



Shareholder Update

(Un-audited results 1st Half Fiscal Year 2010/11)

Summary

The company continued its growth trajectory with transaction volume as well as fee revenue growing by 52 percent versus the previous corresponding period. Fee revenue of \$8.8 million was achieved over a transaction volume of \$941 million.

The operational month-on-month results improved with the caveat that Tyro pays from 1 July 2010 for 18 months a heightened commission and has incurred foreign currency losses on US denominated scheme collateral.

Further highlights are:

- The net half year loss increased to \$1,131,297 compared with \$746,752 in the previous corresponding period.
- However, when normalised for the Medicare subsidy, commission agreement, foreign exchange losses and share based payments, the half year operating loss declined from \$2.3m in HFY 2008 to \$1.3m in HFY 2009 and to \$0.24m in 2010.
- The 2009 half year result benefitted from a partner agreement that delivered additional fee income of \$0.35 million involving a claw-back in later periods. The result also included a Medicare subsidy of \$0.6 million. The normalised 2009 half year operating result adjusted for these effects and the share based payment is a loss of \$1.3 million.
- The 2010 half year result included the heightened commission from the partner agreement that resulted in an additional commission of \$0.3 million being paid and a foreign exchange loss of \$0.24 million. The normalised 2010 half year operating result adjusted for those effects and share based payments amounted to a loss of \$0.24 million.
- In the month of December 2010, a total of 2.8 million transactions for a value of \$202 million were authorised, cleared and settled.
- In the six months to 31 December 2010, 4.1 million Easyclaim transactions were processed.
- The number of active merchant EFTPOS facilities (MIDs) increased by 58% since December 2009 from 2,452 MIDs to 3,884 MIDs.
- Shareholder equity decreased to \$9.9 million in December 2010 from \$11.1 million in December 2009.
- Net tangible assets (NTA) declined to 4.6 cents per share from 5.2 cents in December 2010.

Balance Sheet and Capital Management

Total assets increased to \$13.7m in 31 December 2010 from \$12.7m in 31 December 2009. Fixed assets and inventory decreased by \$499k. All other assets increased over the period.

To fund the liquidity need of the increased daily settlement volumes, Tyro implemented for the first time an interest bearing loan facility in the amount of \$2.5 million with four shareholders, since no bank facility was available.

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Key Financials	1HFY11	1HFY10	1HFY09
Revenue	\$9.4m	\$7.1m	\$1.8m
AIFRS (loss) after tax ¹	(\$1,131,297)	(\$746,752)	(\$2,894,968)
Normalised operating loss after tax ²	\$0.2m	\$1.3m	\$2.3m
Closing share capital & reserves	\$9.9m	\$11.1m	\$9.9m
Closing NTA per share	4.6 cps	5.2 cps	6.5cps
Closing active EFPOS facilities (MIDs)	4,712	2,452	1,006
Gross value of merchant transactions	\$941.2m	\$618.9m	\$182.6m
Closing cash on hand ³	\$11.5m	\$10.0m	\$8.7m

Strategic Development

The company continues to execute against its strategic plan. Tyro Health achieved a penetration of one third of the HCN general and specialist practice franchise. HCN plans to deliver an upgrade of the Easyclaim function that will make the solution also attractive for pre-dominantly bulk billing practices.

Tyro Retail focuses on the partnership with POS software vendors to deploy broadband integrated EFTPOS into their respective franchise. MYOB launched an integrated Tyro EFTPOS solution. In the hospitality industry, two leading software vendors are working with Tyro on an integrated payment at table solution. A first online acquiring solution offering a rental payment portal to Westfield was delivered.

Board Development

Thomas Girgensohn resigned from the Board in December 2010 for personal reasons. He had joined the Tyro Board in March 2006 and has been a most significant contributor to Tyro's start-up years.

Outlook

The medium term outlook for Tyro has further improved. A part from the monthly improvements of the result, we expect in the year 2011 significant further growth from the launch of our hospitality solutions.

Please refer to the accompanying half year unaudited financial statements for the 1st half ended 31 December 2010.

Yours sincerely

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

Jost Stollmann
CEO

31 January 2011

¹ Inclusive of share based payments

² Adjusted for commission income/expense effects, Medicare subsidy, foreign exchange loss and share based payments

³ Includes minimum capital required by APRA

TYRO PAYMENTS LIMITED

ABN 49 103 575 042

INCOME STATEMENT

FOR THE HALF FISCAL YEAR ENDED 31 DECEMBER 2010

(unaudited)

	Notes	2010 \$	2009 \$	2008 \$
Revenue				
Fees and commission income		8,830,395	5,828,299	1,665,680
Fees and commissions expense	1	<u>(5,540,478)</u>	<u>(3,521,136)</u>	<u>(1,105,340)</u>
Net fees and commissions Income		3,289,917	2,307,163	560,340
Terminal and accessories sale		345,260	517,919	159,506
Terminal and accessories COGS		<u>(271,096)</u>	<u>(428,794)</u>	<u>(133,641)</u>
Net Terminal and Accessories Sale Income		74,164	89,125	25,865
Medicare Subsidy	2	-	573,012	-
Interest Income		255,491	128,679	186,978
Foreign Currency Gain	3	-	30,435	-
Net gain on financial instruments		<u>329</u>	<u>2,261</u>	<u>321</u>
Total Operating income		3,619,900	3,130,675	773,503
<i>Less: Expenses</i>				
Medicare Rollout external expenses	2	12,420	260,962	-
Engineering expenses		1,064,481	914,970	827,574
Operations expenses		1,523,843	1,375,836	1,228,164
Sales and marketing expenses		467,772	375,507	207,668
Administrative expenses		1,102,888	786,597	726,411
Bad debt and chargeback loss expense		<u>2,456</u>	<u>9,316</u>	<u>76,714</u>
Total operating expenses		<u>4,173,859</u>	<u>3,723,188</u>	<u>3,066,530</u>
Interest Expense		30,695	-	-
Foreign Currency Loss	3	241,528	-	-
Operating loss before tax expense		(826,182)	(592,513)	(2,293,027)
Share based payments expense		305,115	154,239	601,941
Net loss for the half-year		<u>(1,131,297)</u>	<u>(746,752)</u>	<u>(2,894,968)</u>
Normalised operating loss for the half year*		(243,047)	(1,286,617)	(2,293,027)

*Normalised for effect of commissions, Medicare subsidy, foreign currency and share based payments

Notes

- 1 2010: This figure has been normalised for heightened commissions paid of 329K
2009: This figure has been normalised for commissions forfeited of 351K in lieu of heightened commissions in future periods.
- 2 One-off Medicare subsidy and expenses relating to rollout
- 3 Foreign currency gains and losses relating to Mastercard collateral placed in USD

TYRO PAYMENTS LIMITED

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BALANCE SHEET

AS AT 31 DECEMBER 2010

	2010 \$	2009 \$	2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents	11,481,211	10,026,047	8,134,039
Trade and other receivables	506,363	415,075	108,798
Prepayments	99,179	75,719	73,298
Inventories	107,640	503,395	779,460
Total Current Assets	<u>12,194,393</u>	<u>11,020,237</u>	<u>9,095,594</u>
Non-current Assets			
Available-for-sale investment	127,380	117,745	129,618
Property, plant and equipment	1,410,435	1,513,728	1,356,527
Total Non-current Assets	<u>1,537,815</u>	<u>1,631,473</u>	<u>1,486,144</u>
TOTAL ASSETS	<u>13,732,207</u>	<u>12,651,710</u>	<u>10,581,738</u>
LIABILITIES			
Current Liabilities			
Trade payables and other liabilities	878,878	1,311,887	563,640
Interest bearing loan	2,500,000	-	-
Provisions	500,134	226,254	93,594
Total Current Liabilities	<u>3,879,012</u>	<u>1,538,141</u>	<u>657,234</u>
TOTAL LIABILITIES	3,879,012	1,538,141	657,234
NET ASSETS	<u>9,853,195</u>	<u>11,113,568</u>	<u>9,924,504</u>
EQUITY			
Contributed equity	30,401,219	30,395,023	26,687,479
Reserves	6,516,299	5,835,488	5,116,202
Retained earnings	(27,064,323)	(25,116,943)	(21,879,178)
TOTAL EQUITY	<u>9,853,195</u>	<u>11,113,568</u>	<u>9,924,504</u>