Interim Financial Report

Half-year ended
31 December 2018

Tyro Payments Limited
ABN 49 103 575 042

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Directors' Report

The Board of Directors of Tyro Payments Limited (the **Company** or **Tyro**) present their report together with the financial statements for the half-year ended 31 December 2018.

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 17 November 2005 (resigned 3 July 2018)
David Fite	Director since 3 July 2018
Catherine Harris	Director since 17 December 2015
Paul Rickard	Director since 28 August 2009
David Thodey	Director since 16 November 2018

COMPANY SECRETARY

Justin Mitchell	Company Secretary since 12 April 2007 to 27 February 2019
Sami Wilson	Company Secretary since 7 May 2018

DIVIDENDS

No dividends or distributions have been declared or paid for the half-year ended 31 December 2018.

CORPORATE INFORMATION

Corporate Structure

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

Nature of operations and principal activities

Tyro is an Australian bank and operates under the supervision of the Australian Prudential Regulation Authority (**APRA**). Tyro provides credit, debit and EFTPOS card acquiring, Medicare and private health fund claiming and rebating services to Australian businesses. Tyro takes money on deposit and offers unsecured cash-flow based lending to Australian EFTPOS merchants. 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 2018	Dec 2017
Revenue	$91,053	$71,638
Net operating income	$41,159	$34,199
Operating loss before tax expense	($7,639)	($6,781)
Net loss	($7,667)	($6,706)

The Company had a net loss of $7.7 million for the half-year ended 31 December 2018. The Company continued to invest in building its segment position. This strategy saw the Company expand its team, build on its product suite and functionality, focus on customer acquisition and retention and continue to invest into systems and scalability. The Company had interest income of $2.5 million for the half-year.

Regulatory Landscape, Capital and Funding

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

The Company had cash and cash equivalents of $29.0 million at the end of the reporting period.

Total Tier 1 capital held as at 31 December 2018 was $88.0 million. The Company 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 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

Significant events after balance date

In the opinion of the Directors, there have been no matters or circumstances which have arisen between 31 December 2018 and the date of this report that have significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results

The Directors expect the investment phase will continue for some time into the future and is designed to capitalise on the Company's market opportunities.

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 2018.

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.

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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 2018, 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

Michael Byrne
Partner
27 February 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec 2018[1] $000	Dec 2017 $000
Continuing Operations			
Fees and commission income	2	87,690	68,726
Interchange, integration and support fees expense	2	(49,393)	(37,055)
Net fees and commission income		38,297	31,671
Interest income and fair value gain on loans[2]	2	1,301	687
Interest expense on deposits		(99)	(38)
Net banking operating income		1,202	649
Terminal and accessories sale		433	443
Terminals and accessories COGS		(402)	(346)
Net terminal and accessories sale income		31	97
Interest income on treasury investments		1,250	1,220
Other income		379	562
Net operating income		**41,159**	**34,199**
Expenses			
Employee benefits expenses (exc. share-based payments)	2	(29,465)	(26,378)
Share-based payments expense		(792)	(317)
Administrative expenses	2	(12,815)	(9,610)
Marketing expense		(1,829)	(980)
Depreciation	9	(3,821)	(3,431)
Bank fee expenses		(89)	(87)
Other expenses		(84)	(13)
Total operating expenses		**(48,895)**	**(40,816)**
Loan impairment expense[2]		-	(65)
Foreign currency gain/(loss)		45	(99)
Fair value gain on equity instruments		52	**-**
Operating loss before tax expense		**(7,639)**	**(6,781)**
Income tax (expense)/benefit	3	(28)	75
Net loss for the half-year		**(7,667)**	**(6,706)**

STATEMENT OF COMPREHENSIVE INCOME (cont'd)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec 2018[1] $000	Dec 2017 $000
Other Comprehensive Income			
Fair value through other comprehensive income (FVOCI) reserve – net revaluation (loss)/gain, net of tax[3]		(66)	175
Total comprehensive loss for the period		**(7,733)**	**(6,531)**

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

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

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Dec 2018(1) $000	Jun 2018 $000
ASSETS			
Current assets			
Cash and cash equivalents	4	28,937	28,564
Due from other financial institutions	5	7,898	17,812
Trade and other receivables	6	31,120	15,935
Prepayments		1,549	1,925
Inventories		1,791	2,588
Loans	7	10,409	7,590
Total current assets		81,704	74,414
Non-current assets			
Financial investments – at FVOCI	8	37,778	37,875
Financial investments – at FVTPL	8	1,275	1,222
Property, plant and equipment	9	14,764	14,696
Intangible assets	10	1,136	-
Deferred tax assets		11,351	11,351
Total non-current assets		66,304	65,144
TOTAL ASSETS		**148,008**	**139,558**
LIABILITIES			
Current liabilities			
Deposits and other borrowings	12	26,163	11,563
Trade payables and other liabilities	13	14,747	13,764
Provisions	14	2,830	3,922
Total current liabilities		43,740	29,249
Non-current liabilities			
Provisions	15	895	768
Total non-current liabilities		895	768
TOTAL LIABILITIES		**44,635**	**30,017**
NET ASSETS		**103,373**	**109,541**
EQUITY			
Contributed equity	16	141,668	141,258
Reserves	16	14,035	13,973
Accumulated losses		(52,330)	(45,690)
TOTAL EQUITY		**103,373**	**109,541**

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

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

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec 2018 $000	Dec 2017 $000
Cash flows from operating activities			
Fees and commission income received		87,757	69,018
Interchange, integration and support fees expenses paid		(49,480)	(37,069)
Interest received		2,503	1,865
Interest paid		(88)	(34)
Other operating income received		742	1,016
Payments to employees and suppliers:		-	-
Personnel expenses paid		(29,050)	(25,886)
Terminals purchased		(3,131)	(3,513)
Other operating expenses paid		(14,477)	(9,492)
Movement in securities sold under repurchase agreements		4,534	-
Movement in net schemes receivable and other		(15,554)	(9,321)
Cash flows from operating activities before changes in customer deposits and lending balances		**(16,244)**	**(13,416)**
Net increase in customer loans		(2,228)	(1,070)
Net increase in retail deposits		10,066	5,549
Changes in customer deposits and lending balances arising from cash flow movements		**7,838**	**4,479**
Net cash flows from operating activities		**(8,406)**	**(8,937)**
Cash flows from investing activities			
Movement in term deposit investments			
Proceeds on maturity		10,041	40,021
Movement in financial investments			
Purchases		-	(10,137)
Purchase of property, plant and equipment (exc. terminals)		(580)	(1,851)
Payment for recognised intangible assets		(1,136)	-
Net cash flows from investing activities		**8,325**	**28,033**
Cash flows from financing activities			
Proceeds from exercise of share options		409	1,538
Net cash flows from financing activities		**409**	**1,538**
Net increase in cash and cash equivalents		328	20,634
Effect of foreign exchange rates on cash and cash equivalents		45	(99)
Cash and cash equivalents at beginning of period		28,564	24,052
Cash and cash equivalents at end of period		**28,937**	**44,587**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

		Attributable to equity holders of Tyro Payments Limited						
	Note	Contributed Equity $000	FVOCI Reserve[1] $000	Share-Based Payments Reserve $000	Accumulated Losses $000	Option Premium Reserve $000	General Reserve for Credit Losses $000	Total $000
At 1 July 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		**139,919**	**798**	**10,592**	**(35,984)**	**167**	**1,222**	**116,714**
At 1 July 2018		**141,258**	**855**	**11,687**	**(45,690)**	**167**	**1,264**	**109,541**
Adjustment from initial adoption of AASB 9		-	(798)	-	1,328	-	-	530
Adjusted balance at 1 July 2018		**141,258**	**57**	**11,687**	**(44,362)**	**167**	**1,264**	**110,071**
Loss for the half-year		-	-	-	(7,667)	-	-	(7,667)
Other comprehensive income		-	(66)	-	-	-	-	(66)
Total comprehensive income		-	(66)	-	(7,667)	-	-	(7,733)
Option premium reserve		-	-	-	-	(167)	-	(167)
Issue of share capital – from options exercised		410	-	-	-	-	-	410
Share-based payments		-	-	792	-	-	-	792
Transfer to general reserve for credit losses		-	-	-	(301)	-	301	-
At 31 December 2018	16	**141,668**	**(9)**	**12,479**	**(52,330)**	**-**	**1,565**	**103,373**

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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** or **Tyro**) was authorised for issue in accordance with a resolution of the Directors on 27 February 2019.

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

(a) Basis of preparation

The 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 the Company for the financial year ended 30 June 2018.

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 2018, with the exception of software capitalisation policies following the recognition of intangible assets internally generated by the Company and changes in accounting policies required following the adoption of new accounting standards on 1 July 2018. AASB 9 and AASB 15 are effective for the Company from 1 July 2018. Changes in the Company's key accounting policies during the half-year ended 31 December 2018 are described in this report under Note 1(d) titled *New Australian Accounting Standards that are effective in the current period.*

(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 with the exception of estimation of useful life of intangible assets and the new accounting policies AASB 9 and 15, are consistent with those applied in the Company's financial report for the year ended 30 June 2018.

Intangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

New Australian Accounting Standards that are effective in the current period

AASB 9 Financial Instruments

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

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

Classification and measurement:

Financial assets:

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

- *Amortised Cos*t - A financial asset will be measured at amortised cost if both of the following conditions are met:
  1. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
  2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

  When financial assets at FVOCI are derecognised, the cumulative gain or loss previously recognised in the FVOCI reserve is reclassified to the SOCI.

- *Fair Value through Profit and Loss (**FVTPL**)* - All financial assets that are not measured at amortised cost or FVOCI will be measured at FVTPL. All financial assets that are equity instruments will be measured at FVTPL unless the Company irrevocably elects to present subsequent changes in the fair value in other comprehensive income. The Company has not made this election for equity instruments. The Company may also irrevocably elect to designate a financial asset as measured at FVTPL on initial recognition if doing so eliminates or significantly reduces an accounting mismatch.

  Interest income from these financial assets are recognised in the SOCI under 'Interest income and fair value gain on loans'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

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

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

Financial liabilities:

The accounting for financial liabilities is largely unchanged.

Impairment:

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

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

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

Transition Impacts:

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

Presentation:

Changes to the Statement of Financial Position:

1. included new line items titled 'Financial Investments – at FVOCI' and 'Financial Investments – at FVTPL'. This replaces the previously disclosed 'Available-for-sale investments' line item. Financial assets within the 'at FVOCI' line item consist of floating rate note investments, and within the 'at FVTPL' line item consist of Visa shares. Refer below for related classification and measurement changes; and
2. the 'Available-for-sale revaluation reserve' has been replaced with the 'FVOCI reserve'.

Changes to the Statement of Comprehensive Income:

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

3. included a new line item titled 'Interest income and fair value gain on loans'. This replaces the previously disclosed 'Interest income on loans' due to the change in classification and measurement of loans to FVTPL on adoption of AASB 9;
4. included a new line item titled 'fair value gain on equity instruments'. This is a new line item due to the change in the classification and measurement of Visa shares.

Classification and measurement:

5. loans that were previously measured at amortised cost, are now measured at FVTPL, with transition adjustments taken through opening retained earnings. The SPPI requirements of AASB 9 were not satisfied;

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

6. investments in Visa shares that were previously measured at FVOCI, are now measured at FVTPL. The Company did not irrevocably elect to present subsequent changes in the fair value of these equity instruments in other comprehensive income.

Impairment:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

				AASB 9 presentation & classification		AASB 9 remeasurements			AASB 9 measurement categories			
Amounts in $000	Reference transition impact commentary	AASB 139 measurement category	Carrying amount 30 Jun 18	Changes	Revised presentation 1 Jul 18	Re-measurement adjustments	ECL adjustments	Revised carrying amount 1 Jul 18	Amortised cost	FVOCI	FVTPL	**Carrying amount 1 Jul 18**
Financial Assets												
Cash and cash equivalents	8	Amortised cost	28,564	-	28,564	-	-	28,564	28,564	-	-	**28,564**
Due from other financial institutions	8	Amortised cost	17,812	-	17,812	-	-	17,812	17,812	-	-	**17,812**
Trade and other receivables	8	Amortised cost	15,935	-	15,935	-	-	15,935	15,935	-	-	**15,935**
Loans	5,7	Amortised cost	7,590	(7,590)	-	`	-	-	-	-	-	**-**
	5,7	FVTPL	-	7,590	7,590	530	-	8,120	-	-	8,120	**8,120**
Available-for-sale investments	1	FVOCI	39,097	(39,097)	-	-	-	-	-	-	-	**-**
Financial investments – at FVOCI	1,6	FVOCI	-	37,875	37,875	-	-	37,875	-	37,875	-	**37,875**
Financial investments – at FVTPL	6	FVTPL	-	1,222	1,222	-	-	1,222	-	-	1,222	**1,222**
Financial Liabilities												
Deposits		Amortised cost	11,563	-	11,563	-	-	11,563	11,563	-	-	**11,563**
Trade payables and other liabilities		Amortised cost	13,764	-	13,764	-	-	13,764	13,764	-	-	**13,764**
Equity												
Available-for-sale revaluation reserve	2,6	-	855	(855)	-	-	-	-	*n/a*	*n/a*	*n/a*	**-**
FVOCI reserve	2,6	-	-	855	855	(798)	-	57	*n/a*	*n/a*	*n/a*	**57**
Retained earnings	5,6,7	-	(45,690)	-	(45,690)	1,328	-	(44,362)	*n/a*	*n/a*	*n/a*	**(44,362)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principles explained in a step by step approach in the standard.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

2. REVENUE AND EXPENSES

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

	Dec 2018 $000	Dec 2017 $000
Fees and commission income		
Merchant service fee	77,947	60,807
Terminal rental income	7,191	5,516
Other fee income	2,552	2,403
	87,690	68,726
Interchange, integration and support fees expense		
Interchange and scheme fees	(45,285)	(33,780)
Integration, support and other fee expense	(4,108)	(3,275)
	(49,393)	(37,055)
Interest income and fair value gain on loans		
Interest income	1,240	687
Loans written off(1)	(204)	-
Fair value gain	265	-
	1,301	687
Employee benefits expense		
Wages, salaries and bonuses	(25,592)	(22,595)
Superannuation	(2,239)	(2,148)
Other employee benefits expense	(1,634)	(1,635)
	(29,465)	(26,378)
Administrative expenses		
Contractor and consulting costs	(4,497)	(1,532)
Communications, hosting and licencing costs	(2,517)	(2,157)
Rent	(2,048)	(2,023)
Terminal management and logistics	(1,005)	(827)
Recruitment	(320)	(601)
Accounting	(383)	(561)
Legal	(245)	(299)
Other administrative expenses	(1,800)	(1,610)
	(12,815)	(9,610)

(1) On transition to AASB 9 on 1 July 2018, loans that were previously measured at amortised cost, are now measured at FVTPL. The item ‘Interest income and fair value gain on loans’ includes loans written off. In the comparative period, loans written off are disclosed within ‘Loan impairment expense’.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

3. INCOME TAX

Reconciliation of income tax expense and prima facie tax

	Dec 2018 $000	Dec 2017 $000
Operating loss before tax	**(7,639)**	**(6,781)**
At the statutory income tax rate of 30%	2,292	2,034
Research and development incentive	137	319
Share-based payment remuneration	(238)	(95)
Entertainment expenses	(50)	(30)
Current year losses and R&D credits for which no DTA is recognised	(2,169)	(2,153)
Total income tax (expense)/benefit	**(28)**	**75**

4. CASH AND CASH EQUIVALENTS

	Dec 2018 $000	Jun 2018 $000
Deposits at call	28,937	18,564
Short term deposits	-	10,000
	28,937	28,564

Deposits at call include cash at banks, cash held in the exchange settlement account with the Reserve Bank of Australia (**RBA**), 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 2018 $000	Jun 2018 $000
Current		
Term deposits	-	10,000
Deposits held as collateral	7,898	7,812
	7,898	17,812

Includes term deposits with maturities greater than three months from date of acquisition and deposits pledged to counterparties as collateral. Refer to Note 18 for details of deposits held as collateral.

6. TRADE AND OTHER RECEIVABLES

	Dec 2018 $000	Jun 2018 $000
Scheme and other receivables	25,539	11,812
Merchant acquiring fees	5,487	3,978
Interest receivable	94	145
	31,120	15,935

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

7. LOANS

	Dec 2018(1) $000	Jun 2018 $000
Loans	10,409	7,985
Collective provision for impairment	-	(189)
Specific provision for impairment	-	(206)
	10,409	7,590

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 general 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.

(1) On transition to AASB 9 on 1 July 2018, loans that were previously measured at amortised cost, are now measured at FVTPL. The loan balance at 31 December 2018 includes a fair value gain, compared to prior disclosing periods which are reported at amortised cost under AASB 139. Refer to the transition disclosure in Note 1(d) for further detail.

Provision for impairment

	Dec 2018 $000	Jun 2018 $000
Specific provisions		
Opening balance	206	24
Adjustment from initial adoption of AASB 9	(206)	-
Net movement in provision	-	334
Sub-total	**-**	**358**
Bad debts written off	-	(152)
Closing balance – specific provisions	**-**	**206**

	Dec 2018 $000	Jun 2018 $000
Collective provisions		
Opening balance	189	112
Adjustment from initial adoption of AASB 9	(189)	-
Net movement in provision	-	77
Closing balance – collective provisions	**-**	**189**
Total provision for impairment	**-**	**395**

8. FINANCIAL INVESTMENTS

	Dec 2018 $000	Jun 2018 $000
Financial investments at FVOCI - floating rate notes	37,778	37,875
Financial investments at FVTPL - investment in Visa shares(1)	1,275	1,222
	39,053	39,097

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.

(1) On transition to AASB 9 on 1 July 2018, Visa shares that were previously measured at FVOCI, are now measured at FVTPL. Refer to the transition disclosure in Note 1(d) for further detail.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 2018:					
At 30 June 2018 net of accumulated depreciation and impairment	7,885	952	3,234	2,625	14,696
Additions/transfers	3,236	44	441	98	3,819
Disposals/transfers	70	-	-	-	70
Depreciation for the half-year	(2,547)	(195)	(714)	(365)	(3,821)
At 31 December 2018 net of accumulated depreciation and impairment	8,644	801	2,961	2,358	14,764
At 30 June 2018					
Cost or fair value	26,119	2,115	7,222	4,246	39,702
Accumulated depreciation and impairment	(18,234)	(1,163)	(3,988)	(1,621)	(25,006)
Net carrying amount	7,885	952	3,234	2,625	14,696
At 31 December 2018					
Cost or fair value	29,355	2,158	7,663	4,344	43,520
Accumulated depreciation and impairment	(20,711)	(1,357)	(4,702)	(1,986)	(28,756)
Net carrying amount	8,644	801	2,961	2,358	14,764

	EFTPOS Terminals $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Half-year ended 30 June 2018:					
At 31 December 2017 net of accumulated depreciation and impairment	8,476	1,158	3,048	2,792	15,474
Additions/transfers	1,850	(12)	856	175	2,869
Disposals/transfers	(14)	-	-	-	(14)
Depreciation for the half-year	(2,427)	(194)	(670)	(342)	(3,633)
At 30 June 2018 net of accumulated depreciation and impairment	7,885	952	3,234	2,625	14,696
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	8,477	1,158	3,047	2,792	15,474
At 30 June 2018					
Cost or fair value	26,119	2,115	7,222	4,246	39,702
Accumulated depreciation and impairment	(18,234)	(1,163)	(3,988)	(1,621)	(25,006)
Net carrying amount	7,885	952	3,234	2,625	14,696

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

10. INTANGIBLE ASSETS

Reconciliation of net carrying amounts at the beginning and end of the half-year	**Internally generated software $000**
Half-year ended 31 December 2018:	
At 30 June 2018 net of accumulated depreciation and impairment	-
Additions	1,136
Amortisation for the half-year	-
At 31 December 2018 net of accumulated amortisation and impairment	1,136
At 31 December 2018	
Cost	1,136
Accumulated amortisation and impairment	-
Net carrying amount	1,136

Research and Development

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

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

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

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

Key estimates and assumptions

The following method is used in the calculation of amortisation:

Intangible asset	**Amortisation method**	**Useful life**
Internally generated software	Straight line	Finite (3-5 years)

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

11. SHARE-BASED PAYMENTS

The 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 2018, the share-based payments expense was $0.8 million. An additional 400,000 share options were granted during the half-year at an exercise price of $1.76.

2,379,693 options were offered to eligible employees as part of the annual option grant cycle. These options have a 31 December 2018 grant date and a zero-exercise price. The related share-based payments expense will be reflected in the 2019 annual financial report.

12. DEPOSITS AND OTHER BORROWINGS

	Dec 2018 $000	Jun 2018 $000
Deposits	21,629	11,563
Other borrowings – RBA repurchase agreement	4,534	-
	26,163	11,563

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.

The Company entered into an open standing facility repurchase agreement with the RBA in late December 2018 for test purposes, with the agreement being settled immediately post the half-year ended 31 December 2018.

13. TRADE PAYABLES AND OTHER LIABILITIES

	Dec 2018 $000	Jun 2018 $000
Accounts payable	2,456	2,933
Deferred rent incentive	2,796	2,978
Accruals - scheme fees, commissions, bonuses and others	5,419	4,332
Other liabilities - payroll liabilities and clearing suspense	4,076	3,521
	14,747	13,764

14. PROVISIONS

	Dec 2018 $000	Jun 2018 $000
Annual leave liability		
Balance at the beginning of the half-year	2,475	1,907
Provided for during the half-year	2,025	3,446
Released during the half-year	(1,938)	(2,878)
Balance at the end of the half-year	2,562	2,475
Long service leave liability		
Balance at the beginning of the half-year	303	299
Provided for during the half-year	48	82
Released during the half-year	(83)	(78)
Balance at the end of the half-year	268	303
Other provisions		
Balance at the beginning of the half-year	1,144	430
Provided for during the half-year	-	714
Released during the half-year	(1,144)	-
Balance at the end of the half-year	-	1,144
Total provisions – current liabilities	**2,830**	**3,922**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

15. NON-CURRENT LIABILITIES

Provisions:	Dec 2018 $000	Jun 2018 $000
Long service leave liability		
Balance at the beginning of the half-year	359	272
Provided for during the half-year	78	132
Released during the half-year	(25)	(45)
Balance at the end of the half-year	412	359
Make good provision		
Balance at the beginning of the half-year	409	262
Provided for during the half-year	74	147
Balance at the end of the half-year	483	409
Total provisions – non-current liabilities	**895**	**768**

16. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary Shares	Dec 2018 Number of Shares	Dec 2018 $000	Jun 2018 $000
Issued and fully paid	443,434,278	141,967	141,557
Costs directly attributable to the capital raising (net of tax)		(299)	(299)
Ordinary shares		**141,668**	**141,258**

During the half-year ended 31 December 2018, 3,127,023 ordinary shares were issued upon exercise of options, raising a total of $0.4 million in fully paid capital.

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 2018 $000	Jun 2018 $000
Balance at the beginning of the half-year	11,687	10,276
Share-based payments expensed	792	1,411
Balance at the end of the half-year	12,479	11,687

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 2018 $000	Jun 2018 $000
Balance at the end of the half-year:		
FVOCI reserve	(9)	855
Option premium reserve	-	167
General reserve for credit losses	1,565	1,264
Total other reserves	1,556	2,286

The FVOCI reserve represents the available-for-sale revaluation reserve for periods prior to adoption of AASB 9 on 1 July 2018. Refer to Note 1(d) for impacts on transition to AASB 9.

Total reserves	**14,035**	**13,973**

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

17. 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 2018 ($000)			
Financial Asset	**Level 1**	**Level 2**	**Level 3**	**Total**
Floating rate notes	37,778	-	-	37,778
Loans	-	-	10,409	10,409
Visa shares	1,275	-	-	1,275
	39,053	**-**	**10,409**	**49,462**

	30 June 2018 ($000)			
Financial Asset	**Level 1**	**Level 2**	**Level 3**	**Total**
Floating rate notes	37,875	-	-	37,875
Loans	-	-	-	-
Visa shares	1,222	-	-	1,222
	39,097	**-**	**-**	**39,097**

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.

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

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

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

The fair value of loans requires estimation of:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

17. FAIR VALUES (INCLUDING FINANCIAL RISK MANAGEMENT) (cont'd)

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

- Tyro pricing of loans;
- Historical data with respect to behavioural repayment patterns; and
- Default experience.

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

Refer to Note 2 for the components making up the fair value gain in the period.

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 2018.

18. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

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

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

Contingent liabilities – secured	**Dec 2018 $000**	**Jun 2018 $000**
(i) Irrevocable standby letters of credit in favour of:		
Mastercard International	3,242	3,159
Visa International	60	60
UnionPay International	71	68
(ii) Bank Guarantee in favour of:		
UIR Australia, the lessor of 155 Clarence Street, Sydney	4,525	4,525
	7,898	**7,812**

The Company has provided an irrevocable standby letter of credit of $3.4 million (in June 2018: $3.3 million) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to Mastercard International, Visa International and 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.

19. LEASES

(a) Operating lease commitments - Company as lessor

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

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

Type of Terminals	Cost ($000)	Accumulated Depreciation ($000)	Net Carrying Value ($000)
Yomani, Yomani XR and Yoximo 3G (including accessories)	24,425	15,781	8,644
Xenta & Xentissimo	4,930	4,930	-
	29,355	20,711	8,644

(b) Operating lease commitments - Company as lessee

Future minimum rentals payable under the non-cancellable operating leases as at 31 December 2018 are as follows:

	Dec 2018 $000	Dec 2017 $000
Within one year	4,572	4,298
After one year but not more than five years	9,988	14,270
	14,560	18,568

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%.

20. 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.

21. 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 2018 $000	Dec 2017 $000
Short-term benefits	2,113	1,367
Long-term benefits (long-service leave)	-	1
Post-employment benefits (superannuation)	120	127
Share-based payments	464	95
Total	**2,697**	**1,590**

21. RELATED PARTY DISCLOSURES (cont'd)

(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.

		Dec 2018 $000	Dec 2017 $000
Related Party			
Atlassian Pty Ltd	Software licensing	(23)	(8)
Total		**(23)**	**(8)**

Mike Cannon-Brookes, a Non-Executive Director of Tyro Payments is Co-Founder, CEO and Director of Atlassian.

22. MATTERS SUBSEQUENT TO THE END OF THE HALF-YEAR

In the opinion of the Directors, there have been no matters or circumstances which have arisen between 31 December 2018 and the date of this report that have significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   I. giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the six month period ended on that date; and

   II. complying with Australian Standards and the Corporations Regulations 2001;

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

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

On behalf of the Board

Kerry Roxburgh
Chairman

Sydney, 27 February 2019

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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 2018, 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 2018 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 2018 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*.

Ernst & Young

Michael Byrne
Sydney
27 February 2019

CORPORATE DIRECTORY

Directors
Kerry Roxburgh (Chairman)
Mike Cannon-Brookes
David Fite
Catherine Harris
Paul Rickard
David Thodey

Company Secretary
Sami Wilson

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