Annual Report 2015

Tyro Payments Limited
ABN 49 103 575 042

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Building a specialised banking institution for Australia's small-to-medium enterprises

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

Tyro is Australia's independent EFTPOS provider serving small-to-medium enterprises (SMEs) with payment solutions that are seamlessly integrated with their business software. Payment acceptance and reconciliation is fully automated.

Tyro holds an authority under the Banking Act 1959 (Cth) to carry on a banking business and operates under the supervision of the Australian Prudential Regulation Authority (APRA). Tyro is a Principal Member of Visa, MasterCard, UnionPay, eftpos and a Tier 1 Member of the payment clearing streams BECS and CECS.

Tyro operates an in-house developed platform authorising, clearing and settling electronic card payments and health rebate claims. Tyro accepts Visa, MasterCard, American Express/JCB, Diners, PIN-based eftpos, PayPal and gift card transactions. Tyro is an accredited provider for Medicare Australia Easyclaim and provides claiming services for Medicare Australia and Australia's private health funds.

Tyro vision: Smart, fair and transparent banking

Tyro promotes the growth of Australia's SME community by providing banking services that increase SME competitiveness and improve people's quality of life. The opportunity is significant and because of this Tyro has reinvested the growing earnings of the fiscal year into product development.

During 2015, Tyro doubled its engineering staff to 130 professionals working in software development, testing, operations, product management, and user experience design. Staff levels in all other departments also grew resulting in an increase of 74 percent to 221 professionals. To cater for the growth, Tyro moved to new premises at 155 Clarence Street, Sydney.

The focus of the development effort over the year was on expanding the acquiring system into a core banking platform. Tyro is currently undergoing an authorisation process to remove the condition on its banking authority of not being allowed to take money on deposit. Subject to this outcome, Tyro will offer its merchants an account integrated with a cloud-based accounting solution. Tyro's new deposit account will provide SMEs with automatic reconciliation between their accounting system and their bank account as well as other features to enable increased productivity.

Tyro growth: Sustainably at 30 percent and above

As at June 30, 2015, Tyro was serving 13,032 SMEs, with a credit and debit card transaction volume growth rate of 30 percent to $6.8 billion. Tyro's revenue in 2015 grew 37 percent to $72.4 million. Over its nine years in business, Tyro has maintained a high-growth rate in revenue and a compound annual growth rate of 37 percent over the past five years. While the year finished with a profit, significant reinvestment into product development, premises and staff resulted in a drop in Tyro's operating results.

Financial year ended 30 June	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transactions ($M)	6	116	511	1,310	1,983	2,951	4,074	5,250	6,800
Revenue ($'000)	502	1,510	6,283	14,298	19,913	28,440	39,091	52,644	72,358
Operating results ($'000)	(7,124)	(5,855)	(5,113)	(1,824)	(1,816)	(528)	3,293	3,852	691

Tyro Health

Tyro was the first to launch an integrated Medicare Easyclaim solution into the primary health care market. Easyclaim is a real-time Medicare claiming and reimbursement service for patient-paid and bulk-billed claims. The solution uses an eftpos terminal and the eftpos network to enable rebates from the medical practice immediately after consultation.

Tyro 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 Medicare rebates by swiping their card and seeing their rebate in their account in 11 seconds.

Tyro leads the market with more than half of all Medicare rebate transactions processed through the eftpos card system. The solution is certified with most of the practice automation software providers.

Tyro's HealthPoint is a new private health fund and Medicare claiming solution tailored to allied health providers and integrated directly with the practice management software. The major modalities that will benefit from this solution in the future are dentists, optometrists and physiotherapists.

Tyro Retail

Tyro continues to execute its overall strategy of accessing merchants via Point of Sale (POS) vendors. The Tyro terminal adapters 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.

Tyro EFTPOS terminals process card payment transactions in an average of three seconds with most POS software and without performance degradation through busy peak trading times such as Christmas. Reconciliation has become simpler because 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, international customers can pay in more than 135 different currencies, eliminating surprises on their statements when returning home. For the merchant, DCC provides extra revenue from the generated foreign exchange margins.

Tyro Hospitality

Tyro was the first and is the only provider of a pay, split and tip-at-table function on its terminals that can be integrated with most of the leading restaurant automation software systems.

In August 2014, Australia began phasing out the cardholder's signature as an acceptable authentication method for face-to-face payment card transactions. Now the consumer is required to enter their four-digit PIN. The hospitality sector was particularly impacted by this change as table service restaurants had to arrange for the terminal to be brought to the table to complete the payment process and the PIN entry.

Tyro's Pay@Table 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. Tyro provides a comprehensive suite of features including tipping at table, splitting amounts and opening bar tabs.

Tyro Mobile

With its foundation partner PayPal, Tyro launched the first mobile integrated payment solution. Customers can search for stores or restaurants, check-in and pay from their smartphone. There is no card or PIN required. Instant face recognition on the point of sale system promotes personalised service and enables secure authentication.

For the Tyro merchant, offering customers more payment choices such as PayPal is easy. Tyro Mobile provides the same seamless integration for mobile payments as it does for card payments.

Tyro Fintech Hub

Tyro opened up a floor of its new premises for other fintech startups and fast-growth companies who want to build new solutions that Australia's SME businesses need.

Entrepreneurs in the Tyro Fintech hub benefit from an inspiring work environment, the exchange of ideas and experiences with the Tyro team and – for qualifying projects – from sharing in-depth banking and payments knowledge, use of open APIs and co-development resources.

By opening up the Tyro platform and encouraging the ecosystem to use it, Tyro will leverage the talent and engineering resources of its partners to provide better solutions for the SME community. Tyro does not take equity positions, and the hub is an extension of its original eftpos banking strategy.

The internet and cloud architecture

The cloud-based 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 internet, or, for larger organisations, their corporate network.

Software vendors can integrate directly with Tyro eliminating the need for an expensive software and hardware middleware layer and consequently points of failure. Tyro provides them with the capability to integrate payment and reconciliation processes via a secure cloud infrastructure. At this stage, Tyro is not aware of any other acquirer that offers similar functionality.

Availability

Tyro has maintained 100 percent uptime of its acquiring platform with its live-live infrastructure. Even during maintenance downtime merchants can 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.

Employees

Tyro has 221 employees as at June 30, 2015 (compared to 127 employees at June 30, 2014). Our people are critical to our continued success and Tyro endeavours to recruit, retain and suitably reward the best people in the industry. All employees are invited to participate in the Employee Share Option Plan.

Investments for future performance

Tyro will continue to invest significantly in people to expand its acquiring system into a banking platform and to deliver features and functions tailored to the specific needs of Australia's diverse SME community. Tyro will also invest in the purchase of servers and networking to ensure sufficient scalability of the production IT infrastructure to meet the continued growth of the acquiring and banking services.

In parallel, Tyro has been building the non-engineering capability of the business to support the sales and operational capability necessary to continue to scale up its acquiring and banking services. Tyro is active in the market with hiring engineers to increase the product delivery capacity further.

Delivering simplicity

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

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

Tyros and the Tyro world

Tyro stands for challenger. Against the backdrop of all the opportunities arising from new technologies, Tyro intends to continue to challenge and invest even more into the further build-up. Rapid growth in itself has challenges, but Tyro is a very special and attractive place.

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

Jost Stollmann
Chief Executive Officer

20 August 2015

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, 22 October 2015 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 1 155 Clarence Street Sydney NSW 2000	Phone: (02) 8907 1714	Email: jmitchell@tyro.com

Electronic Communications

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

Tyro Payments Limited Attn: Company Secretary Level 1 155 Clarence Street Sydney NSW 2000	Phone: (02) 8907 1714	Email: jmitchell@tyro.com

Directors Report
Year ended 30 June 2015

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 2015.

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, 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 Eclipx 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 Risk Solutions Australia.

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

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

Other directorships held in the last three years:

- TEKTUM Limited – Chairman (ceased)
- Charter Hall Group - Chairman (ceased)
- 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 EY 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 until 22 August 2014

Ms Dee-Bradbury was Chief Executive Officer/President Developed Markets Asia Pacific and ANZ for Kraft/Cadbury from 2010 to 2014, leading the business through significant transformational change. Before joining Kraft/Cadbury Ms Dee-Bradbury was Group CEO of the global Barbeques Galore group, and has held other senior executive roles in organisations including Maxxium, Burger King Corporation and Lion Nathan/Pepsi Cola Bottlers. Ms Dee-Bradbury has previously participated in public policy related areas including the Prime Ministers Manufacturing Leaders Group and was a member of the Australian Federal Government's Asian Century Strategic Advisory Board.

Directorships held during the past three years:

- BlueScope Steel Limited
- GrainCorp Limited
- TOWER Limited
- Tyro Payments Limited (ceased)

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
- Tyro Payments Limited
- 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)

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
- Lumus Financial Services Pty Ltd
- Substancia Capital Limited (ceased)

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 2015 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 of significant risks. A main priority for Justin is to ensure that the organisation is in full compliance with all applicable regulations.

DIVIDENDS

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

CORPORATE INFORMATION

Corporate Structure

Tyro Payments Limited ("Tyro") is an unlisted public company. It is incorporated and domiciled in Australia. The registered office of Tyro is Level 1, 155 Clarence Street, Sydney, New South Wales, 2000.

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

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

Director	Shares	Options
Kerry Roxburgh[1]	1,090,182	1,867,031
Michael Cannon-Brookes[2]	6,247,980	2,788, 819
Rebecca Dee-Bradbury	-	-
Rob Ferguson[3]	30,352,950	4,640,186
Paul Rickard	328,911	1,386,043
Jost Stollmann[4]	59,336,874	11,957,110

[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 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 the following operating results for the year and the comparative period:

(amounts in $'000s)	2015	2014
Revenues	$72,358	$52,644
Operating profit before tax expense	$691	$3,852

Capital Structure

Tyro is fully compliant with prudential capital requirements prescribed by APRA and has sufficient capital to fund on-going operations. During the period, 450,858 ordinary shares were issued upon exercise of options raising a total of $100,657.29 additional capital. As at 30 June 2015 Tyro had trade payables of $6,519k.

Cash from Operations

Tyro has achieved a profit for the 2014/15 financial year. The result is in line with budget after having reached the milestone of sustained profitability since March 2012. Tyro is still in a phase of high growth and scaling up of the business. Tyro had interest income of $805k for the period.

Funding

Tyro had cash and cash equivalents of $12,673k at the end of the period.

Tyro holds an authority under the Banking Act to carry on a banking business as an Australian Deposit-taking Institution (ADI) and is subject to prudential capital requirements set by the Australian Prudential Regulation Authority (APRA). The prudential capital requirements set by APRA is confidential and cannot be disclosed. APRA requires Tyro to always maintain a prudent buffer above the regulatory minima. Total Tier 1 capital held as at 30 June 2015 was $21.2m. Tyro has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

Risk Management

The Board is responsible for reviewing and approving the risk management strategy, including determining 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.

The CEO and management team are responsible for implementing our risk management strategy and frameworks, and for developing policies, controls, processes and procedures for identifying and managing risk.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs.

Significant events after balance date

On the 19 August 2015 APRA approved Tyro's application for reauthorisation to carry on a banking business, revoking the prior conditions which previously applied.

Likely developments and expected results

The directors expect that in the 2015/16 financial year Tyro will continue to grow the business and continue to expand the features and products offered to merchants to facilitate payments.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 80,021,864 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	7	4	6	2
Director				
Kerry Roxburgh	7	4	6	2
Michael Cannon-Brookes	7	3	5	2
Rebecca Dee-Bradbury*	1	1	0	0
Rob Ferguson	5	0	2	0
Paul Rickard	7	4	6	1
Jost Stollmann	7	4	6	2

*****Rebecca missed one Board Meeting before resigning during 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	Remuneration Committee	Risk Committee
P. Rickard (Chairman)	M. Cannon-Brookes (Chairman)	K. Roxburgh (Chairman)
R. Ferguson	R. Ferguson	M. Cannon-Brookes
K. Roxburgh	K. Roxburgh	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 2015, 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

Clare Sporle
Partner
20 August 2015

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $000	2014 $000
Continuing Operations			
Fees and commission income	2	70,850	51,327
Fees and commission expense	2	(39,082)	(28,466)
Net fees and commission income		31,768	22,861
Terminal and accessories sale		573	554
Terminals and accessories COGS		(508)	(465)
Net terminal and accessories sale income		65	89
Interest income		805	750
Other income	2	130	13
Total Operating income		32,768	23,713
Less: Expenses			
Employee benefits expenses	2	21,429	13,736
Administrative expenses		8,348	4,428
Depreciation		2,436	1,276
Impairment of inventories		8	214
Interest expense		30	64
Other expenses	2	59	107
Total operating expenses		32,310	19,825
Foreign currency gain/(loss)		233	(36)
Operating profit before tax expense		691	3,852
Income tax benefit/(expense)	3	120	(908)
Net income for the year		811	2,944
Other Comprehensive Income			
Net fair value gain on available for sale financial instrument		150	32
Total comprehensive income for the period		961	2,976

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	2015 $000	2014 $000
ASSETS			
Current Assets			
Cash and cash equivalents	4	12,673	9,011
Trade and other receivables	5	7,893	12,099
Prepayments		492	309
Inventories	6	855	293
Total Current Assets		21,913	21,712
Non-current Assets			
Available-for-sale investments	7	596	381
Property, plant and equipment	8	7,673	2,996
Deferred Tax Assets	3	5,631	5,575
Total Non-current Assets		13,900	8,952
TOTAL ASSETS		35,813	30,664
LIABILITIES			
Current Liabilities			
Trade payables and other liabilities	10	6,519	3,383
Provisions	11	1,088	618
Total Current Liabilities		7,607	4,001
Non - current Liabilities			
Provisions	12	418	424
Total Non - current Liabilities		418	424
TOTAL LIABILITIES		8,025	4,425
NET ASSETS		27,788	26,239
EQUITY			
Contributed equity	13	34,013	33,912
Reserves	13	8,707	8,041
Accumulated losses	13	(14,932)	(15,714)
TOTAL EQUITY		27,788	26,239

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 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities			
Interest and fee income received		71,970	52,797
Payments to suppliers and employees		(62,190)	(65,369)
Receipts from Terminals & accessories sale		573	554
Dividend income received	2	2	2
Net cash flows from operating activities	4	10,355	(12,016)
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,138)	(2,542)
Proceeds from disposal of property, plant and equipment		112	18
Net cash flows from investing activities		(7,026)	(2,524)
Cash flows from financing activities			
Proceeds from loan		-	6,100
Loan repayment		-	(6,100)
Interest paid on Loans		-	(63)
Proceeds from exercise of share options		101	706
Net cash flows from financing activities		101	643
Net increase/(decrease) in cash and cash equivalents		3,430	(13,897)
Net foreign exchange difference		232	(37)
Cash and cash equivalents at beginning of year		9,011	22,945
Cash and cash equivalents at end of year	4	12,673	9,011

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 2015

		Attributable to equity holders of Tyro Payments Limited						
	Note	Contributed Equity $000	Asset Revaluation Reserve $000	Employee Equity Benefits Reserve S000	Accumulated Losses $000	Option Premium Reserve $000	General Reserve for Credit Losses $000	Total $000
At 30 June 2013		33,206	178	6,311	(18,575)	480	285	21,885
Gain for the year		-	-	-	2,944	-	-	2,944
Other comprehensive income		-	32	-	-	-	-	32
Total comprehensive income		-	32	-	2,944	-	-	2,976
Issue of share capital		706	-	-	-		-	706
Share-based payments		-	-	672	-	-	-	672
Transfer to general reserve for credit losses		-	-	-	(83)	-	83	-
At 30 June 2014		33,912	210	6,983	(15,714)	480	368	26,239
Gain for the year		-	-	-	811	-	-	811
Other Comprehensive income		-	150	-	-	-	-	150
Total comprehensive income		-	150	-	811	-	-	961
Issue of share capital		101	-	-	-	-	-	101
Share-based payments		-	-	487	-	-	-	487
Transfer to general reserve for credit losses		-	-	-	(29)	-	29	-
At 30 June 2015	13	34,013	360	7,470	(14,932)	480	397	27,788

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 2015

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 2015.

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 thousand dollars, under the option available to the Company under ASIC Class Order No. 98/100, unless otherwise stated.

Management has reviewed the method of presentation of revenue and expenses within Note 2. Similar categories of income and expenses have been grouped together. Prior year comparative information for these amounts, and where necessary, has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(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 eighth year of operation and has made an operating profit of $690,806 (2014: profit $3,851,678)

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

(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 2012-3	*Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
AASB 2011-4	*Amendments to Australian Accounting Standards – Remove individual KMP disclosure requirements*
AASB 2013-3	Recoverable amount disclosures for Non-Financial Assets
AASB 1031	Materiality

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 2015

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

The following Australian Accounting Standards and Interpretations, which have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2015:

- AASB 15 *Revenue from Contracts with Customers* - establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principles explained in a step by step approach in the standard. AASB 15 applies to annual reporting periods on or after 1 January 2018. The new requirements of AASB 15 will be assessed closer to the effective date.

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

  AASB 9 applies to annual reporting periods on or after 1 January 2017. The new requirements of AASB 9 will be assessed closer to the effective date.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(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 a method that approximates the effective Interest method. The effective interest rate 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.

(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 rent 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.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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.

(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.

(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:	**2015**	**2014**
Plant and equipment:		
- EFTPOS terminals	3 years	3 years
- Furniture and office equipment	5 years	5 years
- Computer equipment	4 years	4 years
- Leasehold improvements	Remaining term of lease	-

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 its value in use.

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

(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 that have not yet been settled with the merchant.

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

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

(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.

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(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 2015

2. REVENUE AND EXPENSES

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

	2015	2014
Fees and commission income	**$000**	**$000**
Merchant service fee	60,596	43,353
Terminal rental income	5,246	3,382
Other fee income	5,008	4,592
	70,850	51,327
Fees and commission expense		
Interchange and scheme fees	33,411	23,832
Other settlement fees and expenses	1,024	956
Commissions expense	4,647	3,678
	39,082	28,466
Other Income		
Gain on disposal of PPE	88	11
Dividend income on financial instruments	2	2
Other Income	40	-
	130	13
Employee benefits expense		
Wages, salaries and bonuses	18,690	11,475
Superannuation	1,790	1,063
Share based payments expense	487	672
Other employee benefits expense	462	526
	21,429	13,736
Other expenses		
Other Write offs	16	(3)
Bad debt and credit loss expense	43	110
	59	107

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. INCOME TAX

a) Income tax expense

Major components of income tax recognised in statement of comprehensive income for the period ended 30 June 2015:

	2015 $000	2014 $000
Current Income Tax		
Current income tax charge	592	1,033
Prior year under/(over)	-	-
Deferred Income Tax		
Relating to origination and reversal of temporary differences and tax losses	-	(125)
Derecognition of deferred income tax from temporary differences	(712)	-
Income Tax expense/(benefit) in income statement:	(120)	908
Amount reported directly in other comprehensive income	-	-
Deferred tax on unrealised gain on available-for-sale investment	64	14
Income tax expense reported in equity	64	14

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

	2015	2014
Operating Profit Before Tax	691	3,852
At the statutory income tax rate of 30%	207	1,156
Research and development incentive	(600)	(431)
Share based payment remuneration	147	201
Entertainment	16	15
Adjustment in respect to previous year's tax balances	110	-
Other	-	(33)
Total income tax (benefit)/expense	(120)	908

c) Deferred income tax assets and liabilities

	2015			2014		
	Balance Sheet	***Income Statement***	***Other comprehensive Income***	***Balance Sheet***	***Income Statement***	***Other comprehensive Income***
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Deferred income tax assets						
Fixed Assets	545	10	-	555	(13)	-
Provisions & Accruals	1,235	(636)	-	599	(97)	-
Other (Section 40-880)	-	-	-	-	1	-
Lease Break Fee	84	(84)	-	-	-	-
Unrealised FX Loss	-	24	-	24	(24)	-
Tax Losses	4,010	(115)	-	4,487	1,074	-
	5,874	(801)		5,665	941	-
Deferred income tax liabilities						
Available-for-sale investments	(154)	-	-	(90)	-	14
Unrealised FX gain	(89)	89	-	-	(33)	-
	(243)	89	-	(90)	(33)	14
Total	**5,631**	**(712)**	**-**	**5,575**	**908**	**14**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4. CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Call deposits	4,168	2,030
Exchange settlement balance	8,504	6,980
Cash in hand	1	1
	12,673	9,011

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	2015 $000	2014 $000
Operating profit/(loss) for the year	811	2,944
Adjustments for:		
Depreciation of non-current assets	2,436	1,276
Share-based payments expense	487	672
Gain on disposal of property plant and equipment	(88)	(11)
Deferred Tax Benefits	(120)	908
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	4,178	(19,121)
Decrease/(increase) in prepayments	(184)	(124)
Decrease/(increase) in inventory	(561)	81
Increase in trade and other payables	3,396	1,359
Net cash from operating activities	10,355	(12,016)

5. TRADE AND OTHER RECEIVABLES

Scheme and other trade receivables	3,688	10,179
Term deposits held as collateral	4,111	1,834
Interest receivable	85	75
Other receivables	9	11
	7,893	12,099

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

	Current $000	1-30 days $000	31-60 days $000	61-90 days $000	>90 days $000
Trade receivables before impairment.					
Carrying value 2015 (Total $3,696,850)	3,543	127	13	9	5
Carrying value 2014 (Total $10,189,761)	9,831	359	-	-	-

Refer to Note 14 for term deposit maturities and Note 15 for details of cash and cash equivalents pledged as security.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6. INVENTORIES

	2015 $000	2014 $000
Terminals and accessories	855	293

7. AVAILABLE-FOR-SALE INVESTMENTS

	2015 $000	2014 $000
Investment in VISA shares	596	381

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 $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Year ended 30 June 2015					
At 1 July 2014 net of accumulated depreciation and impairment	2,505	76	415	-	2,996
Additions/transfers	4,545	690	807	1,096	7,138
Disposals/transfers*	(23)	(1)	-	-	(24)
Depreciation for the year	(1,996)	(86)	(265)	(90)	(2,437)
At 30 June 2015 net of accumulated depreciation and impairment	5,031	679	957	1,006	7,673
At 1 July 2014					
Cost or fair value	7,145	254	2,133	-	9,532
Accumulated depreciation and impairment	(4,640)	(178)	(1,718)	-	(6,536)
Net carrying amount	2,505	76	415	-	2,996
At 30 June 2015					
Cost or fair value	11,560	919	2,390	1,096	15,965
Accumulated depreciation and impairment	(6,529)	(240)	(1,433)	(90)	(8,292)
Net carrying amount	5,031	679	957	1,006	7,673

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

	EFTPOS Terminals $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Year ended 30 June 2014					
At 1 July 2013 net of accumulated depreciation and impairment	1,409	79	249	-	1,737
Additions/transfers	2,191	25	327	-	2,543
Disposals/transfers*	(7)	-	-	-	(7)
Depreciation for the year	(1,088)	(28)	(161)	-	(1,277)
At 30 June 2014 net of accumulated depreciation and impairment	2,505	76	415	-	2,996
At 1 July 2013					
Cost or fair value	5,002	230	1,807	-	7,039
Accumulated depreciation and impairment	(3,593)	(152)	(1,557)	-	(5,302)
Net carrying amount	1,409	78	250	-	1,737
At 30 June 2014					
Cost or fair value	7,145	254	2,133	-	9,532
Accumulated depreciation and impairment	(4,640)	(178)	(1,718)	-	(6,536)
Net carrying amount	2,505	76	415	-	2,996

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015:

	2015
Dividend yield (%)	0%
Expected volatility (%)	62%
Risk-free interest rate (%)	2.84%
Share price ($)	$0.30

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 450,858 options exercised during the year ended 30 June 2015 (2014:10,194,219).

The weighted average remaining contractual life for share options outstanding as at 30 June 2015 was 3 years (2014:4 years).

The following table summarises further details of the share options outstanding at 30 June 2015:

Range of Exercise Prices	**Contractual life**	**Vesting conditions**	**No of Outstanding Options 2015**	**2014**
6 cents to 55 cents	10 years or less	5 year linear vesting	30,193,725	25,272,457
6 cents to 45 cents	5 years and 10 years	12 months service	1,043,478	1,043,478
6 cents to 55 cents	3, 5 and 10 years	12 months linear vesting	11,454,189	11,460,798
6 cents to 55 cents	10 years or less	Fully vested at time of grant	23,314,679	23,314,679
Total			66,006,071	61,091,412

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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:

	2015 *No*	2015 *WAEP (cents)*	2014 *No*	2014 *WAEP (cents)*
Linear vesting schedule				
Outstanding at the beginning of the year	36,733,255	12	34,326,124	12
Granted during the year	6,554,981	45	7,618,284	14
Exercised during the year	(450,858)	22	(3,802,915)	8
Forfeited/expired during the year	(1,189,464)	37	(1,408,238)	21
Outstanding at the end of the year	41,647,914	21	36,733,255	12
Exercisable at the end of the year	32,076,185	21	36,733,255	12
Fully vested at time of grant				
Outstanding at the beginning of the year	23,314,679	7	29,235,501	7
Granted during the year	-	-	-	-
Exercised during the year	-	-	(5,869,565)	6
Forfeited/expired during the year	-	-	(51,257)	34
Outstanding at the end of the year	23,314,679	7	23,314,679	7
Exercisable at the end of the year	23,314,679	7	23,314,679	7
Service Vesting Schedule				
Outstanding at the beginning of the year	1,043,478	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	1,043,478	6
Exercisable at the end of the year	1,043,478	6	1,043,478	6
Total outstanding at the end of the year	66,006,071		61,091,412	
Total exercisable at the end of the year	56,434,342		61,091,412	

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 2015

10. TRADE PAYABLES AND OTHER LIABILITIES

	2015 $000	2014 $000
Accounts payable	1,963	796
Rent payable	1,265	36
Accruals	2,119	1,857
Other liabilities	1,172	694
	6,519	3,383

11. PROVISIONS

	2015 $000	2014 $000
Annual leave provision		
Balance at the beginning of the year	504	431
Provision during the year	417	168
Leave taken during the year	(71)	(95)
Balance at the end of the year	850	504
Long Service Leave Liability		
Balance at the beginning of the year	85	45
(Released)/Provided for during the year	146	39
Balance at the end of the year	231	84
Provision for Credit Losses		
Balance at the beginning of the year	30	-
Provided for during the year	(23)	30
Balance at the end of the year	7	30

12. LONG TERM LIABILITIES

	2015 $000	2014 $000
Long Service Leave Liability		
Balance at the beginning of the year	319	243
Provided for during the year	(29)	76
Balance at the end of the year	290	319
Annual Leave Liability		
Balance at the beginning of the year	105	90
Provided for during the year	7	35
Leave taken during the year	(9)	(20)
Balance at the end of the year	103	105
Make Good Provision		
Balance at the beginning of the year	-	-
Provided for during the year	25	-
Balance at the end of the year	25	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary Shares		**2015 $000**	**2014 $000**
Issued and fully paid	**Number of Shares**		
Ordinary shares paid at 5 cents each	54,618,733	2,732	2,732
Ordinary shares paid at 6 cents each	156,320,233	9,379	9,379
Ordinary shares paid at 8 cents each	1,273,227	102	94
Ordinary shares paid at 10 cents each	5,166,595	517	510
Ordinary shares paid at 12 cents each	21,311	3	-
Ordinary shares paid at 15 cents each	10,475,433	1,571	1,571
Ordinary shares paid at 30 cents each	32,767,214	9,830	9,771
Ordinary shares paid at 37.5 cents each	53,924	20	-
Ordinary shares paid at 45 cents each	8,120,589	3,654	3,650
Ordinary shares paid at 55 cents each	11,282,322	6,205	6,205
		34,013	33,912

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.

Movement in ordinary shares on issue	**No: Shares**	**$000**
At 1 July 2013	269,454,504	33,206
<u>Shares issued during the year:</u>		
- 1 August 2013 shares issued at 30c each	50,725	15
- 20 November 2013 shares issued at 6c each	146,739	9
- 31 December 2013 shares issued at 6c each	5,869,565	352
- 31 December 2013 shares issued at 6c each	521,739	31
- 31 December 2013 shares issued at 6c each	1,000,001	80
- 28 February 2014 shares issued at 6c each	1,043,478	63
- 1 April 2014 shares issued at 10c each	450,000	45
- 1 April 2014 shares issued at 10c each	600,000	60
- 2 April 2014 shares issued at 10c each	511,972	51
At 1 July 2014	279,648,723	33,912
<u>Shares issued during the year:</u>		
- 29 July 2014 shares issued at 37.5c each	53,924	20
- 5 January 2015 shares issued at 30c each	195,652	59
- 5 January 2015 shares issued at 8c each	106,559	9
- 5 January 2015 shares issued at 10c each	63,935	6
- 5 January 2015 shares issued at 12c each	21,311	3
- 5 March 2015 shares issued at 45c each	7,477	3
- 30 June 2015 shares issued at 45c each	2,000	1
At 30 June 2015	280,099,581	34,013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. CONTRIBUTED EQUITY AND RESERVES (cont'd)

	2015	2014
	$000	$000
(ii) Share-based payments reserve		
Balance at the beginning of the year	6,983	6,311
Share-based payments expensed during the year	487	672
Balance at the end of the year	7,470	6,983

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.

	2015 $000	2014 $000
(iii) General reserve for credit losses:		
Balance at the beginning of the year	368	285
Transfer from accumulated losses	29	83
Balance at the end of the year	397	368

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.

	2015 $000	2014 $000
(iv) Available for Sale Revaluation Reserve		
Balance at the beginning of the year	210	178
Total revaluations for the year	150	32
Balance at the end of the year	360	210
(v) Option Premium Reserve		
Balance at the beginning of the year	480	480
Total premium received	-	-
Balance at the end of the year	480	480

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.

	2015	2014
Total reserves at the end of the year	8,707	8,041

	2015	2014
(vi) Accumulated losses		
Movements in accumulated losses were as follows:		
Retained losses at the beginning of the financial year	(15,714)	(18,575)
Net Profit attributable to shareholders of the Company	811	2,944
Transfer to general reserve for credit losses	(29)	(83)
Accumulated losses at the end of the financial year	(14,932)	(15,714)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

14. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The Company's principal financial instruments include cash and cash equivalents, trade and other receivables, 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. Various management committees, including the management risk committee, the ALCO and the credit committee ensure appropriate execution of the Board's risk appetite in day to day operations and regularly report to the Board risk committee

(ii) Risk controls

Risks are controlled through a system that identifies key risks, establishes controls to manage those risks (with an emphasis on 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.

(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 counterparty 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(iv) Credit risk (cont'd)

30 June 2015

Standard & Poor's Credit Rating*	Cash and balances with financial institutions ($000)	Trade receivables ($000)
AAA	8,504	-
AA-	2,927	4,046
unrated	1,240	3,847

30 June 2014

Standard & Poor's Credit Rating*	Cash and balances with financial institutions ($000)	Trade receivables ($000)
AAA	6,980	-
AA-	2,031	1,380
unrated	-	10,719

*Long-term credit rating

(v) Operational risk

Operational risk is the risk that arises from inadequate or failed internal processes and systems, human error or misconduct, or from external events. It also includes, 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:

		Fixed Interest Rate			**Total**
(amounts in $'000s)	**Variable Interest Rate**	**< 3 Months**	**3 to 12 Months**	**> 1 Year**	
Cash and cash equivalents	8,750	3,923			12,673
Other Term Deposits			2,353		2,353
USD Term Deposit			1,758		1,758

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

1) Interest rate risk (cont'd)

Sensitivity Analysis:
An increase of 100 basis points for 12 months in the general cash rate (assuming every other factors being constant) will increase the Company's profit after tax and increase equity by $167,839, (2014:$90,106). 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.

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 $291,866 (2014: $186,134). 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 $215,727 (2014:$137,578).

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 2015 ($000)	**AUD 2014($000)**
Available-for-sale investments-VISA shares	USD	596	381
Trade Payables	EUR	692	325
Trade Payables	NZD	5	-
Trade Payables	USD	3	-
USD Term Deposit	USD	1,693	1,380
Union Pay Deposit	USD	65	-

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.

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

(vii) Capital Management (cont'd)

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 (ICAAP). Tyro operates under the specific capital requirements set by APRA. Tyro has satisfied its minimum capital requirements throughout the 2015 financial year in the form of Tier 1 capital which is the highest quality components of capital.

Capital Adequacy

	2015 ($000)	2014 ($000)
Risk weighted capital ratios		
Tier 1	21,165	19,915
Tier 2	174	124
Total capital ratio	137%	174%
Qualifying capital		
Tier 1		
Contributed capital	34,013	33,912
Accumulated Losses & reserves	(6,621)	(8,040)
Innovative Tier 1 capital	27,392	25,872
Less		
Intangible assets		
Net deferred tax assets		
50/50 deductions		
Other adjustments	(6,227)	(5,956)
Total Tier 1 capital	**21,165**	**19,916**
Tier 2		
General reserve for credit losses	174	124
Subordinated debt		
Asset revaluation reserves		
Less		
50/50 deductions		
Total Tier 2 capital	**174**	**124**
Total qualifying capital	**21,339**	**20,040**
Total risk weighted assets	**15,584**	**11,509**

(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 CFO and CEO. The CFO manages liquidity on a daily basis and submits weekly reports to the CEO and to CRO, and bi-monthly reports to ALCO and the Board Risk Committee. The CFO is also responsible for monitoring and managing capital planning. The capital plan outlines triggers for additional funding should liquidity be required.

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

At 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 2015

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

(viii) Liquidity risk (cont'd)

	< 6 months($000)	6-12 months($000)	Total($000)
As at 30 June 2015			
Cash and cash equivalents	12,673	-	12,673
Trade and other receivables	3,847	4,046	7,893
	16,520	4,046	20,566
Financial Liabilities			
Trade payables and other liabilities	(6,519)	-	(6,519)
	(6,519)	-	(6,519)
Net inflow	10,001	4,046	14,047

	< 6 months($000)	6-12 months($000)	Total($000)
Year ended 30 June 2014			
Cash and cash equivalents	9,011	-	9,011
Trade and other receivables	10,719	1,380	12,099
	19,730	1,380	21,110
Financial Liabilities			
Trade payables and other liabilities	(3,383)	-	(3,383)
	(3,383)	-	(3,383)
Net inflow	16,347	1,380	17,727

(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 2015 ($000)	Level 1	Level 2	Level 3	Total
Financial Asset				
Available for sale assets	596	-	-	596

Year ended 30 June 2014 ($000)	Level 1	Level 2	Level 3	Total
Financial Asset				
Available for sale assets	381	-	-	381

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

Tyro does not own any financial instruments not quoted in active markets.

Transfer between categories

There were no transfers between Level 1, Level 2 or Level 3 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.

	2015 $000	2014 $000
Contingent liabilities - secured		
(I) Irrevocable standby letters of credit in favour of:		
- MasterCard International	3,093	2,780
- Visa International	60	140
- UnionPay International	65	-
(ii) Bank Guarantee in favour of:		
- St Hilliers Pty Ltd, the lessor of 155 Clarence Street, Sydney	3,576	-
- Dukeville Pty Ltd, the lessor of 125 York Street, Sydney	-	454
	6,794	3,374

The Company has provided an irrevocable standby letter of credit of $3,217,813 (in 2014: $2,920,042) secure through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to MasterCard International, Visa International and Union Pay International. These are one-year arrangements that are subject to automatic renewal on 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 2015

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 ($000)	Depreciation Expense ($000)	Net Carrying Value ($000)
Xenta & Xentissimo	5,071	4,703	368
Yomani, Yomani XR and Yoximo 3G	6,274	1,611	4,663
Accessories	215	215	-
	11,560	6,529	5,031

(b) Operating lease commitments - Company as lessee

Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2015 are as follows:

	2015 $000	2014 $000
- Within one year	2,191	605
- After one year but not more than five years	9,990	361
- More than five years	4,403	-
	16,584	966

The operating lease commitments relate to the lease of the Company's registered office located at 155 Clarence Street, Sydney NSW. It is a non-cancellable lease with a term of 7 years ending 22 January 2021. The lease agreement provides the Company with the option to extend the lease for another 3 years. Lease payments are subject to annual increases of 4%.

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

	2015 $000	2014 $000
Amounts received or due and receivable by Ernst & Young:		
- an audit of the financial report of the Company	208	194
- other services in relation to the Company	149	61
	357	255

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

18. AUDITOR'S REMUNERATION (cont’d)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Directors are of the opinion that the services as disclosed in note 18 to the financial statements do not compromise the external auditor's independence for the following reasons:

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

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

		Appointed	Resigned
Directors			
Kerry Roxburgh	Non-executive Chairman	18-Apr-08	
Mike Cannon-Brookes	Non-executive	10-Dec-09	
Rebecca Dee-Bradbury	Non-executive	05-Feb-14	22-Aug-14
Rob Ferguson	Non-executive	17-Nov-05	
Paul Rickard	Non-executive	28-Aug-09	
Jost Stollmann	Chief Executive Officer	05-Apr-05	
	Title		
Executives			
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	
Praveenesh Pala	Chief Financial Officer	20-Oct-14	

	2015 \$000	**2014 \$000**
Compensation of Key Management Personnel		
Short-term benefits	2,042	1749
Termination benefits	7	254
Post-employment benefits (superannuation)	150	115
Share-based payments	159	236
Total	2,358	2,354

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

19. RELATED PARTY DISCLOSURES (cont'd)

(a) Key Management Personnel (cont'd)

Interests held by Key Management Personnel

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

Issue Date	Expiry Date	Exercise Price($)	2015 Number Outstanding	2014 Number Outstanding
FY06/07	FY16/17	$0.550	466,641	466,641
FY07/08	FY17/18	$0.300	958,735	958,735
FY07/08	FY17/18	$0.550	244,002	244,002
FY08/09	FY18/19	$0.060	5,608,695	5,608,695
FY09/10	FY16/17	$0.060	9,070,528	9,070,528
FY09/10	FY16/17	$0.080	3,446,821	3,446,821
FY09/10	FY16/17	$0.100	669,044	669,044
FY10/11	FY17/18	$0.060	6,231,891	6,231,891
FY10/11	FY17/18	$0.080	4,621,301	4,621,301
FY10/11	FY20/21	$0.080	4,875,000	4,875,000
FY13/14	FY20/21	$0.375	2,624,744	2,624,744
FY14/15	FY21/22	$0.450	1,235,212	-

(b) Transactions with related parties

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

Related Party		2015 $000	2014 $000
Health Communications Network	Commissions Paid	1,894	1,928

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 with related parties

In November 2013 the company entered into a loan facility for 14 months of $8.55m with 8 lenders, 5 of whom are Directors or related parties, for the purpose of funding operational liquidity requirements. Consideration paid consisted of the remaining apportioned Line Fee of 1% of the maximum loan amount, for the period the agreement was in place in the current year. The loan was not drawn upon in the current year.

	Maximum Loan Amount	Line Fee
Paul Rickard (Director)	$250,000	$878
Jost Stollmann (Director)	$3,600,000	$12,632
Abyla Pty Ltd ABN 92 119 827 593 related party of Michael Cannon-Brookes (Director)	$2,000,000	$7,018
Rachel Ferguson related party of Robert Ferguson	$500,000	$1,754
Robert Alexander Ferguson (Director)	$1,000,000	$3,509
Euclid Capital Partners ABN 79 937 786 536 related party of David Fite (Shareholder)	$700,000	$2,456
Dominique Hess related party of Sascha Hess	$250,000	$878
Cosmetic Cubed ABN 11 077 859 931 related party of Peter Wetenhall (Shareholder)	$250,000	$2,456

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20. MATTERS SUBSEQUENT TO END OF THE FINANCIAL YEAR

No matter or circumstance has arisen subsequent to 30 June 2015 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.

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

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 2015 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 2015.

(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 2015.

On behalf of the Board

Kerry Roxburgh
Chairman

Jost Stollmann
Director and CEO

Sydney, 20 August 2015

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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 2015, 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.

Building a better working world

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 2015 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
20 August 2015

Corporate Information

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

Company Secretary
Justin Mitchell

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