Annual Report to Shareholders Year ended 30 June 2014

The CEO Report

Building a specialised banking institution for merchants

Overview

Tyro was founded on 3 February 2003 by Peter Haig, Andrew Rothwell and Paul Wood. Two founders, Peter Haig and Andrew Rothwell, have maintained their active association with Tyro. In November 2004, Jost Stollmann became a major investor, then Director and CEO. Kerry Roxburgh joined as non-executive Director on 18 April 2008. He was appointed Chairman of the Board on 19 February 2010.

Tyro is an Australian banking institution accepting electronic payments on behalf of merchants. Tyro does not take money on deposit. Tyro holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution (SCCI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA). Tyro is a Principal Member of Visa and MasterCard and a Tier 1 Member of the payment clearing streams BECS and CECS.

The Payments System Board of the Reserve Bank has decided in principle to vary the Access Regimes applying to the designated MasterCard and Visa systems in Australia and to seek removal of the current specialist credit card institution (SCCI) framework, administered by the Australian Prudential Regulation Authority (APRA).

The change requires the repeal of Regulation 4 of the Banking Regulations 1966. The change is expected to become effective later in the year. The RBA will liaise with the Australian Payments Clearing Association (APCA) to seek to ensure that the removal of the SCCI framework does not have adverse consequences for participants in other payment systems such as the Bulk Electronic Clearing System (BECS) that Tyro uses to settle its merchants.

Tyro is an accredited provider for Medicare Australia Easyclaim. Patients can use the Tyro Medicare Easyclaim solution to claim their Medicare rebate once they have paid their account, the rebate is then paid into their bank account via the EFTPOS network at the practice. Tyro provides an in-house developed, end-to-end solution, authorising, clearing and settling electronic card payments. Tyro accepts Visa, MasterCard, American Express/JCB, Diners, EFTPOS as well as Medicare Easyclaim transactions.

The Tyro solution is internet based and all transactions are processed in real time. Tyro focusses on the small-to-medium business community and their brick and mortar points of business. Tyro embeds its payment solutions into business software and markets these through the respective software partner. At the end of June 2014, Tyro completed its seventh full fiscal year of trading, since the commercial launch of its first EFTPOS facility on 26 April 2007.

Our vision and guiding principles

To be the most efficient provider of merchant payment services in Australia that save time and work, everyday, everywhere. Tyro listens, understands, develops, integrates and supports flawless solutions that plug in and just work for merchants.

Tyro People dare to challenge the EFTPOS Industry and they succeed. Tyros learn, think, respect, debate, decide, act and grow for a new world where innovation, fairness and transparency prevail. Tyro shares the wealth and recognition fairly among its many stakeholders. Tyro aspires to build wealth for its staff and shareholders and to contribute innovation and competition to the Australian payments industry.

Corporate Governance

This statement outlines our corporate governance framework, policies and practices.

Framework and approach

At all times demonstrate behaviour that is consistent with being a good corporate citizen by acting honestly, fairly, diligently and in accordance with the law. All directors, managers, employees and contractors are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Tyro. Processes are in place to promote and communicate these policies. The Board has set a requisite Code of Conduct at all levels. This approach includes a commitment to governance standards which Tyro sees as intrinsic to the success of our business and our performance.

Australia

Tyro complies with the Corporations Act and as an ADI must comply with governance requirements prescribed by APRA under Prudential Standard CPS 510 Governance. The following three key principles apply to the Board and all employees of Tyro. Directors and employees will act with honesty and integrity; act lawfully and within the spirit of the law; and act within the spirit of justice and equity.

Over time, Tyro will adopt and report against the ASX Corporate Governance Principles and Recommendations (ASXCGC Recommendations) published by the ASX Corporate Governance Council (ASXCGC).

Board

The primary role of the Board is to provide effective governance over company affairs whilst having regard for the interests of all stakeholders and best corporate governance practices.

- Approve the strategic direction and objectives for Tyro.
- Evaluate the performance of the Board and Board committees
- Manage the succession, remuneration and performance of Board members, the CEO and direct reports of the CEO.
- Consider and approve Tyro's annual budget including revenue, profit, capital expenditure and cash flows, as proposed by management, ensuring appropriate resources are available to achieve the business objectives.
- Evaluate executive management's performance in the implementation and achievement of business objectives and strategies.
- Review and approve capital management policies and plans having regard for the various liquidity and capital adequacy regulatory requirements applying to Tyro.
- Ensure business risks are identified and approve systems of risk management, regulatory compliance and control and associated group policies to manage those risks.
- Monitor management's implementation of, and compliance with, these systems and controls.
- Determine and approve the level of authority to be granted to the CEO in respect of operating and capital expenditures and credit facilities and authorise the further delegation of those authorities to management

In carrying out its responsibilities and powers as set out in this Charter, the Board will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the law.

Board Audit Committee

The Board Audit Committee assists the Board by providing a non-executive review of the effectiveness of Tyro's accounting and financial reporting framework and regulatory compliance.

As detailed in its charter, key responsibilities include oversight of: the integrity of the financial statements and financial reporting systems; reviewing the external auditor's qualifications, performance, independence and fees; reviewing performance of the internal audit function and regulatory compliance.

Board Risk Committee

The primary objective of the Board Risk Committee is to assist the Board in fulfilling its responsibilities in the management of risk in Tyro.

As set out in its charter, the Board Risk Committee provides non-executive oversight of the implementation and on-going operation of Tyro's risk management framework. The Board Risk Committee provides recommendations to the Board on risk appetite; reviews and approves the frameworks for managing risk; monitors the risk profile, exposures against limits and the management and control of our risks.

Board Remuneration Committee

The primary objective of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in the management of pay and reward policies and practices and linking these to the overall risk management practices and risk outcomes.

As set out in its charter, the Board Remuneration Committee conducts regular reviews and makes recommendations to the Board on the remuneration of the CEO, direct reports of the CEO, and other persons whose activities may affect the financial soundness of Tyro and any other person specified by APRA.

The board currently consists of six directors, with a majority of four directors including the Chairman meeting APRA's independence requirements. The directors of the board have set standards applicable at all levels of Tyro to ensure compliance with the Tyro Code of Conduct, the Corporations Act 2001, the National Privacy Principles 2001 and the Banking Act 1959 and all other applicable regulation. The board has established a policy of board renewal that ensures it has the necessary range of financial and other skills, experience and knowledge necessary for Tyro's business.

Our market position

The main revenue source for credit and debit card payment acceptance is the $2.5 billion merchant service fee (MSF) charged to Australian merchants in FY1314. That reflects the MSF charged on Visa, MasterCard and eftpos card transactions. American Express and Diners have direct relationships with their merchants. Tyro's MSF income increased during the year to $43.4 million.

Balancing continued investment with earnings growth

Since February 2003, Tyro has been working on developing its technology, gaining access to the banking system and building its merchant portfolio. Tyro launched its first EFTPOS facility in April 2007.

In the month of December 2011 and then every month from March 2012 onwards, Tyro delivered a net profit. With this year's result, Tyro has delivered its second profitable fiscal year. The results reflect the balancing of continued investment and earnings growth.

Going forward Tyro will emphasise even higher investments into engineering, operations, sales and other professionals so as to broaden the capacity for product development and for continued growth. Towards the end of calendar year 2014, Tyro will move into significantly larger office premises taking three floors at 155 Clarence Street, Sydney CBD. One floor will be sublet.

Historical financial year summary

Over the financial year ended 30 June 2014, the transaction volume grew by 29 per cent for the year and the operating income by 36 per cent. Over the year there was further significant investment into the engineering and sales marketing capacity. This led to a 40 per cent more than proportional annual increase of the total expenses. The earnings before interest and tax increased thus less than proportional with 13 per cent.

Unaudited information	**FY0708**	**FY0809**	**FY0910**	**FY1011**	**FY1112**	**FY1213**	**FY1314**
Transaction Volume AUD	115,453,972	510,888,137	1,310,465,042	1,983,290,792	2,950,695,145	4,074,382,050	5,250,451,196
Operating Income	870,575	2,580,520	6,578,940	7,694,629	11,873,327	17,473,389	23,712,008
Employment Expenses	3,717,161	3,921,667	4,683,300	5,520,530	7,856,206	9,160,129	12,568,328
Other Expenses	1,994,879	2,800,133	2,938,174	3,646,196	4,227,746	4,879,680	6,519,757
Share based payments	1,013,245	971,875	781,423	133,774	84,503	49,001	671,812
Total Expenses	6,725,285	7,693,675	8,402,897	9,300,500	12,168,455	14,088,810	19,759,897
Expense Ratio	773%	298%	128%	121%	102%	80%	84%
Interest Expense	-	-	-	209,645	233,106	166,116	63,362
EBIT	(5,854,710)	(5,113,155)	(1,823,957)	(1,605,871)	(295,128)	3,458,830	3,915,040

Building the merchant portfolio

Tyro has grown its merchant portfolio in the health, hospitality and general retailing space.

	Month of June 2012	Month of June 2013	Month of June 2014	Growth
No of merchants or merchant outlets (MID)	6,351	8,024	10,140	26%
No of credit and debit card transactions	3,855,041	5,268,401	7,080,574	34%
No of Medicare Easyclaim transactions	882,169	890,208	1,146,241	17%
Value of credit and debit card transactions	$271.8m	$356.1 m	$452.3m	27%

Tyro Health: Medical Practices and Pharmacies

Since launching, Tyro has focused on opportunities within primary care and related health markets. Specifically Tyro has targeted the installed base of Health Communication Network (HCN). HCN is the leading Australian provider of e-health and practice automation solutions and addresses both the General Practitioner and Specialist Practitioner market place.

During the year, Tyro has certified and started to rollout integrated payment and Medicare Easyclaim solutions with further provider of practice automation solutions.

Also, Tyro has developed a solution that provides allied health practices with a solution for integrated payment as well as claiming with Australia’s private health funds and Medicare Australia. The major modalities that will benefit from this solution in the future are dentists, optometrist and physiotherapists.

Tyro has certified further Point of Sale (POS) software vendors that target specifically the pharmacy space. We expect to build our presence in that segment further.

Medicare Easyclaim

Tyro has deployed Australia’s first integrated Easyclaim platform. Easyclaim is a real-time Medicare claiming and reimbursement service for patient-paid and bulk bill claims using an EFTPOS terminal and the EFTPOS network from the medical practice immediately after the consultation has occurred.

HCN has integrated the Easyclaim platform into its PracSoft practice management system (PMS). The seamless electronic payment, claiming, reimbursement and reconciliation solution was launched in April 2009. The claim and Medicare card data is automatically transferred from the PMS, where it resides, through the Tyro EFTPOS terminal to Medicare and from Medicare back to the PMS for reconciliation.

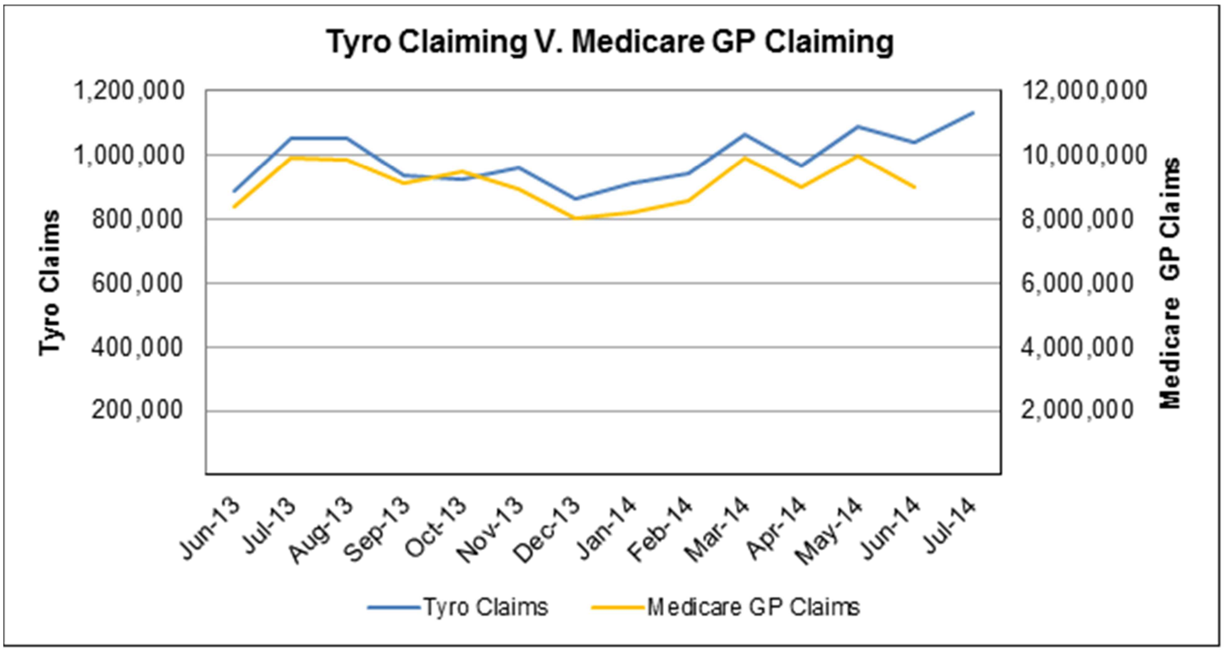
Subsequently, the integrated Medicare Easyclaim solution was also launched with Blue Chip, HCN’s equivalent PMS for the specialist medical practices space. Then other practice management software providers like Abaki Practice 2000, Best Practice, Clinical Computers and Medilink have integrated with Tyro to market and deliver integrated EFTPOS and Medicare Easyclaim to their practices franchise.

Billing and claiming with Tyro’s Integrated Easyclaim eliminates data entry errors and printing of paper vouchers. End of day banking is fast and accurate and immediate payments reduce the practice’s outstanding debt.

Patients enjoy instant Medicare rebates by swiping their card and seeing their rebate in their account 11 seconds later. For bulk bill claims, they can assign their right to benefit to the practitioner right on the terminal.

Medicare statistics show that in June 2014 there were 9,016,986 claims for GP Professional Attendances. During the same month, Tyro processed 1,014,891 Easyclaim transactions. Thus at this juncture, Tyro is assumed to process in excess of 11.6% of GP professional attendances in Australia.

By end of June 2014, 3,087 General and Specialist practices had signed up to use Tyro's Integrated Easyclaim solution.



Tyro Retail

Tyro is continuing to execute its overall strategy of accessing merchants via Point of Sale (POS) vendors. The Tyro Terminal Adaptor (TTA) and iClient enable the POS vendors to implement the EFTPOS integration protocol directly with Tyro. This means that integration no longer requires weeks of effort but merely days and integrations are far more robust.

As at 30 June 2014, Tyro has 114 certified POS and PMS solutions, 13 POS solutions in certification and 46 at some stage of development.

The Product Management Team has been working closely with POS and PMS providers to deliver integrated reporting, reconciliation and settlement solutions that automate the end of day processing used by our merchants. There is a "headless" version of the TTA that allows the POS vendor to provide integrated EFTPOS with his own skin i.e. the look and feel of his own user interface.

Tyro EFTPOS terminals process card payment transactions with an average of three seconds with most POS software and without performance degradation though busy peak trading times like Christmas.

Reconciliation has become easy, since the cash register and EFTPOS reports always match. There are no more time-consuming manual adjustments and printouts each evening.

With a Dynamic Currency Conversion (DCC) feature, customers can pay in more than 135 different currencies eliminating surprises when they get back home. For the merchant, DCC provides extra revenue from the generated foreign exchange margins.

Tyro Hospitality

During the 2011 financial year Tyro launched its integrated Pay at Table solution. This solution permits the payment terminal to communicate with a restaurant's POS over a wireless network, thus permitting pay at table transactions to be conducted on an integrated basis. There is now a comprehensive suite of features including tipping at table, tip completion at the POS, splitting amounts and opening bar tabs.

At this stage, Tyro is not aware of any other acquirer that offers similar functionality.

On 1 August 2014, the phase-out of the cardholder's signature as acceptable authentication method for face-to-face payment card transactions has commenced. Going foward, the consumer will be required to enter their four-digit PIN. That impacts particularly the hospitality space, where table service restaurants have to arrange now for the terminal to be brought to the table to enable the payment process and the PIN entry.

With Tyro the patron will not be forced to leave their seat and pay at the cashier using the four digit PIN code, or the restaurateur will not be forced back into an unintegrated, error prone and inefficient table payment process. Tyro provides an integrated PIN ready solution.

Tyro's Pay@Table makes payments easy. Customers can use their PIN to securely pay, split and tip without leaving the table. Even better, their POS won't be locked down while bills are being settled, so restaurant operators can process payments quickly, turn tables faster, and still provide a great payment service.

With Tyro's BarTab function, customers pre-authorise their bar tab limit and hold onto their card. The bar operator can finalise the tab without seeing the card again and their customers are only charged for what they use.

With the automated reconciliation, the cash register and EFTPOS reports always match eliminating time-consuming manual adjustments or tip entries. Restaurateurs can choose from manual or automatic settlement up to 5am.

Leveraging the Internet

The Tyro architecture has brought EFTPOS into the internet age. Tyro removes constraints and enables businesses, no longer tied to legacy technology, to radically improve the efficiency of their processes. Merchants can increase transaction speed and lower communication expense by using the public internet or for larger retail organisations their corporate network.

Software vendors can integrate directly with Tyro eliminating an expensive software and hardware middleware layer and thus point of failure used by incumbents for aggregation and integration purposes. Tyro provides the capability of secure integrated credit and debit card processing in a "thin client" (web-based) infrastructure. At this stage, Tyro is not aware of any other acquirer that offers similar functionality.

Availability

Tyro has maintained 100% uptime with its live-live infrastructure. Even during maintenance downtime merchants are able to continue to transact as our terminals will automatically connect to any available application switch within either of our two data centres. When integrated the merchant's POS also uses either data centre. During the year, Tyro regularly tested recovery of our infrastructure components and transient network failures.

Environmental Sustainability

Climate change is not simply an environmental issue. It is a key business and social issue which impacts us all.

By the very nature of its innovative internet-based technology, Tyro is contributing to a more sustainable future with paperless statements, integrated receipt, online reporting and web based documentation. With the development of integrated receipt Tyro continues to further expand its environmental awareness beyond corporate headquarters to a growing proportion of its customer base.

Tyro has a company-wide recycling program and continues to search for new and efficient ways to minimise its environmental footprint.

Employees

Tyro employed 127 employees as at 30 June 2014 (compared to 93 employees at 30 June 2013). Our people are critical to our continued success. By utilising comprehensive recruitment and pre-screening practices for all employees, along with at least annual performance management reviews, Tyro endeavours to recruit, retain and suitably reward the best people in the industry. All employees are offered to participate in the Employee Share Option Plan.

Investments for Future Performance

Tyro has invested significantly in human capital to bed down the availability and speed of the switching and payments system architecture and to increase the capacity to deliver features and functions tailored to specific industries' needs. It has also invested in the purchase of servers and networking to ensure sufficient scalability of the production IT infrastructure to meet the continued growth of our acquiring services.

In parallel, the Company has been building the non-engineering capability of the business to support the sales and operational capability necessary to continue to scale up its acquiring services. Tyro is active in the market to hire software engineers to increase the development capacity further.

Performance Indicators

Reviewing and approving all Tyro business strategies and significant policies, the board ensures that all aspects of management and operations conform to its strategy, direction and policies. Additionally, the board monitors management practice and ensures that senior management adhere to set KPI's in all areas of the business. It practices a rigorous program of board meetings, board committee meetings and a stringent review of a range of regular management reports encompassing all aspects of the business, including finance, operations, sales and strategy.

In particular, the board ensures that an effective system of risk management and internal control is established and maintained, and that senior management proactively monitors the effectiveness of the risk management framework.

The highlights in the industry

Hype around new mobile payment technologies mainly capitalising on the propagation of smartphones is invigorating innovation and investment into front-end payment solutions. With NFC, iPhone 5, Apple Passbook, Google Wallet, Square, PayPal and others, consumers and merchants are daily overwhelmed with news on new developments in mobile payments and mobile-pass technology.

As these new solutions get adopted, this will result in dramatically increased transaction volumes putting further stress on the failing back-end legacy core payment systems. Tyro has been very vocal and critical in that regard.

Regulatory environment

The Reserve Bank of Australia (RBA) has concluded its Strategic Review of Innovation in the payment space with increased engagement and oversight. There are significant efforts under way to reinforce the governance framework, so as to drive the overdue investments into an open, real-time retail payment infrastructure addressing:

- real-time interbank settlement and account posting
- network choice in contactless environments
- retail payment system reliability
- access to the payment system infrastructure

Tyro continues to suffer from constraints due to the challenging EFTPOS access regime and expansion barriers and imbalanced and discriminatory structures and behaviours in the payment space. The score card for the industry's ability of allowing a new entrant to compete within fair rules and on a level playing field continues to fall short.

If that remains the case, parallel payment worlds will develop without regulatory oversight and thus with all the risks and failures that this engenders for the community. It is in the public interest to have an open but regulated payment system where innovation can happen inside the system with trust and security maintained.

Positioning in the new world

The new world of mobile internet connected POS and EFTPOS devices and of cloud based applications should play well to Tyro's strengths of an end-to-end internet acquiring platform and its secure internet integration architecture. Tyro owning its technology should be able to compete well with bringing innovative solutions fast to market and with custom tailored features and functions to the requirement of specific vertical market segments.

Currently, Tyro is extending its software partnerships to those vendors that provide selling and payment solutions in this new cloud world. Tyro proposes the easiest, safest and most reliable direct integration model for new POS software entrants or incumbents extending their offerings to the new platforms. Tyro has launched a generation of new desktop colour, contactless and 3G enabled EFTPOS terminals.

While there is a lot of enthusiasm, Tyro has to be recognisant that the real ubiquitous infrastructure for smartphones and tablets to be capable of handling payments, passes and membership cards is possibly a decade away. And even then, merchants will have to accept all the older payment instruments, be it cash, cheque, magnetic and EMV card, mobile wallet, coupons. Tyro sees itself as the trusted partner of the software industry and the merchant community navigating through the proliferation of payment instruments and offering seamless and efficiently integrated solutions.

Strategic choice – further growth

Against the background of all the opportunities arising from new technologies, Tyro intends to continue to invest even faster into the further build-up of its sales and engineering teams. Tyro is currently in the market seeking Java Developers. Tyro needs only top talent to work on its mission critical payment and banking applications. On the other hand Tyro is a very unique and attractive to prospective employees, marrying agile development methods with deep banking knowledge and an opportunity to make a major difference for the Australian community.

Information for shareholders

We report to shareholders each year, in late August or September, with the Annual Report and then the Annual General Meeting. We also report half-yearly to shareholders via an email newsletter in January, following the end of the half-year. A hard copy of the Annual Report can be obtained by contacting the Company Secretary.

Annual General Meeting

The Tyro Annual General Meeting (AGM) will be held at the Hilton Sydney, 488 George Street Sydney NSW 2000 on Thursday, 23 October 2014 commencing at 4pm.

Shareholder Information

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

Tyro Payments Limited
Attn: Company Secretary
Level 2
125 York Street
Sydney NSW 2000

Phone: (02) 8907 1714

Email: jmitchell@tyro.com

Electronic Communications

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

Tyro Payments Limited
Attn: Company Secretary
Level 2
125 York Street
Sydney NSW 2000

Phone: (02) 8907 1714

Email: jmitchell@tyro.com

Directors Report
Year ended 30 June 2014

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Directors Report

The Board of Directors of Tyro Payments Limited present their report together with the financial statements for the financial year ended 30 June 2014.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are Kerry Chisholm Dart Roxburgh, Michael Alexander Cannon-Brookes, Rebecca Dee-Bradbury, Robert Alexander Ferguson, Paul Gordon Rickard and Hans-Josef Jost Stollmann. Skills, qualifications, experience and special responsibilities for each director are set out below:

Kerry Roxburgh, Chairman

Non-executive Director since 18 April 2008

Kerry is currently the Lead Independent non-executive Director of Ramsay Health Care Ltd, and a non-executive director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. He is Chairman of the Charter Hall Group and of Tasman Cargo Airlines Ltd. Kerry is Deputy Chairman of Marshall Investments Pty. Ltd. He is also a member of the Advisory Board of AON Australia.

In 2000 he completed a 3 year term as CEO of E*TRADE Australia (a business that he co-founded in 1997), becoming its non-executive Chairman until June 2007, when it was acquired by the ANZ Bank. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia Group where for 10 years from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Mr Roxburgh was in practice for more than 20 years as a Chartered Accountant. Kerry is a member of the Audit Committee, Remuneration Committee and Risk Committee.

Directorships held in the last three years:

- LawCover Insurance Group – Deputy Chairman (Resigned July 2011)
- TEKTUM Limited – Chairman (Resigned January 2013)
- Tyro Payments Limited

Mike Cannon-Brookes

Non-executive Director since 10 December 2009

Michael is Co-Founder, CEO and director of Atlassian, an innovative, award-winning enterprise software company based in Australia and established in 2002. Michael was named Australian IT Professional of the Year in 2004, awarded 'Australian Entrepreneur of the Year' by Ernst & Young in 2006 and honoured by the World Economic Forum in 2009 as a Young Global Leader. Michael is an active investor and advisor to technology-focused ventures. Michael is Chairman of the Remuneration Committee and member of the Audit and Risk Committees.

Directorships held during the past three years:

- Atlassian Corporation Pty Limited & Subsidiaries
- Tyro Payments Limited

Rebecca Dee-Bradbury

Non-executive Director since 5 February 2014

Rebecca has a background in strategic marketing and has held senior regional executive and CEO roles with businesses operating across Australia, New Zealand and Asia Pacific. She has extensive experience in business transformation, marketing and innovation gained with international organisations such as Kraft/Cadbury, Maxxium and Lion Nathan/Pepsi Cola Bottlers. Rebecca is also a member of the Prime Minister's Manufacturing Leaders Group and the Premier Napthine's Food and Agriculture to Asia Strategic Advisory Committee

Directorships held during the past three years:

- Independent non-executive director BlueScope Steel Ltd (current)
- Independent non-executive director Tyro Payments (current)
- Member, Federal Government's Asian Century Strategic Advisory Board
- Tyro Payments Limited

Rob Ferguson

Non-executive Director since 14 November 2005

Rob began his career as a research analyst for a Sydney stockbroker. He joined Bankers Trust Australia in 1972 and became managing director in 1985. By mid 1990s, BT had $50 billion under management. Rob became chairman of BT Funds Management in 1999 until he resigned the position in 2002. Rob is Chairman of the Risk Committee and a member of the Audit and Remuneration Committees.

Directorships held during the past three years:

- Chairman of GPT Management Holdings Limited
- Director of the Lowy Institute.
- Tyro Payments Limited
- Non-executive Chairman of IMF (Australia) Ltd
- Non-executive Chairman of Primary Health Care Limited
- Chairman of SmartWard Holdings Pty Ltd (appointed Feb-12)
- Non-executive Director of Watermark Market Neutral Fund Limited (appointed 28-May-13)

Other previous directorships of listed or unlisted companies held by Rob Ferguson:

- Director of Westfield Holdings Ltd (1994 – 2004)
- Chairman of Vodafone Australia (2000 – 2002)
- Chairman of Nextgen Limited (2000 – 2004)
- Director of Racing NSW (2004 – 2009)
- Deputy Chair of the Sydney Institute (1993 – 2013)

Paul Rickard

Non-executive Director since 28 August 2009.

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

Directorships held during the past three years:

- Tyro Payments Limited
- Property Exchange Australia Limited
- Switzer Financial Group Pty Ltd
- Halidon Asset Management Ltd
- Religare Securities Australia Pty Ltd (ceased)
- Lumus Financial Services Pty Ltd
- Substancia Capital Limited

Jost Stollmann

Director and CEO since 5 April 2005

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

Directorships held during the past three years:

- Tyro Payments Limited

Company Secretary

Our Company Secretary as at 30 June 2014 is Justin Mitchell.

Justin was appointed on 19 March 2007 to build and manage the compliance and risk frameworks and oversee regulatory obligations. Justin was appointed Company Secretary on 12 April 2007. The Company Secretary ensures all relevant business is put to the board and the decisions of the board are implemented. In the capacity of Chief Risk Officer he is accountable for enabling the efficient and effective governance (control environment) of significant risks.

DIVIDENDS

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

CORPORATE INFORMATION

Corporate Structure

Tyro Payments Limited ("Tyro") is an unlisted public company. It is incorporated and domiciled in Australia. The registered office of Tyro is Level 2, 125 York Street, Sydney, New South Wales, 2000.

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

As at the date of this report, the interests of the directors in the shares and options of Tyro Payments Limited were:

Director	Shares	Options
Kerry Roxburgh[1]	940,182	1,824,777
Michael Cannon-Brookes[2]	2,966,667	2,760,650
Rebecca Dee-Bradbury	-	-
Rob Ferguson[3]	30,352,950	4,612,017
Paul Rickard	328,911	1,357,874
Jost Stollmann[4]	59,336,874	11,493,026

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

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

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

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

Nature of operations and principal activities

Tyro is a financial institution providing payment solutions and related services to Australian merchants. Tyro has implemented appropriate systems and controls to comply with the stringent prudential and regulatory requirements to perform transaction processing, clearing and settlement activities within the Australian Payments System.

There have been no significant changes in the nature of those activities during the year.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

Tyro reported an operating result before tax of $3,851,678 (2013: $3,292,714).

2014		2013		2012	
Revenues	**Operating Profit**	**Revenues**	**Operating Profit**	**Revenues**	**Operating Loss**
52,643,572	3,851,678	39,090,589	$3,292,714	$28,440,089	$528,234

Capital Structure

Under its banking authority as a Specialist Credit Card Institution, Tyro is subject to prudential capital requirements set by the Australian Prudential Regulation Authority (APRA). Total Tier 1 capital held as at 30 June 2014 was $19,9M

During the period, 10,194,219 ordinary shares were issued upon exercise of options raising a total of $706,306.04 additional capital.

Cash from Operations

Tyro had cash and cash equivalents of $9,010,582 at the end of the period.

Risk Management

The Board is responsible for reviewing and approving the risk management strategy, including determining our appetite for risk. The Board has delegated to the Board Risk Committee responsibility for providing recommendations to the Board, setting risk appetite, approving frameworks, policies and processes for managing risk, and determining whether to accept risks beyond management's delegated authorities.

The Board Risk Committee monitors the alignment of our risk profile with our risk appetite, and with our current and future capital planning. The Board Risk Committee receives regular reports from management on the effectiveness of our management of business risks.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs.

Significant events after balance date

There are no significant events after balance date.

Likely developments and expected results

The directors expect that in the 2014/15 financial year Tyro will continue to grow the business and continue to expand the product features of its merchant payment solutions.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 74,901,450 un-issued ordinary shares under options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director is as follows:

	Board Meetings	Audit Committee	Risk Committee	Remuneration Committee
Meetings held during the year	6	4	6	2
Director				
Kerry Roxburgh	6	3	6	2
Michael Cannon-Brookes	6	4	6	2
Rebecca Dee-Bradbury*	3	2	2	2
Rob Ferguson	6	4	5	1
Paul Rickard	6	4	6	2
Jost Stollmann	6	4	6	2

*Rebecca has attended all eligible meetings since appointment in the period.

Committee Membership

As at the date of this report, Tyro had an Audit Committee, a Risk Committee and a Remuneration Committee of the Board of Directors. Members acting on the Committees of the Board during the year were:

Audit Committee
P. Rickard (Chairman)
R Ferguson
R. Dee-Bradbury

Remuneration Committee
M. Cannon-Brookes (Chairman)
R. Ferguson
K Roxburgh

Risk Committee
K. Roxburgh (Chairman)
M. Cannon-Brookes
P. Rickard

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

In relation to our audit of the financial report of Tyro Payments Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Clare Sporle
Partner
27 August 2014

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Continuing Operations			
Fees and commission income	2	51,326,905	37,584,389
Fees and commission expense	2	(28,465,964)	(21,184,202)
Net fees and commission income		22,860,941	16,400,187
Terminal and accessories sale		554,232	706,558
Terminals and accessories COGS		(465,600)	(432,998)
Net terminal and accessories sale income		88,632	273,560
Interest income		749,743	775,396
Other income	2	12,692	24,246
Total Operating income		23,712,008	17,473,389
Less: Expenses			
Employee benefits expenses	2	13,736,295	9,707,245
Administrative expenses		4,427,309	3,195,248
Depreciation		1,275,943	1,098,146
Impairment of inventories		213,428	-
Interest expense		63,362	166,116
Other expenses	2	106,922	88,171
Total operating expenses		19,823,259	14,254,926
Foreign currency (loss)/ gain		(37,071)	74,251
Operating profit before tax expense		3,851,678	3,292,714
Income tax (expense)/benefit	3	(908,046)	6,572,888
Net income for the year		2,943,632	9,865,602
Other Comprehensive Income			
Net fair value gain on available for sale financial instrument		31,804	52,883
Total comprehensive income for the period		2,975,436	9,918,485

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

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	9,010,582	22,945,051
Trade and other receivables	5	12,098,835	2,645,742
Prepayments		309,801	185,343
Inventories	6	293,259	374,652
Total Current Assets		21,712,477	26,150,788
Non-current Assets			
Available-for-sale investment	7	381,381	335,945
Property, plant and equipment	8	2,995,625	1,736,810
Deferred Tax Assets	3	5,574,985	6,496,664
Total Non-current Assets		8,951,991	8,569,419
TOTAL ASSETS		30,664,468	34,720,207
LIABILITIES			
Current Liabilities			
Trade payables and other liabilities	10	3,383,112	12,025,019
Provisions	11	210,741	122,502
Total Current Liabilities		3,593,853	12,147,521
Non - current Liabilities			
Employee benefit liabilities	12	831,606	687,231
Total Non - current Liabilities		831,606	687,231
TOTAL LIABILITIES		4,425,459	12,834,752
NET ASSETS		26,239,009	21,885,455
EQUITY			
Contributed equity	13	33,911,811	33,205,505
Reserves	13	8,040,482	7,255,048
Retained earnings	13	(15,713,284)	(18,575,098)
TOTAL EQUITY		26,239,009	21,885,455

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(65,369,258)	(33,739,901)
Interest and fee income received		52,796,750	39,039,399
Dividend income received	2	1,908	1,381
Receipts from Terminals & accessories sale		554,233	706,558
Net cash flows from operating activities	4	(12,016,367)	6,007,437
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,541,923)	(1,211,954)
Proceeds from disposal of property, plant and equipment		17,948	50,469
Net cash flows from investing activities		(2,523,975)	(1,161,485)
Cash flows from financing activities			
Proceeds from loan		6,100,000	5,500,000
Loan repayment		(6,100,000)	(5,500,000)
Interest paid on Loans		(63,362)	(166,116)
Proceeds from exercise of share options		706,306	7,842
Net cash flows from financing activities		642,944	(158,274)
Net increase in cash and cash equivalents		(13,897,398)	4,687,678
Net foreign exchange difference		(37,071)	74,251
Cash and cash equivalents at beginning of year		22,945,051	18,183,122
Cash and cash equivalents at end of year	4	9,010,582	22,945,051

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

		Attributable to equity holders of Tyro Payments Limited						
	Note	Contributed Equity $	Asset Revaluation Reserve $	Employee Equity Benefits Reserve S	Retained Earnings $	Option Premium Reserve $	General Reserve for Credit Losses $	Total $
At 30 June 2012		33,197,663	124,975	6,262,249	(28,366,478)	480,320	211,398	11,910,127
Gain for the year		-	-	-	9,865,602		-	9,865,602
Other comprehensive income		-	52,883	-	-	-	-	52,883
Total comprehensive income		-	52,883	-	9,865,602	-	-	9,918,485
Issue of share capital		7,842	-	-	-		-	7,842
Share-based payments		-	-	49,001	-	-	-	49,001
Transfer to general reserve for credit losses		-	-	-	(74,222)	-	74,222	-
At 30 June 2013		33,205,505	177,858	6,311,250	(18,575,098)	480,320	285,620	21,885,455
Gain for the year		-	-	-	2,943,632	-	-	2,943,632
Other Comprehensive income		-	31,804	-	-	-	-	31,804
Total comprehensive income		-	31,804	-	2,943,632	-	-	2,975,436
Issue of share capital		706,306	-	-	-		-	706,306
Share-based payments		-	-	671,812	-	-	-	671,812
Transfer to general reserve for credit losses		-	-	-	(81,818)	-	81,818	-
At 30 June 2014	13	33,911,811	209,662	6,983,062	(15,713,284)	480,320	367,438	26,239,009

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES

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

The financial report of Tyro Payments Limited (the Company) was authorised for issue in accordance with a resolution of the directors on 20 August 2014.

Tyro Payments Limited is an unlisted public company, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the directors' report.

(a) Basis of preparation

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

The financial report is presented in Australian dollars and all values are rounded to the nearest dollars unless otherwise stated.

Management has reviewed the method of presentation of operating expenses and has determined that classifying items by nature, rather than function is appropriate. As a result, prior year comparative information for these amounts, and as necessary, has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Going concern

The Company is in its seventh year of operation and has made an operating profit of $3,851,678 (2013: profit $3,292,714.

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) 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 issued by the International Financial Reporting Standards Board.

(e) New Accounting standards and interpretations

Australian Accounting Standards and Interpretations, which have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2014, as outlined in the table below.

These new standards, when applied in future periods, are not expected to have a material impact on the Statement of Financial Position and Statement of Comprehensive Income of the Company.

(i) Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period.

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations

AASB 13 - Fair Value Measurement and AASB 119 - Employee Benefits

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

Title (summarised)	Australian Accounting Standard Reference	Summary	Application date of standard	Impact on Company financial report	Application date for Company
Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1-Jan-14	The company has not yet determined the extent of the impact of the amendments, if any	1-Jul-14
Levies	Interpretation 21	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1-Jan-14	The company has not yet determined the extent of the impact of the amendments, if any	1-Jul-14
Financial Instruments	AASB 9	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1-Jan-18	The company has not yet determined the extent of the impact of the amendments, if any	1-Jul-18

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

Title (summarised)	Australian Accounting Standard Reference	Summary	Application date of standard	Impact on Company financial report	Application date for Company
		d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) - The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time 3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018			
Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1-Jan-14	The company has not yet determined the extent of the impact of the amendments, if any	1-Jul-14
Materiality	AASB 1031	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1-Jan-14	The company has not yet determined the extent of the impact of the amendments, if any	1-Jul-14

(iii) The adoption of the above Standards and Interpretations is deemed not to have an impact on the financial statements or performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(f) 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 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 9.

Classification of and valuation of investments - The Company classifies its investments in listed securities as 'available -for-sale' investments and movements in fair values are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Estimation of useful lives of assets - The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against their remaining useful lives. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in Note 8.

Long Service Leave - 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.

(g) Revenue recognition

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

(i) Fee income

The Company derives fee income from the following sources:

- Merchant service fee income is generated from merchant customers for credit and debit card acquiring services. Fees are charged to merchants depending on the type of transaction being performed based on a percentage of transaction value or on a fixed amount per transaction. Fees related to the payment transactions are recognised at the time transactions are processed. Related interchange fee, which is collected from merchants and paid to credit institutions is recognised as an expense instead of netting-off against merchant service fee income in the Statement of Comprehensive Income.

- Revenue from terminal rental income generated from merchants is based on a fixed rental from terminals.

- Revenue from Debit Card Interchange generated from banks is based on a fixed fee per transaction and is recognised when transactions are processed.

- Revenue from processing Medicare Easyclaim generated from merchants is based on a fixed fee per transaction and is recognised when transactions are processed.

- Revenue from Dynamic Currency Conversion (DCC) transactions generated from merchants is calculated based on the individual value of the transactions and is recognised once the transaction has been processed.

(ii) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(h) Leases

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

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental income. Operating lease payments are recognised as an income or expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents are reported net of outstanding bank overdrafts.

(j) Trade and other receivables

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

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

(k) Prepayments

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

(l) Available-for-sale Investments

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

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

(m) Inventories

(i) Cost and Valuation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(m) Inventories (cont'd)

(ii) Impairment

Management make assessments of the net realisable value of Inventory on an annual basis. The cost of inventory may not be recoverable where the inventory is damaged, wholly or partially obsolete, or if selling prices have declined. In accordance with AASB 102, where the cost of inventory exceeds the net realisable value, Inventory is written down to their net realisable value. Net realisable value is an estimate, based on the most reliable evidence at the time, of the amount the Inventories are expected to realise.

(n) Income Taxes

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

(o) 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).

(p) 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.

(q) Acquisition of assets

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(4) Property, plant and equipment (cont'd)

(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:	**2014**	**2013**
Plant and equipment:		
- EFTPOS terminals	3 years	3 years
- Furniture and office equipment	5 years	5 years
- Computer equipment	4 years	4 years

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 cash generating units and 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 it's 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.

(s) Trade and other payables

Merchant payables arise when the Company has received monies from the relevant schemes and financial institutions.

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.

(t) Interest-bearing loan and borrowings

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(u) 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 will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

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

From the current financial year a specific provision for credit losses is maintained when there is objective evidence that the company will not be able to collect the debts.

(v) General reserve for credit losses

The Company provides for estimated future credit losses with a general reserve for chargebacks. 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 methodology and assumptions used for estimating general reserve for credit losses required are reviewed regularly.

(w) 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 leaves and other employee benefits that are expected to be settled within one year have been measured at their nominal amounts.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(x) Share-based payment transactions

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

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

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

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

No expense is recognised for awards that do not ultimately vest. There were no modifications to the terms of the outstanding options during the financial year. Details of the types of share-based payments and their respective terms and vesting conditions are disclosed in Note 9.

(y) 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.

(z) 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.

(aa) De-recognition of assets and liabilities

Assets and liabilities are derecognised from the Statement of Financial Position upon sale, maturity or settlement. Gains and losses arising from de-recognition of these assets and liabilities are accounted in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. REVENUE AND EXPENSES

The Operating profit before tax expense has been arrived at after accounting for the following items:

	2014 $	2013 $
Fees and commission income		
Easyclaim income	2,518,097	2,345,418
Merchant service fee	43,353,436	30,676,853
Debit card interchange fee	1,401,718	1,430,978
Terminal rental income	3,382,285	2,635,928
Other fee income	671,369	495,212
	51,326,905	37,584,389
Fees and commission expense		
Interchange fees	19,380,506	13,933,485
Switching and settlement fees	728,724	770,940
Scheme fees	4,451,475	3,172,166
Commissions expense	3,677,691	3,076,891
Other expense	227,568	230,720
	28,465,964	21,184,202
Other Income		
Gain on disposal of PPE	10,784	22,865
Dividend income on financial instruments	1,908	1,381
	12,692	24,246
Employee benefits expense		
Wages, salaries and bonuses	11,474,874	8,557,263
Superannuation	1,063,410	764,408
Share based payments expense	671,812	49,001
Other employee benefits expense	526,199	336,573
	13,736,295	9,707,245
Other expenses		
Other Write offs	(2,746)	(1,175)
Bad debt and credit loss expense	109,668	89,346
	106,922	88,171

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. INCOME TAX

a) Income tax expense

Major components of income tax recognised in statement of comprehensive income for the period ended 30 June 2014:

	2014 $	2013 $
Current Income Tax		
Current income tax charge	1,032,737	-
Prior year under/(over)	-	-
Deferred Income Tax		
Relating to origination and reversal of temporary differences and tax losses	(124,691)	(6,572,888)
Income Tax expense/(benefit) in income statement:	908,046	(6,572,888)
Amount reported directly in other comprehensive income		
Deferred tax on unrealised gain/(loss) on available-for-sale investment	13,632	76,224
Income tax expense reported in equity	13,632	76,224

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

	2014 $	2013 $
Operating Profit Before Tax	3,851,676	3,292,714
At the statutory income tax rate of 30%	1,155,503	987,814
Research and development incentive	(431,099)	(283,327)
Share based payment remuneration	201,543	14,700
Entertainment	15,541	5,709
Recognition of previously unrecognised deferred tax balances	-	(7,297,784)
Other	(33,442)	-
Total income tax expense/(benefit)	908,046	(6,572,888)

c) Deferred income tax Liability and Assets

	2014			2013		
	Balance Sheet $	***Income Statement*** $	***Other comprehensive Income*** $	***Balance Sheet*** $	***Income Statement*** $	***Other comprehensive Income*** $
Deferred income tax assets						
Fixed Assets	555,361	(13,086)	-	542,275	(542,275)	-
Provisions & Accruals	599,257	(97,565)	-	501,693	(501,693)	-
Other (Section 40-880)	-	1,248	-	1,248	(1,248)	-
Unrealised FX loss	23,757	(23,757)		-	-	
Tax Losses	4,486,466	1,073,692	-	5,560,158	(5,560,158)	-
	5,664,841	940,532	-	6,605,374	(6,605,374)	-
Deferred income tax liabilities						
Available-for-sale investments	(89,856)	-	13,632	(76,224)	-	76,224
Unrealised FX gain		(32,486)	-	(32,486)	32,486	-
	(89,856)	(32,486)	13,632	(108,710)	32,486	76,224
Total	**5,574,985**	**908,046**	**13,632**	**6,496,664**	**(6,572,888)**	**76,224**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Call deposits	2,030,580	2,206,218
Exchange settlement balance	6,979,502	20,738,331
Cash in hand	500	500
	9,010,582	22,945,049

Call deposits earn interest at floating rates based on daily bank deposit rates. The Reserve Bank of Australia (RBA) pays interest on balances held in exchange settlement accounts at a rate of 25 basis points below the cash rate. Refer to note 15 for details of cash and cash equivalents pledged as security.

Term deposits earn interest based on an agreed rate and term.

Reconciliation of operating loss after tax to net cash flows used in operations	2014 $	2013 $
Operating profit/(loss) for the year	2,943,631	9,865,602
Adjustments for:		
Depreciation of non-current assets	1,275,943	1,098,146
Share-based payments expense	671,812	49,001
Gain on disposal of property plant and equipment	(10,784)	(22,865)
Deferred Tax Benefits	908,046	(6,572,888)
Changes in assets and liabilities		
Increase in trade and other receivables	(19,121,382)	(388,393)
Increase in prepayments	(124,458)	(20,975)
Increase/(decrease) in inventory	81,393	(239,057)
Increase in trade and other payables	1,359,432	2,238,864
Net cash used in operating activities	(12,016,367)	6,007,435

5. TRADE AND OTHER RECEIVABLES

	2014	2013
Trade debtors	726,445	623,057
Term deposits	1,834,155	1,855,730
Receivables (schemes and merchants)	9,452,543	-
Interest receivable	74,919	72,834
Other receivables	10,773	94,122
	12,098,835	2,645,743

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

	Current $	1-30 days $	31-60 days $	61-90 days $	>90 days $
Trade and other receivables before impairment	9,831,098	358,626	-	-	37
Carrying value 2014 (Total $10,189,761) 2013 (Total $717,179)	438,880	277,637	660	-	3

Movements in the general reserve for credit losses account are detailed in Note 13 and the Company's accounting policy is outlined in Note 1(v).

6. INVENTORIES

	2014 $	2013 $
Terminals and accessories	293,259	374,652

The asset value of Xenta and Xentissimo of $213,428 has been written off during the current period, and the impairment loss of $213,428 was recognised in Operating Expenses. Refer to Note (2).

The reason for the write off is due to the age of the terminals and increasing functional obsolescence.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. AVAILABLE-FOR-SALE INVESTMENTS

Investment in VISA shares	381,381	335,945

These investments were acquired following the demutualisation of VISA International, as a result of which listed VISA shares were issued to members of the VISA network. All VISA shares were listed on the New York Stock Exchange (NYSE) on 26th March 2008 with VISA's certificate of incorporation providing for the mandatory buyback of up to 80% of the common stock allocated to VISA members out of IPO proceeds as soon as possible after listing.

8. PROPERTY, PLANT AND EQUIPMENT

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

	EFTPOS Terminals *$*	*Furniture and Office Equipment* *$*	*Computer Equipment* *$*	*Total* *$*
Year ended 30 June 2014				
At 1 July 2013 net of accumulated depreciation and impairment	1,409,036	78,291	249,485	1,736,810
Additions/transfers	2,191,060	25,172	325,689	2,541,923
Disposals/transfers*	(7,164)	-	-	(7,164)
Depreciation for the year	(1,087,516)	(27,781)	(160,646)	(1,275,943)
At 30 June 2014 net of accumulated depreciation and impairment	2,505,417	75,682	414,529	2,995,625
At 1 July 2013				
Cost or fair value	5,001,799	230,324	1,807,005	7,039,128
Accumulated depreciation and impairment	(3,592,763)	(152,033)	(1,557,520)	(5,302,316)
Net carrying amount	1,409,036	78,291	249,485	1,736,810
At 30 June 2014				
Cost or fair value	7,145,241	253,905	2,132,695	9,531,841
Accumulated depreciation and impairment	(4,639,824)	(178,223)	(1,718,166)	(6,536,213)
Net carrying amount	2,505,417	75,682	414,529	2,995,625

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

	EFTPOS Terminals $	*Furniture and Office Equipment* $	*Computer Equipment* $	*Total* $
Year ended 30 June 2013				
At 1 July 2012 net of accumulated depreciation and impairment	1,376,596	36,503	237,509	1,650,609
Additions/transfers	1,021,632	63,047	127,275	1,211,954
Disposals/transfers*	(27,606)	-	-	(27,606)
Depreciation for the year	(961,587)	(21,259)	(115,300)	(1,098,146)
At 30 June 2013 net of accumulated depreciation and impairment	1,409,036	78,291	249,485	1,736,810
At 1 July 2012				
Cost or fair value	4,075,953	167,276	1,679,730	5,922,959
Accumulated depreciation and impairment	(2,699,357)	(130,773)	(1,442,221)	(4,272,351)
Net carrying amount	1,376,595	36,504	237,509	1,650,608
At 30 June 2013				
Cost or fair value	5,001,799	230,324	1,807,005	7,039,128
Accumulated depreciation and impairment	(3,592,763)	(152,033)	(1,557,520)	(5,302,316)
Net carrying amount	1,409,036	78,291	249,485	1,736,810

Fully depreciated assets as at 30th June 2014 $4,687,607 (2013 : $3,754,171)
* Disposals are net of depreciation

9. SHARE-BASED PAYMENTS

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

(a) Employee Share Option Plan

The Employee Share Option Plan 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 Employee Share Option Plan may be exercised, in whole or part, subject to vesting terms and conditions as indicated below:

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

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

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

9. SHARE BASED PAYMENTS (cont'd)

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

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

(b) Fair value of options

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 2014:

	2014
Dividend yield (%)	0%
Expected volatility (%)	74%
Risk-free interest rate (%)	3.39%
Share price ($)	$0.25

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

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

The average expected life for 7 year options is assumed to be 5 - 6 years from the grant date. The expected life for 10 year option 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 10,194,219 options exercised during the year ended 30 June 2014 (2013: 130,707).

The weighted average remaining contractual life for share options outstanding as at 30 June 2014 was 4 years (2013: 5 years).

The following table summarises further details of the share options outstanding at 30 June 2014:

Range of Exercise Prices	**Contractual life**	**Vesting conditions**	**No of Outstanding Options 2014**	**2013**
6 cents to 55 cents	10 years or less	5 year linear vesting	25,272,457	20,478,093
6 cents to 45 cents	5 years and 10 years	12 months service	1,043,478	1,565,217
6 cents to 55 cents	3, 5 and 10 years	12 months linear vesting	11,460,798	12,848,031
6 cents to 55 cents	10 years or less	Fully vested at time of grant	23,314,679	29,235,501
Total			**61,091,412**	**64,126,842**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. 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:

	2014 *No*	2014 *WAEP (cents)*	2013 *No*	2013 *WAEP (cents)*
Linear vesting schedule				
Outstanding at the beginning of the year	34,326,124	12	34,433,038	12
Granted during the year	7,618,284	14	2,004,501	11
Exercised during the year	(3,802,915)	8	(130,707)	6
Forfeited/expired during the year	(1,408,238)	21	(1,980,708)	17
Outstanding at the end of the year	**36,733,255**	**12**	**34,326,124**	**12**
Exercisable at the end of the year	**36,733,255**	**12**	**34,021,123**	**12**
Fully vested at time of grant				
Outstanding at the beginning of the year	29,235,501	7	29,399,137	7
Granted during the year	-		-	
Exercised during the year	(5,869,565)	6	-	
Forfeited/expired during the year	(51,257)	34	(163,636)	55
Outstanding at the end of the year	**23,314,679**	**7**	**29,235,501**	**7**
Exercisable at the end of the year	**23,314,679**	**7**	**29,235,501**	**7**
Service vesting schedule				
Outstanding at the beginning of the year	1,565,217	6	1,565,217	6
Granted during the year	-		-	
Exercised during the year	(521,739)	6	-	
Forfeited/expired during the year	-		-	
Outstanding at the end of the year	**1,043,478**	**6**	**1,565,217**	**6**
Exercisable at the end of the year	**1,043,478**	**6**	**1,565,217**	**6**
Total outstanding at the end of the year	**61,091,412**		**64,126,842**	
Total exercisable at the end of the year	**61,091,412**		**63,821,841**	

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

10. TRADE PAYABLES AND OTHER LIABILITIES

	2014 $	2013 $
Merchant payables	-	9,558,841
Accounts payable	795,875	410,094
Rent payable	36,314	59,249
Accruals	1,856,998	1,331,656
Other liabilities	693,925	665,179
	3,383,112	12,025,019

11. PROVISIONS

	2014 $	2013 $
Annual leave provision		
Balance at the beginning of the year	77,110	57,638
Provision during the year	44,903	26,946
Leave taken during the year	(25,500)	(7,474)
Balance at the end of the year	96,513	77,110
Long Service Liability		
Balance at the beginning of the year	45,392	37,442
Provision during the year	39,315	7,950
Balance at the end of the year	84,707	45,392
Provision for Credit Losses		
Balance at the beginning of the year	-	-
Provision during the year	29,521	-
Balance at the end of the year	29,521	-

12. EMPLOYEE BENEFITS LIABILITIES

Long Service Leave Liability	2014 $	2013 $
Balance at the beginning of the year	243,372	160,143
Provision during the year	76,077	83,229
Balance at the end of the year	319,449	243,372
Annual Leave Liability		
Balance at the beginning of the year	443,859	324,171
Provision during the year	158,057	165,638
Leave taken during the year	(89,759)	(45,948)
Balance at the end of the year	512,157	443,859

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. CONTRIBUTED EQUITY AND RESERVES

	Number of Shares	2014 $	2013 $
(i) Ordinary Shares			
Issued and fully paid			
Ordinary shares paid at 5 cents each	54,618,733	2,730,937	2,730,937
Ordinary shares paid at 6 cents each	156,320,233	9,379,214	8,924,323
Ordinary shares paid at 8 cents each	1,166,668	93,333	13,333
Ordinary shares paid at 10 cents each	5,102,660	510,266	354,069
Ordinary shares paid at 15 cents each	10,475,433	1,571,315	1,571,315
Ordinary shares paid at 30 cents each	32,571,562	9,771,469	9,756,251
Ordinary shares paid at 45 cents each	8,111,112	3,650,000	3,650,000
Ordinary shares paid at 55 cents each	11,282,322	6,205,277	6,205,277
		33,911,811	33,205,505

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.

	No: Shares	$
Movement in ordinary shares on issue		
At 1 July 2012	269,323,797	33,197,663
<u>Shares issued during the year:</u>		
- 25 September 2012 shares issued at 6c each	50,000	3,000
- 21 January 2013 shares issued at 6c each	80,707	4,842
At 30 June 2013	269,454,504	33,205,505
<u>Shares issued during the year:</u>		
- 01 August 2013 shares issued at 30c each	50,725	15,218
- 20 November 2013 shares issued at 6c each	146,739	8,804
- 31 December 2013 shares issued at 6c each	5,869,565	352,174
- 31 December 2013 shares issued at 6c each	521,739	31,304
- 31 December 2013 shares issued at 8c each	1,000,001	80,000
- 28 February 2014 shares issued at 6c each	1,043,478	62,609
- 01 April 2014 shares issued at 10c each	450,000	45,000
- 01 April 2014 shares issued at 10c each	600,000	60,000
- 02 April 2014 shares issued at 10c each	511,972	51,197
At 30 June 2014	279,648,723	33,911,811

	2014 $	2013 $
(ii) Share-based payments reserve		
Balance at the beginning of the year	6,311,250	6,262,249
Share-based payments expensed during the year	671,812	49,001
Balance at the end of the year	6,983,062	6,311,250

Nature and purpose of reserve

The share-based payments reserve is used to record the value of share-based payments / benefits provided to any Directors, employees and consultants as part of their remuneration or compensation.
Refer to Note 9 for further details of these plans.

	2014 $	2013 $
(iii) General reserve for credit losses:		
Balance at the beginning of the year	285,620	211,398
Transfer to retained earnings	81,818	74,222
Balance at the end of the year	367,438	285,620

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. CONTRIBUTED EQUITY AND RESERVES (cont'd)

The general reserve for credit losses has been created to satisfy Australian Prudential and Regulation Authority (APRA) prudential standards for Authorised Deposit-Taking Institutions (ADI) to maintain a general reserve for credit losses. The Company applies an internal methodology to estimate the credit risk of its merchant customers and the maximum expected 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.

	2014 $	2013 $
(iv) Available-for-sale investment revaluation reserve		
Balance at the beginning of the year	177,857	124,975
Total revaluations for the year	31,804	52,882
Balance at the end of the year	209,661	177,857
(v) Option Premium Reserve		
Balance at the beginning of the year	480,320	480,320
Total premium received	-	-
Balance at the end of the year	480,320	480,320

In 2012 consideration of $313,600 was received by the Company to extend the life of some options. In 2011, the option premium reserve revaluation corresponds to the fair value of the equity instruments issued in consideration for the $2.5 million loan taken out by Tyro. The fair value of these options has been determined using the Black-Scholes Option Valuation Model.

	2014 $	2013 $
Total reserves at the end of the year	8,040,482	7,255,047
(vi) Retained losses		
Movements in retained losses were as follows:		
Retained losses at the beginning of the financial year	(18,575,098)	(28,366,478)
Net Profit attributable to shareholders of the Company	2,943,632	9,865,602
Transfer to general reserve for credit losses	(81,818)	(74,222)
Retained losses at the end of the financial year	(15,713,284)	(18,575,098)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The Company's principal financial instruments include cash and cash equivalents, trade and other receivables, held-to-maturity investments, available-for-sale financial assets and trade and other payables.

(i) Risk management

The Board is responsible for approving and reviewing the risk management strategy and risk framework and all risk management policies. The Board has installed a Board Risk Committee to assist the Board in fulfilling its responsibilities in the management of risk. The Board Risk Management Committee provides non-executive oversight of the implementation and on-going operation of Tyro's risk management framework. The Board Risk Committee provides recommendations to the Board on risk appetite; reviews and approves the frameworks for managing risk; monitors the risk profile, exposures against limits and the management and control of our risks.

(ii) Risk controls

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Internal audit

Tyro 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. Internal Audit also reviews the controls implemented by management to ensure compliance with APRA's prudential requirements. This program of internal control and audit is reviewed and approved on a regular basis by the Audit Committee.

The internal auditor has unfettered access to Tyro's business lines and support functions.

(iv) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Tyro is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and held to maturity investments.

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

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

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

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

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

30 June 2014		
Standard & Poor's Credit Rating*	Cash and balances with financial institutions	Trade receivables
AAA	6,979,502	
AA-	2,030,580	1,380,042
unrated		10,718,793
30 June 2013		
Standard & Poor's Credit Rating*	Cash and balances with financial institutions	Trade receivables
AAA	20,738,331	
AA-	2,206,220	1,401,617
unrated		1,244,125

*Long-term credit rating

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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, among other things, technology risk, model risk and outsourcing risk.

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

(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, currency risk, commodity price risk and other price risk, such as equity price risk. Tyro does not engage in financial market trading activities nor assume any foreign exchange, interest rate or other derivative positions and does not have a trading book. The Company does not undertake any hedging around the values of its financial instruments as any risk of loss is considered insignificant to the operations of the Company.

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

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has exposure to interest rate risk on its variable interest-bearing cash and cash equivalent balances. Other interest bearing assets are held to maturity and carried at amortised cost.

The following table demonstrates the sensitivity to a reasonably possible change in interest. With all other variables held constant, Tyro’s profit before tax is affected as follows:

	Variable Interest Rate	Fixed Interest Rate			Total
		< 3 Months	3 to 12 Months	> 1 Year	
Cash and cash equivalents	8,556,469	-	-	-	8,556,469
Other Term Deposits	454,113	-	-	-	454,113
USD Term Deposit	-	-	1,380,042	-	1,380,042

<u>*Sensitivity analysis:*</u>

An increase of 100 basis points in the general cash rate (assuming every other factors being constant) will increase the Company's profit after tax and increase equity by $90,106 (2013:$229,450). A decrease of 100 basis points in the general cash rate will have an equal and opposite effect.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(vi) Market risk (cont'd)

FX Sensitivity analysis:

An appreciation of 15% of the US Dollar and EUR compared to the Australian Dollar (assuming every other factors being constant) will increase the Company's profit after tax and increase equity by $186,134 (2013: $240,256). A depreciation of 15% of the US Dollar and EUR compared to the Australian Dollar will reduce the company's profit after tax and reduce equity by $137,578 (2013:$177,581).

Foreign currency sensitivity

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

		AUD 2014	**AUD 2013**
Available-for-sale investments-VISA shares	USD	381,381	335,945
Trade Payables	EUR	325,377	40,480
USD Term Deposit	USD	1,380,042	1,401,617

3) Other Price Risk

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

(vii) Capital Management

Tyro Payments Limited 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 Tyro to continue as a going concern; and
- Ensure that capital management is closely aligned with Tyro’s business and strategic objectives.

Tyro 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 authorised deposit-taking institutions. Accordingly, Tyro 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 Tyro’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 Tyro’s internal capital adequacy assessment process (or ICAAP).

Tyro operates under the specific capital requirements set by APRA. Tyro has satisfied its minimum capital requirements throughout the 2013/14 financial year in the form of Tier 1 capital which is the highest quality components of capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(vii) Capital Management (cont'd)

Capital Adequacy

	2014	2013
Risk weighted capital ratios		
Tier 1	19,915,203	14,767,226
Tier 2	124,391	69,078
Total capital ratio	174%	268%
Qualifying capital		
Tier 1		
Contributed capital	33,911,811	33,205,505
Retained profits & reserves	-8,040,242	-11,605,671
Innovative Tier 1 capital	25,871,569	21,599,834
Less		
Intangible assets		
Net deferred tax assets		
50/50 deductions		
Other adjustments	5,956,366	6,832,608
Total Tier 1 capital	**19,915,203**	**14,767,226**
Tier 2		
General reserve for credit losses	124,391	69,078
Subordinated debt		
Asset revaluation reserves		
Less		
50/50 deductions		
Total Tier 2 capital	**124,391**	**69,078**
Total qualifying capital	**20,039,594**	**14,836,304**
Total risk weighted assets	**11,509,418**	**5,526,254**

(viii) Liquidity risk

Tyro'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.

Tyro manages this risk by the Board Risk Committee approved liquidity framework. Responsibility for liquidity management is delegated to the Financial Controller and CEO. The Financial Controller manages liquidity on a daily basis and submits monthly reports to the CEO and to CRO, and bi-monthly reports to the Board Risk Committee. The Financial Controller 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 balance sheet date, the board of directors determined that there was sufficient cash available to meet its anticipated expenditure and other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(vii) Capital Management (cont'd)

	< 6 months	6-12 months	Total
Year ended 30 June 2014			
Cash and cash equivalents	9,010,582	-	9,010,582
Trade and other receivables	10,718,793	1,380,042	12,098,835
	19,729,375	1,380,042	21,109,417
Financial Liabilities			
Trade payables and other liabilities	(3,383,112)	-	(3,383,112)
	(3,383,112)	-	(3,383,112)
Net inflow	16,346,263	1,380,042	17,726,305

	< 6 months	6-12 months	Total
Year ended 30 June 2013			
Cash and cash equivalents	22,945,049	-	22,945,049
Trade and other receivables	1,244,126	1,401,617	2,645,743
	24,189,175	1,401,617	25,590,792
Financial Liabilities			
Trade payables and other liabilities	(12,025,019)	-	(12,025,019)
	(12,025,019)	-	(12,025,019)
Net inflow	12,164,156	1,401,617	13,565,773

(ix) Fair values

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2014			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
Financial Asset				
Available for sale	381,381	-	-	381,381

	Year ended 30 June 2013			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
Financial Asset				
Available for sale	335,945	-	-	335,945

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(ix) Fair values (cont'd)

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

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the current year.

15. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

Tyro 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.

On each settlement day, Tyro would have received a portion of the funds committed, thus the actual contingent asset and corresponding liability would be less than the total amount committed.

	2014 $	2013 $
Contingent liabilities -secured		
(I) Irrecoverable standby letters of credit in favour of:		
- MasterCard International	2,780,042	2,801,617
- Visa International	140,000	140,000
(ii) Bank Guarantee in favour of:		
- Dukeville Pty Ltd, the lessor of 125 York Street, Sydney	454,113	454,113
	3,374,155	3,395,730

The Company has provided an irrevocable standby letter of credit of $2,920,042 (in 2013: 2,941,617) secure through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to MasterCard International and Visa International. These are one-year arrangements that are subject to automatic renewal on a yearly basis. MasterCard International and Visa International, at their discretion, may increase the required amounts of the standby letters of credit upon written request to the Company. The required amounts of the standby letters of credit are dependent on MasterCard International's and Visa International's view of their risk exposure to the Company.

A bank guarantee is held with the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents 9 month's rent 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 2014

16. LEASES

(a) Operating lease commitments - Company as lessor

Prior to April 2010, Tyro 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 Tyro bears 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. There is no minimum rental period for merchants and they are able to terminate with Tyro at any time with no penalty or buy out fees. 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 Tyro.

Type of Terminals	Cost	Depreciation Expense	Net Carrying Value
Xenta	2,825,115	2,748,587	76,528
Xentissimo	2,328,255	1,460,291	867,964
Yomani	777,327	163,484	613,843
Yomani XR	700,948	56,938	644,010
Yoximo 3G	298,752	9,809	288,943
Others (Accessories)	214,844	200,715	14,129
	7,145,241	4,639,824	2,505,417

(b) Operating lease commitments - Company as lessee

	2014 $	2013 $
Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2014 are as follows:		
- Within one year	605,279	581,999
- After one year but not more than five years	361,182	966,461
	966,461	1,548,460

The operating lease commitments relates to the lease of the Company's registered office located at 125 York Street, Sydney NSW. It is a non-cancellable lease with a term of 3 years ending 31 January 2016. The lease agreement provides the Company with a right of renewal on expiry at which time all terms will be renegotiated. Lease payments are subject to discretionary annual increases of 4%.

17. SEGMENT REPORTING

The Company operates in one geographical segment being Australia and within one business segment being the provision of credit and debit card acquiring services to merchants.

18. AUDITOR'S REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by Ernst & Young:		
- an audit of the financial report of the Company	193,875	193,875
- other services in relation to the Company	61,541	49,022
	255,416	242,897

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. RELATED PARTY DISCLOSURES

(a) 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

	Title	Appointed	Resigned
Directors			
Kerry Roxburgh	Non-executive Chairman	18-Apr-08	
Mike Cannon-Brookes	Non-executive	10-Dec-09	
Rebecca Dee-Bradbury	Non-executive	18-Feb-14	
Rob Ferguson	Non-executive	14-Nov-05	
Paul Rickard	Non-executive	28-Aug-09	
Jost Stollmann	Chief Executive Officer	05-Apr-05	
Executives			
Garry Duursma	VP Sales and Marketing	01-Jan-07	13-Sep-13
Peter Haig	Chief Information Officer	03-Feb-03	
Justin Mitchell	Chief Risk Officer	19-Mar-07	
Andrew Rothwell	VP Product & Channel Management	01-Jul-13	

	2014 **$**	**2013** **$**
Compensation of Key Management Personnel		
Short-term benefits	2,428,308	1,590,122
Termination benefits	254,259	-
Post-employment benefits (superannuation)	178,084	109,475
Share-based payments	313,877	5,675
Total	2,354,288	1,705,272

30 June 2014	**Short-term Benefits** Salary & fees ($)	**Termination Benefits** ($)	**Post Employment** Super-annuation ($)	**Share-based Payments** Options ($)	**Total** ($)
Directors					
Kerry Roxburgh	60,000	-	5,550	2,799	68,349
Michael Cannon-Brookes	40,000	-	3,700	1,866	45,566
Rebecca Dee-Bradbury	20,000	-	1,850	-	21,850
Rob Ferguson	40,000	-	3,700	-	43,700
Paul Rickard	40,000	-	3,700	1,866	45,566
Jost Stollmann	521,378	-	22,225	76,241	619,844
Executives					
Garry Duursma	50,038	254,259	4,628	(2,086)	306,839
Peter Haig	530,877	-	24,895	76,244	632,016
Justin Mitchell	274,777	-	20,668	39,293	334,738
Andrew Rothwell	172,176	-	24,354	39,290	235,820
	1,749,245	254,259	115,271	235,513	2,354,288

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. RELATED PARTY DISCLOSURES (cont'd)

30 June 2013	Short-term Benefits Salary & fees ($)	Termination Benefits ($)	Post Employment Super-annuation ($)	Share-based Payments Options ($)	Total ($)
Directors					
Kerry Roxburgh	60,000	-	5,400	-	65,400
Michael Cannon-Brookes	40,000	-	3,600	-	43,600
Rob Ferguson	40,000	-	3,600	-	43,600
Paul Rickard	40,000	-	3,600	-	43,600
Jost Stollmann	365,262	-	21,101	1,669	388,032
Executives					
Garry Duursma	394,684	-	23,750	1,370	419,804
Peter Haig	391,777	-	23,488	1,674	416,939
Justin Mitchell	258,399	-	24,936	962	284,297
	1,590,122	-	109,475	5,675	1,705,272

Shareholdings of Key Management Personnel and their Related Entities Transactions

30 June 2014	Outstanding at start of year	Shares issued/ transferred during the year	On exercise of options	Outstanding at end of year
Directors				
Kerry Roxburgh	940,182	-	-	940,182
Rebecca Dee-Bradbury	-	-	-	-
Michael Cannon-Brookes	2,966,667	-	-	2,966,667
Rob Ferguson	30,352,950	-	-	30,352,950
Paul Rickard	248,204	80,707	-	328,911
Jost Stollmann	53,467,309	-	5,869,565	59,336,874
Executives				
Garry Duursma	3,113,325	-	-	3,113,325
Peter Haig	5,405,977	-	600,000	6,005,977
Justin Mitchell	700,000	-	-	700,000
Andrew Rothwell	3,144,047	-	511,972	3,656,019
Total	100,338,661	80,707	6,981,537	107,400,905

30 June 2013	Outstanding at start of year	Shares issued/ transferred during the year	On exercise of options	Outstanding at end of year
Directors				
Kerry Roxburgh	940,182	-	-	940,182
Michael Cannon-Brookes	2,966,667	-	-	2,966,667
Rob Ferguson	30,352,950	-	-	30,352,950
Paul Rickard	248,204	-	-	248,204
Jost Stollmann	53,467,309	-	-	53,467,309
Executives				
Garry Duursma	3,113,325	-	-	3,113,325
Peter Haig	5,405,977	-	-	5,405,977
Justin Mitchell	700,000	-	-	700,000
Total	97,194,614	-	-	97,194,614

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. RELATED PARTY DISCLOSURES (cont'd)

Option Holdings of Key Management Personnel

30 June 2014	Outstanding at start of period 1-Jul-13	Options granted as remuneration	Other movement*	Options exercised/ expired/forfeited during the year	Outstanding at end of period 2014	Exercisable at end of period 2014
Linear/Service vesting schedule						
Directors						
Kerry Roxburgh	1,787,967	36,810	-	-	1,824,777	1,824,777
Rebecca Dee-Bradbury	-	-	-	-	-	-
Michael Cannon-Brookes	1,111,110	24,540	-	-	1,135,650	1,135,650
Rob Ferguson	2,962,477	24,540	-	-	2,987,017	2,987,017
Paul Rickard	1,333,334	24,540	-	-	1,357,874	1,357,874
Jost Stollmann	3,154,100	812,500	-	-	3,966,600	3,966,600
Executives						
Garry Duursma	545,046	-	-	199,850	345,196	345,196
Peter Haig	2,812,244	812,500	-	600,000	3,024,744	3,024,744
Justin Mitchell	595,927	417,857	-	-	1,013,784	1,013,784
Andrew Rothwell	1,019,976	417,857	-	511,972	925,861	925,861
	15,322,181	2,571,144	-	1,311,822	16,581,503	16,581,503
Fully vested at time of grant						
Directors						
Kerry Roxburgh	-	-	-	-	-	-
Rebecca Dee-Bradbury	-	-	-	-	-	-
Michael Cannon-Brookes	1,625,000	-	-	-	1,625,000	1,625,000
Rob Ferguson	1,625,000	-	-	-	1,625,000	1,625,000
Paul Rickard	-	-	-	-	-	-
Jost Stollmann	13,342,391	-	-	5,869,565	7,472,826	7,472,826
Executives						
Garry Duursma	5,543,874	-	-	-	5,543,874	5,543,874
Peter Haig	8,588,142	-	-	-	8,588,142	8,588,142
Justin Mitchell	3,105,538	-	-	-	3,105,538	3,105,538
Andrew Rothwell	110,989	-	-	-	110,989	110,989
	33,940,934	-	-	5,869,565	28,071,369	28,071.369
Total	**49,263,115**	**2,571,144**	**-**	**7,181,387**	**44,652,872**	**44,652,872**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. RELATED PARTY DISCLOSURES (cont'd)

30 June 2013	Outstanding at start of period 1-Jul-12	Options granted as remuneration	Other movement*	Options exercised/ expired/forfeited during the year	Outstanding at end of period 2013	Exercisable at end of period 2013
Linear/Service vesting schedule						
Directors						
Kerry Roxburgh	1,787,967	-	-	-	1,787,967	1,787,967
Michael Cannon-Brookes	1,111,110	-	-	-	1,111,110	1,111,110
Rob Ferguson	2,962,477	-	-	-	2,962,477	2,962,477
Paul Rickard	1,333,334	-	-	-	1,333,334	1,333,334
Jost Stollmann	4,204,100	-	-	1,050,000	3,154,100	3,154,100
Executives						
Garry Duursma	545,046	-	-	-	545,046	545,046
Peter Haig	2,812,244	-	-	-	2,812,244	2,812,244
Justin Mitchell	595,927	-	-	-	595,927	595,927
	15,352,205	-	-	1,050,000	14,302,205	14,302,205
Fully vested at time of grant						
Directors						
Kerry Roxburgh	-	-	-	-	-	-
Michael Cannon-Brookes	1,625,000	-	-	-	1,625,000	1,625,000
Rob Ferguson	1,625,000	-	-	-	1,625,000	1,625,000
Paul Rickard	-	-	-	-	-	-
Jost Stollmann	13,506,027	-	-	163,636	13,342,391	13,342,391
Executives						
Garry Duursma	5,543,874	-	-	-	5,543,874	5,543,874
Peter Haig	8,588,142	-	-	-	8,588,142	8,588,142
Justin Mitchell	3,105,538	-	-	-	3,105,538	3,105,538
	33,993,581	-	-	163,636	33,829,945	33,829,945
Total	**49,345,786**	**-**	**-**	**1,213,636**	**48,132,150**	**48,132,150**

* Other options transfer or issuance

Option Terms and Conditions

Stock option grants may be exercised, in whole or in part, subject to vesting terms and conditions indicated below:

Type	*Terms and Conditions*
Type of Option	**Vesting Terms and Conditions**
Linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuous status as an employee or consultant with the Company during the vesting schedule.
Service vesting schedule	Options granted will vest in proportion to the time that passes during the vesting schedule, subject to maintaining continuous status as providing service to the Company during the vesting schedule.
Fully vested at time of grant	Options may be exercised as to all shares from the grant date.

(b) Transactions with related parties

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. RELATED PARTY DISCLOSURES (cont'd)

Related Party		**2014** $	**2013** $
Health Communications Network	Commissions Paid	1,928,269	1,816,334

Rob Ferguson, a director of Tyro Payments is also the Non-Executive Chairman of Primary Health Care Ltd. Health Communications Network is a subsidiary of Primary Health Care Ltd.

c) Loans from related parties

On 25 November 2013 the company utilised it's redraw facility of $2.5m from five lenders, all of whom being Directors or related parties for the purpose of funding operational liquidity requirements. The facility was documented and approved by the Board. The first 1M was redrawn on the 20th of December 2013 for 38 days and subsequently the next 1.5M on the 20th of December 2013 for 13 days.

	Loan Amount	**Interest Paid**
Abyla Pty Ltd ABN 92 119 827 593 related party Michael Cannon-Brookes (Director)	$984,000.00	$6,343.73
Robert Alexander Ferguson (Director)	$290,000.00	$1,918.77
Euclid Capital Partners ABN 79 937 786 536 related party David Fite (Shareholder)	$320,000.00	$2,062.03
Thomas Girgensohn (Shareholder)	$500,000.00	$3,308.22
Fiona Stollmann related party Jost Stollmann (Director)	$406,000.00	$2,683.40

On 20 December 2013 the company entered into a loan facility of $3.6m with eight lenders, all of whom being Directors or related parties for the purpose of funding operational liquidity requirements. Consideration paid consisted of an Establishment Fee equal to 1% of loan amount, a Line Fee of 1% of maximum loan amount and interest equal to 9.5% per annum payable on the total outstanding. The facility was documented and approved by the Board.

	Loan Amount	**Interest Paid**
Abyla Pty Ltd ABN 92 119 827 593 related party Michael Cannon-Brookes (Director)	$705,000.00	$1,100.96
Robert Alexander Ferguson (Director)	$355,000.00	$650.71
Euclid Capital Partners ABN 79 937 786 536 related party David Fite (Shareholder)	$250,000.00	$260.27
Jost Stollmann (Director)	$1,290,000.00	$2,350.27
Paul Rickard (Director)	$250,000.00	$455.48
Cosmetic Cubed ABN 11 077 859 931 related party Peter Wetenhall (Shareholder)	$250,000.00	$455.48
Dominique Hess related party Sascha Hess	$250,000.00	$455.48
Rachel Ferguson related party Robert Ferguson (Director)	$250,000.00	$455.48

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. MATTERS SUBSEQUENT TO END OF THE FINANCIAL YEAR

No matter or circumstance has arisen subsequent to 30 June 2014 that has affected or may significantly affect:

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

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

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

DIRECTORS' DECLARATION

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

(1) 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 2014 and of its performance for the year ended on that date; and

II. complying with Accounting Standards and Corporations Regulations 2001;

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

c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period year ending 30 June 2014.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2014.

On behalf of the Board

Kerry Roxburgh
Chairman

Jost Stollmann
Director and CEO

Sydney, 27 August 2014

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

Report on the financial report

We have audited the accompanying financial report of Tyro Payments Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Tyro Payments Limited is 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 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

Clare Sporle
Partner

Sydney

27 August 2014

Corporate Information

Directors
Kerry Roxburgh (Chairman)
Mike Cannon-Crookes
Rebecca Dee-Bradbury
Rob Ferguson
Paul Rickard
Jost Stollmann

Company Secretary
Justin Mitchell

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