



Interim Financial Results

31 December 2016

Innovation that pays



Marcello Soto
Owner, Cross Eatery
Tyro Customer



Message from Chairman Kerry Roxburgh

I am pleased to present the half year report of our tenth year of operations.

As I foreshadowed at our Annual General Meeting on 19 October 2016, Tyro continued investing into the further development of its products and capabilities. As a result, Tyro incurred a net loss before tax of \$4.5m.

Our customer base, transaction volume and our revenue continued their growth trajectories, setting the tone for the future.

On 31 December 2016, Tyro completed the build of our third product, Tyro Growth Funding. This product has successfully passed its pilot phase and is currently in soft launch.

On 24 October 2016, Gerd Schenkel was appointed the new CEO of Tyro, replacing Jost Stollmann in this capacity.

The Board would like to thank Jost for an extraordinary decade as CEO when many critical foundations were laid, including the recent capital raising and the successful acquisition of a banking licence. Jost has since transitioned into a new role of Executive Director Public Affairs in which he will continue to raise Tyro's profile.

I would also like to welcome 85 new shareholders
Thank you for your support,

A handwritten signature in blue ink, appearing to be 'Kerry Roxburgh', written in a cursive style.

Kerry Roxburgh, Chairman
Tyro Payments Limited

Sydney, 28 February 2017



Report of the CEO Gerd Schenkel

Dear Shareholders

Firstly, please accept my gratitude for your support of my appointment as Tyro's new CEO. I am enthused about our opportunities and energised by the journey ahead.

For the first half of our financial year 2017, I am pleased to report continued growth: our revenue is up 28% to \$59.1m compared to the prior comparative period.

Our Merchant Acquiring transaction volume reached \$5.3b in credit and debit card transactions, which is up from \$4.3b in the prior comparative period, a 23% growth rate. In December 2016, we had a new record monthly transaction volume of \$1.1b.

At the end of the period we served 16,944 merchants which is up 18% compared to the prior year, and we are now integrated with 203 Point-of Sale and Practice Management solutions.

At 31 December 2016 our Tier 1 capital stood at \$116.5m and shareholder equity on the balance sheet was \$127.6m.

Tyro's employee numbers grew by 40% from 246 FTEs at December 2015 to 344 FTEs at December 2016.

We completed a major milestone on our product development journey with the successful completion of the lending product, Tyro Growth Funding. We are now preparing a broader market launch of this important addition to our portfolio which will create a second, significant revenue stream.

Since launching our deposit product, the Tyro Smart Account, in a limited way we have continued to expand its features, such that we will also launch this product more broadly soon. The Tyro Smart Account will be the main funding source for our growing loan book in the future. Following the recent capital raising, we have commenced an investment period during which we are laying the foundations for attractive and sustained growth. The investment is going towards new product development, an expansion of our Engineering, Sales and Marketing capabilities, as well as process automation to improve the scalability of our business.

A major component of this program has been an investment of approximately \$7.0m in our products in the past six months. As a result, we incurred a net loss before tax of \$4.5m in the first half. The investment period will continue for some time into the future and is designed to capitalise on our substantial market opportunities.

Joining me on the leadership team are Kareem Al-Bassam, an experienced financial services and technology executive, as our new Head of Product, as well as Natalie Dinsdale, an innovative marketing professional, as our new Head of Brand, Marketing and Communications.

I'd like to express my sincere thanks to Peter Haig, co-founder of the company, who has transitioned to retirement as of 1 January 2017. In his time with Tyro, Peter has led the development of our innovative technology platform and product set. Peter will remain a Senior Adviser to Tyro. I'd also like to express my gratitude to Fiona Stollmann who served for ten years most recently as our Head of Marketing and Communications and now transitioned to the role of Media and Communications Advisor.

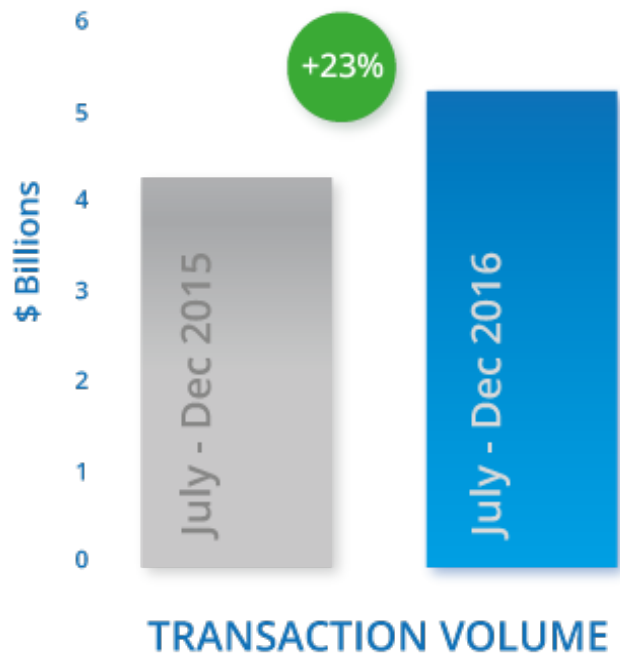
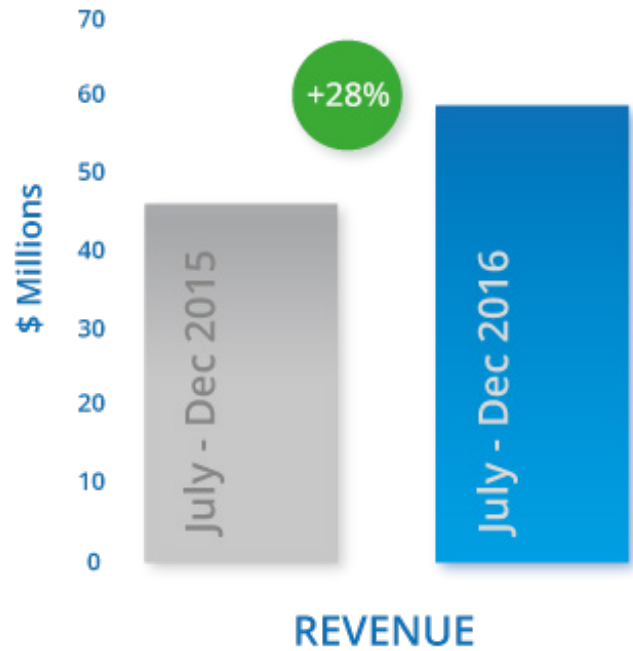
We are optimistic about the future and realistic about the work ahead.

Thank you for your continued support,



Gerd Schenkel, CEO
Tyro Payments Limited

Sydney, 28 February 2017





The Tyro Cause Jost Stollmann

Australia has benefitted from an exceptional 25 years of economic growth driven by an enormous mining boom. With that fading, what will drive future growth and underpin Australia's prosperity in the digital century?

The engine of growth must be small-to-medium sized companies (SMEs). SMEs make up 98% of all businesses, 70% of private employment and consistently contributed over half of the industry value-add. Their contribution to GDP however has experienced a slowdown in growth since 2012. The cost in lost opportunity to the Australian economy is therefore substantial.

Tyro addresses this "SME growth gap" in two ways. Firstly, Tyro removes friction in daily banking which is estimated to cost SMEs \$7b each year. Secondly, Tyro provides unsecured cash flow-based lending addressing an estimated funding shortfall of up to \$60b. In addition, the Tyro Fintech Hub encourages and supports new start-ups that use technology to reinvent financial services.

Personally, I handed over the baton to my CEO successor Gerd Schenkel and stay on as Executive Director promoting the Tyro cause.

A handwritten signature in blue ink, appearing to be 'J. Stollmann'.

Jost Stollmann, Executive Director
Tyro Payments Limited

Sydney, 28 February 2017

Tyro Executive Committee



Top row: David Ahern, Kareem Al-Bassam, Jost Stollmann, Justin Mitchell and Michelle Moffatt
Bottom row: Andrew Rothwell, Natalie Dinsdale, Gerd Schenkel and Praveenesh Pala
Absent: Paul Peterson, Sascha Hess

Our customers

Cross Eatery



“Tyro takes the thinking out of the process. Payments happen much quicker and it integrates perfectly with our POS. Tyro EFTPOS is so reliable that we never speak to Customer Support.”
- Marcelo Soto, Owner, Cross Eatery,

Jet Cycles



“With Tyro we hit one button and its printed out and put straight into our system. Whats great about Tyro is that they are authentic in what they do and that is important to deliver the passion and meet the needs of the comminty. Fast, fun and reliable, that is Tyro” - Mark Newton, Owner, Jet Cycles



Tyro Payments Limited

Interim Financial Report

For the half-year ended 31 December 2016

Tyro Payments Limited
ABN 49 103 575 042

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Directors' Report

The Board of Directors of Tyro Payments Limited (the **Company**) present their report together with the financial statements for the half-year ended 31 December 2016.

DIRECTORS

The Directors of the Company during the half-year and until the date of this report are:

Kerry Roxburgh (Chairman)	Director since 18 April 2008
Mike Cannon-Brookes	Director since 10 December 2009
Rob Ferguson	Director since 14 November 2005
Catherine Harris	Director since 17 December 2015
Paul Rickard	Director since 28 August 2009
Jost Stollmann	Director since 5 April 2005 (retired as Chief Executive Officer, effective 24 October 2016)

COMPANY SECRETARY

Justin Mitchell	Company Secretary since 12 April 2007
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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.

Nature of operations and principal activities

Tyro is an Authorised Deposit-taking Institution (ADI) providing EFTPOS 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, settlement and EFTPOS activities within the Australian Payments System.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Half-Year

Tyro reported the following operating results for the half-year and the comparative period:

(amounts in \$'000s)	Dec 2016	Dec 2015
Revenue	\$59,089	\$46,295
Operating income	\$28,114	\$21,592
Operating loss before tax expense	(\$4,474)	(\$206)
Net (loss)/profit	(\$2,990)	\$267

Tyro had a net loss of \$3.0m for the half-year ended 31 December 2016. Tyro continues to scale up its investment in building a banking business in its current high growth phase. Tyro had interest income of \$1.6m for the period.

Capital Structure and Funding

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

During the period, 12,942,506 ordinary shares were issued upon exercise of options, raising a total of \$1.3m in fully paid capital. Total Tier 1 capital held as at 31 December 2016 was \$116.5m. Tyro has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

Tyro had cash and cash equivalents of \$14.8m at the end of the reporting period.

Risk Management

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 July 2016, Tyro commenced the pilot for the Smart Growth Funding product.

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

Significant events after balance date

There were no significant events after balance date.

Likely developments and expected results

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

SHARE OPTIONS

Unissued shares

As at 31 December 2016, there were 74,368,610 outstanding options. Option holders do not have any right, by virtue of the option, to participate in any new share issue of the Company.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the half-year ended 31 December 2016.

ROUNDING OF AMOUNTS

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

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

As lead auditor for the review of Tyro Payments Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Andrew Price
Partner
28 February 2017

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Dec 2016 \$000	Dec 2015 \$000
Continuing Operations			
Fees and commission income	2	56,374	45,324
Interchange, integration and support fees expense	2	(30,439)	(24,356)
Net fees and commission income		<u>25,935</u>	<u>20,968</u>
Interest income on loans		94	-
Interest expense on deposits		(9)	-
Net banking operating income		<u>85</u>	<u>-</u>
Terminal and accessories sale		236	83
Terminals and accessories COGS		(527)	(347)
Net terminal and accessories sale expense		<u>(291)</u>	<u>(264)</u>
Interest income on treasury investments		1,484	528
Other income		901	360
Total operating income		28,114	21,592
Expenses			
Employee benefits expenses	2	(21,990)	(14,828)
Administrative expenses		(7,653)	(5,087)
Depreciation	9	(2,866)	(1,779)
Interest and fee expenses		(89)	(113)
Impairment of inventories		-	(8)
Other expenses		(17)	(15)
Total operating expenses		<u>(32,615)</u>	<u>(21,830)</u>
Loan impairment expense	7	(24)	-
Foreign currency gain		51	32
Operating loss before tax expense		(4,474)	(206)
Income tax benefit	3	1,484	473
Net (loss)/profit for the half-year		<u>(2,990)</u>	<u>267</u>
Other Comprehensive Income			
Net fair value gain on available-for-sale investments ¹		37	89
Total comprehensive (loss)/income for the period		<u>(2,953)</u>	<u>356</u>

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

1. Over the life of these investments, any gains or losses will be recycled to the Statement of Comprehensive Income. Balances are net of tax.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Note	Dec 2016 \$000	Jun 2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents	4	14,758	82,224
Due from other financial institutions	5	69,516	27,803
Trade and other receivables	6	14,552	7,191
Loans	7	1,836	-
Prepayments		1,096	966
Inventories		756	923
Total current assets		<u>102,514</u>	<u>119,107</u>
Non-current assets			
Available-for-sale investments	8	15,834	681
Property, plant and equipment	9	13,656	12,557
Deferred tax assets		9,642	8,174
Total non-current assets		<u>39,132</u>	<u>21,412</u>
TOTAL ASSETS		141,646	140,519
LIABILITIES			
Current liabilities			
Deposits	11	2,160	459
Trade payables and other liabilities	12	9,509	9,542
Provisions	13	1,704	1,526
Total current liabilities		<u>13,373</u>	<u>11,527</u>
Non-current liabilities			
Provisions	14	656	685
Total non-current liabilities		<u>656</u>	<u>685</u>
TOTAL LIABILITIES		14,029	12,212
NET ASSETS		<u>127,617</u>	<u>128,307</u>
EQUITY			
Contributed equity	15	135,824	134,566
Reserves	15	10,783	9,572
Accumulated losses		(18,990)	(15,831)
TOTAL EQUITY		<u>127,617</u>	<u>128,307</u>

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

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Dec 2016 \$000	Dec 2015 \$000
Cash flows from operating activities			
Interest, fee and rental income received		51,640	38,956
Payments to suppliers and employees		(59,848)	(41,931)
Cash inflow from retail deposits		1,701	131
Net cash outflow from lending		(1,860)	-
Receipts from terminals & accessories sale		236	83
Dividend income received		-	2
Net cash flows from operating activities		(8,131)	(2,759)
Cash flows from investing activities			
Investments in term deposits ¹		(41,665)	-
Investments in available-for-sale assets		(15,014)	-
Purchase of property, plant and equipment	9	(3,972)	(4,763)
Proceeds from disposal of property, plant and equipment		7	-
Net cash flows from investing activities		(60,644)	(4,763)
Cash flows from financing activities			
Proceeds from exercise of share options	15	1,258	51
Proceeds from fund raising, net of related costs		-	87,013
Net cash flows from financing activities		1,258	87,064
Net (decrease)/increase in cash and cash equivalents		(67,517)	79,542
Net foreign exchange difference		51	32
Cash and cash equivalents at beginning of half-year		82,224	9,990
Cash and cash equivalents at end of half-year	4	14,758	89,564

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

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

Attributable to equity holders of Tyro Payments Limited

	Note	Contributed Equity \$000	Available- for-Sale Revaluation Reserve \$000	Share- Based Payments Reserve \$000	Accumulated Losses \$000	Option Premium Reserve \$000	General Reserve for Credit Losses \$000	Total \$000
At 30 June 2015		34,013	360	7,470	(14,932)	480	397	27,788
Gain for the half-year		-	-	-	267	-	-	267
Other comprehensive income		-	89	-	-	-	-	89
Total comprehensive income		-	89	-	267	-	-	356
Issue of share capital – from options exercised		364	-	-	-	-	-	364
Issue of share capital – from capital raising ¹		87,122	-	-	-	-	-	87,122
Share-based payments		-	-	508	-	(313)	-	195
Transfer to general reserve for credit losses		-	-	-	(92)	-	92	-
At 31 December 2015		121,499	449	7,978	(14,757)	167	489	115,825
At 30 June 2016		134,566	420	8,435	(15,831)	167	550	128,307
Loss for the half-year		-	-	-	(2,990)	-	-	(2,990)
Other comprehensive income		-	37	-	-	-	-	37
Total comprehensive income		-	37	-	(2,990)	-	-	(2,953)
Issue of share capital – from options exercised		1,258	-	-	-	-	-	1,258
Share-based payments		-	-	1,005	-	-	-	1,005
Transfer to general reserve for credit losses		-	-	-	(169)	-	169	-
At 31 December 2016	15	135,824	457	9,440	(18,990)	167	719	127,617

¹ Net of related capital raising costs of \$253k (net of tax).

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

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 28 February 2017.

The Company is an unlisted public company, incorporated and domiciled in Australia. The Company is a Disclosing Entity as defined by the Corporations Act 2001.

The nature of the operations and principal activities of the Company are described in the Directors' report.

(a) Basis of preparation

The interim financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the financial report of Tyro Payments Limited for the financial year ended 30 June 2016.

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. 2016/191, unless otherwise stated.

(b) Statement of compliance

The interim financial report complies with Australian Accounting Standards and complies with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Financial Reporting Standards Board. It has been prepared on the basis of accounting policies consistent with those applied in the 30 June 2016 annual financial report, which was prepared in accordance with Australian Accounting Standards and IFRS.

(c) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2016, apart from the policies for the following items which previously did not exist:

Loans

Loans to merchants are initially recognised at fair value. Subsequent to initial recognition, these assets are measured at amortised cost, less any provisions for impairments. Interest income on loans is recognised on an accruals basis in the Statement of Comprehensive Income using a method that approximates the effective interest method.

Provisions for Loan Impairments

Individually assessed provisions are made against loans that have been individually assessed as impaired. The impairment is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. Provisions for individually significant assets are calculated based on discounted cash flows.

Loans that do not have an individually assessed provision are assessed collectively for impairment. Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans to the present value of their expected future cash flows at balance date.

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

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(d) 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. Apart from the share-based payment assumptions, which have been updated in November 2016 as part of Management's continual review, and the assessment of loan impairments, the significant judgements, estimates and assumptions made by Management in the preparation of the interim financial statements, including the key sources of estimation uncertainty are the same as those applied in the Company's financial report for the year ended 30 June 2016.

The Company is not aware of any new accounting standards or interpretations issued or effective in the half-year that would have an impact on the half-year financial report.

(e) Significant events and transactions during the period

On 1 July 2016, Tyro commenced the pilot for the Smart Growth Funding product.

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

2. REVENUE AND EXPENSES

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

	Dec 2016	Dec 2015
	\$000	\$000
Fees and commission income		
Merchant service fee	49,469	38,899
Terminal rental income	4,524	3,443
Other fee income	2,381	2,982
	<u>56,374</u>	<u>45,324</u>
Interchange, integration and support fees expense		
Interchange and scheme fees	27,315	21,021
Integration and support fee expense	3,010	2,889
Other settlement fees and expenses	114	446
	<u>30,439</u>	<u>24,356</u>
Employee benefits expense		
Wages, salaries and bonuses	19,164	12,992
Superannuation	1,746	1,205
Share based payments expense	1,005	508
Other employee benefits expense	75	123
	<u>21,990</u>	<u>14,828</u>

3. INCOME TAX

Reconciliation of income tax expense and prima facie tax

	Dec 2016 \$000	Dec 2015 \$000
Operating loss before tax	(4,474)	(206)
At the statutory income tax rate of 30%	(1,342)	(62)
Research and development incentive	(465)	(580)
Share-based payment remuneration	301	152
Entertainment expenses	22	17
Total income tax benefit	<u>(1,484)</u>	<u>(473)</u>

4. CASH AND CASH EQUIVALENTS

	Dec 2016 \$000	Jun 2016 \$000
Deposits at call	14,758	15,497
Short term deposits	-	66,727
	<u>14,758</u>	<u>82,224</u>

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

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

	Dec 2016 \$000	Jun 2016 \$000
Current		
Term deposits	61,665	20,000
Deposits held as collateral	7,851	7,803
	<u>69,516</u>	<u>27,803</u>

Includes term deposits with maturities greater than three months from date of acquisition and deposits pledged to counterparties as collateral. Refer to Note 17 for details of deposits held as collateral.

6. TRADE AND OTHER RECEIVABLES

	Dec 2016 \$000	Jun 2016 \$000
Scheme and other trade receivables	13,942	6,972
Interest receivable	579	191
Other receivables	31	28
	<u>14,552</u>	<u>7,191</u>

7. LOANS

	Dec 2016 \$000	Jun 2016 \$000
Loans (net of unearned loan fees)	1,860	-
Specific provision for impairment	(24)	-
	<u>1,836</u>	<u>-</u>

In July 2016, the Company commenced the pilot for the Smart Growth Funding product, which was offered to existing Tyro EFTPOS merchants. The loans are unsecured, with an upfront fee charged to the merchant, calculated based on a number of variables. Repayments of the loan are deducted off the merchant's daily settlements. During the half-year, one loan was assessed as impaired due to reasonable doubt over collectability.

8. AVAILABLE-FOR-SALE INVESTMENTS

	Dec 2016 \$000	Jun 2016 \$000
Floating rate notes	15,099	-
Investment in VISA shares	735	681
	<u>15,834</u>	<u>681</u>

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

9. PROPERTY, PLANT AND EQUIPMENT

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

	EFTPOS Terminals \$000	Furniture and Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000
Half-year ended 31 December 2016:					
At 30 June 2016 net of accumulated depreciation and impairment	6,364	1,212	1,716	3,265	12,557
Additions/transfers	3,142	43	754	33	3,972
Disposals/transfers	(7)	-	-	-	(7)
Depreciation for the half-year	(2,046)	(147)	(379)	(294)	(2,866)
At 31 December 2016 net of accumulated depreciation and impairment	<u>7,453</u>	<u>1,108</u>	<u>2,091</u>	<u>3,004</u>	<u>13,656</u>
At 30 June 2016					
Cost or fair value	15,853	1,662	3,662	3,607	24,784
Accumulated depreciation and impairment	(9,489)	(450)	(1,946)	(342)	(12,227)
Net carrying amount	<u>6,364</u>	<u>1,212</u>	<u>1,716</u>	<u>3,265</u>	<u>12,557</u>
At 31 December 2016					
Cost or fair value	18,939	1,713	4,420	3,641	28,713
Accumulated depreciation and impairment	(11,486)	(605)	(2,329)	(637)	(15,057)
Net carrying amount	<u>7,453</u>	<u>1,108</u>	<u>2,091</u>	<u>3,004</u>	<u>13,656</u>

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

	EFTPOS Terminals \$000	Furniture and Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000
Half-year ended 30 June 2016:					
At 31 December 2015 net of accumulated depreciation and impairment	5,866	716	1,601	2,468	10,651
Additions/transfers	2,179	617	406	976	4,178
Disposals/transfers	(26)	-	-	-	(26)
Depreciation for the half-year	(1,655)	(121)	(291)	(179)	(2,246)
At 30 June 2016 net of accumulated depreciation and impairment	<u>6,364</u>	<u>1,212</u>	<u>1,716</u>	<u>3,265</u>	<u>12,557</u>
At 31 December 2015					
Cost or fair value	13,781	1,045	3,256	2,631	20,713
Accumulated depreciation and impairment	(7,915)	(329)	(1,655)	(163)	(10,062)
Net carrying amount	<u>5,866</u>	<u>716</u>	<u>1,601</u>	<u>2,468</u>	<u>10,651</u>
At 30 June 2016					
Cost or fair value	15,853	1,662	3,662	3,607	24,784
Accumulated depreciation and impairment	(9,489)	(450)	(1,946)	(342)	(12,227)
Net carrying amount	<u>6,364</u>	<u>1,212</u>	<u>1,716</u>	<u>3,265</u>	<u>12,557</u>

10. SHARE-BASED PAYMENTS

In November 2016, 10,912,640 share options were granted to employees under the Employee Share Option Plan at an exercise price of \$1.49. The fair value of the options granted is estimated using the Black Scholes option valuation model, taking into account a number of factors including the terms and conditions upon which the options were granted. Share based payments expense for the half-year ended 31 December 2016 was \$1,005k.

11. DEPOSITS

	Dec 2016 \$000	Jun 2016 \$000
Deposits	<u>2,160</u>	<u>459</u>
	<u>2,160</u>	<u>459</u>

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

12. TRADE PAYABLES AND OTHER LIABILITIES

	Dec 2016 \$000	Jun 2016 \$000
Accounts payable	993	1,319
Deferred rent incentive	3,301	3,345
Accruals – staff related costs and other	2,990	3,349
Other liabilities	2,225	1,529
	<u>9,509</u>	<u>9,542</u>

13. PROVISIONS

	Dec 2016 \$000	Jun 2016 \$000
Annual leave liability		
Balance at the beginning of the half-year	1,240	930
Provided for during the half-year	1,489	1020
Released during the half-year	(1,295)	(710)
Balance at the end of the half-year	<u>1,434</u>	<u>1,240</u>
Long service leave liability		
Balance at the beginning of the half-year	286	222
Provided for during the half-year	110	64
Released during the half-year	(126)	-
Balance at the end of the half-year	<u>270</u>	<u>286</u>
Total provisions – current liabilities	<u>1,704</u>	<u>1,526</u>

Refer to Note 7 for specific provisions for impairment raised during the half-year ended 31 December 2016.

14. NON-CURRENT LIABILITIES

Provisions:	Dec 2016 \$000	Jun 2016 \$000
Annual leave liability		
Balance at the beginning of the half-year	222	122
Provided for during the half-year	14	229
Released during the half-year	(108)	(129)
Balance at the end of the half-year	<u>128</u>	<u>222</u>
Long service leave liability		
Balance at the beginning of the half-year	349	323
Provided for during the half-year	47	90
Released during the half-year	(57)	(64)
Balance at the end of the half-year	<u>339</u>	<u>349</u>
Make good provision		
Balance at the beginning of the half-year	114	46
Provided for during the half-year	75	68
Balance at the end of the half-year	<u>189</u>	<u>114</u>
Total provisions – non-current liabilities	<u>656</u>	<u>685</u>

15. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary Shares	Dec 2016 Number of Shares	Dec 2016 \$000	Jun 2016 \$000
Issued and fully paid	399,921,599	136,123	134,865
Costs directly attributable to the capital raising (net of tax)		(299)	(299)
Ordinary shares		135,824	134,566

During the half-year ended 31 December 2016, 12,942,506 ordinary shares were issued upon exercise of options, raising a total of \$1,258k in fully paid capital.

Terms and conditions of contributed equity

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

(ii) Share-based payments reserve	Dec 2016 \$000	Jun 2016 \$000
Balance at the beginning of the half-year	8,435	7,470
Share-based payments expensed	1,005	965
Balance at the end of the half-year	<u>9,440</u>	<u>8,435</u>

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

(iii) Other reserves	Dec 2016 \$000	Jun 2016 \$000
Balance at the end of the half-year:		
AFS revaluation reserve	457	420
Option premium reserve	167	167
General reserve for credit losses	719	550
Total other reserves	<u>1,343</u>	<u>1,137</u>
Total reserves	<u>10,783</u>	<u>9,572</u>

16. FAIR VALUES (INCLUDING FINANCIAL RISK MANAGEMENT)

a) Fair values

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

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

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

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

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

31 December 2016 (\$000)				
Financial Asset	Level 1	Level 2	Level 3	Total
Available-for-sale investments	735	15,099	-	15,834

30 June 2016 (\$000)				
Financial Asset	Level 1	Level 2	Level 3	Total
Available-for-sale investments	681	-	-	681

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

In the half-year ended 31 December 2016, the Company invested in floating rate notes which have a short-term repricing profile and are of high credit quality.

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

b) Financial Risk Management

During the ordinary course of business, the Company is exposed to credit risk, operational risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk. For details on the management of these risks, refer to the financial report for the year ended 30 June 2016.

17. 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.

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

Contingent liabilities – secured	Dec 2016 \$000	Jun 2016 \$000
<i>(i) Irrevocable standby letters of credit in favour of:</i>		
MasterCard International	3,197	3,151
Visa International	60	60
UnionPay International	69	67
<i>(ii) Bank Guarantee in favour of:</i>		
UIR Australia Pty Limited, the lessor of 155 Clarence Street, Sydney	4,525	4,525
	7,851	7,803

The Company has provided an irrevocable standby letter of credit of \$3.3m (in June 2016: \$3.3m) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to MasterCard International, Visa International and Union Pay International. These are one-year arrangements that are subject to automatic renewal on 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 includes all annual increases of 4% until lease maturity and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

18. 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 carried the risk of repairing or replacing the terminal over the 3 year period. The merchant would then continue to pay a service and maintenance fee after this period.

From April 2010, the Company has moved to a perpetual rental model whereby there will be no transfer of ownership of the asset, and the merchant will pay terminal rental for the duration that they are with Tyro. 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.

Type of Terminals	Cost (\$000)	Accumulated Depreciation (\$000)	Net Carrying Value (\$000)
Yomani, Yomani XR and Yoximo 3G (including accessories)	13,961	6,515	7,446
Xenta & Xentissimo	4,978	4,971	7
	18,939	11,486	7,453

18. LEASES (cont'd)

(b) Operating lease commitments - Company as lessee

Future minimum rentals payable under the non-cancellable operating leases as at 31 December 2016 are as follows:

	Dec 2016 \$000	Dec 2015 \$000
Within one year	4,140	3,557
After one year but not more than five years	18,778	16,476
More than five years	-	4,865
	<u>22,918</u>	<u>24,898</u>

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 an original term of 7 years ending 22 January 2022. The lease agreement provides the Company with the option to extend the lease for another 3 years. Lease payments are subject to annual increases of 4%.

19. 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, and EFTPOS banking solutions to EFTPOS merchants.

20. RELATED PARTY DISCLOSURES

(a) Compensation of Key Management Personnel

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

	Dec 2016 \$000	Dec 2015 \$000
Short-term benefits	1,305	1,160
Post-employment benefits (superannuation)	132	123
Other long-term employee benefits (long-service leave)	12	11
Share-based payments	132	79
	<u>1,581</u>	<u>1,373</u>

(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 half-year. These transactions were on commercial terms & conditions.

Related Party		Dec 2016 \$000	Dec 2015 \$000
Atlassian Pty Ltd	Software licensing	(22)	(21)
Atlassian Pty Ltd	Sub-lease rental income	506	-
		<u>(484)</u>	<u>(21)</u>

Rob Ferguson, a Director of Tyro Payments is also the Non-Executive Chairman of Primary Health Care Limited. Until May 2016, Health Communications Network (HCN) was a subsidiary of Primary Health Care Limited. The Company paid \$951k in integration and support fees to HCN in the half-year ended 31 December 2015.

Mike Cannon-Brookes, a Director of Tyro Payments is Co-Founder, CEO and Director of Atlassian Pty Ltd. Tyro entered into an agreement with Atlassian to sublease Level 4 of 155 Clarence Street, commencing 1 April 2016 to 31 December 2016, with an option to renew for up to two months. As part of the agreement, Atlassian has taken out a bank guarantee equivalent to one month's rent.

21. MATTERS SUBSEQUENT TO END OF THE HALF-YEAR

There were no significant events after the half-year ended 31 December 2016.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - I. giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the 6 month period ended on that date; and
 - II. complying with Accounting Standards and the Corporations Regulations 2001;
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Kerry Roxburgh', written over a light grey grid background.

Kerry Roxburgh
Chairman

Sydney, 28 February 2017

To the Board Audit Committee of Tyro Payments Limited ('Tyro')

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Tyro, which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the interim period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tyro, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Tyro is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the interim period ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Andrew Price
Partner
Sydney
28 February 2017

CORPORATE DIRECTORY

Directors

Kerry Roxburgh (Chairman)

Mike Cannon-Brookes

Rob Ferguson

Catherine Harris

Paul Rickard

Jost Stollmann

Chief Executive Officer

Gerd Schenkel

Company Secretary

Justin Mitchell

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