comprehensive income		-	203	-	-	-	-	203
Total comprehensive income		-	203	-	(14,820)	-	-	(14,617)
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**	**(31,195)**	**167**	**1,091**	**119,343**
Loss for the year		-	-	-	(17,146)	-	-	(17,146)
Other comprehensive income		-	232	-	-	-	-	232
Total comprehensive income		-	232	-	(17,146)	-	-	(16,914)
Issue of share capital – from options exercised		2,877	-	-	-	-	-	2,877
Share-based payments		-	-	1,411	-	-	-	1,411
Transfer to general reserve for credit losses		-	-	-	(173)	-	173	-
At 30 June 2018	16	**141,258**	**855**	**11,687**	**(48,514)**	**167**	**1,264**	**106,717**
Adjustment from initial adoption of AASB 9		-	(798)	-	1,328	-	-	530
Adjusted balance at 1 July 2018		**141,258**	**57**	**11,687**	**(47,186)**	**167**	**1,264**	**107,247**
Loss for the year		-	-	-	(18,439)	-	-	(18,439)
Other comprehensive income		-	42	-	-	-	-	42
Total comprehensive income		-	42	-	(18,439)	-	-	(18,397)
Option premium reserve		-	-	-	-	(167)	-	(167)
Issue of share capital – from options exercised		598	-	-	-	-	-	598
Share-based payments		-	-	3,788	-	-	-	3,788
Transfer to general reserve for credit losses		-	-	-	(654)	-	654	-
At 30 June 2019	16	**141,856**	**99**	**15,475**	**(66,279)**	**-**	**1,918**	**93,069**

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 $299,000.

(2) Represents the available-for-sale revaluation reserve for periods prior to the adoption of AASB 9 on 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 by the Directors on 11 November 2019.

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 loans and financial 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, 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 $22.7 million as at 30 June 2019 (2018: $39.8 million, 2017: $75.0 million, 2016: $107.3 million).

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 except for:

AASB 9 Financial Instruments

AASB 9 replaced AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2018 for the Company. AASB 9 results in changes to accounting policies for financial assets and financial liabilities in the areas of Classification and Measurement, Impairment and Hedge Accounting. The Company has applied the requirements of AASB 9 in the current reporting period beginning 1 July 2018 in respect of the classification and measurement of financial assets and impairment of financial assets. The Company currently does not have any hedges in place. The transition adjustments have been recognised in opening retained earnings at 1 July 2018 with no restatement of prior periods, as permitted by AASB 9.

The key changes in accounting policies and impacts from the transition are summarised below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Classification and measurement:

Financial assets:

AASB 9 introduces a new model that categorises financial assets based on the Company's business model for realising these assets and whether the contractual cash flows of the asset represent solely payments of principal and interest (SPPI). The Company applies the following policies for the three new AASB 9 classification and measurement categories:

- *Amortised Cost* - A financial asset will be measured at amortised cost if both of the following conditions are met:
  1. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- *Fair Value through Other Comprehensive Income (*FVOCI*)* - A financial asset will be measured at FVOCI if both of the following conditions are met:
  1. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Changes in the fair value of financial assets that are classified as FVOCI are recognised in the FVOCI reserve, except for recognition of expected credit losses, interest revenue or dividend income which is recognised in the Statement of Comprehensive Income (SOCI).

  Interest income for the above financial assets are recognised in the SOCI under 'Interest income on treasury investments' using the effective interest rate (EIR) method (or a method that approximates the EIR method).

  When financial assets at FVOCI (other than equity investments) are derecognised, the cumulative gain or loss previously recognised in the FVOCI reserve is reclassified to the SOCI. For equity investments that the Company has elected to measure at FVOCI, the cumulative gain or loss recognised in the FVOCI reserve is never recycled to the SOCI upon derecognition. The Company may reclass between equity accounts.
- *Fair Value through Profit and Loss (*FVTPL*)* - All financial assets that are not measured at amortised cost or FVOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless the Company irrevocably elects to present subsequent changes in the fair value in other comprehensive income. The Company has not made this election for equity instruments. The Company may also irrevocably elect to designate a financial asset as measured at FVTPL on initial recognition if doing so eliminates or significantly reduces an accounting mismatch.

  Interest income from loans at FVTPL are recognised in the SOCI under 'Interest income on loans'.

The Company determines the business model at the level that reflects how groups of financial assets are managed. In determining the business model, all relevant evidence that is available at the date of assessment is used including:

- how the performance of financial assets held within that business model are evaluated and reported to the Company's key management personnel; and
- the risks that affect the performance of the business model and the way in which those risks are managed.

Judgement is exercised to determine the appropriate level to assess the Company's business model.

Financial liabilities:

The accounting for financial liabilities is largely unchanged.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Impairment:

AASB 9 introduces a revised impairment model which moves from an incurred loss model to an expected credit loss (ECL) model. The ECL model requires more timely recognition of ECL's as well as recognition of full lifetime expected losses. The standard uses a three-stage approach:

- Stage 1 - For financial assets where there has been no significant increase in credit risk since origination, a provision for 12-month ECL is required;
- Stage 2 - For financial assets where there has been a significant increase in credit risk, a provision for full lifetime ECL is required;
- Stage 3 - For financial assets where the asset is credit impaired, a provision for full lifetime ECL is required.

The impairment model is only applicable to financial assets measured at amortised cost or FVOCI.

Transition Impacts:

As permitted by AASB 9, the Company has not restated prior periods, with applicable transition adjustments being recognised in opening retained earnings at 1 July 2018. The table below shows the presentation, classification and measurement, and impairment changes on transition, with the key changes being:

Presentation:

Changes to the **Statement of Financial Position**:

1. Addition of a new line item titled 'Financial Investments – at FVOCI', replacing the previously disclosed 'Available-for-sale investments'. Financial assets within this classification consist of floating rate notes and equity investments.
   On transition, the addition of a new line item titled 'Financial Investments – at FVTPL' was also included in the Statement of Financial Position. This consisted of Visa shares which were subsequently sold during the financial year. Refer below for related classification and measurement changes; and
2. The 'Available-for-sale revaluation reserve' has been replaced with the 'FVOCI reserve'.

Changes to the **Statement of Comprehensive Income**:

In order to align the presentation of items of income and expense with the categories of financial instruments presented in the Statement of Financial Position, the following change was made:

3. Addition of a new line item titled 'Fair value gain on loans', due to the change in classification and measurement of loans to FVTPL.

Classification and measurement:

4. Loans that were previously measured at amortised cost are now measured at FVTPL, with transition adjustments taken through opening retained earnings. The SPPI requirements of AASB 9 were not satisfied; and
5. Investments in Visa shares that were previously measured at FVOCI, were measured at FVTPL as part of the transition to AASB 9.

Impairment:

6. An impairment assessment is no longer applicable to the Company's loans following the reclassification of loans from amortised cost to FVTPL. Impairment provisions relating to previously disclosed periods were reclassed through opening retained earnings on transition; and
7. No adjustments to opening retained earnings were recognised for impairment of financial assets at amortised cost or FVOCI. The amendments to accounting policies did not result in material changes to the amounts recognised previously at 30 June 2018, or the low credit risk exemption was applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

The following table summarises the adjustments from initial adoption on the Statement of Financial Position.

				AASB 9 PRESENTATION & CLASSIFICATION		AASB 9 REMEASUREMENTS			AASB 9 MEASUREMENT CATEGORIES			
(AMOUNTS IN $000)	REFERENCE TRANSITION IMPACT COMMENTARY	AASB 139 MEASUREMENT CATEGORY	CARRYING AMOUNT 30 JUN 18	CHANGES	REVISED PRESENTATION 1 JUL 18	RE-MEASUREMENT ADJUSTMENTS	ECL ADJUSTMENTS	REVISED CARRYING AMOUNT 1 JUL 18	AMORTISED COST	FVOCI	FVTPL	CARRYING AMOUNT 1 JUL 18
Financial Assets												
Cash and cash equivalents	7	AC	28,564	-	28,564	-	-	28,564	28,564	-	-	**28,564**
Due from other financial institutions	7	AC	17,812	-	17,812	-	-	17,812	17,812	-	-	**17,812**
Trade and other receivables	7	AC	15,935	-	15,935	-	-	15,935	15,935	-	-	**15,935**
Loans	4,6	AC	7,590	(7,590)	-	-	-	-	-	-	-	**-**
	4,6	FVTPL	-	7,590	7,590	530	-	8,120	-	-	8,120	**8,120**
Available-for-sale investments	1	FVOCI	39,097	(39,097)	-	-	-	-	-	-	-	**-**
Financial investments – at FVOCI	1,5	FVOCI	-	37,875	37,875	-	-	37,875	-	37,875	-	**37,875**
Financial investments – at FVTPL	5	FVTPL	-	1,222	1,222	-	-	1,222	-	-	1,222	**1,222**
Financial Liabilities												
Deposits		AC	11,563	-	11,563	-	-	11,563	11,563	-	-	**11,563**
Trade payables and other liabilities		AC	13,764	-	13,764	-	-	13,764	13,764	-	-	**13,764**
Equity												
Available-for-sale revaluation reserve	2,5	-	855	(855)	-	-	-	-	n/a	n/a	n/a	**-**
FVOCI reserve	2,5	-	-	855	855	(798)	-	57	n/a	n/a	n/a	**57**
Retained earnings	4,5,6	-	(45,690)	-	(45,690)	1,328	-	(44,362)	n/a	n/a	n/a	**(44,362)**

AC - Amortised Cost

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 and 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.

The Company adopted AASB 15 on 1 July 2018. On conclusion of the transition project it was determined that no adjustments to opening retained earnings were required as the amendments to the accounting policies did not result in significant changes to the timing, amount or presentation of revenue recognised previously at 30 June 2018.

The Company's revenue from contracts with customers is primarily in the nature of fees and commission income as presented in the Statement of Other Comprehensive Income.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

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

The following Australian Accounting Standards and Interpretations which may have a material impact on the Company have been issued, but are not yet effective, and unless otherwise stated have not been early adopted by the Company:

AASB 16 Leases

AASB 16 replaces AASB 117 with the primary change applying to the lessee's accounting for leases. Under AASB 16 the lessee is required to recognise a lease on the balance sheet which involves recognising a right-of-use (ROU) asset and a related lease liability, being the present value of future lease payments. This does not apply where the underlying asset is of low value or the lease has a term of 12 months or less as permitted by the practical expedients in AASB 16. The lessor accounting remains relatively unchanged from AASB 117.

On 1 July 2019, the Company adopted AASB 16 Leases. The primary change from the adoption of the new standard is the application of lessee's accounting principles. Under AASB 16, the lessee is required to recognise a lease on the balance sheet which involves recognising right-of-use (ROU) asset and related lease liability, being the present value of future (minimum) lease payments.

The Company elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Following a detailed assessment of the requirements of the standard, the Company recognised the impact of AASB 16 adoption at transition date using the modified retrospective approach and did not restate comparative information as permitted by the standard. In summary the impact of AASB 16 adoption is as follows:

IMPACT ON THE BALANCE SHEET (INCREASE/(DECREASE)) AS AT 1 JULY 2019	AMOUNT IN $'000
Assets	
Right-of-use assets[1]	**9,091**
Liabilities	
Lease liabilities	**11,533**
Deferred rent incentive	**(2,442)**
Net impact on equity	**-**

(1) From 1 July 2019, a portion of the ROU assets relating to the head lease has been subleased by the Company. The Company derecognised the related carrying amount of the ROU asset that it transfers to the sublessee and recognised net investment in the sublease. Any difference is recognised in the Statement of Comprehensive Income. .

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

AASB 16 Leases (cont'd)

After the adoption of AASB 16, the Company's statement of comprehensive income will change with interest expense recognised on the lease liability, depreciation recognised on the ROU asset and removal of administration expenses relating to the previous operating lease expense.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in interest expense in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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:

Share-based payments transactions - The Company recognises the cost of equity-settled transactions with employees (including Key Management Personnel) 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. The options are expensed using a linear probability of vesting approach.

Classification of and valuation of investments - The Company classifies its investments in equity securities and floating rate notes as Financial Investments – at FVOCI, with movements in fair value 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(E) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Valuation of loans - The Company classifies and measures its loans at fair value, with movements in fair value recognised directly in the Statement of Comprehensive Income. The fair value of loans has been estimated using a valuation technique that converts forecasted cash flows to a present value amount (discounted cash flow method). The forecasted cash flows are actuarially determined using predictive models based partly on evidenced historical performance and expected repayment profiles. Further information on the inputs into the valuation model to derive the fair value of loans are detailed in Note 17.

Capitalisation of internally generated software - An intangible asset arising from development expenditure on an internal project is recognised by the Company only when the following can be demonstrated:

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

The Company commences amortising internally generated software projects from the point the asset is ready for use.

Estimation of useful lives of assets - The estimation of the useful lives of assets has been primarily 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 for property, plant and equipment are included in Note 9 and Note 10 for amortisation of intangible assets with finite useful lives. In assessing whether the useful life of an intangible asset is finite or indefinite, Management use judgement in determining the period over which expected future benefits will be generated, also factoring in the market that the Company operates in and the longer term strategy for the Company. An impairment assessment is conducted and reviewed by Management at least annually as to whether indicators of impairment such as technical obsolescence exist.

Long service leave - 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.

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 expected 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. An assessment of the continuity of ownership test (and where applicable, the same business test) is also performed to support the recognition of any carry forward tax losses and R&D credits.

(F) REVENUE RECOGNITION

Revenue from contracts with customers is recognised in accordance with AASB 15 which introduced a single, principle-based five step recognition and measurement model. The five steps are:

1. Identify the contract with a customer;
2. Identify separate performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligations identified in Step 2; and
5. Recognise revenue when a performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(F) REVENUE RECOGNITION (cont'd)

The Company's fee income from contracts with customers is derived primarily 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 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 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.

Terminal rental income generated from operating leases with merchants is recognised progressively based on a fixed monthly rental on terminal. There is no minimum rental period for merchants.

Interest income is recognised in the Statement of Comprehensive Income in accordance with AASB 9 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.

(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 which transfer substantially all the risks and rewards incidental to ownership of an asset are classified as a finance lease. All other leases are operating leases.

For operating leases entered into by the Company as lessee, operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Deferred lease incentives are recognised as a liability on the Statement of Financial Position on inception of the lease and subsequently reduced on a straight line basis over the lease term by recognising the incentive through rent expense.

For purchased assets where the Company is the lessor under an operating lease, these are carried at cost and depreciated over their useful lives. Property, plant and equipment includes assets leased out under operating leases. Operating lease income is recognised on a straight-line basis over the lease term unless another systematic basis is more appropriate.

The Company does not have any finance leases in place.

(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 expected credit losses (ECL). Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified.

AASB 9 impairment requirements are based on the ECL model. This replaces the "incurred loss" approach under AASB 139. The Company has applied the simplified approach to calculate ECL for trade receivables where a loss allowance is based on lifetime ECL at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic condition.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(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 when the 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 Inventories, where the cost of inventory exceeds the net realisable value, inventory is written down to their net realisable value.

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

Loans to merchants are classified and measured at fair value with changes in the fair value being recognised in the Statement of Comprehensive Income. 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 and is disclosed together with the fair value movement on loans. When the loan is uncollectible, it is written-off. Such write-offs of loans occur after all the necessary assessment for write-off procedures have been completed and the amount of the loss has been determined. Loan write-offs are disclosed as lending losses in the SOCI. Subsequent recoveries of amounts previously written off go to the SOCI.

(N) FINANCIAL INVESTMENTS

Financial 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 through other comprehensive income (FVOCI). Gains or losses on financial investments are recognised in a separate reserve 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. The recycling to the Statement of Comprehensive Income upon derecognition does not apply to equity investments that the Company has irrevocably elected to measure at FVOCI. For these investments the cumulative gain or loss remains in equity, though the Company may reclass between equity accounts.

Purchase and sale of investments are recognised on trade date - the date on which the Company becomes party to the contractual provisions of the investment.

(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 reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(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
- 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. Cash flows are included in the Statement of Cash Flows on a gross basis (unless stated otherwise) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(R) 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:	2019	2018	2017	2016
Plant and equipment:				
EFTPOS terminals	**3 years**	3 years	3 years	3 years
Furniture and office equipment	**5 years**	5 years	5 years	5 years
Computer equipment	**4 years**	4 years	4 years	4 years
Leasehold improvements	**Remaining term of lease**	Remaining term of lease	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.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(S) INTANGIBLE ASSETS

The Company continues to make significant investments in various projects to develop new products and enhance existing products' capabilities. For certain projects, it is more probable that future economic benefits from the assets arising from the projects will flow to the entity and their expenditure can be measured reliably with enhancements in the Company's data governance, system and reporting. Therefore, software development costs for those projects are recognised as intangible assets in the Statement of Financial Position in accordance with AASB 138.

Following initial recognition of the development expenditure as an asset, the intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Each development project will then be reviewed annually for any indicator of impairments in accordance with AASB 136 Impairment of Assets.

(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) 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 from chargebacks based primarily on historical experience and other relevant factors. A provision is recognised in the general reserve for credit losses 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.

(W) GENERAL RESERVE FOR CREDIT LOSSES

The Company appropriates for estimated future credit losses 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.

The Company also appropriates 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(X) 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.

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. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match as closely as possible to the estimated future cash outflows.

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 the reporting date is estimated to be less than the annual entitlement for sick leave.

(Y) 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 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. Details of the types of share-based payments and their respective terms and vesting conditions are disclosed in Note 11.

The Company also has share-based compensation benefits in the form of rights which are tied to performance conditions, as well as remuneration sacrifice rights. The policy treatment is consistent with that for share options via the Employee Share Option Plan.

(Z) 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.

(AA) 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.

(AB) 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 loss before tax expense has been arrived at after accounting for the following items:

	2019 $000	2018 $000	2017 $000	2016 $000
Fees and commission income				
Merchant service fee	**162,174**	125,618	101,092	79,823
Terminal rental income	**15,452**	11,793	9,643	7,404
Other fee income	**5,161**	4,802	4,718	5,456
	182,787	142,213	115,453	92,683
Other revenue and income				
Sublease and other rental income	**600**	1,124	1,310	743
Fair value gains on equity instruments	**157**	-	-	-
Other income	**57**	19	169	129
	814	1,143	1,479	872
Interchange, integration and support fees expense				
Interchange fees and scheme fees	**(97,259)**	(71,863)	(57,656)	(43,513)
Integration, support and other fee expense	**(8,230)**	(6,648)	(6,105)	(5,363)
	(105,489)	(78,511)	(63,761)	(48,876)
Employee benefits expense				
Wages, salaries and bonuses	**(52,395)**	(45,784)	(39,491)	(26,484)
Superannuation	**(4,690)**	(4,213)	(3,793)	(2,608)
Other employee benefits expense	**(3,728)**	(4,149)	(4,581)	(2,128)
	(60,813)	(54,146)	(47,865)	(31,220)
Administrative expenses				
Communications, hosting and licencing costs	**(5,532)**	(4,132)	(3,098)	(2,070)
Rent	**(4,100)**	(4,052)	(4,013)	(3,164)
Terminal management and logistics	**(2,162)**	(1,671)	(1,162)	(613)
Recruitment	**(387)**	(957)	(1,453)	(2,053)
Assurance and accounting related services	**(722)**	(686)	(961)	(966)
Legal	**(427)**	(586)	(423)	(679)
Other administrative expenses	**(4,445)**	(4,078)	(2,487)	(1,755)
	(17,775)	(16,162)	(13,597)	(11,300)
Lending and non-lending losses				
Lending losses[1]	**(542)**	(411)	(230)	-
Non-lending losses	**(255)**	(71)	(22)	(96)
	(797)	(482)	(252)	(96)

(1) Lending losses in the 2019 financial year consists of loans written off. In the comparative periods, when loans were measured at amortised cost prior to the adoption of AASB 9, lending losses consists of loans written off along with specific and collective provisions for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

3. INCOME TAX

A) INCOME TAX BENEFIT

Major components of income tax benefit for the period ended 30 June 2019:

	2019 $000	2018 $000	2017 $000	2016 $000
Current income tax				
Current income tax charge	**-**	-	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	**1,824**	1,151	2,213	2,461
Income tax benefit in the statement of comprehensive income	**1,824**	1,151	2,213	2,461
Amount reported directly in other comprehensive income				
Deferred tax related to items recognised in equity during the year	**(183)**	-	-	(108)
Deferred tax on unrealised gain/(loss) on financial investment – at FVOCI	**36**	(100)	87	25
Income tax expense reported in equity	**(147)**	(100)	87	(83)

B) RECONCILIATION OF INCOME TAX EXPENSE AND PRIMA FACIE TAX:

	2019 $000	2018 $000	2017 $000	2016 $000
Loss before tax	**(20,263)**	(18,297)	(17,033)	(3,210)
At the statutory income tax rate of 30%	**6,079**	5,489	5,110	963
Research and development incentive	**700**	184	435	1,247
Share-based payment remuneration	**(1,137)**	(423)	(551)	(289)
Entertainment expenses	**(490)**	(106)	(62)	(32)
Adjustment in respect to previous year's tax balances	**(17)**	-	(711)	573
Tax effect of current year losses for which no deferred tax asset is recognised	**(3,169)**	(3,993)	(2,008)	(1)
Sale of VISA shares	**(142)**	-	-	-
Total income tax benefit	**1,824**	1,151	2,213	2,461

3. INCOME TAX (cont'd)

C) DEFERRED INCOME TAX ASSETS AND LIABILITIES

	2019			2018		
	STATEMENT OF FINANCIAL POSITION $000	STATEMENT OF COMPREHENSIVE INCOME $000	OTHER COMPREHENSIVE INCOME $000	STATEMENT OF FINANCIAL POSITION $000	STATEMENT OF COMPREHENSIVE INCOME $000	OTHER COMPREHENSIVE INCOME $000
Deferred tax assets						
Fixed assets	**708**	**154**	**-**	1,097	173	-
Provisions & accruals	**3,461**	**812**	**-**	3,021	513	-
Other (legal fees)	**679**	**519**	**-**	58	(24)	-
Lease break fee	**(21)**	**(21)**	**-**	21	(21)	-
R&D credits	**6,400**	**898**	**-**	5,502	(1,139)	-
Tax losses	**1,751**	**(342)**	**-**	2,093	1,677	-
	12,978	**2,020**		11,792	1,179	
Prepayments	**(5)**	**4**	**-**	(9)	(4)	-
Financial investments – at FVOCI	**55**	**(200)**	**(147)**	(367)	-	(100)
Unrealised FX gain	**-**	**-**	**-**	(65)	(24)	-
	50	**(196)**	**(147)**	(441)	(28)	(100)
Total	**13,028**	**1,824**	**(147)**	**11,351**	**1,151**	**(100)**

	2017			2016		
	STATEMENT OF FINANCIAL POSITION $000	STATEMENT OF COMPREHENSIVE INCOME $000	OTHER COMPREHENSIVE INCOME $000	STATEMENT OF FINANCIAL POSITION $000	STATEMENT OF COMPREHENSIVE INCOME $000	OTHER COMPREHENSIVE INCOME $000
Deferred 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	6,641	1,182	-	5,459	5,459	-
Tax losses	416	416	-	-	(4,010)	-
	10,615	2,195		8,420	2,437	(108)
Prepayments	(6)	(6)	-	-	-	-
Financial investments – at FVOCI	(267)	-	87	(180)	-	-
Unrealised FX gain	(42)	24	-	(66)	24	-
	(315)	18	87	(246)	24	-
Total	**10,300**	**2,213**	**87**	**8,174**	**2,461**	**(108)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

4. CASH AND CASH EQUIVALENTS

	2019 $000	2018 $000	2017 $000	2016 $000
Deposits at call	**23,900**	18,564	24,052	15,497
Short term deposits	**-**	10,000	-	66,727
	23,900	28,564	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 LOSS AFTER TAX TO NET CASH FLOWS USED IN OPERATIONS

	2019 $000	2018 $000	2017 $000	2016 $000
Loss for the year	**(18,439)**	(17,146)	(14,820)	(749)
Adjustments for:				
Depreciation and amortisation	**7,864**	7,064	5,984	4,025
Share-based payments expense	**3,788**	1,411	1,841	965
Options premium reserve	**(167)**	-	-	-
Loans written off	**542**	411	230	-
Fair value gains on loans	**(26)**	-	-	-
Fair value gains on equity instruments	**(157)**	-	-	-
Foreign currency (gain)/loss	**(4)**	20	52	(10)
(Gain)/loss on disposal of property plant and equipment	**(94)**	(10)	12	(107)
Deferred tax benefits	**(1,824)**	(1,151)	(2,213)	(2,461)
Other	**65**	-	-	-
Changes in assets and liabilities				
(Increase) in loans	**(8,061)**	(3,489)	(4,741)	-
(Increase) in interest and other receivables	**(6,872)**	(4,549)	(3,382)	(4,439)
Decrease/(increase) in inventories	**1**	68	(225)	(69)
(Increase)/decrease in prepayments	**(18)**	67	(1,026)	(472)
Increase in merchant deposits	**15,355**	7,616	3,489	459
(Decrease) in interest and other payables	**(5,402)**	(4,630)	(1,731)	(1,123)
(Decrease)/increase in provisions	**(482)**	1,519	959	712
Net cash flow from operating activities	**(13,931)**	(12,799)	(15,571)	(3,269)

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

	2019 $000	2018 $000	2017 $000	2016 $000
Term deposits	**-**	10,000	44,698	20,000
Deposits held as collateral	**7,910**	7,812	7,740	7,803
	7,910	17,812	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.

6. TRADE AND OTHER RECEIVABLES

	2019 $000	2018 $000	2017 $000	2016 $000
Scheme and other receivables	**23,003**	11,812	6,897	4,270
Merchant acquiring fees	**4,729**	3,978	3,192	2,730
Interest receivable	**30**	145	400	191
	27,762	15,935	10,489	7,191

Scheme receivables are presented net of merchant payables in line with the accounting policy disclosed in Note 1.

The Company's ageing of scheme and other trade receivables before impairment is as follows:

	TOTAL $000	CURRENT $000	1-30 DAYS $000	31-60 DAYS $000	61-90 DAYS $000	>90 DAYS $000
Carrying value 2019	**23,003**	**22,464**	**494**	**-**	**10**	**35**
Carrying value 2018	11,812	11,234	455	3	41	79
Carrying value 2017	6,897	6,013	476	23	292	93
Carrying value 2016	4,270	3,601	426	6	33	204

The Company has considered expected credit losses which have been determined to be immaterial.

7. LOANS

	2019 $000	2018 $000	2017 $000	2016 $000
Loans (net of unearned fees)	**15,665**	7,985	4,647	-
Specific provision for impairment	**-**	(206)	(24)	-
Collective provision for impairment	**-**	(189)	(112)	-
	15,665	7,590	4,511	-

Loans recognised on the Statement of Financial Position 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.

On transition to AASB 9 on 1 July 2018, loans that were previously measured at amortised cost, are now measured at FVTPL. The loan balance at 30 June 2019 includes a fair value gain, compared to prior disclosing periods which are reported at amortised cost under AASB 139. Refer to the transition disclosure in Note 1(d) for further detail.

PROVISION FOR IMPAIRMENT

	2019 $000	2018 $000	2017 $000	2016 $000
Specific provisions				
Opening balance	**206**	24	-	-
Net movement in provision	**(206)**	334	118	-
Sub-total	**-**	358	118	-
Bad debts written off	**-**	(152)	(94)	-
Closing balance – specific provisions	**-**	206	24	-
Collective provisions				
Opening balance	**189**	112	-	-
Net movement in provision	**(189)**	77	112	-
Closing balance – collective provisions	**-**	189	112	-
Total provision for impairment	**-**	395	136	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

8. FINANCIAL INVESTMENTS - AT FVOCI

	2019 $000	2018 $000	2017 $000	2016 $000
Floating rate notes	**36,948**	37,875	20,265	-
Equity investments - VISA shares	**-**	1,222	832	681
- Other	**211**	-	-	-
	37,159	39,097	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. On transition to AASB 9 on 1 July 2018, Visa shares that were previously classified as available-for-sale with changes in the fair value taken to the available-for-sale revaluation reserve, were reclassed to FVTPL. The transition adjustments were recognised in opening retained earnings. During the financial year the Company sold all of its remaining VISA shares.

During the financial year, the Company received equity instruments as part of a sublease arrangement of Level 5 of the Company's registered office. The sublease term is aligned to the remaining head lease term ending 21 January 2022 and will continue to be used as a coworking space. For these reasons, the Company elected to measure these investments at FVOCI, resulting in no recycling of fair value changes to the Statement of Comprehensive Income upon a derecognition event.

9. 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 2019					
At 30 June 2018 net of accumulated depreciation and impairment	10,412	952	3,234	2,625	17,223
Additions/transfers	8,182	87	929	184	9,382
Disposals/transfers	(22)	-	-	-	(22)
Depreciation for the year	(5,314)	(390)	(1,407)	(738)	(7,849)
At 30 June 2019 net of accumulated depreciation and impairment	**13,258**	**649**	**2,756**	**2,071**	**18,734**
At 30 June 2018					
Cost or fair value	28,646	2,115	7,222	4,246	42,229
Accumulated depreciation and impairment	(18,234)	(1,163)	(3,988)	(1,621)	(25,006)
Net carrying amount	**10,412**	**952**	**3,234**	**2,625**	**17,223**
At 30 June 2019					
Cost or fair value	36,668	2,202	8,152	4,430	51,452
Accumulated depreciation and impairment	(23,410)	(1,553)	(5,396)	(2,359)	(32,718)
Net carrying amount	**13,258**	**649**	**2,756**	**2,071**	**18,734**

9. 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 2018					
At 30 June 2017 net of accumulated depreciation and impairment	6,933	1,342	2,156	3,051	13,482
Additions/transfers	8,261	2	2,316	251	10,830
Disposals/transfers	(24)	-	(1)	-	(25)
Depreciation for the year	(4,758)	(392)	(1,237)	(677)	(7,064)
At 30 June 2018 net of accumulated depreciation and impairment	**10,412**	**952**	**3,234**	**2,625**	**17,223**
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**
At 30 June 2018					
Cost or fair value	28,646	2,115	7,222	4,246	42,229
Accumulated depreciation and impairment	(18,234)	(1,163)	(3,988)	(1,621)	(25,006)
Net carrying amount	**10,412**	**952**	**3,234**	**2,625**	**17,223**

	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 2019 (cont'd)

9. 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**

10. INTANGIBLE ASSETS

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

	INTERNALLY GENERATED SOFTWARE $000
Year ended 30 June 2019	
At 30 June 2018 net of accumulated amortisation and impairment	-
Additions	2,518
Amortisation for the year	(15)
At 30 June 2019 net of accumulated amortisation and impairment	**2,503**
At 30 June 2018, 30 June 2017 and 30 June 2016	
Cost	-
Accumulated amortisation and impairment	-
Net carrying amount	**-**
At 30 June 2019	
Cost	2,518
Accumulated amortisation and impairment	(15)
Net carrying amount	**2,503**

10. INTANGIBLE ASSETS (cont'd)

RESEARCH AND DEVELOPMENT

Research costs on an individual project are expensed as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software product controlled by the Company are recognised as an intangible asset when the following criteria can be demonstrated:

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

Capitalised project development costs primarily consist of personnel costs of employees, contractors and consultants directly involved in the project. They are amortised from the point at which the asset is ready for use over the period of expected future benefit and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

KEY ESTIMATES AND ASSUMPTIONS

The following method is used in the calculation of amortisation:

INTANGIBLE ASSET	AMORTISATION METHOD	USEFUL LIFE
Internally generated software	Straight line	Finite (3 - 5 years)

The useful life of finite intangible assets is judgmental and reviewed annually by management with adjustments made where deemed necessary.

11. SHARE-BASED PAYMENTS

The Company provides benefits to employees (including Key Management Personnel (**KMP**)) 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
Monthly 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 KMP with the Company during the vesting schedule. The options generally vest in equal amounts each month over the vesting term.
Annual linear vesting schedule	Options vest similarly to the monthly linear vesting schedule, except they vest in equal amounts annually over the vesting term.
Performance annual linear vesting schedule	Options vest in equal amounts annually over the vesting term, and are also subject to performance criteria.
Service vesting schedule	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 from the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

11. SHARE-BASED PAYMENTS (cont'd)

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.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- The term of each option grant ranges primarily between 6 to 10 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 ESOP are equity-settled.
- A 2 year holding lock applies to those options with annual linear or performance annual linear vesting schedules. For annual linear options, the lock period applies following the relevant vesting date, and for performance annual linear options the lock period applies from exercise date. During this period the shares issued cannot be transferred, sold, encumbered or otherwise dealt with.

(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 2019:

	DEC 2018	APR 2018	MAY 2019
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	44%	40%	40%
Risk-free interest rate (%)	1.99%	1.46%	1.70%
Share price ($)	$1.05	$1.10	$1.10

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 6 and 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 1,939,496 options exercised during the year ended 30 June 2019 (2018: 14,090,505, 2017: 37,612,657, 2016: 3,840,607).

The weighted average remaining contractual life for share options outstanding as at 30 June 2019 was 4 years (2018: 4 years, 2017: 4 years, 2016: 3 years).

The following table summarises further details of the share options outstanding at 30 June 2019:

RANGE OF EXERCISE PRICES	CONTRACTUAL LIFE	VESTING CONDITIONS	NO. OF OUTSTANDING OPTIONS			
			2019	2018	2017	2016
162 cents	10 years or less	No vesting in first 6 months of 5 year linear vesting period	**690,000**	400,000	700,000	-
150 cents	4 years	4 year annual vesting, plus performance criteria	**6,154,423**	-	-	-
6 cents to 176 cents	10 years or less	5 year linear vesting	**27,311,604**	31,715,817	-	-
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	1,043,478
6 cents to 55 cents	3, 5 and 10 years	12 months linear vesting	**3,017**	10,626	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
0 cents	4 years	5 year annual vesting	**2,611,147**	-	-	-
Total			**36,770,191**	33,169,921	40,048,390	69,331,955

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:

	2019 NUMBER	2019 WAEP (CENTS)	2018 NUMBER	2018 WAEP (CENTS)
Linear vesting schedule				
Outstanding at the beginning of the year	**32,126,443**	**91**	34,364,325	19
Granted during the year	**400,000**	**176**	10,813,180	175
Exercised during the year	**(896,018)**	**45**	(9,449,918)	25
Forfeited/expired during the year	**(3,625,804)**	**148**	(3,601,144)	120
Outstanding at the end of the year	**28,004,621**	**112**	32,126,443	91
Exercisable at the end of the year	**8,023,259**	**39**	4,682,461	36
*Annual linear vesting schedule**				
Outstanding at the beginning of the year	**-**	**-**	-	-
Granted during the year	**2,734,471**	**-***	-	-
Exercised during the year	**-**	**-**	-	-
Forfeited/expired during the year	**(123,324)**	**-***	-	-
Outstanding at the end of the year	**2,611,147**	**-***	-	-
Exercisable at the end of the year	**-**	**-**	-	-
Performance annual linear vesting schedule				
Outstanding at the beginning of the year	**-**	**-**	-	-
Granted during the year	**6,154,423**	**150**	-	-
Exercised during the year	**-**	**-**	-	-
Forfeited/expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**6,154,423**	**150**	-	-
Exercisable at the end of the year	**-**	**-**	-	-
Fully vested at time of grant				
Outstanding at the beginning of the year	**-**	**-**	4,640,587	8
Granted during the year	**-**	**-**	-	-
Exercised during the year	**-**	**-**	(4,640,587)	8
Forfeited/expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**-**	**-**	-	-
Exercisable at the end of the year	**-**	**-**	-	-
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	**(1,043,478)**	**6**	-	-
Forfeited/expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**-**	**-**	1,043,478	6
Exercisable at the end of the year	**-**	**-**	1,043,478	6
Total outstanding at the end of the year	**36,770,191**		33,169,921	
Total exercisable at the end of the year	**8,023,259**		5,725,939	

Refer to Note 23, for outstanding share options at the end of the year that are not part of ESOP.

**These options have a zero exercise price. No amount is payable when the vested options are exercised.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

11. SHARE-BASED PAYMENTS (cont'd)

	2017 NUMBER	2017 WAEP (CENTS)	2016 NUMBER	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	**1,043,078**	**6**	1,043,478	6
Exercisable at the end of the year	**1,043,078**	**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	

11. SHARE-BASED PAYMENTS (cont'd)

(C) PERFORMANCE AND REMUNERATION SACRIFICE RIGHTS

Performance rights

During the period, the Company granted 2,900,000 performance rights as part of an equity incentive arrangement. The performance rights did not exist prior to 2018. The following model inputs were used in the Black-Scholes valuation model to determine the fair value:

Grant date	May-19
Vesting period	3 equal annual tranches - first tranche on the date the performance condition is met
Expiry date	10 years from the date on which the performance right vests
Share price at grant date ($)	$1.10
Dividend yield (%)	0%
Expected volatility (%)	N/A
Risk-free interest rate (%)	N/A

	2019 NUMBER	2019 WAEP (CENTS)	2018 NUMBER	2018 WAEP (CENTS)
Performance Rights				
Outstanding at the beginning of the year	**1,200,000**	**-**	1,200,000	-
Granted during the year	**2,900,000**	**-**	-	-
Exercised during the year	**-**	**-**	-	-
Forfeited/expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**4,100,000**	**-**	1,200,000	-
Exercisable at the end of the year	**-**	**-**	-	-

Remuneration sacrifice rights

The Company granted 498,587 remuneration sacrifice rights during the period. By the end of the period, these grants have fully vested. Trading restrictions on shares issued apply with a minimum 1 year restriction period. The following model inputs were used in the Black-Scholes valuation model to determine the fair value:

Grant date	Sep-18
Vesting period	Conversion date (automatic exercise) – post the end of the relevant financial year
Expiry date	Employment conditions apply
Share price at grant date ($)	Using a 60 day volume weighted average - $1.028
Dividend yield (%)	0%
Expected volatility (%)	N/A
Risk-free interest rate (%)	N/A

	2019 NUMBER	2019 WAEP (CENTS)	2018 NUMBER	2018 WAEP (CENTS)
Remuneration sacrifice rights				
Outstanding at the beginning of the year	**-**	**-**	-	-
Granted during the year	**498,587**	**-**	-	-
Exercised during the year	**-**	**-**	-	-
Forfeited/expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**498,587**	**-**	-	-
Exercisable at the end of the year	**-**	**-**	-	-

During the period, of the $3.8 million recognised as share-based payment expenses, $1.7 million relates to performance and remuneration sacrifice rights.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

12. DEPOSITS

	2019 $000	2018 $000	2017 $000	2016 $000
Deposits	**26,918**	11,563	3,948	459
	26,918	11,563	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.

13. TRADE PAYABLES AND OTHER LIABILITIES

	2019 $000	2018 $000	2017 $000	2016 $000
Accounts payable	**3,320**	2,933	2,340	1,319
Deferred rent incentive	**2,654**	2,978	3,239	3,345
Accruals – scheme fees, commissions, bonuses and others	**6,738**	4,332	3,971	3,349
Payroll liabilities	**4,695**	4,360	3,333	984
Other liabilities and clearing suspense	**7,062**	1,985	595	548
	24,469	16,588	13,478	9,545

14. PROVISIONS

	2019 $000	2018 $000	2017 $000	2016 $000
Annual leave provision				
Balance at the beginning of the year	**2,475**	1,907	1,462	953
Provided for during the year	**4,103**	3,446	2,996	2,204
Released during the year	**(3,696)**	(2,878)	(2,551)	(1,695)
Balance at the end of the year	**2,882**	2,475	1,907	1,462
Long service liability				
Balance at the beginning of the year	**303**	299	286	231
Provided for during the year	**120**	82	258	79
Released during the year	**(143)**	(78)	(245)	(24)
Balance at the end of the year	**280**	303	299	286
Other provisions				
Balance at the beginning of the year	**1,144**	430	-	-
Provided for during the year	**-**	714	-	-
Released during the year	**(1,144)**	-	-	-
Balance at the end of the year	**-**	1,144	-	-
Total provisions – current liabilities	**3,162**	3,922	2,206	1,748

Other provisions were calculated based on potential contractual obligations in FY2018, which did not subsequently arise. The provision was therefore released during the year.

15. NON-CURRENT LIABILITIES

	2019 $000	2018 $000	2017 $000	2016 $000
Provisions				
Long service leave liability				
Balance at the beginning of the year	**359**	272	349	290
Provided for during the year	**183**	132	117	135
Released during the year	**(52)**	(45)	(194)	(76)
Balance at the end of the year	**490**	359	272	349
Make good provision				
Balance at the beginning of the year	**409**	262	114	25
Provided for during the year	**147**	147	148	89
Balance at the end of the year	**556**	409	262	114
Total provisions - non-current liabilities	**1,046**	768	534	463

16. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary shares

	2019 NUMBER OF SHARES	2018 NUMBER OF SHARES	2019 $000	2018 $000
Issued and fully paid				
Ordinary shares paid at 5 cents each	**61,018,733**	61,018,733	**3,051**	3,051
Ordinary shares paid at 6 cents each	**186,909,116**	185,865,638	**11,215**	11,152
Ordinary shares paid at 8 cents each	**17,473,939**	15,848,939	**1,398**	1,267
Ordinary shares paid at 10 cents each	**8,669,606**	8,659,606	**867**	866
Ordinary shares paid at 12 cents each	**570,206**	463,539	**68**	56
Ordinary shares paid at 14 cents each	**52,389**	52,389	**7**	7
Ordinary shares paid at 15 cents each	**10,475,433**	10,475,433	**1,571**	1,571
Ordinary shares paid at 30 cents each	**35,575,640**	35,575,640	**10,673**	10,673
Ordinary shares paid at 37.5 cents each	**2,989,392**	2,799,346	**1,121**	1,050
Ordinary shares paid at 45 cents each	**9,702,268**	9,414,989	**4,366**	4,237
Ordinary shares paid at 55 cents each	**12,562,168**	12,562,168	**6,909**	6,909
Ordinary shares paid at 60 cents each	**1,187,982**	895,848	**713**	537
Ordinary shares paid at 1.04 dollars each	**96,638,869**	96,638,869	**100,127**	100,127
Ordinary shares paid at 1.49 dollars each	**46,010**	36,118	**69**	54
	443,871,751	440,307,255	**142,155**	141,557
Costs directly attributable to the capital raising (net of tax)			**(299)**	(299)
Ordinary shares			**141,856**	141,258

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

16. CONTRIBUTED EQUITY AND RESERVES (cont'd)

(i) Ordinary shares (cont'd)

	2017 NUMBER OF SHARES	2016 NUMBER OF SHARES	2017 $000	2016 $000
Issued and fully paid				
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 1.04 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

The issuance payments above reflect a combination of transactions at arm's length, as well as by way of options being exercised.

During the year ended 30 June 2019, 3,564,496 ordinary shares were issued upon exercise of options, raising a total of $0.6 million 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

	2019 $000	2018 $000	2017 $000	2016 $000
Balance at the beginning of the year	**11,687**	10,276	8,435	7,470
Share-based payments expensed	**3,788**	1,411	1,841	965
Balance at the end of the year	**15,475**	11,687	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 and employees as part of their remuneration or compensation.

16. CONTRIBUTED EQUITY AND RESERVES (cont'd)

(iii) General reserve for credit losses

	2019 $000	2018 $000	2017 $000	2016 $000
Balance at the beginning of the year	**1,264**	1,091	550	397
Transfer from accumulated losses:				
Appropriation for chargeback losses	**223**	72	146	153
Appropriation for lending losses	**431**	101	395	-
Balance at the end of the year	**1,918**	1,264	1,091	550

The general reserve for credit losses has been created to satisfy APRA's prudential standards for ADIs as described in Note 1(w). 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) FVOCI reserve

	2019 $000	2018 $000	2017 $000	2016 $000
Balance at the beginning of the year	**855**	623	420	360
Adjustment from initial adoption of AASB 9	**(798)**	-	-	-
Total revaluations for the year	**42**	232	203	60
Balance at the end of the year	**99**	855	623	420

For periods prior to the adoption of AASB 9 on 1 July 2018, this reserve represented the available-for-sale revaluation reserve under AASB 139.

(v) Option premium reserve

	2019 $000	2018 $000	2017 $000	2016 $000
Balance at the beginning of the year	**167**	167	167	480
Total options transferred to shares	**(167)**	-	-	(313)
Balance at the end of the year	**-**	167	167	167

	2019 $000	2018 $000	2017 $000	2016 $000
Total reserves at the end of the year	**17,492**	13,973	12,157	9,572

(vi) Accumulated losses

	2019 $000	2018 $000	2017 $000	2016 $000
Movements in accumulated losses were as follows:				
Accumulated losses at the beginning of the financial year	**(48,514)**	(31,195)	(15,834)	(14,932)
Adjustment from initial adoption of AASB 9	**1,328**	-	-	-
Loss attributable to shareholders of the Company	**(18,439)**	(17,146)	(14,820)	(749)
Transfer to general reserve for credit losses	**(654)**	(173)	(541)	(153)
Accumulated losses at the end of the financial year	**(66,279)**	(48,514)	(31,195)	(15,834)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

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, financial investments, deposits and trade and other payables.

(i) Risk management

The Board is responsible for approving and reviewing the Risk Management Strategy, and determining Tyro's appetite for risk. The CEO and Management team are responsible for implementing the Risk Management Strategy, and for developing policies, controls, processes and procedures for identifying and managing risk.

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

(ii) Risk controls

Risks are controlled through a process that identifies key risks, establishes controls to manage those risks, and maintains a regular review process to monitor the effectiveness of controls. Business risks are controlled within tolerance levels approved by 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 lending and investing activities, including deposits with banks and financial institutions, foreign exchange transactions and financial investments in floating rate notes.

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

The framework is used to develop 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 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, past behaviour and an overview of trading history.

As part of equity, a General Reserve for Credit Losses is maintained 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(w). The Company does not hold any credit derivatives or collateral to offset its credit exposure. The Company's exposure to bad debts from chargebacks is not significant at the reporting date.

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. 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 Chief Risk Officer (CRO). The CRO is also responsible for ensuring the Lending Credit Risk Policy is reviewed regularly and submitted to the BRC for endorsement and approval by the Board.

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 assessment. A merchant must also have a minimum acquiring transaction history to be eligible for a loan offer, as well as providing a personal guarantee.

The Company maintains a General Reserve for Credit Losses to also cover credit losses estimated but not certain to arise over the full life of the loans as described in Note 1(w).

This table summarises the Company's credit risk exposures as at reporting date:

30 JUNE 2019 STANDARD & POORS CREDIT RATING*	CASH AND BALANCES WITH FINANCIAL INSTITUTIONS ($000)	DUE FROM OTHER FINANCIAL INSTITUTIONS ($000)	TRADE RECEIVABLES ($000)	LOANS AND ADVANCES ($000)
AAA	21,725	-	726	-
AA	2,175	7,839	-	-
A+	-	71	-	-
A	-	-	-	-
A-	-	-	64	-
BBB+	-	-	-	-
unrated	-	-	26,972	15,665
	23,900	**7,910**	**27,762**	**15,665**

30 JUNE 2018 STANDARD & POORS CREDIT RATING*	CASH AND BALANCES WITH FINANCIAL INSTITUTIONS ($000)	DUE FROM OTHER FINANCIAL INSTITUTIONS ($000)	TRADE RECEIVABLES ($000)	LOANS AND ADVANCES ($000)
AAA	16,414	-	968	-
AA	12,150	17,744	28	-
A+	-	68	-	-
A	-	-	3	-
A-	-	-	114	-
BBB+	-	-	-	-
unrated	-	-	14,822	7,590
	28,564	**17,812**	**15,935**	**7,590**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

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

30 JUNE 2017 STANDARD & POORS CREDIT RATING*	CASH AND BALANCES WITH FINANCIAL INSTITUTIONS ($000)	DUE FROM OTHER FINANCIAL INSTITUTIONS ($000)	TRADE RECEIVABLES ($000)	LOANS AND ADVANCES ($000)
AAA	15,336	-	951	-
AA	8,716	39,340	22	-
A+	-	65	-	-
A	-	-	-	-
A-	-	-	48	-
BBB+	-	13,033	-	-
unrated	-	-	9,468	4,511
	24,052	**52,438**	**10,489**	**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)	LOANS AND ADVANCES ($000)
AAA	6,731	-	649	-
AA	75,493	7,736	67	-
A+	-	67	4	-
A	-	10,000	-	-
A-	-	10,000	185	-
BBB+	-	-	-	-
unrated	-	-	6,286	-
	82,224	**27,803**	**7,191**	**-**

**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 BRC 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.

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 at this stage.

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, term deposits, floating rate notes, loans and variable deposits (bank account for businesses).

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 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 and increase equity by $284,669 (2018: $403,019, 2017: $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 $000)	VARIABLE INTEREST RATE	FIXED INTEREST RATE			TOTAL
		< 3 MONTHS	3 TO 12 MONTHS	> 1 YEAR	
Financial assets					
Cash and cash equivalents	23,400	-	-	-	**23,400**
Other term deposits	1,460	1,547	1,547	1,431	**5,985**
USD term deposit	-	-	1,854	-	**1,854**
Loans	-	3,750	11,174	741	**15,665**
Floating rate notes	36,948	-	-	-	**36,948**
Financial liabilities					
Deposits	(26,918)	-	-	-	**(26,918)**

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 terminals from foreign suppliers are transacted in foreign currencies at the exchange rate prevailing at the transaction date. At the reporting date the Company has some US dollar and Euro exposure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

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 and increase equity by $183,055 (2018: $381,991, 2017: $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 and reduce equity by $135,302 (2018: $282,341, 2017: $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 2019 ($000)	AUD 2018 ($000)	AUD 2017 ($000)	AUD 2016 ($000)
USD term deposit	USD	**1,854**	1,759	1,690	1,751
UnionPay deposit	USD	**71**	68	65	67
Financial investments	USD	**-**	1,222	832	681
Trade payables	EUR	**888**	809	254	446
Trade payables	USD	**-**	75	86	1

3) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions (other than those arising from interest rate risk or currency risk), for example from changes in equity prices. The Company historically had price risk from its investment in Visa shares which were valued by way of reference to an underlying listed equity on the New York Stock Exchange and as such its fair value fluctuated in direct proportion with the quoted market price indicated. The Company sold all of its Visa shares during the financial year.

(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 2019 financial year in the form of Tier 1 capital which is the highest quality components of capital.

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

CAPITAL ADEQUACY	2019 ($000)	2018 ($000)	2017 ($000)	2016 ($000)
Tier 1 Capital				
Common Equity Tier 1 Capital				
Contributed capital	**141,856**	141,258	138,381	134,566
Accumulated losses & reserves	**(50,704)**	(35,806)	(20,126)	(6,811)
	91,152	105,452	118,255	127,755
Regulatory adjustments to Common Equity Tier 1 Capital				
Net deferred tax assets	**(13,028)**	(11,351)	(10,300)	(8,174)
Capitalised expenses	**(2,503)**	-	-	-
Other adjustments	**(211)**	(1,222)	(832)	(681)
	(15,742)	(12,573)	(11,132)	(8,855)
Common Equity Tier 1 Capital	**75,410**	92,879	107,123	118,900
Additional Tier 1 Capital	**-**	-	-	-
Total Tier 1 Capital	**75,410**	92,879	107,123	118,900
Tier 2 Capital				
General reserve for credit losses[1]	**977**	770	696	549
Total Tier 2 Capital	**977**	770	696	549
Total Capital	**76,387**	93,649	107,819	119,449
Total risk weighted assets	**85,827**	69,208	61,494	47,765
Risk weighted capital ratios	**%**	%	%	%
Common Equity Tier 1	**88**	134	174	249
Tier 1	**88**	134	174	249
Total Capital ratio	**89**	135	175	250

(1) Standardised approach (to a maximum of 1.25% of total 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 Board approved liquidity framework. Responsibility for liquidity management is delegated to the CFO and CEO. The CFO manages liquidity on a daily basis and submits monthly reports to ALCO, and to the BRC at the seating of the BRC. 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 the reporting date, the Board of Directors determined that there was sufficient cash available to meet its financial liabilities and anticipated expenditure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

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 $000)	<3 MONTHS	3 TO 6 MONTHS	>6 TO 12 MONTHS	>1 TO 5 YEARS	>5 YEARS	TOTAL
As at 30 June 2019						
Financial liabilities						
Deposits	(26,918)	-	-	-	-	(26,918)
Trade payables and other liabilities	(24,469)	-	-	-	-	(24,469)
	(51,387)	**-**	**-**	**-**	**-**	**(51,387)**

	<3 MONTHS	3 TO 6 MONTHS	>6 TO 12 MONTHS	>1 TO 5 YEARS	>5 YEARS	TOTAL
As at 30 June 2018						
Financial liabilities						
Deposits	(11,563)	-	-	-	-	(11,563)
Trade payables and other liabilities	(16,588)	-	-	-	-	(16,588)
	(28,151)	**-**	**-**	**-**	**-**	**(28,151)**

	<3 MONTHS	3 TO 6 MONTHS	>6 TO 12 MONTHS	>1 TO 5 YEARS	>5 YEARS	TOTAL
As at 30 June 2017						
Financial liabilities						
Deposits	(3,948)	-	-	-	-	(3,948)
Trade payables and other liabilities	(13,478)	-	-	-	-	(13,478)
	(17,426)	**-**	**-**	**-**	**-**	**(17,426)**

	<3 MONTHS	3 TO 6 MONTHS	>6 TO 12 MONTHS	>1 TO 5 YEARS	>5 YEARS	TOTAL
As at 30 June 2016						
Financial liabilities						
Deposits	(459)	-	-	-	-	(459)
Trade payables and other liabilities	(9,545)	-	-	-	-	(9,545)
	(10,004)	**-**	**-**	**-**	**-**	**(10,004)**

(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.

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.

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. Refer to Note 1(d) for further detail on the change in measurement of loans to FVTPL on transition to AASB 9.

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

	YEAR ENDED 30 JUNE 2019 ($000)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Asset				
Floating rate notes	36,948	-	-	36,948
Loans	-	-	15,665	15,665
Equity investments - VISA shares	-	-	-	-
- Other	-	-	211	211
	36,948	**-**	**15,876**	**52,824**

	YEAR ENDED 30 JUNE 2018 ($000)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Asset				
Floating rate notes	37,875	-	-	37,875
Equity investments - VISA shares	1,222	-	-	1,222
	39,097	**-**	**-**	**39,097**

	YEAR ENDED 30 JUNE 2017 ($000)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Asset				
Floating rate notes	20,265	-	-	20,265
Equity investments - VISA shares	832	-	-	832
	21,097	**-**	**-**	**21,097**

	YEAR ENDED 30 JUNE 2016 ($000)			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Asset				
Floating rate notes	-	-	-	
Equity investments - VISA shares	681	-	-	681
	681	**-**	**-**	**681**

FLOATING RATE NOTES

The floating rate notes invested in by the Company have a short-term repricing profile and are of high credit quality. The fair value of these floating rate notes is obtained from an independent third party pricing service that uses tradable prices and quotes from active markets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

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

LOANS

Loans are included in Level 3 due to one or more of the significant inputs used in determining the fair value being based on unobservable inputs. To determine the fair value, an income valuation approach is used. This technique converts forecasted cash flows to a present value amount (also known as a discounted cash flow method). Forecast cash flows are actuarially determined using predictive models based partly on evidenced historical performance and expected repayment profiles.

This model was developed due to the change in accounting policy for AASB 9 which resulted in loans being measured at fair value (previously at amortised cost). The fair value model will be periodically reviewed, tested and refined as needed.

The fair value of loans requires estimation of:

- The expected future cash flows;
- The expected timing of receipt of those cash flows; and
- Discount rates derived from similar observed rates for comparable assets that are traded in the market.

The main inputs used in measuring the fair value of loans are as follows:

- Loan balance - accepted principal and fee, outstanding principal and fee, and date of acceptance;
- Annual settlement amount - forecasted total annual settlements for loan customers;
- Current repayment percentage - percentage of daily settlements through the loan customers' terminals that go towards loan repayments;
- Historical default and recovery information; and
- Discount rates - market benchmarked discount rate and allows for a market level of default risk.

The unobservable pricing inputs which determine fair value are based on:

- Tyro pricing of loans including adjustments for credit risk – ranging between 22% and 27%;
- Historical data with respect to behavioural repayment patterns – generally ranging between 3 to 6 months; and
- Default experience for loans deemed uncollectable and which are valued at $0.

These inputs directly affect the fair value and there are no reasonable alternative inputs which warrant disclosure.

EQUITY INVESTMENTS

As at the reporting date, the only remaining investments in equity were those equity instruments received as part of the sublease arrangement of Level 5 of the Company's registered office to a third party, which previously operated as the Tyro Fintech Hub.

These investments are also included in Level 3 due to one or more of the significant inputs used in determining the fair value being based on unobservable inputs. To determine the fair value, a revenue multiples approach was used using comparative industry multiples of the third party to arrive at an enterprise value, and then deriving the investment value of the Company's share in that enterprise.

The unobservable pricing inputs which determine fair value are based on:

- Industry multiples; and
- Historical data with respect to revenue of the third party.

TRANSFER BETWEEN CATEGORIES

There were no transfers between Level 1, Level 2 or Level 3 during the financial 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. Standby letters of credit or bank guarantees are as follows:

	2019 $000	2018 $000	2017 $000	2016 $000
(i) Irrevocable standby letters of credit in favour of:				
Mastercard International	**3,254**	3,159	3,090	3,151
Visa International	**60**	60	60	60
UnionPay International	**71**	68	65	67
(ii) Bank Guarantee in favour of:				
UIR Australia, the lessor of 155 Clarence Street, Sydney	**4,525**	4,525	4,525	4,525
	7,910	7,812	7,740	7,803

The Company has provided an irrevocable standby letter of credit of $3.4 million (2018: $3.3 million, 2017: $3.2 million, 2016: $3.3 million) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to Mastercard International, Visa International and UnionPay 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 has been issued by the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents up to 9 month's rent and includes all annual increases of 4% since 2016 until lease maturity and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

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, provided the terminal is returned to the Company.

TYPE OF TERMINALS	COST $000	ACCUMULATED DEPRECIATION $000	NET CARRYING VALUE $000
Yomani XR and Yoximo 3G (including accessories)	30,756	(17,498)	13,258
Xenta, Xentissimo and Yomani	5,912	(5,912)	-
	36,668	**(23,410)**	**13,258**

(B) OPERATING LEASE COMMITMENTS - COMPANY AS LESSOR (SUBLEASE ARRANGEMENT)

Future minimum rentals receivable under the non-cancellable operating leases as at 30 June 2019, 30 June 2018, 30 June 2017 and 30 June 2016 are as follows:

	2019 $000	2018 $000	2017 $000	2016 $000
Within one year	**635**	-	-	-
After one year but not more than five years	**1,436**	-	-	-
	2,071	-	-	-

The operating lease commitments relate to the sublease of Level 5 of the Company's registered office. It is a non-cancellable lease with a term of up to 2 years, 6 months and 21 days ending 20 January 2022, aligned to the Company's head-lease. The sublease agreement does not provide the lessee with the option to extend the lease. Lease payments are subject to annual increases of 4%.

(C) OPERATING LEASE COMMITMENTS - COMPANY AS LESSEE

Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2019, 30 June 2018, 30 June 2017 and 30 June 2016 are as follows:

	2019 $000	2018 $000	2017 $000	2016 $000
Within one year	**4,721**	4,482	4,212	3,725
After one year but not more than five years	**7,703**	12,279	16,424	16,888
More than five years	**-**	-	-	2,549
	12,424	16,761	20,636	23,162

The operating lease commitments relate to the lease of the Company's registered office located at Level 1/155 Clarence Street, Sydney NSW. It is a non-cancellable lease with a term of up to 7 years ending 21 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

(A) DESCRIPTION OF SEGMENTS AND PRINCIPAL ACTIVITIES

For management purposes, the Company is organised into three major operating segments, comprising payments, banking and other/corporate. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the CEO and Managing Director. The Company operates in one geographical segment being Australia.

The Company's operating reportable segments under AASB 8 are as follows:

REPORTABLE SEGMENT	PRINCIPAL ACTIVITIES
Payments	Acquires electronic payment transactions from merchants. Revenue is primarily earned from fees charged for processing acquired transactions. Revenue is also earned from other fee income, terminal rental income and terminal and accessories sales. Direct expenses include scheme and interchange fees, integration, support and other fees and cost of terminal accessories sold.
Banking	Complementary banking services to merchants. Revenue is earned from interest and fees charged on loans to merchants. Interest expense is incurred on merchant deposits.
Other/Corporate	Other includes investment income earned from financial investments and other revenue and income. Corporate includes the Company's head office and includes all employee benefits expenses and other operating expenses.

(B) REVENUE AND GROSS PROFIT BY SEGMENT

(AMOUNTS IN $000)	PAYMENTS	BANKING	OTHER/ CORPORATE	TOTAL
2019				
Revenue	183,685	2,938	3,147	189,770
Gross profit	77,451	2,662	3,147	83,260
2018				
Revenue	143,023	1,567	3,641	148,231
Gross profit	63,970	1,457	3,641	69,068
2017				
Revenue	115,780	450	4,345	120,575
Gross profit	51,275	417	4,345	56,037
2016				
Revenue	92,895	-	2,882	95,777
Gross profit/(loss)	43,314	(3)	2,882	46,193

RECONCILIATION OF GROSS PROFIT OR LOSS AFTER TAX:	2019 $000	2018 $000	2017 $000	2016 $000
Gross profit	**83,260**	69,068	56,037	46,193
Operating expenses	**(95,659)**	(80,301)	(67,086)	(45,378)
Depreciation and amortisation	**(7,864)**	(7,064)	(5,984)	(4,025)
Income tax benefit	**1,824**	1,151	2,213	2,461
Loss after tax	**(18,439)**	(17,146)	(14,820)	(749)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

20. SEGMENT REPORTING (cont'd)

(C) TOTAL ASSETS AND LIABILITIES BY SEGMENT

(AMOUNTS IN $000)	PAYMENTS	BANKING	OTHER/ CORPORATE	TOTAL
2019				
Total assets	51,986	36,137	60,541	148,664
Total liabilities	6,504	26,918	22,173	55,595
2018				
Total assets	34,796	20,396	84,366	139,558
Total liabilities	1,507	11,563	19,771	32,841
2017				
Total assets	25,177	15,864	98,468	139,509
Total liabilities	247	3,948	15,971	20,166
2016				
Total assets	19,532	3,318	117,669	140,519
Total liabilities	267	459	11,489	12,215

21. EARNINGS PER SHARE

Basic earnings/ (loss) per share shows the profit/(loss) attributable to each ordinary share. It is calculated as the net profit/ (loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares in each year.

Diluted earnings/ (loss) per share shows the profit/(loss) attributable to each ordinary share if all the dilutive potential ordinary shares had been ordinary shares. There are no discontinued operations of the Company.

LOSS PER SHARE	2019 CENTS	2018 CENTS	2017 CENTS	2016 CENTS
Basic	**(4.16)**	(3.96)	(3.69)	(0.22)
Diluted	**(4.01)**	(3.82)	(3.51)	(0.21)

LOSS	2019 $000	2018 $000	2017 $000	2016 $000
Net loss attributable to ordinary shareholders used to calculate basic and diluted earnings per share	**(18,439)**	(17,146)	(14,820)	(749)

22. AUDITOR'S REMUNERATION

Amounts paid or payable to the auditor, Ernst & Young (EY), for audit, audit-related, and non-audit services performed during the year are set out as follows:

	2019 $000	2018 $000	2017 $000	2016 $000
Audit and audit-related services to the Company				
Audit or review of the financial reports of the Company	**372**	384	347	354
Audit-related services (regulatory compliance)	**55**	160	111	101
Other services in relation to the Company				
Tax compliance	**64**	72	65	59
Other assistance and services	**35**	30	47	-
	526	646	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 22 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 or jointly sharing economic risks and rewards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

23. 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
David Thodey[1]	Non-executive Director, Chairman	16 November 2018
Kerry Roxburgh[2]	Non-executive Director, Chairman (retired)	18 April 2008
Robbie Cooke[3]	Chief Executive Officer and Managing Director	15 October 2019
Mike Cannon-Brookes[4]	Non-executive Director	10 December 2009
Hamish Corlett	Non-executive Director	18 April 2019
Rob Ferguson[5]	Non-executive Director	17 November 2005
David Fite	Non-executive Director	3 July 2018
Catherine Harris	Non-executive Director	17 December 2015
Paul Rickard	Non-executive Director	28 August 2009
Jost Stollmann[6]	Non-executive Director	5 April 2005

(1) Appointed Chairman 15 October 2019.

(2) Retired 15 October 2019.

(3) Appointed Managing Director 15 October 2019.

(4) Resigned 28 February 2019.

(5) Appointed to Acting Managing Director and Acting Chief Executive Officer from 14 June 2017 to 23 March 2018. Resigned on 3 July 2018.

(6) Executive Director since 5 April 2005. Appointed to Non-executive Director on 14 June 2017, resigned on 17 October 2017.

EXECUTIVES	TITLE	APPOINTED
Robbie Cooke	Chief Executive Officer and Managing Director	23 March 2018
Dave Coombes	Chief Technology Officer	3 July 2017
Angela Green	Chief Risk Officer	3 June 2019
Justin Mitchell[1]	Chief Risk Officer	19 March 2007
Praveenesh Pala	Chief Financial Officer	20 October 2014
Joshua Walther	Chief Customer Officer	25 May 2017
Bronwyn Yam	Chief Product Officer	16 October 2017

(1) Ceased employment on 7 June 2019.

Compensation of Key Management Personnel

	2019 $000	2018 $000	2017 $000	2016 $000
Short-term benefits	**4,444**	3,312	2,661	2,217
Long-term benefits (long service leave)	**22**	-	71	14
Post-employment benefits (superannuation)	**286**	264	254	165
Share-based payments	**2,413**	563	330	158
Termination benefits	**-**	-	924	-
Total	**7,165**	4,139	4,240	2,554

23. RELATED PARTY DISCLOSURES (cont'd)

Interests held by Key Management Personnel

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

ISSUE YEAR	EXPIRY YEAR	EXERCISE PRICE($)	2019 NUMBER OUTSTANDING	2018 NUMBER OUTSTANDING	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	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	-	3,250,000	5,250,001	4,621,301
FY10/11	FY20/21	$0.080	-	-	-	3,250,000
FY13/14	FY19/20	$0.375	442,397	-	-	-
FY13/14	FY20/21	$0.375	98,160	528,287	1,758,644	2,624,744
FY14/15	FY19/20	$0.450	234,038	-	-	-
FY14/15	FY21/22	$0.450	323,945	549,297	1,140,846	1,235,212
FY15/16	FY19/20	$0.600	171,173	-	-	-
FY15/16	FY22/23	$0.600	252,150	461,289	929,030	1,011,288
FY16/17	FY19/20	$1.490	149,959	-	-	-
FY16/17	FY23/24	$1.490	227,103	477,076	932,051	-
FY16/17	FY23/24	$1.620	200,000	200,000	400,000	-
FY17/18	FY19/20	$1.760	94,166	-	-	-
FY17/18	FY23/24	$1.760	3,068,180	400,000	-	-
FY17/18	FY24/25	$1.620	400,000	3,605,680	-	-
FY17/18	No expiry date	$0.000	1,200,000	-	-	-
FY18/19	FY24/25	$0.000	745,237	-	-	-
FY18/19	FY25/26	$1.500	4,599,709	-	-	-
FY18/19	No expiry date	$0.000	2,798,587	-	-	-

During the year of 2019, 5,344,946 options and 2,798,587 rights were granted to Key Management Personnel.

(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 arm's length commercial terms and conditions.

RELATED PARTY		2019 $000	2018 $000	2017 $000	2016 $000
Atlassian Pty Ltd	Software purchased	**(48)**	(47)	(73)	(43)
Atlassian Pty Ltd	Sub-lease rental income	**-**	-	560	132

Mike Cannon-Brookes, a Non-Executive Director of the Company until his resignation on 28 February 2019, is Co-Founder, CEO and Director of Atlassian.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (cont'd)

23. RELATED PARTY DISCLOSURES (cont'd)

(C) SHARE OPTIONS WITH RELATED PARTIES (NOT UNDER ESOP)

In December 2010, the Company granted 7.5 million share options to related parties for providing a (now expired) loan facility to the Company for liquidity purposes, which was drawn down. These options are not under ESOP.

During the year, 1.6 million share options were exercised. As at 30 June 2019, 4.3 million shares 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)[1]	2,625,000
Abyla Pty Ltd, related party of Mike Cannon-Brookes (Director)[2]	1,625,000
Total	**4,250,000**

(1) Appointed Director on 3 July 2018.

(2) Resigned 28 February 2019.

24. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 8 July 2019, Tyro announced it was investigating the potential to move from its current non-listed public company structure to an ASX listed structure.

In October 2019, the Company became aware of an error in the 2017, 2018 and 2019 financial statements issued to shareholders. This error relates to a possible payroll tax underpayment to the Office of State Revenue in New South Wales as a result of incorrectly attributing zero tax values to certain options issued between the 2008 and 2011 financial years. The majority of these options were exercised in the 2017 to 2019 financial years with no payroll tax liability under the original valuation.

The financial statements for each of these financial years have been restated and audited with the corrected numbers as outlined below. The comparative information disclosed in these accounts reflect the corrected numbers.

	2019 $000	2018 $000	2017 $000	2016 $000
Employee benefits expenses	$52	$776	$2,045	$3

In the opinion of the Directors, there have been no other matters or circumstances which have arisen between 30 June 2019 and the date of this report that have significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent 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 2019 and of its performance for the year ended 30 June 2019; 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; and

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.

David Thodey AO
Chairman

Sydney, 11 November 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2019, 30 June 2018 and 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the respective years 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 2019, 30 June 2018 and 30 June 2017 and of its financial performance for the years ended on each respective 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.

Emphasis of Matter – Revised and Reissued Financial Report

We draw attention to Note 24 to the financial statements, which discusses that the financial statements have been revised and reissued as a result of an underpayment of payroll tax in the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017. The other information in the Company's Annual Report, including the Directors Report has also been revised and reissued. This audit report supersedes our audit reports on the previously issued financial reports dated 29 August 2019, 4 September 2018 and 23 August 2017, respectively. Our opinion is not modified in respect of this matter.

Building a better
working world

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

The directors are responsible for the other information. The other information is the 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (cont'd)

Building a better working world

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Michael Byrne
Partner
Sydney
11 November 2019

Additional Information

Additional Information for Shareholders

INFORMATION FOR SHAREHOLDERS

A hard copy of this 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.

Details of announcements released by Tyro can be found on Tyro's Investors page at **www.tyro.com.**

SHARE REGISTRY INFORMATION

Tyro maintains its share registry. For information about your shareholding or to notify a change of address or contact details, please contact Tyro's Company Secretary via:

Phone: **+61 2 8907 1700** Email: **cosec@tyro.com**

Tyro Payments Limited
Attn: Company Secretary
Level 1, 155 Clarence Street
Sydney NSW 2000

ELECTRONIC COMMUNICATIONS

Shareholders can elect to receive the Annual Report and other shareholder communications by email. Shareholders who wish to register or notify a change of their email address should contact Tyro's Company Secretary via:

Phone: **+61 2 8907 1700** Email: **cosec@tyro.com**

Tyro Payments Limited
Attn: Company Secretary
Level 1, 155 Clarence Street
Sydney NSW 2000

Corporate Directory

DIRECTORS

David Thodey (Chairman)

Robbie Cooke

Hamish Corlett

David Fite

Catherine Harris

Fiona Pak-Poy

Paul Rickard

COMPANY SECRETARY

Sami Wilson

REGISTERED OFFICE

Level 1, 155 Clarence Street
Sydney NSW 2000

+61 2 8907 1700

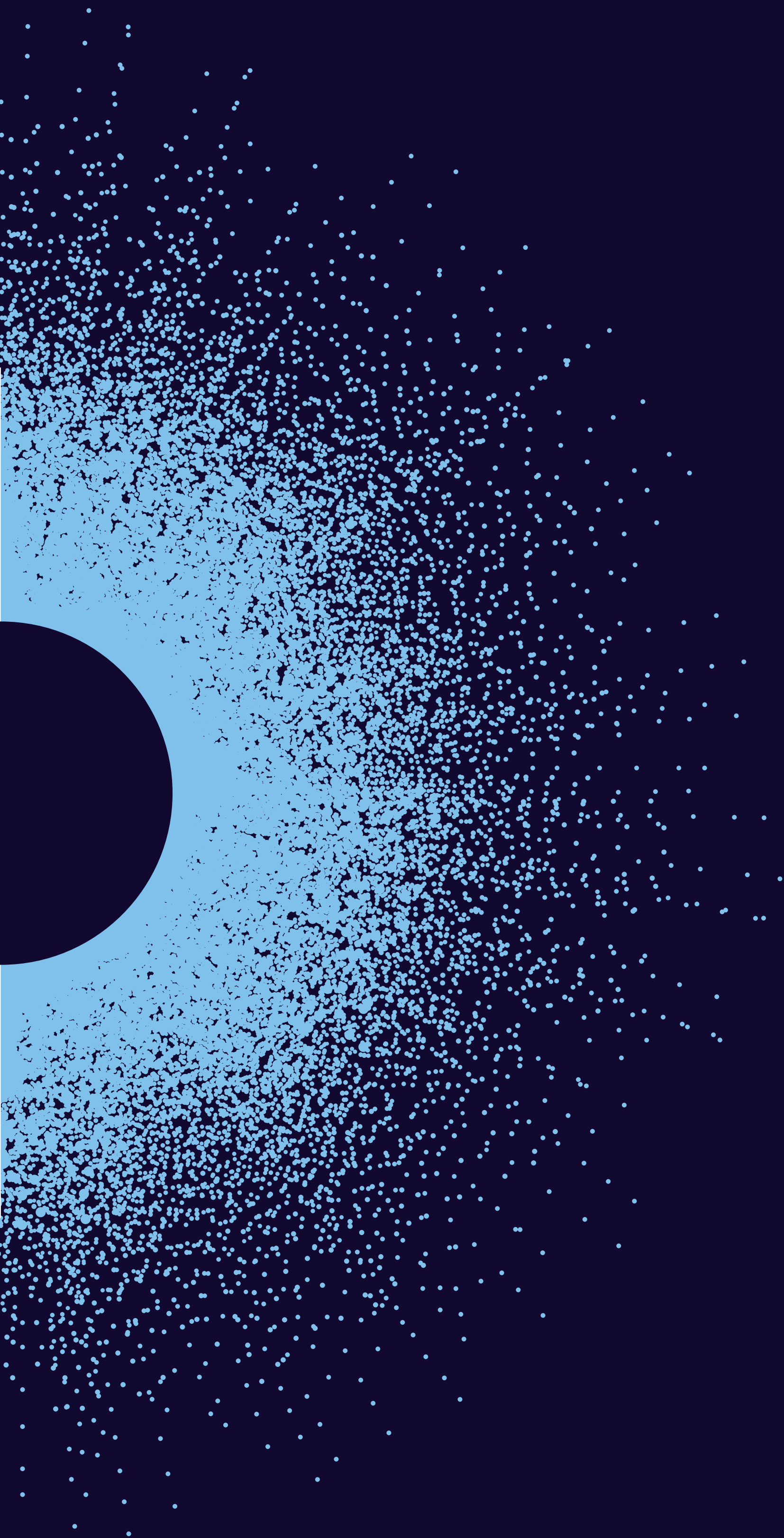
AUDITORS

Ernst & Young
200 George Street
Sydney NSW 2000

+61 2 9248 5555

WEBSITE

www.tyro.com



Igniting Business

Better
business
banking