

ASX Release

FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019 – APPENDIX 4D INCORPORATING THE INTERIM FINANCIAL REPORT

Sydney, 20 February 2020, Tyro Payments Limited (**Tyro**) today released its Appendix 4D – Half-Year Report incorporating the Interim Financial Report and the Directors' Report for the half-year ended 31 December 2019, for immediate release to the market.

Tyro will conduct an investor/analyst briefing on the half-year results from 9.30am AEDT with all investors and analysts being able to participate by registering through the following link.

<https://s1.c-conf.com/diamondpass/10003982-invite.html>

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Pursuant to Listing Rule 15.5, Tyro confirms this document has been authorised for release to the market by its Board

About Tyro

Tyro is a technology-focused and values-driven company providing Australian businesses with payment solutions and value-adding business banking products. The company provides simple, flexible and reliable payment solutions as a merchant acquirer, along with complementary business banking products.

For the more than 32,000 Australian merchants who chose to partner with Tyro in the first half of FY20, the company processed more than \$11.1 billion in transaction value. In H1 FY20 the company generated \$117.3 million in revenue, originated \$37.4 million in loans and held merchant deposits totaling \$39.7 million.

Tyro is Australia's fifth largest merchant acquiring bank by number of terminals in the market, behind the four major banks.

The business was founded in 2003 with a goal of being the most efficient acquirer of electronic payments in Australia. Tyro has a track record of innovation, creating purpose-built solutions and being first to market. This approach saw the company become the first technology company to receive an Australian specialist credit card institution licence in 2005. In 2015 that licence was replaced by the award of an Australian banking licence, making Tyro the first new domestic banking licensee in over a decade.

Payments are at the core of Tyro's business, using its proprietary core technology platform to enable credit and debit card acquiring. This offering is enhanced by features purpose-designed for those merchants who choose to partner with the company, including Point of Sale systems integrations, least-cost routing (Tap & Save) and alternative payment types such as integrated Alipay. While traditionally focused on in-store payments, Tyro has recently expanded into eCommerce.

Further, Tyro provides value-adding solutions to its partners, such as loans in the form of merchant cash advances and fee-free, interest-bearing merchant transaction accounts.

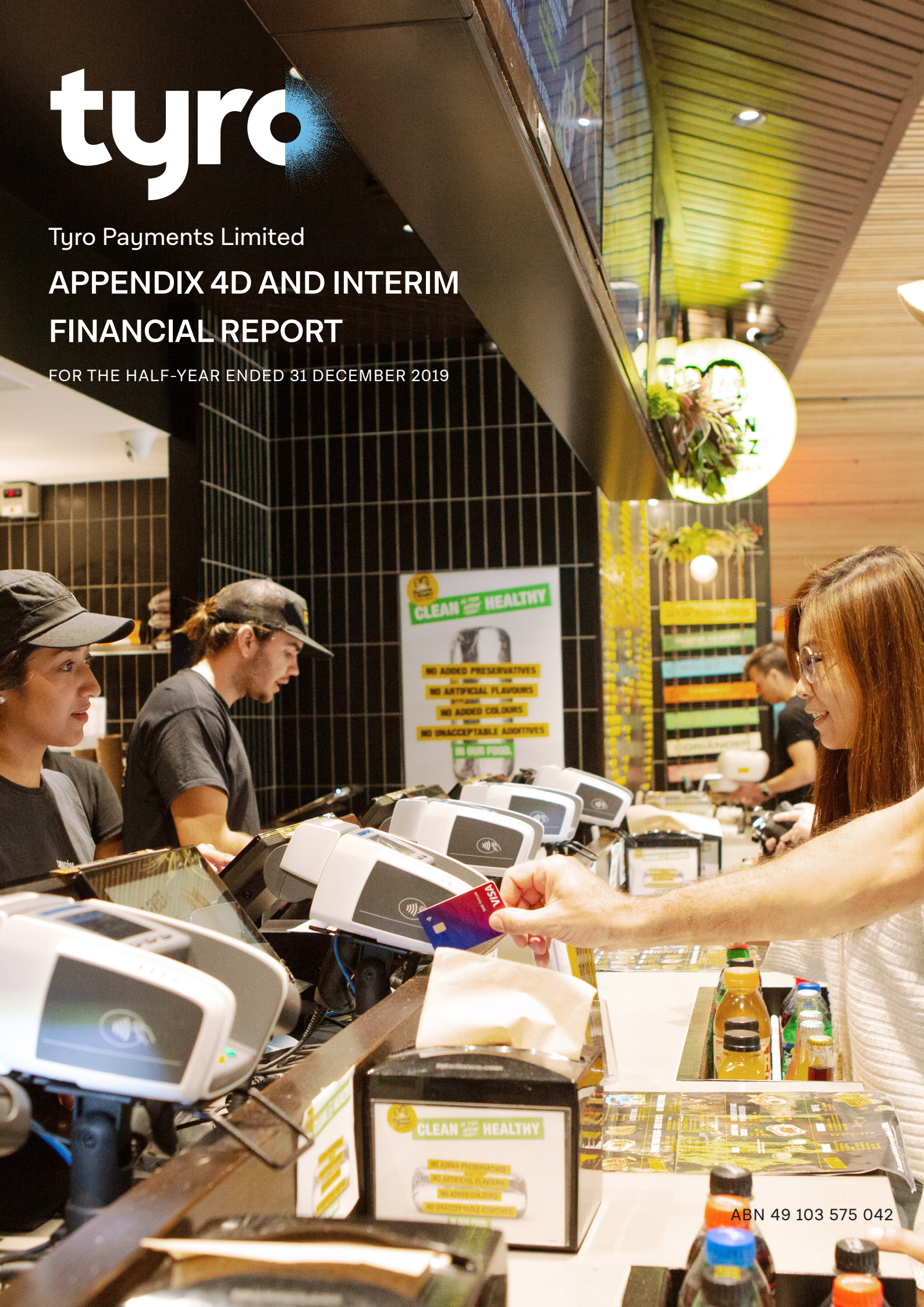
Tyro has a team of more than 480 people, approximately half of whom are in technology roles.



Tyro Payments Limited

APPENDIX 4D AND INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019



ABN 49 103 575 042



APPENDIX 4D (Listing rule 4.2A.3)

HALF-YEAR REPORT

NAME OF ENTITY	TYRO PAYMENTS LIMITED
ABN	49 103 575 042
REPORTING PERIOD	FOR THE HALF-YEAR ENDED DECEMBER 2019
PREVIOUS PERIOD	FOR THE HALF-YEAR ENDED DECEMBER 2018

Results for announcement to the market

KEY INFORMATION	HALF-YEAR ENDED 31 DECEMBER					
				2019		2018
		%		\$'000		\$'000
Transaction value ¹	▲	29.7%	to	11,064,972	from	8,534,297
Revenue from ordinary activities	▲	28.4%	to	117,289	from	91,355
Gross profit	▲	21.3%	to	50,289	from	41,461
EBITDA ²	▲	149.5%	to	1,499	from	(3,026)
Loss before tax (pro forma ³)	▲	22.1%	to	(9,031)	from	(7,396)
Loss before tax (statutory)	▲	151.9%	to	(19,246)	from	(7,639)
Loss after tax attributable to the ordinary equity holders of Tyro Payments Limited	▲	151.0%	to	(19,246)	from	(7,667)

Dividends

No dividends were declared or paid and are not proposed to be paid in respect of the half-year ended 31 December 2019.

Net tangible asset backing

	31 December 2019	31 December 2018
	\$	\$
Net tangible assets per share	\$0.40	\$0.22

The increase in net tangible assets per share relates to the increase in cash and cash equivalents and financial investments due to the cash raised from the IPO in December 2019.

¹ Transaction value is a non-IFRS financial measure and is unaudited. Transaction value represents the total value of merchant sales that are processed through the Tyro payments platform and does not represent revenue in accordance with Australian Accounting Standards.

² Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense and expenses associated with the IPO.

³ Pro forma net loss before tax excludes expenses associated with the IPO including the share based payments expense relating to Liquidity Event Performance Rights that vested as a result of the IPO.

APPENDIX 4D (Listing rule 4.2A.3)

HALF-YEAR REPORT (continued)

Controlled entities acquired or disposed of

Nil.

Supplementary Information

The previous corresponding period is the half-year ended 31 December 2018.

For additional disclosure in compliance with Listing Rule 4.2A.3, refer to the accompanying Interim Financial Report (which includes the Directors' Report) for the half-year ended 31 December 2019 and ASX Media Release.

Basis of Preparation

The interim financial report for the half-year period ended 31 December 2019:

- is for the entity consisting of Tyro Payments Limited;
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations Instrument 2016/191;
- has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- has been prepared on a going concern basis; and
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Tyro Payments Limited Annual Report for the year ended 30 June 2019 and any public announcements made by Tyro Payments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 2019, with the exception of changes in accounting policies required following the adoption of new accounting standards on 1 July 2019 relating to AASB 16 *Leases* which is effective for the Company from 1 July 2019 as detailed in Note 1(c) of this interim financial report.

INTERIM FINANCIAL REPORT

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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 2019.

Directors

The following persons were directors of the Company during the half-year and up to the date of this report unless otherwise noted:

David Thodey AO (Chairman)	Appointed as Chairman 15 October 2019, Non-Executive Director
Kerry Roxburgh AO	Retired as Chairman and Non-Executive Director on 15 October 2019
Robbie Cooke	Appointed as Managing Director on 18 October 2019, CEO since 23 March 2018
Hamish Corlett	Non-Executive Director
David Fite	Non-Executive Director
Catherine Harris AO PSM	Non-Executive Director
Fiona Pak-Poy	Non-Executive Director (Appointed 4 September 2019)
Paul Rickard	Non-Executive Director

Retirement of Director

Kerry Roxburgh retired as Non-Executive Director and Chairman of the Tyro Board, effective 15 October 2019. As part of the Tyro Board's ongoing renewal and succession process, David Thodey became Tyro's Chairman on 15 October 2019.

Appointment of new Director

Fiona Pak-Poy was appointed to the Tyro Board as a Non-Executive Director on 4 September 2019.

Fiona is a current director of ASX Listed iSentia Group Limited. She is a Non-Executive Director of Novotech Aus Holdco Pty Ltd and the Sydney School of Entrepreneurship.

Fiona has over 25 years' experience in a variety of industries, for companies ranging from startups to large public companies and not-for-profits. She has served on various boards, including MYOB, StatePlus, and the commercialisation office of The University of Adelaide, Adelaide Research and Innovation. She was a strategy consultant for the Boston Consulting Group in the US and Australia, and was also a partner in an Australian venture capital fund focused on technology startups.

Changes to Board Committees

Following Fiona Pak-Poy's appointment as a Non-Executive Director on 4 September 2019 and Kerry Roxburgh's retirement on 15 October 2019, numerous changes were made to the Board Committees. These changes are summarised as follows:

	Audit Committee	Risk Committee	Nomination and Remuneration Committee
David Thodey	-	Resigned as member 4 September 2019	Appointed as member 4 September 2019
Kerry Roxburgh	-	Resigned as member 15 October 2019	Resigned as member 15 October 2019
Hamish Corlett	Appointed as member 4 September 2019	-	Appointed as member 4 September 2019
David Fite	Resigned as member 4 September 2019	Appointed as member 4 September 2019	-
Catherine Harris	Resigned as member 4 September 2019	-	Chairman since December 2017
Fiona Pak-Poy	Appointed as member 4 September 2019	Appointed as member 4 September 2019	-
Paul Rickard	No change in period	No change in period	Resigned as member 4 September 2019

Directors' Report (continued)

Principal Activities

Tyro is a technology-focused and values-driven company providing Australian businesses with payment solutions and complementary business banking products.

As an Australian bank, Tyro 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.

Review of Operations

	31 Dec 2019	31 Dec 2018		Growth
	\$'000	\$'000		%
Transaction value ¹	11,064,972	8,534,297	▲	29.7%
Payments revenue and income	113,604	88,123	▲	28.9%
Lending income	2,570	1,505	▲	70.8%
Investment income	774	1,250	▼	38.1%
Other revenue and income	341	477	▼	28.5%
Revenue	117,289	91,355	▲	28.4%
Payments direct expenses	(66,779)	(49,795)	▲	34.1%
Interest expense on deposits	(221)	(99)	▲	123.2%
Total direct expenses	(67,000)	(49,894)	▲	34.3%
Gross profit	50,289	41,461	▲	21.3%
Operating expenses (excl. share-based payments and IPO expenses)	(48,791)	(44,487)	▲	9.7%
EBITDA²	1,499	(3,026)	▲	149.5%

Discrepancies between totals and sums and components in tables are due to rounding

¹ Transaction value is a non-IFRS financial measure and is unaudited. Transaction value represents the total value of merchant sales that are processed through the Tyro payments platform and does not represent revenue in accordance with Australian Accounting Standards.

² Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense and expenses associated with the IPO.

Company Performance

For the half year ended 31 December 2019, Revenue was \$117.3 million, up 28.4% on the prior comparable period (pcp) driven principally by strong growth in transaction value which was up 29.7% and growth in the number of merchants. There were 32,450 Tyro merchants as at 31 December 2019, up 23.1% from 26,351 in the pcp. The growth in transaction value and merchant numbers resulted in revenue from the payments business of \$113.6 million up 28.9% on the pcp.

Revenue from our Tyro banking business was up an impressive 70.8%. This was driven by an 81.9% increase in total loan originations from our merchant cash advance offering. Loan originations for the period came in at \$37.4 million compared to \$20.6 million in the pcp. We also experienced an increase in the repeat rate of loans provided to existing merchants with 67% of merchants taking out subsequent loans.

The decrease in investment income of 38.1% at \$0.8 million from \$1.3 million is due to the redemption of high yield investments at the start of the period and a lower cash rate in Australia.

Tyro generated EBITDA (excluding share based payments and IPO costs) of \$1.5 million, a proforma loss of \$9.0 million (before costs associated with the IPO) and a statutory loss for the period of \$19.2 million as the business continues to invest in growing its existing core verticals and driving expansion into eCommerce and other payment types. This increased investment into growth resulted in employee costs increasing 16.6%, and marketing expenses increasing 47.3% compensated by a decrease in contractor and consulting costs of 37.1%.

Directors' Report (continued)

Payments Business

Our payments business processed \$11.1 billion in transactions on behalf of our merchants, a lift of 29.7% on the pcg (H1 FY19: \$8.5 billion) – with our growth outpacing our 5-year compound annual growth rate (CAGR) of 26.9%. We achieved an all-time record in monthly transaction values in December 2019 with \$2.2 billion being processed in that month alone. Pleasingly, even with these volume increases, our ongoing transaction reliability to our merchants remained above 99.99% average availability for our core acquiring platform.

We added 6,099 net new merchants to our payments business, taking the total number of merchants trusting Tyro with their payments requirements to more than 32,400 – a 23.1% increase on H1 FY19.

These factors combined to drive a very strong revenue outcome from our payments operation of \$113.6 million, up 28.9% (H1 FY19: \$88.1 million).

Gross profit of \$46.8 million from our payments business was up 22.2% (H1 FY19: \$38.3 million) with interchange and scheme fees associated with merchant acquiring increasing by 34.2% on the pcg.

Banking Business

Our merchant cash advance in the form of a loans product continues to display a strong growth profile and is achieving strong repeat usage from existing merchants. Loan originations of \$37.4 million were achieved for the period, up 81.9% from H1 FY19 (\$20.6 million). This strong growth in originations has seen lending income from the merchant cash advance product growing 70.8% in H1 FY20. At 31 December 2019, loans of \$18.0 million were carried on the balance sheet compared to \$10.4 million in the pcg, an increase in the loan balance of 73.4%.

Similarly, strong growth has been achieved by our Tyro Bank Account. This fee-free and interest paying business transaction deposit account achieved strong momentum with more than 3,100 active accounts in existence at 31 December 2019, representing an 80.3% increase on the pcg (H1 FY19: 1,734 active accounts).

We also introduced our first term deposit product in December 2019. Although this product is still in pilot phase, the initial signs are encouraging with 8 accounts registered. Post a successful pilot, we intend to rollout this new product into general release in the second half of FY20.

The strong performance of these three banking products saw our revenue from the Banking business grow by 70.8% in the period to \$2.6 million from \$1.5 million in the pcg.

Gross profit of \$2.3 million from our banking business was up 67.1% (H1 FY19: \$1.4 million) reflecting the increased interest generated from our loan product, increased interest expense on our business deposit accounts and the introduction of our term deposit.

Financial Position

At 31 December 2019, Tyro had:

- total assets of \$276.8 million of which 51% related to cash and cash equivalents and deposits, with the remainder relating primarily to receivables from card schemes, property, plant and equipment and deferred tax assets; and
- total liabilities of \$75.0 million of which 53% related to the merchant bank account deposits, with the remainder relating to trade and other liabilities, lease liabilities and provisions.

Tyro's total assets exceed our total liabilities by \$201.8 million. This is principally due to significant cash funds available to fund future growth.

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 \$106.9 million at the end of the reporting period.

Total Tier 1 Capital held as at 31 December 2019 was \$177.3 million. The Company has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

Directors' Report (continued)

Risk Management

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

Events occurring after balance sheet date

In the opinion of the Directors, there are no matters or circumstances which have arisen between 31 December 2019 and the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations and the state of affairs of the Company in subsequent financial periods.


Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9 for the half year ended 31 December 2019.

This report is made in accordance with a resolution of the Directors.



David Thodey
Chairman



Robbie Cooke
Managing Director and CEO

Sydney
20 February 2020

Auditor's Independence Declaration



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

As lead auditor for the review of the half-year financial report of Tyro Payments Limited for the half-year ended 31 December 2019, 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Michael Byrne'.

Michael Byrne
Partner
20 February 2020

Statement of Comprehensive Income

for the Half-Year ended 31 December 2019

	NOTE	DEC 2019 ¹ \$000	DEC 2018 \$000
Fees and commission income	2	113,034	87,690
Interest income on loans		2,336	1,240
Fair value gain on loans		234	265
Interest income on cash and deposits		443	676
Interest income on assets – at FVOCI		331	574
Sale of terminal accessories		570	433
Other revenue and income		341	477
Revenue		117,289	91,355
Interchange, integration and support fees expense	2	(66,281)	(49,393)
Interest expense on deposits		(221)	(99)
Terminal accessories		(498)	(402)
Total direct expenses		(67,000)	(49,894)
Gross profit		50,289	41,461
Employee benefits expense (excl. share-based payments)	2	(34,364)	(29,465)
Share-based payments expense		(5,254)	(792)
Administrative expenses	2	(8,208)	(8,407)
Contractor and consulting expenses		(2,827)	(4,497)
Marketing expenses		(2,694)	(1,829)
Depreciation and amortisation		(6,175)	(3,821)
Lending and non-lending losses	2	(698)	(289)
Net lease interest expense		(305)	-
Initial Public Offering (IPO) expenses ²		(9,010)	-
Total operating expenses		(69,535)	(49,100)
Loss before tax expense		(19,246)	(7,639)
Income tax expense	4	-	(28)
Loss for the period		(19,246)	(7,667)
Other comprehensive loss			
FVOCI reserve – revaluation loss, net of tax		(96)	(66)
Total comprehensive loss for the period		(19,342)	(7,733)
EARNINGS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF TYRO PAYMENTS LIMITED			
		CENTS	CENTS
Basic earnings per share	16	(4.29)	(1.75)
Diluted earnings per share	16	(4.29)	(1.75)

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

¹ The December 2019 half-year results reflect the adoption of AASB 16 Leases (AASB 16). The Company has not restated prior periods as permitted by AASB 16. Refer to Note 1 for details on the impact of initial adoption of AASB 16.

² IPO costs were \$15,529,000 of which \$9,010,000 have been expensed in the Statement of Comprehensive Income and \$4,950,000 (after tax) have been netted off against equity as disclosed in Note 12.

Statement of Financial Position

as at 31 December 2019

	NOTE	DEC 2019 \$'000	JUN 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	106,878	23,900
Due from other financial institutions	6	33,376	7,910
Trade and other receivables	7	36,293	27,762
Loans		18,048	15,665
Prepayments and other assets		3,585	1,943
Net investment in sublease	15	684	-
Inventories		101	60
Total current assets		198,965	77,240
Non-current assets			
Financial investments	8	34,529	37,159
Property, plant and equipment	9	18,107	18,734
Right of use assets	15	5,837	-
Intangible assets	10	4,375	2,503
Net investment in sublease	15	985	-
Deferred tax assets		13,984	13,028
Total non-current assets		77,817	71,424
TOTAL ASSETS		276,782	148,664
LIABILITIES			
Current liabilities			
Deposits and other borrowings		39,705	26,918
Trade payables and other liabilities		20,559	23,518
Lease liabilities	15	4,373	-
Provisions		3,958	4,113
Total current liabilities		68,595	54,549
Non-current liabilities			
Lease liabilities	15	5,170	-
Provisions		1,250	1,046
Total non-current liabilities		6,420	1,046
TOTAL LIABILITIES		75,015	55,595
NET ASSETS		201,767	93,069
EQUITY			
Contributed equity	12	264,642	141,856
Reserves	12	22,993	17,492
Accumulated losses		(85,868)	(66,279)
TOTAL EQUITY		201,767	93,069

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 2019

	DEC 2019 \$000	DEC 2018 \$000
Cash flows from operating activities		
Fees and commission income received	113,648	87,757
Interchange, integration and support fees expenses paid	(66,369)	(49,480)
Interest received	3,046	2,503
Interest paid	(206)	(88)
Other operating income received	649	742
Payments to employees, suppliers and IPO costs:		
Personnel expenses paid	(34,113)	(29,050)
Terminals purchased	(2,409)	(2,296)
Other operating expenses paid	(21,842)	(15,312)
Proceeds from securities sold under repurchase agreements	-	4,534
Movement in net schemes and other receivables	(14,673)	(15,554)
Movement in customer loans	(2,758)	(2,228)
Movement in retail deposits	12,787	10,066
Net cash flows from operating activities	(12,240)	(8,406)
Cash flows from investing activities		
Movement in term deposit investments		
Purchases	(25,021)	-
Proceeds on maturity	-	10,041
Movement in financial and equity investments		
Purchases	(3,499)	-
Proceeds	6,038	-
Purchase of property, plant and equipment (excl. terminals)	(1,050)	(580)
Payments for recognised intangible assets	(1,914)	(1,136)
Payments received from sublease	270	-
Net cash flows from investing activities	(25,176)	8,325
Cash flows from financing activities		
Proceeds from issues of shares (net of transaction costs)	120,051	-
Proceeds from exercise of share options	2,735	409
Payments for lease liabilities	(2,357)	-
Net cash flows from financing activities	120,429	409
Net movement in cash and cash equivalents	83,013	328
Effect of foreign exchange rates on cash and cash equivalents	(35)	45
Cash and cash equivalents at beginning of period	23,900	28,564
Cash and cash equivalents at end of period	106,878	28,937

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 2019

ATTRIBUTABLE TO EQUITY HOLDERS OF TYRO PAYMENTS LIMITED	NOTE	CON- TRIBUTED EQUITY \$000	FVOCI RESERVE \$000	SHARE- BASED PAYMENTS RESERVE \$000	ACCU- MULATED LOSSES \$000	OPTION PREMIUM RESERVE \$000	GENERAL RESERVE FOR CRED- IT LOSSES \$000	TOTAL \$000
At 1 July 2018		141,258	855	11,687	(48,514)	167	1,264	106,717
Adjustment from initial adoption of AASB 9		-	(798)	-	1,328	-	-	530
Adjusted balance at 1 July 2018		141,258	57	11,687	(47,186)	167	1,264	107,247
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 and rights exercised		410	-	-	-	-	-	410
Share-based payments		-	-	792	-	-	-	792
Transfer to general reserve for credit losses		-	-	-	(301)	-	301	-
At 31 December 2018		141,668	(9)	12,479	(55,154)	-	1,565	100,549
At 1 July 2019		141,856	99	15,475	(66,279)	-	1,918	93,069
Loss for the half-year		-	-	-	(19,246)	-	-	(19,246)
Other comprehensive income		-	(96)	-	-	-	-	(96)
Total comprehensive income		-	(96)	-	(19,246)	-	-	(19,342)
Issue of share capital – from IPO ¹		120,051	-	-	-	-	-	120,051
Issue of share capital – from options and rights exercised		2,735	-	-	-	-	-	2,735
Share-based payments		-	-	5,254	-	-	-	5,254
Transfer to general reserve for credit losses		-	-	-	(343)	-	343	-
At 31 December 2019	12	264,642	3	20,729	(85,868)	-	2,261	201,767

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

¹ Net of related capital raising after-tax costs of \$4,950,000.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

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 20 February 2020.

The Company is listed on the Australian Securities Exchange (**ASX**), registered 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 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the requirements of the *Corporations Act 2001*.

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 2019.

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 2019, with the exception of changes in accounting policies required following the adoption of new accounting standards on 1 July 2019. AASB 16 *Leases* is effective for the Company from 1 July 2019 as detailed in Note 1(d) below.

(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 consistent with those applied in the Company's financial report for the year ended 30 June 2019.

Initial Public Offering (IPO) costs

During the half-year ended 31 December 2019, the Company undertook an IPO to list on the ASX. Costs incurred that are directly attributable and incremental to the issuance of new equity (net of tax) have been recognised in equity as an offset to the value of capital raised. The Company exercised judgement in determining an allocation methodology (between equity and expense) for costs which relate to both the issuance of new equity and other activities. The Company's methodology was determined with reference to the number of new shares issued in raising capital, and the nature and purpose of services rendered in incurring costs. All other costs were taken directly to Statement of Comprehensive Income during the period.

New Australian Accounting Standards that are effective in the current period

AASB 16 *Leases*

On 1 July 2019, the Company adopted AASB 16 *Leases*. The primary change from the adoption of the new standard is the application of lessee's accounting principles. Under AASB 16, the lessee is required to recognise a lease on the balance sheet. This involves recognising a right-of-use (**ROU**) asset and related lease liability, being the present value of future (minimum) lease payments.

The Company elected to use the exemptions proposed by the standard on lease contracts where the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Right-of-use assets

The Company recognises ROU assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of minimum lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Following a detailed assessment of the requirements of the standard, the Company recognised the impact of AASB 16 adoption at transition date using the modified retrospective approach and did not restate comparative information as permitted by the standard. In summary, the impact of AASB 16 adoption is as follows:

Impact on the balance sheet (increase/(decrease)) as at 1 July 2019:

	Amount in \$'000
Assets	
Right-of-use assets ¹	9,091
Liabilities	
Lease liabilities	11,533
Deferred rent incentive	(2,442)
Net impact on equity	-

¹ From 1 July 2019, a portion of the ROU assets relating to the head lease has been subleased by the Company. The Company derecognised the related carrying amount of the ROU asset that it transfers to the sublessee and recognised net investment in the sublease. Any difference is recognised in the Statement of Comprehensive Income.

After the adoption of AASB 16, the Company's Statement of Comprehensive Income will change with interest expense recognised on the lease liability, depreciation recognised on the ROU asset and removal of administration expenses relating to the previous operating lease expense.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

2. REVENUE AND EXPENSES

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

	DEC 2019 \$000	DEC 2018 \$000
Fees and commission income		
Merchant service fees	100,890	77,947
Terminal rental income	9,174	7,191
Other fee income	2,970	2,552
	113,034	87,690
Interchange, integration and support fees expense		
Interchange and scheme fees	(61,667)	(45,285)
Integration, support and other fee expense	(4,614)	(4,108)
	(66,281)	(49,393)
Employee benefits expense (excluding share-based payments)		
Wages, salaries and bonuses	(29,325)	(25,592)
Superannuation	(2,631)	(2,239)
Other employee benefits expense	(2,408)	(1,634)
	(34,364)	(29,465)
Administrative expenses		
Communications, hosting and licencing costs	(3,598)	(2,517)
Terminal management and logistics	(1,229)	(1,005)
Travel and entertainment	(772)	(544)
Professional services	(633)	(948)
Training and conferences	(457)	(317)
Rent	-	(2,048)
Other administrative expenses	(1,519)	(1,028)
	(8,208)	(8,407)
Lending and non-lending losses		
Lending losses	(608)	(204)
Non-lending losses	(90)	(85)
	(698)	(289)

3. SEGMENT REPORTING

(a) Description of segments and principal activities

For management purposes, the Company is organised into three operating segments, comprising payments, banking, and corporate and other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the CEO and Managing Director. The Company operates in one geographical segment being Australia.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

3. SEGMENT REPORTING (continued)

The Company's operating reportable segments under AASB 8 Operating Segments are as follows:

Reportable Segment	Principal activities
Payments	Acquires electronic payment transactions from merchants. Revenue is primarily earned from fees charged for processing acquired transactions. Revenue is also earned from other fee income, terminal rental income and sales of terminal accessories. Direct expenses include scheme and interchange fees, integration, support and other fees and cost of terminal accessories sold.
Banking	Complementary banking services to merchants. Revenue is earned from fees charged on loans to merchants. Interest expense is incurred on merchant deposits.
Corporate and other	Corporate and other includes investment income earned from financial investments and other revenue and income. Corporate includes the Company's head office and includes all employee benefits expenses and other operating expenses excluding depreciation, amortisation and net lease interest expense.

(b) Revenue and gross profit by segment

	Payments ¹	Banking ²	Corporate and other ³	Total
	\$'000	\$'000	\$'000	\$'000
December 2019				
Revenue	113,604	2,570	1,115	117,289
Gross profit	46,825	2,349	1,115	50,289
December 2018				
Revenue	88,123	1,505	1,727	91,355
Gross profit	38,328	1,406	1,727	41,461

Reconciliation of gross profit to loss after tax:

	DEC 2019 \$'000	DEC 2018 \$'000
Gross profit	50,289	41,461
Operating expenses (excl. depreciation, amortisation and lease interest expense)	(54,045)	(45,279)
Depreciation and amortisation	(6,175)	(3,821)
Net lease interest expense	(305)	-
IPO expenses	(9,010)	-
Income tax expense	-	(28)
Loss after tax	(19,246)	(7,667)

¹ Gross profit of the payments segment is payments revenue and income less direct expenses.

² Gross profit of the banking segment is income from merchant lending less interest expense on merchant deposits.

³ Gross profit of corporate and other includes income from investments and other revenue and income.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

3. SEGMENT REPORTING (continued)

(c) Assets and liabilities by segment

	Payments	Banking	Corporate and other	Total
	\$'000	\$'000	\$'000	\$'000
December 2019				
Segment assets	77,304	38,490	160,988	276,782
Segment liabilities	1,420	39,705	33,890	75,015
June 2019				
Segment assets	51,986	36,137	60,541	148,664
Segment liabilities	6,504	26,918	22,173	55,595

4. INCOME TAX

a) Income tax benefit

	DEC 2019 \$000	DEC 2018 \$000
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	(28)
Income tax expense in the statement of comprehensive income	-	(28)
Amount reported directly in equity		
Deferred tax on capital raising costs	1,022	-
Income tax benefit reported in equity	1,022	-

b) Reconciliation of income tax expense and prima facie tax:

	DEC 2019 \$000	DEC 2018 \$000
Operating loss before tax	(19,246)	(7,639)
At the statutory income tax rate of 30%	5,774	2,292
Research and development incentive	182	137
Share-based payment remuneration	(1,576)	(238)
Entertainment expenses	(114)	(50)
Current year losses and R&D credits for which no deferred tax asset (DTA) is recognised	(4,266)	(2,169)
Total income tax expense	-	(28)

As at 31 December 2019, Tyro had an unrecognised DTA of \$7,593,000. This was primarily attributable to unused tax losses, which are income in nature and have no expiry.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

5. CASH AND CASH EQUIVALENTS

	DEC 2019 \$000	JUN 2019 \$000
Deposits at call	101,878	23,900
Short term deposits	5,000	-
	106,878	23,900

Deposits at call include cash at banks, cash held in the exchange settlement account with the Reserve Bank of Australia, and cash in hand.

6. DUE FROM OTHER FINANCIAL INSTITUTIONS

	DEC 2019 \$000	JUN 2019 \$000
Term deposits	25,000	-
Deposits held as collateral	8,376	7,910
	33,376	7,910

Includes deposits pledged to counterparties as collateral. Refer to Note 14 for details of deposits held as collateral.

7. TRADE AND OTHER RECEIVABLES

	DEC 2019 \$000	JUN 2019 \$000
Scheme, trade and other receivables	36,163	27,732
Interest receivable	130	30
	36,293	27,762

The Company has considered expected credit losses, which have been determined to be immaterial.

8. FINANCIAL INVESTMENTS

	DEC 2019 \$000	JUN 2019 \$000
Floating rate notes	30,819	36,948
Equity investments ¹	3,710	211
	34,529	37,159

¹ During the half-year period, Tyro acquired 16.73% of meandu Australia Holdings Pty Ltd (**me&u**) for a consideration of \$3,499,000.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

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 2019					
At 30 June 2019 net of accumulated depreciation and impairment	13,258	649	2,756	2,071	18,734
Additions/transfers	3,003	266	346	327	3,942
Disposals/transfers	138	-	-	-	138
Depreciation for the half-year	(3,395)	(196)	(687)	(429)	(4,707)
At 31 December 2019 net of accumulated depreciation and impairment	13,004	719	2,415	1,969	18,107
At 30 June 2019					
Cost	36,668	2,202	8,152	4,430	51,452
Accumulated depreciation and impairment	(23,410)	(1,553)	(5,396)	(2,359)	(32,718)
Net carrying amount	13,258	649	2,756	2,071	18,734
At 31 December 2019					
Cost	39,672	2,468	8,498	4,757	55,395
Accumulated depreciation and impairment	(26,668)	(1,749)	(6,083)	(2,788)	(37,288)
Net carrying amount	13,004	719	2,415	1,969	18,107

10. INTANGIBLE ASSETS

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

	INTERNALLY GENERATED SOFTWARE \$000	CUSTOMER RELATIONSHIPS \$000	TOTAL \$000
Half-year ended 31 December 2019			
At 30 June 2019 net of accumulated amortisation and impairment	2,503	-	2,503
Additions	1,663	250	1,913
Amortisation for the half-year	(15)	(26)	(41)
At 31 December 2019 net of accumulated amortisation and impairment	4,151	224	4,375
At 30 June 2019			
Cost	2,518	-	2,518
Accumulated amortisation and impairment	(15)	-	(15)
Net carrying amount	2,503	-	2,503
At 31 December 2019			
Cost	4,182	250	4,432
Accumulated amortisation and impairment	(31)	(26)	(57)
Net carrying amount	4,151	224	4,375

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

11. SHARE-BASED PAYMENTS

The Company provides benefits to employees and Directors from time to time including share-based payments as remuneration for service.

(a) Employee Share Option Plan

The Employee Share Option Plan (**ESOP**) was established to grant options over ordinary shares in the Company to employees or Directors who provide services to the Company.

Options granted pursuant to the ESOP may be exercised, in whole or part, subject to vesting terms and conditions as indicated below:

TYPE OF OPTION	VESTING TERMS AND CONDITIONS
Monthly linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuous status as an employee or Director with the Company during the vesting period. The options generally vest in equal amounts each month over the vesting period.
Annual linear vesting schedule	Options vest similarly to the monthly linear vesting schedule, except they vest in equal amounts annually over the vesting period.
Performance linear vesting schedule	Options vest in equal amounts annually over the vesting period, and are also subject to performance criteria.
Service vesting schedule	Options that vest according to a period of service may be exercised as to a set number of shares per agreed day of service, as defined in the specific option grant.

All option grants must be held for a minimum period commencing on the date on which the options are granted and continuing until the earlier of:

- the date which is 3 years after the date on which options are granted; or
- the date on which the participant ceases employment with the Company.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- The term of each option grant ranges primarily between 6 – 7 years from the date of grant or such shorter term as provided in the ESOP or grant letter.
- Each option entitles the holder to one ordinary fully paid share.
- All awards granted under the ESOP are equity-settled.
- A 2-year holding lock applies to those options with annual linear or performance linear vesting schedules. For annual linear options, the lock period applies following the relevant vesting date, and for performance linear options the lock period applies from exercise date. During this period the shares issued cannot be transferred, sold, encumbered or otherwise dealt with.

(b) Fair value of options under the ESOP

The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model. The table below lists the assumptions used in determining the fair value of the options granted during the period ended 31 December 2019:

	Sep 2019	Oct 2019
Dividend yield (%)	0%	0%
Expected volatility (%)	N/A	40%
Risk-free interest rate (%)	N/A	0.73% - 0.79%
Share price ¹ (\$)	\$1.15 - \$1.50	\$1.15 - \$2.00

¹ The Company considers the volume weighted average share price near grant date, when determining fair value.

A zero dividend policy assumption is used for valuing all option grants. This is in line with the Company's capital management policy and growth strategy.

Expected volatility used is the historical volatility of the Company's estimated peer group. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

11. SHARE-BASED PAYMENTS (continued)

There were 4,816,627 options exercised during the period ended 31 December 2019 (Dec 2018: 1,502,023).

The weighted average remaining contractual life for share options outstanding as at 31 December 2019 was 5 years (Dec 2018: 4 years).

The following table summarises further details of the share options outstanding at 31 December 2019:

RANGE OF EXERCISE PRICES	CONTRACTUAL LIFE	VESTING CONDITIONS	NO. OF OUTSTANDING OPTIONS	
			Dec 2019	Dec 2018
179 cents	7 years	4 year annual vesting, plus performance criteria	7,822,597	-
176 cents	6 years or less	5 year monthly linear vesting	7,964,430	9,287,383
162 cents to 176 cents	7 years or less	No vesting in first 6 months of 5 year monthly linear vesting period	750,000	850,000
162 cents	7 years or less	5 year monthly linear vesting	90,000	120,000
150 cents	7 years	4 year annual vesting, plus performance criteria	6,154,423	-
37.5 cents to 149 cents	7 years or less	5 year monthly linear vesting	12,704,458	18,756,815
8 cents to 14 cents	7 years	5 year monthly linear vesting	-	815,668
0 cents	6 years	5 year annual linear vesting	3,808,712	2,378,741
Total			39,294,620	32,208,607

The following table illustrates the number and weighted average exercise prices (WAEP) in cents and movements of share options during the half-year:

	Dec 2019 NUMBER	Dec 2019 WAEP (CENTS)	Dec 2018 NUMBER	Dec 2018 WAEP (CENTS)
<i>Linear vesting schedule</i>				
Outstanding at the beginning of the period	28,004,621	112	30,867,731	111
Granted during the period	-	-	2,218,180	176
Exercised during the period	(4,816,627)	50	(458,545)	47
Forfeited/expired during the period	(1,679,106)	135	(2,797,500)	148
Outstanding at the end of the period	21,508,888	124	29,829,866	113
Exercisable at the end of the period	14,185,327	104	16,454,957	81
<i>Annual linear vesting schedule*</i>				
Outstanding at the beginning of the period	2,611,147	-*	-	-
Granted during the period	1,554,294	-*	2,378,741	-*
Exercised during the period	-	-	-	-
Forfeited/expired during the period	(356,729)	-*	-	-
Outstanding at the end of the period	3,808,712	-*	2,378,741	-*
Exercisable at the end of the period	460,664	-	-	-
<i>Performance based annual linear vesting schedule</i>				
Outstanding at the beginning of the period	6,154,423	150	-	-
Granted during the period	7,822,597	179	-	-
Exercised during the period	-	-	-	-
Forfeited/expired during the period	-	-	-	-
Outstanding at the end of the period	13,977,020	166	-	-
Exercisable at the end of the period	-	-	-	-

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

11. SHARE-BASED PAYMENTS (continued)

	Dec 2019 NUMBER	Dec 2019 WAEP (CENTS)	Dec 2018 NUMBER	Dec 2018 WAEP (CENTS)
<i>Service Vesting Schedule</i>				
Outstanding at the beginning of the period	-	-	1,043,478	6
Granted during the period	-	-	-	-
Exercised during the period	-	-	(1,043,478)	6
Forfeited/expired during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-
Total outstanding at the end of the period	39,294,620		32,208,607	
Total exercisable at the end of the period	14,645,991		16,454,957	

Refer to Note 17, for outstanding share options at the end of the period that are not part of ESOP.

* These options have a zero exercise price. No amount is payable when the vested options are exercised.

(c) Performance rights, remuneration sacrifice rights and rights to shares under POS Partner Agreements

During the period, the Company granted 1,475,617 remuneration sacrifice rights as part of an equity incentive arrangement. The following model inputs were used in the Black-Scholes valuation model to determine the fair value:

Grant date	Oct 2019
Vesting period	Conversion date (automatic exercise) – post the end of the relevant financial year or post publication of half-year results
Expiry date	Employment conditions apply
Share price at grant date ¹ (\$)	\$1.15 - \$2.00
Dividend yield (%)	0%
Expected volatility (%)	N/A
Risk-free interest rate (%)	N/A

¹ The Company considers the volume weighted average share price near grant date, when determining fair value.

	Dec 2019 NUMBER	Dec 2019 WAEP (CENTS)	Dec 2018 NUMBER	Dec 2018 WAEP (CENTS)
<i>Performance, remuneration sacrifice rights and rights to shares under POS Partner Agreements</i>				
Outstanding at the beginning of the period	6,998,587	-	2,400,000	-
Granted during the period	1,475,617	-	391,983	-
Exercised during the period	(842,401)	-	-	-
Forfeited/expired during the period	(105,617)	-	-	-
Outstanding at the end of the period	7,526,186	-	2,791,983	-
Exercisable at the end of the period	-	-	-	-

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

12. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary shares

	DEC 2019 NUMBER OF SHARES	JUN 2019 NUMBER OF SHARES	DEC 2019 \$000	JUN 2019 \$000
Issued and fully paid	496,649,211	443,871,751	269,891	142,155
Costs directly attributable to the capital raising (net of tax)			(5,249)	(299)
Ordinary shares			264,642	141,856

During the half-year ended 31 December 2019, Tyro issued 45,493,432 additional ordinary shares as part of an IPO which raised \$125,000,000 in funds and 7,284,028 ordinary shares were issued upon exercise of options and rights, raising a total of \$2,736,000 in fully paid capital. The IPO incurred \$4,950,000 in costs directly attributable to the capital raising net of tax.

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 2019 \$000	JUN 2019 \$000
Balance at the beginning of the period	15,475	12,479
Share-based payments expensed	5,254	2,996
Balance at the end of the period	20,729	15,475

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

(iii) General reserve for credit losses

Balance at the beginning of the period	1,918	1,565
Transfer from accumulated losses:		
Appropriation for chargeback losses	234	37
Appropriation for lending losses	109	316
Balance at the end of the period	2,261	1,918

(iv) FVOCI reserves

Balance at the beginning of the period	99	(9)
Revaluation for the period	(96)	108
Balance at the end of the period	3	99
Total reserves	22,993	17,492

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

13. 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, or where not measured at fair value, their fair value equivalent. 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 2019 (\$'000)				
FINANCIAL ASSET	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Floating rate notes	30,819	-	-	30,819
Loans	-	-	18,048	18,048
Equity investment	-	-	3,710	3,710
	30,819	-	21,758	52,577

30 JUNE 2019 (\$'000)				
FINANCIAL ASSET	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Floating rate notes	36,948	-	-	36,948
Loans	-	-	15,665	15,665
Equity investment	-	-	211	211
	36,948	-	15,876	52,824

Floating rate notes

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

Loans are included in Level 3 due to one or more of the significant inputs used in determining the fair value being 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.

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;

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

13. FAIR VALUES (INCLUDING FINANCIAL RISK MANAGEMENT) (continued)

- 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.

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

- Tyro pricing of loans including adjustments for credit risk – ranging between 32% and 35%;
- historical data with respect to behavioural repayment patterns – generally ranging between 3 to 6 months; and
- default experience for loans deemed uncollectable and which are valued at \$0.

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

Equity investments

At the reporting date, the Company held unlisted equity instruments in meandu Australia Holdings Pty Ltd (**me&u**), YBF Holdings Pty Ltd and Teamsquare Pty Ltd (**YBF**). The valuations of me&u and YBF are level 3 financial instruments with several unobservable inputs. The cost of the investments approximates their fair value.

Transfer between categories

There were no transfers between Level 1, Level 2 or Level 3 during the period.

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 2019.

14. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

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

Standby letters of credit or bank guarantees are as follows:

	DEC 2019 \$000	JUN 2019 \$000
(i) Irrevocable standby letters of credit in favour of:		
Mastercard International	3,256	3,254
Visa International	524	60
UnionPay International	71	71
(ii) Bank Guarantee in favour of:		
UIR Australia, the lessor of 155 Clarence Street, Sydney	4,525	4,525
	8,376	7,910

The Company has provided irrevocable standby letters of credit of \$3,851,000 (in June 2019: \$3,385,000) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to Mastercard International, Visa International and UnionPay 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 in favour of UIR 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.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

15. LEASES

(a) Company as lessor – sublease arrangement

The arrangement relates to the sublease of Level 5 of the Company's registered office. It is a non-cancellable lease with a term of up to 2 years, 6 months and 20 days ending 20 January 2022, aligned to the Company's head-lease. The sublease agreement does not provide the lessee with the option to extend the lease. Lease payments are subject to annual increases of 4%.

Lease income recognised in the Statement of Comprehensive Income are as follows:

	DEC 2019 \$'000
Gain on initial recognition of net investment in sublease	141
Interest income on net investment in sublease	61
Total amount recognised in profit and loss	202

Set out below is a maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date:

	DEC 2019 \$'000
Within one year	777
After one year but not more than five years	1,024
Total undiscounted lease payments receivable	1,801
Unearned interest income	(132)
Net investment in sublease	1,669

(b) Company as lessee – property lease

The property lease relates to the lease of the Company's registered office located at 155 Clarence Street, Sydney NSW. It is a non-cancellable lease with a term of up to 7 years ending 21 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%.

Set out below, are the carrying amounts of the Company's right-of use assets and lease liabilities in the Statement of Financial Position and the movements during the period:

	RIGHT-OF-USE ASSETS \$'000	LEASE LIABILITIES \$'000
As at 30 June 2019	-	-
Transition adjustments	9,091	11,534
As at 1 July 2019	9,091	11,534
De-recognition due to sublease	(1,827)	-
Depreciation expense	(1,427)	-
Interest expense	-	366
Payments	-	(2,357)
As at 31 December 2019	5,837	9,543

Lease liabilities – Maturity analysis

CONTRACTUAL UNDISCOUNTED CASH FLOWS	DEC 2019 \$'000
Within one year	4,889
After one year but not more than five years	5,371
Total undiscounted lease liabilities at 31 December 2019	10,260

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

15. LEASES (continued)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	DEC 2019 \$000
Depreciation expense of right-of-use assets	(1,427)
Interest expense on lease liabilities	(366)
Income from sub-leasing right-of-use assets	61
Total amount recognised in Statement of Comprehensive Income	(1,732)

16. EARNINGS PER SHARE

Basic loss per share shows the loss attributable to each ordinary share. It is calculated as the net loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in each year.

Diluted loss per share shows the loss attributable to each ordinary share if all the dilutive potential ordinary shares had been ordinary shares. There are no discontinued operations of the Company.

Earnings

	DEC 2019 \$000	DEC 2018 \$000
Net loss attributable to ordinary shareholders used to calculate basic and diluted earnings per share	(19,246)	(7,667)

	DEC 2019 NUMBER	DEC 2018 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	448,804,808	438,956,121

Earnings per share

	DEC 2019 CENTS	DEC 2018 CENTS
Basic	(4.29)	(1.75)

Diluted EPS is consistent with basic EPS due to the Company currently generating negative earnings.

17. RELATED PARTY DISCLOSURES

(a) Related party transaction – SaleCo

During the half-year, Tyro SaleCo Limited (**SaleCo**), an entity in which Robbie Cooke – CEO and Managing Director of Tyro holds 100% of the shares, was incorporated to acquire shares that were sold by Tyro's existing shareholders that elected to sell shares as part of the IPO process. SaleCo held those shares for a short period of time, prior to the shares being transferred to certain individuals that applied to acquire shares in the IPO.

In total, SaleCo held 58,962,897 shares at a value of \$162,147,967, representing 11.9% of the shares on issue as at completion of the IPO. As at 31 December 2019, SaleCo no longer held any Tyro shares.

Notes to the Financial Statements

for the Half-Year ended 31 December 2019

17. RELATED PARTY DISCLOSURES (continued)

(b) Share options with related parties (not under ESOP)

In December 2010, the Company granted 7.5 million share options to related parties for providing a (now expired) loan facility to the Company for liquidity purposes. These options are not under ESOP.

As at 31 December 2019, 2.6 million options were outstanding with a WAEP of 8 cents.

	DEC 2019 NUMBER	DEC 2018 NUMBER
Euclid Capital Partners LLC, related party of David Fite (Director) ¹	2,625,000	2,625,000
Abyla Pty Ltd, related party of Mike Cannon-Brookes (Shareholder) ²	-	1,625,000
Total	2,625,000	4,250,000

¹ Appointed as Director on 3 July 2018.

² Resigned as Director on 28 February 2019.

18. 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 2019 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 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 2019 and of its performance for the six month period ended on that date; and
 - ii. complying with Australian Accounting 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.

This declaration is made in accordance with a resolution of the Directors.



David Thodey
Chairman



Robbie Cooke
Managing Director and CEO

Sydney, 20 February 2020

Independent Auditor's Report



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Independent Auditor's Review Report to the Members 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 the statement of financial position as at 31 December 2019, the 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, other 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 2019 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 2019 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, 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.

Independent Auditor's Report (continued)



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to read 'M Byrne'.

Michael Byrne
Partner
Sydney
20 February 2020

Corporate Directory

DIRECTORS

David Thodey AO (Chairman)

Robbie Cooke (CEO and Managing Director)

Hamish Corlett (Non-executive Director)

David Fite (Non-executive Director)

Catherine Harris AO PSM (Non-executive Director)

Fiona Pak-Poy (Non-executive Director)

Paul Rickard (Non-executive Director)

STOCK EXCHANGE LISTING

Tyro Payments Limited is listed on the Australian Securities Exchange (Listing code: **TYR**)

SHARE REGISTER

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Email: registrars@linkmarketservices.com.au

COMPANY SECRETARIES

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Sami Wilson

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AUDITOR

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