



Interim Financial Results

Half Year Ended 31 December 2017

Message from Chairman Kerry Roxburgh

I am pleased to present the half year report for this, our eleventh year of operations.

As I foreshadowed at our Annual General Meeting (AGM) on 17 October 2017, Tyro continued investing into the further development of its products and capabilities. As a result, Tyro is reporting a half-year net loss before tax of \$6.8m.

Our transaction volume and our revenue continued their growth trajectories, and our customer base achieved strong growth, driven by an increased number of new customer applications.

Our other Banking products, including the Smart Growth Funding which soft-launched in early 2017, have continued to grow which bodes well for an emerging new revenue stream, supported by an efficient funding source in the Smart Account.

On 23 January 2018, we announced the appointment of Robbie Cooke as Tyro's new CEO. Robbie will join Tyro at the end of March 2018, upon conclusion of his current role with Tatts Group Limited. With his background and experience in Australian customer-centric, digitally-oriented and technology-driven businesses, your Board considered Robbie the ideal person to lead the company through the next phase of its growth and development.

In his role as CEO, Robbie will continue to drive Tyro's strategy of providing frictionless banking and access to lending for Australia's under served Small & Medium Enterprises. Robbie will succeed Acting Managing Director, Rob Ferguson, who since June last year has been instrumental in leading the highly talented Tyro executive team.



On behalf of The Board, I thank Jost Stollmann, who did not seek re-election as a Director at the AGM. We all express our sincere appreciation to Jost, for the awesome contribution he has made to this company over the past 12 years. During his tenure, Tyro became one of Australia's greatest fintech success stories as the country's first and only technology company to obtain a full banking license.

The Board also thanks Rob Ferguson who has been leading Tyro since June last year.

Finally, I thank my fellow Board members and all Tyro executives for their achievements and support in the 1st half of FY18. They join me in welcoming 182 new shareholders.

Thank you for your support,

A handwritten signature in blue ink, appearing to be 'Kerry Roxburgh', written over a horizontal line.

Kerry Roxburgh, Chairman
Tyro Payments Limited

Sydney, 27 February 2018

Report of the Acting CEO Rob Ferguson

Dear Shareholders

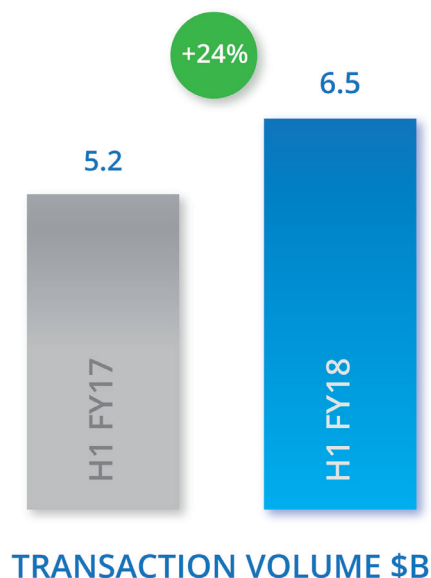
For the first half of our financial year 2018, I am pleased to report continued growth: our revenue is up 21% to \$71.6m compared to the prior comparative period.

Our Merchant Acquiring transaction volume reached \$6.5b in credit and debit card transactions, which is up from \$5.3b in the prior comparative period, a 24% growth rate. In December 2017, we had a new record monthly transaction volume of \$1.3b, which was also the fifth successive month in which we recorded \$1b or more in transaction volume.

At the end of the period we served 20,778 customers which is up 23% compared to the prior comparative period, driven in part by 3,904 new customer applications, which is up 61% on the same comparative period. We are also now integrated with 244 Point-of-Sale and Practice-Management-Solutions, compared to 203 in the prior year.

At 31 December 2017 our Tier 1 capital stood at \$104.2m and shareholder equity on the balance sheet was \$116.7m.

Tyro's employee numbers grew by 7% from 349 FTEs at December 2016 to 373 FTEs at December 2017.



Tyro's two new banking products, the Smart Account and Growth Funding, have continued their growth trajectory, offering our customers innovative ways to meet their transaction account and unsecured lending needs.

The Smart Account added 440 net new active customers during the first half, taking the total number of accounts to 960 as at 31 December 2017, compared to 133 at December 2016. The introduction of the innovative 'Flexible Settlements' feature, which enables the customer to choose when EFTPOS takings will be settled into their Smart Account, has improved uptake, taking total deposits on balance to \$9.5m as at 31 December 2017. Our Growth Funding product, which soft-launched in early 2017 to create a second revenue stream, has now reached \$21.6m in total originations, \$10.5m of which originated in the first half of this financial year. The outstanding loan balance as at 31 December 2017 sat at \$5.5m with only \$65k (1.05%) in lending losses recorded in the first half.

A focus on product commercialisation and optimisation remains a core part of our stated FY18 strategy as we continue to reinvigorate Merchant Acquiring growth and scale our nascent Banking offerings. The announcement of our commitment to delivering 'least-cost routing' in the second-half of FY18 is an example of our ever-present dedication to technology-led innovation that will help Australian businesses.

Likewise we are continuing to explore select platform opportunities that utilise our existing assets to further fortify the organisation and solve an array of issues for businesses in Australia.

The pursuit of enhanced scalability and reliability across our processes and infrastructure is also progressing well, laying the foundations for sustainable and attractive growth into the future. Sales and Marketing excellence is central to these growth aspirations and consequently these functions have been the recipients of various improvement initiatives in the first half as we look to improve our brand awareness, acquisition and retention capabilities. The 61% growth in new customer applications on the prior comparative period is one of the first indications that this investment is starting to pay off and that there remains substantial market opportunity for Tyro to capitalise on.

Thank you for your continued support,

A handwritten signature in black ink, appearing to read 'Rob Ferguson', with a stylized flourish at the end.

Rob Ferguson, Acting CEO
Tyro Payments Limited

Sydney, 27 February 2018



Tyro Payments Limited

Interim Financial Report

For the half-year ended 31 December 2017

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 2017.

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 (Acting Chief Executive Officer, appointed 14 June 2017)
Catherine Harris	Director since 17 December 2015
Paul Rickard	Director since 28 August 2009
Jost Stollmann	Director since 5 April 2005 (retired as Director, effective 17 October 2017)

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

Nature of operations and principal activities

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

OPERATING AND FINANCIAL REVIEW

Operating Results for the Half-Year

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

(amounts in \$'000s)	Dec 2017	Dec 2016
Revenue	\$71,638	\$59,089
Operating income	\$34,199	\$28,114
Operating loss before tax expense	(\$6,781)	(\$4,474)
Net loss	(\$6,706)	(\$2,990)

The Company had a net loss of \$6.7 million for the half-year ended 31 December 2017. The Company continued to scale up its investment in building a banking business and embarked on a significant growth program including new product design, improved operating systems and distribution. The Company had interest income of \$1.9 million for the half-year.

Capital Structure and Funding

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

During the period, 9,297,286 ordinary shares were issued upon exercise of options, raising a total of \$1.5 million in fully paid capital. Total Tier 1 capital held as at 31 December 2017 was \$104.2 million. The Company has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

The Company had cash and cash equivalents of \$44.6 million at the end of the reporting period.

As at 31 December 2017, there were 36,725,928 unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Risk Management

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 17 October 2017, Jost Stollmann retired as a Non-executive Director of the Company, by rotation.

Significant events after balance date

Post 31 December 2017, eligible employees were granted options as part of the annual option grant cycle pursuant to the 2018 Employee Share Option Plan. 8,940,000 options have been offered at an exercise price of \$1.76. The options vest over a five year period, commencing at grant date.

On 23 January 2018, the Company announced the appointment of Robbie Cooke as its new CEO. Robbie is expected to commence in the role at the end of March 2018.

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.

Directors' Report

Tyro Payments Limited
ABN 49 103 575 042

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 2017.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest million dollars or nearest thousand dollars, unless otherwise indicated.

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 2017, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young



Andrew Price
Partner
27 February 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	Dec 2017 \$000	Dec 2016 \$000
Continuing Operations			
Fees and commission income	2	68,726	56,374
Interchange, integration and support fees expense	2	(37,055)	(30,439)
Net fees and commission income		<u>31,671</u>	<u>25,935</u>
Interest income on loans		687	94
Interest expense on deposits		(38)	(9)
Net banking operating income		<u>649</u>	<u>85</u>
Terminal and accessories sale		443	236
Terminals and accessories COGS		(346)	(527)
Net terminal and accessories sale income/(expense)		<u>97</u>	<u>(291)</u>
Interest income on treasury investments		1,220	1,484
Other income		562	901
Total operating income		34,199	28,114
Expenses			
Employee benefits expenses	2	(26,695)	(21,990)
Administrative expenses	2	(10,590)	(7,653)
Depreciation	9	(3,431)	(2,866)
Interest and fee expenses		(87)	(89)
Other expenses		(13)	(17)
Total operating expenses		<u>(40,816)</u>	<u>(32,615)</u>
Loan impairment expense	7	(65)	(24)
Foreign currency (loss)/gain		(99)	51
Operating loss before tax expense		(6,781)	(4,474)
Income tax benefit	3	75	1,484
Net loss for the half-year		<u>(6,706)</u>	<u>(2,990)</u>
Other Comprehensive Income			
Net fair value gain on available-for-sale investments, net of tax		175	37
Total comprehensive loss for the period		<u>(6,531)</u>	<u>(2,953)</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	Dec 2017 \$000	Jun 2017 \$000
ASSETS			
Current assets			
Cash and cash equivalents	4	44,587	24,052
Due from other financial institutions	5	12,716	52,438
Trade and other receivables	6	20,692	10,489
Prepayments		1,906	1,992
Inventories		1,029	1,148
Loans	7	5,516	4,511
Total current assets		86,446	94,630
Non-current assets			
Available-for-sale investments	8	31,484	21,097
Property, plant and equipment	9	15,474	13,482
Net deferred tax assets		10,300	10,300
Total non-current assets		57,258	44,879
TOTAL ASSETS		143,704	139,509
LIABILITIES			
Current liabilities			
Deposits	11	9,497	3,948
Trade payables and other liabilities	12	14,350	11,430
Provisions	13	2,476	2,206
Total current liabilities		26,323	17,584
Non-current liabilities			
Provisions	14	667	534
Total non-current liabilities		667	534
TOTAL LIABILITIES		26,990	18,118
NET ASSETS		116,714	121,391
EQUITY			
Contributed equity	15	139,919	138,381
Reserves	15	12,779	12,157
Accumulated losses		(35,984)	(29,147)
TOTAL EQUITY		116,714	121,391

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 2017**

	Note	Dec 2017 \$000	Dec 2016 \$000
Cash flows from operating activities			
Interest, fee and rental income received		60,919	51,640
Payments to suppliers and employees		(70,900)	(59,848)
Net inflow from retail deposits		5,549	1,701
Net outflow from customer lending		(1,070)	(1,860)
Receipts from terminals & accessories sale		443	236
Net cash flows from operating activities		(5,059)	(8,131)
Cash flows from investing activities			
Net decrease/(increase) in investments in term deposits ¹		39,697	(41,665)
Investments in available-for-sale assets		(10,137)	(15,014)
Purchase of property, plant and equipment	9	(5,433)	(3,972)
Proceeds from disposal of property, plant and equipment		28	7
Net cash flows from investing activities		24,155	(60,644)
Cash flows from financing activities			
Proceeds from exercise of share options	15	1,538	1,258
Net cash flows from financing activities		1,538	1,258
Net increase/(decrease) in cash and cash equivalents		20,634	(67,517)
Net foreign exchange difference		(99)	51
Cash and cash equivalents at beginning of half-year		24,052	82,224
Cash and cash equivalents at end of half-year	4	44,587	14,758

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 2017**

Attributable to equity holders of Tyro Payments Limited

	Note	Contributed Equity \$000	Available- for-Sale Revaluation Reserve \$000	Share- Based Payments Reserve \$000	Accumulated Losses \$000	Option Premium Reserve \$000	General Reserve for Credit Losses \$000	Total \$000
At 30 June 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		135,824	457	9,440	(18,990)	167	719	127,617
At 30 June 2017		138,381	623	10,276	(29,147)	167	1,091	121,391
Loss for the half-year		-	-	-	(6,706)	-	-	(6,706)
Other comprehensive income		-	175	-	-	-	-	175
Total comprehensive income		-	175	-	(6,706)	-	-	(6,531)
Issue of share capital – from options exercised		1,538	-	-	-	-	-	1,538
Share-based payments		-	-	316	-	-	-	316
Transfer to general reserve for credit losses		-	-	-	(131)	-	131	-
At 31 December 2017	15	139,919	798	10,592	(35,984)	167	1,222	116,714

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1. STATEMENT OF ACCOUNTING POLICIES

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

The financial report of Tyro Payments Limited (the **Company**) was authorised for issue in accordance with a resolution of the Directors effective on 27 February 2018.

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

(a) Basis of preparation

The 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 2017.

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

(b) Statement of compliance

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

(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 2017.

(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. Significant judgements, estimates and assumptions made by Management in the preparation of the interim financial report, including the key sources of estimation uncertainty are updated for the reporting date, and are consistent with those applied in the Company's financial report for the year ended 30 June 2017.

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 17 October 2017, Jost Stollmann retired as a Non-executive Director of the Company, by rotation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2. REVENUE AND EXPENSES

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

	Dec 2017 \$000	Dec 2016 \$000
Fees and commission income		
Merchant service fee	60,807	49,469
Terminal rental income	5,516	4,524
Other fee income	2,403	2,381
	<u>68,726</u>	<u>56,374</u>
Interchange, integration and support fees expense		
Interchange and scheme fees	(33,780)	(27,315)
Integration and support fee expense	(3,272)	(3,010)
Other settlement fees and expenses	(3)	(114)
	<u>(37,055)</u>	<u>(30,439)</u>
Employee benefits expense		
Wages, salaries and bonuses	(23,813)	(19,164)
Superannuation	(2,237)	(1,746)
Share-based payments expense	(316)	(1,005)
Other employee benefits expense	(329)	(75)
	<u>(26,695)</u>	<u>(21,990)</u>
Administrative expenses		
Communications, hosting and licencing costs	(2,157)	(1,354)
Rent	(2,023)	(2,049)
Contractor and consulting costs	(1,532)	(382)
Marketing	(980)	(893)
Terminal management and logistics	(827)	(523)
Recruitment	(601)	(988)
Accounting	(561)	(418)
Legal	(299)	(185)
Other administrative expenses	(1,610)	(861)
	<u>(10,590)</u>	<u>(7,653)</u>

3. INCOME TAX

Reconciliation of income tax expense and prima facie tax

	Dec 2017 \$000	Dec 2016 \$000
Operating loss before tax	(6,781)	(4,474)
At the statutory income tax rate of 30%	2,034	1,342
Research and development incentive	319	465
Share-based payment remuneration	(95)	(301)
Entertainment expenses	(30)	(22)
Current year losses and R&D credits for which no DTA is recognised	(2,153)	-
Total income tax benefit	75	1,484

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4. CASH AND CASH EQUIVALENTS

	Dec 2017 \$000	Jun 2017 \$000
Deposits at call	33,722	24,052
Short term deposits	10,865	-
	<u>44,587</u>	<u>24,052</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 2017 \$000	Jun 2017 \$000
Current		
Term deposits	5,000	44,698
Deposits held as collateral	7,716	7,740
	<u>12,716</u>	<u>52,438</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 2017 \$000	Jun 2017 \$000
Scheme and other receivables	16,245	6,897
Merchant acquiring fees	4,329	3,192
Interest receivable	118	400
	<u>20,692</u>	<u>10,489</u>

7. LOANS

	Dec 2017 \$000	Jun 2017 \$000
Loans (excluding unearned fees)	5,649	4,647
Collective provision for impairment	(133)	(112)
Specific provision for impairment	-	(24)
	<u>5,516</u>	<u>4,511</u>

In July 2016, the Company launched in pilot the Smart Growth Funding product, which was offered to existing Tyro EFTPOS merchants. In January 2017, the product exited pilot into wider availability. The loans are unsecured, with an upfront ("unearned") fee charged to the merchant. As the merchant receives daily settlements, a percentage is taken towards loan repayments. The loan repayment includes a portion which recycles the unearned fee into the Statement of Comprehensive Income as interest income. This method of recognition approximates the effective interest method.

During the half-year, twelve loans were impaired due to reasonable doubt over collectability, from which eight were subsequently recovered. Eight impaired loans (including four from the prior financial year) were determined to be uncollectible and were written off during the period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

7. LOANS (cont'd)

Provision for impairment

	Dec 2017 \$000	Jun 2017 \$000
Specific provisions		
Opening balance	24	-
Net movement in provision	44	118
Sub-total	68	118
Bad debts written off	(68)	(94)
Closing balance – specific provisions	-	24
	Dec 2017 \$000	Jun 2017 \$000
Collective provisions		
Opening balance	112	-
Net movement in provision	21	112
Closing balance – collective provisions	133	112
Total provision for impairment	133	136

8. AVAILABLE-FOR-SALE INVESTMENTS

	Dec 2017 \$000	Jun 2017 \$000
Floating rate notes	30,487	20,265
Investment in VISA shares	997	832
	31,484	21,097

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017:					
At 30 June 2017 net of accumulated depreciation and impairment	6,933	1,342	2,156	3,051	13,482
Additions/transfers	3,885	14	1,459	75	5,433
Disposals/transfers	(9)	-	(1)	-	(10)
Depreciation for the half-year	(2,332)	(198)	(567)	(334)	(3,431)
At 31 December 2017 net of accumulated depreciation and impairment	<u>8,477</u>	<u>1,158</u>	<u>3,047</u>	<u>2,792</u>	<u>15,474</u>
At 30 June 2017					
Cost or fair value	20,484	2,113	4,909	3,995	31,501
Accumulated depreciation and impairment	(13,551)	(771)	(2,753)	(944)	(18,019)
Net carrying amount	<u>6,933</u>	<u>1,342</u>	<u>2,156</u>	<u>3,051</u>	<u>13,482</u>
At 31 December 2017					
Cost or fair value	24,321	2,127	6,366	4,071	36,885
Accumulated depreciation and impairment	(15,844)	(969)	(3,319)	(1,279)	(21,411)
Net carrying amount	<u>8,477</u>	<u>1,158</u>	<u>3,047</u>	<u>2,792</u>	<u>15,474</u>
	EFTPOS Terminals \$000	Furniture and Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000
Half-year ended 30 June 2017:					
At 31 December 2016 net of accumulated depreciation and impairment	7,453	1,108	2,091	3,004	13,656
Additions/transfers	1,730	400	488	354	2,972
Disposals/transfers	(29)	-	-	-	(29)
Depreciation for the half-year	(2,221)	(166)	(423)	(307)	(3,117)
At 30 June 2017 net of accumulated depreciation and impairment	<u>6,933</u>	<u>1,342</u>	<u>2,156</u>	<u>3,051</u>	<u>13,482</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>
At 30 June 2017					
Cost or fair value	20,484	2,113	4,909	3,995	31,501
Accumulated depreciation and impairment	(13,551)	(771)	(2,753)	(944)	(18,019)
Net carrying amount	<u>6,933</u>	<u>1,342</u>	<u>2,156</u>	<u>3,051</u>	<u>13,482</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

10. SHARE-BASED PAYMENTS

The fair value of 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. In the half-year ended 31 December 2017, the share-based payments expense was \$0.3 million. An additional 400,000 share options were granted during the half-year at an exercise price of \$1.62.

For details of the annual grant of options to eligible employees under the 2018 Employee Share Option Plan, refer to Note 21 on matters subsequent to the half-year.

11. DEPOSITS

	Dec 2017 \$000	Jun 2017 \$000
Deposits	9,497	3,948
	<u>9,497</u>	<u>3,948</u>

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

12. TRADE PAYABLES AND OTHER LIABILITIES

	Dec 2017 \$000	Jun 2017 \$000
Accounts payable	2,192	1,909
Deferred rent incentive	3,225	3,239
Accruals – scheme fees, commissions, bonuses and others	4,242	3,971
Other liabilities - payroll liabilities and clearing suspense	4,691	2,311
	<u>14,350</u>	<u>11,430</u>

13. PROVISIONS

	Dec 2017 \$000	Jun 2017 \$000
Annual leave liability		
Balance at the beginning of the half-year	1,907	1,561
Provided for during the half-year	1,791	1,601
Released during the half-year	(1,500)	(1,255)
Balance at the end of the half-year	<u>2,198</u>	<u>1,907</u>
Long service leave liability		
Balance at the beginning of the half-year	299	270
Provided for during the half-year	30	148
Released during the half-year	(51)	(119)
Balance at the end of the half-year	<u>278</u>	<u>299</u>
Total provisions – current liabilities	<u><u>2,476</u></u>	<u><u>2,206</u></u>

Refer to Note 7 for provisions for impairment raised during the half-year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

14. NON-CURRENT LIABILITIES

Provisions:	Dec 2017 \$000	Jun 2017 \$000
Long service leave liability		
Balance at the beginning of the half-year	272	339
Provided for during the half-year	83	60
Released during the half-year	(23)	(127)
Balance at the end of the half-year	<u>332</u>	<u>272</u>
Make good provision		
Balance at the beginning of the half-year	261	188
Provided for during the half-year	74	74
Balance at the end of the half-year	<u>335</u>	<u>262</u>
Total provisions – non-current liabilities	<u>667</u>	<u>534</u>

15. CONTRIBUTED EQUITY AND RESERVES

	Dec 2017 Number of Shares	Dec 2017 \$000	Jun 2017 \$000
(i) Ordinary Shares			
Issued and fully paid	433,889,036	140,218	138,680
Costs directly attributable to the capital raising (net of tax)		(299)	(299)
Ordinary shares		<u>139,919</u>	<u>138,381</u>

During the half-year ended 31 December 2017, 9,297,286 ordinary shares were issued upon exercise of options, raising a total of \$1.5 million in fully paid capital.

Terms and conditions of contributed equity

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

	Dec 2017 \$000	Jun 2017 \$000
(ii) Share-based payments reserve		
Balance at the beginning of the half-year	10,276	9,440
Share-based payments expensed	316	836
Balance at the end of the half-year	<u>10,592</u>	<u>10,276</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.

	Dec 2017 \$000	Jun 2017 \$000
(iii) Other reserves		
Balance at the end of the half-year:		
AFS revaluation reserve	798	623
Option premium reserve	167	167
General reserve for credit losses	1,222	1,091
Total other reserves	<u>2,187</u>	<u>1,881</u>
Total reserves	<u>12,779</u>	<u>12,157</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 (\$000)

Financial Asset	Level 1	Level 2	Level 3	Total
Floating rate notes	30,487	-	-	30,487
VISA shares	997	-	-	997
	31,484	-	-	31,484

30 June 2017 (\$000)

Financial Asset	Level 1	Level 2	Level 3	Total
Floating rate notes	20,265	-	-	20,265
VISA shares	832	-	-	832
	21,097	-	-	21,097

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 2017, the Company further invested in floating rate notes which have a short-term repricing profile and are of high credit quality. The fair value of these floating rate notes is obtained from an independent third party pricing service that uses tradable prices and quotes from active markets. In order to align with this quoted price methodology, during the half-year there were transfers of floating rate notes out of Level 2 into the Level 1 fair value hierarchy. \$30.5 million of floating rate notes are reported in Level 1 as at 31 December 2017 and \$20.3 million were restated in the comparative period into Level 1.

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 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

17. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

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

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

Contingent liabilities – secured	Dec 2017 \$000	Jun 2017 \$000
<i>(i) Irrevocable standby letters of credit in favour of:</i>		
Mastercard International	3,067	3,090
Visa International	60	60
UnionPay International	64	65
<i>(ii) Bank Guarantee in favour of:</i>		
UIR Australia, the lessor of 155 Clarence Street, Sydney	4,525	4,525
	7,716	7,740

The Company has provided an irrevocable standby letter of credit of \$3.2 million (in June 2017: \$3.2 million) 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 up to 9 month's rent and includes all annual increases of 4% since 2016 until lease maturity and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

18. LEASES

(a) Operating lease commitments - Company as lessor

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

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

Type of Terminals	Cost (\$000)	Accumulated Depreciation (\$000)	Net Carrying Value (\$000)
Yomani, Yomani XR and Yoximo 3G (including accessories)	19,391	10,914	8,477
Xenta & Xentissimo	4,930	4,930	-
	24,321	15,844	8,477

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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 2017 are as follows:

	Dec 2017 \$000	Dec 2016 \$000
Within one year	4,298	4,140
After one year but not more than five years	14,270	18,778
	<u>18,568</u>	<u>22,918</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. Currently the acquiring business segment which provides EFTPOS solutions to merchants (transaction processing, clearing and settlement activities within the Australian Payments System) is the only material contributor to the Company's Statement of Comprehensive Income.

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 2017 \$000	Dec 2016 \$000
Short-term benefits	1,367	1,305
Long-term benefits (long-service leave)	1	12
Post-employment benefits (superannuation)	127	132
Share-based payments	95	132
Total	<u>1,590</u>	<u>1,581</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 2017 \$000	Dec 2016 \$000
Atlassian Pty Ltd	Software licensing	(8)	(22)
Atlassian Pty Ltd	Sub-lease rental income	-	506
		<u>(8)</u>	<u>(484)</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

21. MATTERS SUBSEQUENT TO END OF THE HALF-YEAR

Post 31 December 2017, eligible employees were granted options as part of the annual option grant cycle pursuant to the 2018 Employee Share Option Plan. 8,940,000 options have been offered at an exercise price of \$1.76. The options vest over a five year period, commencing at grant date.

On 23 January 2018, the Company announced the appointment of Robbie Cooke as its new CEO. Robbie is expected to commence in the role at the end of March 2018.

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 2017 and of its performance for the six 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 horizontal line.

Kerry Roxburgh
Chairman

Sydney, 27 February 2018

Independent Auditor's Review Report to the Audit Committee of Tyro Payments Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Tyro Payments Limited (the Company), which comprises statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year 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, anything has come to our attention that causes us to believe that the half-year 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 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tyro Payments Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Ernst & Young



Andrew Price
Partner
Sydney
27 February 2018

CORPORATE DIRECTORY

Directors

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

Company Secretary

Justin Mitchell

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