



**Tyro Payments Limited**

**Interim Financial Report**

For the half-year ended 31 December 2015

**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 2015.

## **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
Jost Stollmann (CEO)	Director since 5 April 2005
Mike Cannon-Brookes	Director since 10 December 2009
Rob Ferguson	Director since 14 November 2005
Catherine Harris	Director appointed 17 December 2015
Paul Rickard	Director since 28 August 2009

## **COMPANY SECRETARY**

Justin Mitchell	Company Secretary since 19 March 2007
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## **DIVIDENDS**

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

## **CORPORATE INFORMATION**

### **Corporate Structure**

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

### **Nature of operations and principal activities**

Tyro is an authorised deposit-taking institution (ADI) providing payment and EFTPOS banking solutions to Australian merchants. Tyro has implemented appropriate systems and controls to comply with the stringent prudential and regulatory requirements to perform transaction processing, clearing, settlement and EFTPOS banking activities within the Australian Payments System.

## OPERATING AND FINANCIAL REVIEW

### Operating Results for the Half-Year

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

(amounts in \$'000s)	Dec 2015	Dec 2014
Revenues	\$46,295	\$34,866
Operating income	\$21,592	\$15,600
Operating (loss)/profit before tax expense	(\$206)	\$1,667
Net income	\$267	\$1,386

Tyro had a net income of \$267k for the half-year ended 31 December 2015. Tyro continues its phase of high growth and scaling up of the banking business as part of strategy. Tyro had interest income of \$528k for the period.

### Capital Structure and Funding

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

During the period, 6,587,048 ordinary shares were issued upon exercise of options. In addition, 84,330,663 ordinary shares were issued as part of the capital raising program to fund the next stage of Tyro's growth strategy to carry on a banking business, raising \$87.4m in capital. Total Tier 1 capital held as at 31 December 2015 was \$108.4m. Tyro has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

Tyro had cash and cash equivalents of \$89,564k at the reporting date.

### Risk Management

The Board is responsible for reviewing and approving the risk management strategy, including determining Tyro's appetite for risk. The Board has delegated to the Board Risk Committee responsibility for providing recommendations to the Board, setting risk appetite, approving frameworks, policies and processes for managing risk, and determining whether to accept risks beyond Management's delegated authorities.

The Board Risk Committee monitors the alignment of Tyro's risk profile with its risk appetite, and with its current and future capital planning. The Board Risk Committee receives regular reports from Management to oversee the effectiveness of business risk management.

The CEO and Management team are responsible for implementing Tyro's 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 19 August 2015, APRA approved Tyro's application for reauthorisation to carry on a banking business, revoking its prior restrictive conditions. Tyro was granted full ADI status on that date.

On 28 October 2015, ASIC issued Tyro an Australian financial services licence, authorising Tyro to deal in and provide general financial product advice on basic deposit products and non-cash payment products to retail and wholesale clients.

On 29 October 2015, Tyro commenced the pilot program for the Tyro "Smart Account" which offers an EFTPOS banking deposit solution to merchants. The Smart Account is a result of Tyro's development of a core banking platform, and is an early feature of Tyro's fully integrated and mobile EFTPOS banking offering to Australia's EFTPOS merchants.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (cont'd)**

On 30 October 2015, Tyro was entered on the Australian Transaction Reports and Analysis Centre (AUSTRAC) Reporting Entities Roll.

By 31 December 2015, Tyro had raised \$87.4m of capital, as part of its growth strategy.

### **Significant events after reporting date**

On 22 December 2015, all existing Tyro shareholders received the opportunity to participate in a \$5.5m pro rata offer for fully paid ordinary shares. This pro rata raising closed on 15 January 2016 and raised \$2.0m in capital. The remaining \$3.5m has been accepted for subscription by TDM Asset Management Pty Ltd in accordance with the underwriting arrangements.

On 19 January 2016, after completing a successful pilot period, Tyro launched for general availability the Smart Account providing an EFTPOS banking deposit solution to EFTPOS merchants.

### **Likely developments and expected results**

The Directors expect that during the financial year, Tyro will continue to grow the business in line with its growth strategy and expand the features and products offered to EFTPOS merchants to facilitate payments and banking solutions. Tyro is accelerating investment into product development and organisational capabilities and, as a result, expects short-term operating losses over this phase.

## **SHARE OPTIONS**

### **Unissued shares**

As at the reporting date, there were 89,163,298 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.

## **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 2015 and 31 December 2014.

## **ROUNDING OF AMOUNTS**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated), under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

## 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 2015, 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*

Ernst & Young



Andrew Price  
Partner  
10 February 2016

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Note	Dec 2015 \$000	Dec 2014 \$000
<b>Continuing Operations</b>			
Fees and commission income	2	45,324	33,955
Interchange, integration and support fees expense	2	(24,356)	(18,683)
<b>Net fees and commission income</b>		<u>20,968</u>	<u>15,272</u>
Terminal and accessories sale		83	502
Terminals and accessories COGS		(347)	(583)
<b>Net terminal sales and accessories expense</b>		<u>(264)</u>	<u>(81)</u>
<b>Interest income</b>		528	408
<b>Other income</b>		360	1
<b>Total operating income</b>		<b>21,592</b>	<b>15,600</b>
<u>Less: Expenses</u>			
Employee benefits expenses	2	14,828	9,369
Administrative expenses		5,087	3,574
Depreciation		1,779	1,030
Interest and fee expenses		113	36
Impairment of inventories		8	4
Other expenses	2	15	61
<b>Total operating expenses</b>		<u>21,830</u>	<u>14,074</u>
Foreign currency gain		32	141
<b>Operating (loss)/profit before tax expense</b>		<b>(206)</b>	<b>1,667</b>
Income tax benefit/(expense)	3	473	(281)
<b>Net income for the half-year</b>		<u>267</u>	<u>1,386</u>
<b>Other Comprehensive Income</b>			
Net fair value gain on available for sale financial instrument		89	164
<b>Total comprehensive income for the period</b>		<u>356</u>	<u>1,550</u>

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

**STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2015**

	Note	Dec 2015 \$000	Jun 2015 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	89,564	9,990
Trade and other receivables	5	17,083	10,576
Prepayments		330	492
Inventories	6	973	855
<b>Total current assets</b>		<u>107,950</u>	<u>21,913</u>
<b>Non-current assets</b>			
Available-for-sale investments	7	724	596
Property, plant and equipment	8	10,651	7,673
Deferred tax assets		6,174	5,631
<b>Total non-current assets</b>		<u>17,549</u>	<u>13,900</u>
<b>TOTAL ASSETS</b>		<b>125,499</b>	<b>35,813</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Deposits	10	131	-
Trade payables and other liabilities	11	7,900	6,519
Provisions	12	1,152	1,088
<b>Total current liabilities</b>		<u>9,183</u>	<u>7,607</u>
<b>Non-current liabilities</b>			
Provisions	13	491	418
<b>Total Non-current liabilities</b>		<u>491</u>	<u>418</u>
<b>TOTAL LIABILITIES</b>		<b>9,674</b>	<b>8,025</b>
<b>NET ASSETS</b>		<u><b>115,825</b></u>	<u><b>27,788</b></u>
<b>EQUITY</b>			
Contributed equity	14	121,499	34,013
Reserves	14	9,083	8,707
Accumulated losses		(14,757)	(14,932)
<b>TOTAL EQUITY</b>		<u><b>115,825</b></u>	<u><b>27,788</b></u>

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

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Note	Dec 2015 \$000	Dec 2014 \$000
<b>Cash flows from operating activities</b>			
Interest, fee and rental income received		38,956	34,447
Payments to suppliers and employees		(41,931)	(28,311)
Cash inflow from retail deposits		131	-
Receipts from Terminals & accessories sale		83	502
Dividend income received		2	1
<b>Net cash flows from operating activities</b>		<b>(2,759)</b>	<b>6,639</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(4,763)	(3,025)
<b>Net cash flows from investing activities</b>		<b>(4,763)</b>	<b>(3,025)</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options		51	80
Proceeds from fund raising, net of related costs		87,013	-
<b>Net cash flows from financing activities</b>		<b>87,064</b>	<b>80</b>
Net increase in cash and cash equivalents		79,542	3,694
Net foreign exchange gain		32	141
Cash and cash equivalents at beginning of half-year		9,990	9,011
<b>Cash and cash equivalents at end of half-year</b>	4	<b>89,564</b>	<b>12,846</b>

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 2015**

**Attributable to equity holders of Tyro Payments Limited**

	Note	Contributed Equity \$000	Available For Sale Revaluation Reserve \$000	Employee Equity Benefits Reserve \$000	Accumulated Losses \$000	Option Premium Reserve \$000	General Reserve for Credit Losses \$000	Total \$000
<b>At 30 June 2014</b>		33,912	210	6,983	(15,714)	480	368	26,239
Half-year result		-	-	-	1,386	-	-	1,386
Other comprehensive income		-	164	-	-	-	-	164
Total comprehensive income		-	164	-	1,386	-	-	1,550
Issue of share capital		20	-	-	-	60	-	80
Share-based payments		-	-	244	-	-	-	244
Transfer to general reserve for credit losses		-	-	-	(19)	-	19	-
<b>At 31 December 2014</b>		<b>33,932</b>	<b>374</b>	<b>7,227</b>	<b>(14,347)</b>	<b>540</b>	<b>387</b>	<b>28,113</b>
<b>At 30 June 2015</b>		34,013	360	7,470	(14,932)	480	397	27,788
Half-year result		-	-	-	267	-	-	267
Other Comprehensive income		-	89	-	-	-	-	89
Total comprehensive income		-	89	-	267	-	-	356
Issue of share capital <sup>1</sup>		87,486	-	-	-	-	-	87,486
Share-based payments		-	-	508	-	(313)	-	195
Transfer to general reserve for credit losses		-	-	-	(92)	-	92	-
<b>At 31 December 2015</b>	14	<b>121,499</b>	<b>449</b>	<b>7,978</b>	<b>(14,757)</b>	<b>167</b>	<b>489</b>	<b>115,825</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 1. STATEMENT OF ACCOUNTING POLICIES

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

The financial report of Tyro Payments Limited (the **Company**) was authorised for issue in accordance with a resolution of the Directors on 10 February 2016.

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

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

#### (a) Basis of preparation

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

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the financial report of Tyro Payments Limited for the financial year ended 30 June 2015.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars, under the option available to the Company under ASIC Class Order No. 98/100, unless otherwise stated.

#### (b) Statement of compliance

The interim financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) and Interpretations. It has been prepared on the basis of accounting policies consistent with those applied in the 30 June 2015 annual financial report, which was prepared in accordance with Australian Accounting Standards and IFRS.

#### (c) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2015, apart from the treatment of deposits from the new Tyro Smart Account, which previously did not exist and since inception is recognised as follows:

##### Deposits from Customers

Deposits from customers are initially recognised at fair value. Subsequent to initial recognition, these liabilities are measured at amortised cost. Interest expense on deposits is recognised on an accruals basis in the Statement of Comprehensive Income using a method that approximates the effective interest method.

#### (d) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, Management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management. Actual results may differ from judgements, estimates and assumptions. Apart from the share-based payment assumptions, which have been updated in December 2015 as part of Management's continual review, the significant judgements, estimates and assumptions made by Management in the preparation of the interim financial statements, including the key sources of estimation uncertainty are the same as those applied in the Company's financial report for the year ended 30 June 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(e) Significant events and transactions during the period

On 19 August 2015, APRA approved Tyro's application for reauthorisation to carry on a banking business, revoking its prior restrictive conditions. Tyro was granted full ADI status on that date.

On 28 October 2015, ASIC issued Tyro an Australian financial services licence, authorising Tyro to deal in and provide general financial product advice on basic deposit products and non-cash payment products to retail and wholesale clients.

On 29 October 2015, Tyro commenced the pilot program for the Tyro "Smart Account" which offers an EFTPOS banking deposit solution to merchants. The Smart Account is a result of Tyro's development of a core banking platform, and is an early feature of Tyro's fully integrated and mobile EFTPOS banking offering to Australia's EFTPOS merchants.

On 30 October 2015, Tyro was entered on the Australian Transaction Reports and Analysis Centre (AUSTRAC) Reporting Entities Roll.

By 31 December 2015, Tyro had raised \$87.4m of capital, as part of its growth strategy.

2. REVENUE AND EXPENSES

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

	Dec 2015	Dec 2014
	\$000	\$000
<b>Fees and commission income</b>		
Merchant service fee	38,899	29,124
Terminal rental income	3,443	2,345
Other fee income	2,982	2,486
	45,324	33,955
<b>Interchange, integration and support fees expense</b>		
Interchange and scheme fees	21,021	16,015
Other settlement fees and expenses	446	373
Integration and support fee expense	2,889	2,295
	24,356	18,683
<b>Employee benefits expense</b>		
Wages, salaries and bonuses	12,992	8,178
Superannuation	1,205	779
Share based payments expense	508	244
Other employee benefits expense	123	168
	14,828	9,369
<b>Other expenses</b>		
Bad debt and credit loss expense	9	42
Loss on disposal of property, plant and equipment	6	3
Other write-offs	-	16
	15	61

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

**3. INCOME TAX**

Reconciliation of income tax expense and to prima facie tax:

	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$000</b>	<b>\$000</b>
Operating (loss)/profit before tax	(206)	1,667
At the statutory income tax rate of 30%	(62)	500
Research and development incentive	(580)	(300)
Share based payment remuneration	152	73
Entertainment	17	8
Total income tax (benefit)/expense	<u>(473)</u>	<u>281</u>

**4. CASH AND CASH EQUIVALENTS**

	<b>Dec 2015</b>	<b>Jun 2015</b>
	<b>\$000</b>	<b>\$000</b>
Deposits at call	7,699	9,990
Short term deposits	<u>81,865</u>	<u>-</u>
	<u>89,564</u>	<u>9,990</u>

Deposits at call include cash at banks and cash held in the Exchange Settlement Account with the Reserve Bank of Australia.

**5. TRADE AND OTHER RECEIVABLES**

	<b>Dec 2015</b>	<b>Jun 2015</b>
	<b>\$000</b>	<b>\$000</b>
Scheme and other trade receivables	9,844	3,688
Term deposits held as collateral	6,884	6,794
Interest receivable	288	85
Other receivables	<u>67</u>	<u>9</u>
	<u>17,083</u>	<u>10,576</u>

Refer to Note 16 for details of term deposits held as collateral.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

**6. INVENTORIES**

	Dec 2015 \$000	Jun 2015 \$000
Terminals and accessories	<u>973</u>	<u>855</u>

**7. AVAILABLE-FOR-SALE INVESTMENTS**

	Dec 2015 \$000	Jun 2015 \$000
Investment in VISA shares	<u>724</u>	<u>596</u>

These investments were acquired following the demutualisation of VISA International, as a result of which listed VISA shares were issued to members of the VISA network. All VISA shares were listed on the New York Stock Exchange (NYSE) on 26th March 2008 with VISA's certificate of incorporation providing for the mandatory buyback of up to 80% of the common stock allocated to VISA members out of IPO proceeds as soon as possible after listing.

**8. PROPERTY, PLANT AND EQUIPMENT**

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

	EFTPOS Terminals \$000	Furniture and Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000
<b>Half-Year ended 31 December 2015</b>					
At 30 June 2015 net of accumulated depreciation and impairment	5,031	679	957	1,006	7,673
Additions/transfers	2,236	126	866	1,535	4,763
Disposals/transfers	(6)	-	-	-	(6)
Depreciation for the half-year	<u>(1,395)</u>	<u>(89)</u>	<u>(222)</u>	<u>(73)</u>	<u>(1,779)</u>
At 31 December 2015 net of accumulated depreciation and impairment	<u>5,866</u>	<u>716</u>	<u>1,601</u>	<u>2,468</u>	<u>10,651</u>
<b>At 30 June 2015</b>					
Cost or fair value	11,560	919	2,390	1,096	15,965
Accumulated depreciation and impairment	<u>(6,529)</u>	<u>(240)</u>	<u>(1,433)</u>	<u>(90)</u>	<u>(8,292)</u>
Net carrying amount	<u>5,031</u>	<u>679</u>	<u>957</u>	<u>1,006</u>	<u>7,673</u>
<b>At 31 December 2015</b>					
Cost or fair value	13,781	1,045	3,256	2,631	20,713
Accumulated depreciation and impairment	<u>(7,915)</u>	<u>(329)</u>	<u>(1,655)</u>	<u>(163)</u>	<u>(10,062)</u>
Net carrying amount	<u>5,866</u>	<u>716</u>	<u>1,601</u>	<u>2,468</u>	<u>10,651</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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

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
<b>Half-Year ended 30 June 2015</b>					
At 31 December 2014 net of accumulated depreciation and impairment	4,124	314	578	-	5,016
Additions/transfers	2,041	434	538	1,096	4,109
Disposals/transfers	(92)	-	-	-	(92)
Depreciation for the half-year	<u>(1,042)</u>	<u>(69)</u>	<u>(159)</u>	<u>(90)</u>	<u>(1,360)</u>
At 30 June 2015 net of accumulated depreciation and impairment	<u>5,031</u>	<u>679</u>	<u>957</u>	<u>1,006</u>	<u>7,673</u>
<b>At 31 December 2014</b>					
Cost or fair value	9,611	485	1,852	-	11,948
Accumulated depreciation and impairment	<u>(5,487)</u>	<u>(171)</u>	<u>(1,274)</u>	<u>-</u>	<u>(6,932)</u>
Net carrying amount	<u>4,124</u>	<u>314</u>	<u>578</u>	<u>-</u>	<u>5,016</u>
<b>At 30 June 2015</b>					
Cost or fair value	11,560	919	2,390	1,096	15,965
Accumulated depreciation and impairment	<u>(6,529)</u>	<u>(240)</u>	<u>(1,433)</u>	<u>(90)</u>	<u>(8,292)</u>
Net carrying amount	<u>5,031</u>	<u>679</u>	<u>957</u>	<u>1,006</u>	<u>7,673</u>

9. SHARE-BASED PAYMENTS

In October 2015, 9,138,435 share options were granted to employees under the Employee Share Option Plan at an exercise price of \$0.60. The fair value of the options granted is estimated using the Black Scholes option valuation model, taking into account a number of factors including the terms and conditions upon which the options were granted. Share based payments expense for the half-year ended 31 December 2015 was \$508k.

10. DEPOSITS

	Dec 2015 \$000	Jun 2015 \$000
Deposits at call	<u>131</u>	<u>-</u>
	<u>131</u>	<u>-</u>

11. TRADE PAYABLES AND OTHER LIABILITIES

	Dec 2015 \$000	Jun 2015 \$000
Accounts payable	2,108	1,963
Deferred rent incentive	1,365	1,265
Accruals – staff related costs and other	2,855	2,119
Other liabilities	<u>1,572</u>	<u>1,172</u>
	<u>7,900</u>	<u>6,519</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

**12. PROVISIONS**

	<b>Dec 2015</b>	<b>Jun 2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Annual leave provision</b>		
Balance at the beginning of the half-year	850	504
Provided for during the half-year	172	417
Leave taken during the half-year	<u>(92)</u>	<u>(71)</u>
Balance at the end of the half-year	<u>930</u>	<u>850</u>
<b>Long service leave liability</b>		
Balance at the beginning of the half-year	231	85
(Released)/provided for during the half-year	<u>(9)</u>	<u>146</u>
Balance at the end of the half-year	<u>222</u>	<u>231</u>
<b>Provision for credit losses</b>		
Balance at the beginning of the half-year	7	30
Released during the half-year	<u>(7)</u>	<u>(23)</u>
Balance at the end of the half-year	<u>-</u>	<u>7</u>
<b>Total provisions – current liabilities</b>	<u><b>1,152</b></u>	<u><b>1,088</b></u>

**13. NON-CURRENT LIABILITIES**

<b>Provisions:</b>	<b>Dec 2015</b>	<b>Jun 2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>Annual leave liability</b>		
Balance at the beginning of the half-year	103	105
Provided for during the half-year	31	7
Leave taken during the half-year	<u>(12)</u>	<u>(9)</u>
Balance at the end of the half-year	<u>122</u>	<u>103</u>
<b>Long service leave liability</b>		
Balance at the beginning of the half-year	290	319
Provided for/(released) during the half-year	<u>33</u>	<u>(29)</u>
Balance at the end of the half-year	<u>323</u>	<u>290</u>
<b>Make good provision</b>		
Balance at the beginning of the half-year	25	-
Provided for during the half-year	<u>21</u>	<u>25</u>
Balance at the end of the half-year	<u>46</u>	<u>25</u>
<b>Total provisions – non-current liabilities</b>	<u><b>491</b></u>	<u><b>418</b></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

14. CONTRIBUTED EQUITY AND RESERVES

	Dec 2015 Number of Shares	Dec 2015 \$000	Jun 2015 \$000
Ordinary shares issued and fully paid	<u>371,017,292</u>	<u>121,499</u>	<u>34,013</u>

The Company raised \$87.8m from issuing ordinary shares in the half-year ended 31 December 2015 and incurred \$253k (net of tax) of directly related costs attributable to the capital raising, which has been netted-off against the equity raised. Shares issued at \$1.0361 relate to the capital raising of \$87.4m in November and December 2015. \$51k was received from the exercise of options during the half-year period.

**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 2015 \$000	Jun 2015 \$000
<i>Share-based payments reserve:</i>		
Balance at the beginning of the half-year	7,470	6,983
Share-based payments expensed	<u>508</u>	<u>487</u>
Balance at the end of the half-year	<u>7,978</u>	<u>7,470</u>

**Nature and purpose of reserve**

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 2015 \$000	Jun 2015 \$000
<i>Other Reserves:</i>		
<u>Balance at the end of the half-year:</u>		
AFS revaluation reserve	449	360
Option premium reserve	167	480
General reserve for credit losses	<u>489</u>	<u>397</u>
Total other reserves	<u>1,105</u>	<u>1,237</u>
<b>Total reserves</b>	<u><b>9,083</b></u>	<u><b>8,707</b></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

15. FAIR VALUES

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

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

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

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

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

31 December 2015 (\$000)				
Financial Asset	Level 1	Level 2	Level 3	Total
Available for sale assets	724	-	-	724

  

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

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. Tyro does not own any financial instruments not quoted in active markets.

Transfer between categories

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

16. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

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

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

	Dec 2015 \$000	Jun 2015 \$000
<b>Contingent liabilities – secured</b>		
<i>(i) Irrevocable standby letters of credit in favour of:</i>		
MasterCard International	3,180	3,093
Visa International	60	60
UnionPay International	68	65
<i>(ii) Bank Guarantee in favour of:</i>		
UIR Australia Pty Limited, the current lessor of 155 Clarence Street, Sydney (up to November 2015, St Hilliers Pty Limited was the lessor)	3,576	3,576
	<u>6,884</u>	<u>6,794</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**16. COMMITMENTS AND CONTINGENCIES (cont'd)**

The Company has provided an irrevocable standby letter of credit of \$3.3m (in June 2015: \$3.2m) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to MasterCard International, Visa International and Union Pay International. These are one-year arrangements that are subject to automatic renewal on a yearly basis. MasterCard International and Visa International, at their discretion, may increase the required amounts of the standby letters of credit upon written request to the Company. The required amounts of the standby letters of credit are dependent on MasterCard International's and Visa International's view of their risk exposure to the Company.

A bank guarantee is held with the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents 9 month's rent and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

**17. LEASES**

**(a) Operating lease commitments - Company as lessor**

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

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

Type of Terminals	Cost (\$000)	Depreciation Expense (\$000)	Net Carrying Value (\$000)
Xenta & Xentissimo	5,063	4,865	198
Yomani, Yomani XR and Yoximo 3G	8,503	2,835	5,668
Accessories	215	215	-
	<u>13,781</u>	<u>7,915</u>	<u>5,866</u>

**(b) Operating lease commitments - Company as lessee**

Future minimum rentals payable under the non-cancellable operating leases as at 31 December 2015 are as follows:

	Dec 2015 \$000	Dec 2014 \$000
Within one year	3,557	2,018
After one year but not more than five years	16,476	9,736
More than five years	4,865	5,779
	<u>24,898</u>	<u>17,533</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%.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**18. SEGMENT REPORTING**

The Company operates in one geographical segment being Australia and within one business segment being the provision of credit and debit card acquiring services, and EFTPOS banking deposit solutions to EFTPOS merchants.

**19. RELATED PARTY DISCLOSURES**

**(a) Compensation of Key Management Personnel**

	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$000</b>	<b>\$000</b>
Short-term benefits	1,160	1,003
Post-employment benefits (superannuation)	123	122
Share-based payments	79	80
Total	<u>1,362</u>	<u>1,205</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.

<b>Related Party</b>	<b>Dec 2015</b>	<b>Dec 2014</b>
	<b>\$000</b>	<b>\$000</b>
Health Communications Network                      Integration and support fees paid	<u>951</u>	<u>964</u>

Rob Ferguson, a Director of Tyro Payments is also the Non-Executive Chairman of Primary Health Care Limited. Health Communications Network is a subsidiary of Primary Health Care Limited.

**(c) Loans with related parties**

In October 2015, the Company entered into on a loan facility of \$4.6m with 7 lenders, all of whom are either Directors and/or shareholders of the Company. The draw down was for the purposes of funding operational liquidity requirements. This loan facility was both drawn upon and repaid in full in November 2015. Consideration paid for the loan facility consisted of interest and fee expenses totalling \$113k.

**20. MATTERS SUBSEQUENT TO END OF THE PERIOD ENDED 31 DECEMBER 2015**

On 22 December 2015, all existing Tyro shareholders received the opportunity to participate in a \$5.5m pro rata offer for fully paid ordinary shares. This Pro Rata Raising closed on 15 January 2016 and raised \$2.0m in capital. The remaining \$3.5m has been accepted for subscription by TDM Asset Management Pty Ltd in accordance with the underwriting arrangements.

On 19 January 2016, after completing a successful pilot period, Tyro launched for general availability the Smart Account providing an EFTPOS banking deposit solution to EFTPOS merchants.

No matter or circumstance other than those already disclosed in the financial report, has arisen subsequent to 31 December 2015 that has affected or may significantly affect:

- (a) the Company's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

## DIRECTORS' DECLARATION

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

(1) In the opinion of the Directors:

- a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - I. giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the 6 months period ended on that date; and
  - II. complying with Accounting Standards AASB 134 Interim Financial Reporting 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



Kerry Roxburgh  
Chairman



Jost Stollmann  
Director and CEO

Sydney, 10 February 2016

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

## Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Tyro, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the interim period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' Responsibility for the Interim Financial Report

The directors of the disclosing entity are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2015 and its performance for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tyro, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

## Conclusion

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

- i giving a true and fair view of the disclosing entity's financial position as at 31 December 2015 and of its performance for the interim period ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Andrew Price  
Partner  
Sydney  
10 February 2016

## **Corporate Information**

### **Directors**

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

### **Company Secretary**

Justin Mitchell

### **Registered Office**

Level 1  
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### **Solicitors**

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(08) 8228 1111

### **Auditors**

EY  
680 George Street  
Sydney NSW 2000  
(02) 9248 5555

### **Website**

[www.tyro.com](http://www.tyro.com)