Tyro Payments Limited

APPENDIX 4D AND INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

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 2022**
PREVIOUS PERIOD	**FOR THE HALF-YEAR ENDED DECEMBER 2021**

Results for announcement to the market

KEY INFORMATION		HALF-YEAR ENDED 31 DECEMBER				
				2022		**2021**
		%		**$'000**		**$'000**
Transaction value[1]	▲	37.1%	to	21,693,388	from	15,826,286
Revenue from ordinary activities (normalised)[2]	▲	45.2%	to	216,590	from	149,212
Gross profit[3] (normalised)	▲	39.8%	to	95,160	from	68,063
EBITDA[4]	▲	601.0%	to	19,456	from	2,772
Profit/(loss) before tax[5] (normalised)	▲	127.9%	to	3,121	from	(11,193)
Profit/(loss) before tax (statutory)	▲	106.1%	to	1,100	from	(18,066)
Profit/(loss) after tax attributable to the ordinary equity holders of Tyro Payments Limited	▲	106.1%	to	1,100	from	(18,066)

Dividends

No dividends were declared or paid and are not proposed to be paid in respect of the half-year ended 31 December 2022 (H1 FY22: Nil).

Net tangible asset backing

	31 December 2022	31 December 2021
	$	$
Net tangible assets per share	$0.01	$0.00

Net tangible assets are calculated by deducting both the Bendigo intangible assets of $94.1 million and right-of-use assets of $29.3 million from net assets, while including the associated commission payable to Bendigo and lease payable in total liabilities. ASX Listing Rules require the liabilities funding these assets to be deducted from Net Tangible Assets, however, does not allow the recognition of these intangible assets, resulting in the net tangible assets recorded above.

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 *Statutory revenue is adjusted for the recognition of the me&u investment as a financial asset after Tyro's ownership reduced in the period with the impact of the initial recognition as a financial asset taken to profit or loss.*

3 *Normalised gross profit is adjusted for Bendigo support fees associated with transition of Bendigo merchants to the Tyro platform and the Bendigo gross profit share not deducted from statutory gross profit but deducted to calculate normalised gross profit.*

4 *Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, share of losses from associates, the non-cash accounting impact of the Bendigo Alliance, expenses associated with the terminal connectivity issue and other significant one-off costs.*

5 *Normalised net loss before tax excludes the non-cash accounting impact of the Bendigo Alliance, expenses associated with the terminal connectivity issue and significant one-off expenses.*

Details of associates

Details of associate entities in which Tyro holds an interest at 31 December 2022.

	Principal Activities	Principal place of business	Ownership Interest	
			31 Dec 2022 %	31 Dec 2021 %
Axis IP Pty Ltd[1]	Payments software provider	Brisbane, Australia	11.9%	21.3%

[1] *In June 2022, the Group's interest in Axis IP Pty Ltd (**Paypa Plane**) decreased to 17.1% and in December 2022 it further decreased to 11.9% following equity raises by Paypa Plane that the Group did not participate in.*

In October 2022, Tyro's investment in meandu Australia Holdings Pty Ltd (***me&u***) reduced from 14.4% to 4.5% after me&u conducted an additional equity raising round in which Tyro did not participate. In accordance with AASB 9 *Financial Instruments,* Tyro's investment in me&u is now being held as a financial asset. The impact of the initial recognition as a financial asset is taken to the Statement of Comprehensive Income. The subsequent changes in the fair value of the financial investment in me&u will be recognised in Other Comprehensive Income.

Supplementary Information

The previous corresponding period is the half-year ended 31 December 2021.

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 2022 and ASX Media Release.

Basis of Preparation

The interim financial report for the half-year period ended 31 December 2022:

- is for the entity consisting of Tyro Payments Limited and its controlled entities;
- 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 Investments 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 2022 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 Group in this interim financial report are the same as those applied by the Group in its financial report for the year ended 30 June 2022.

This report is based on the consolidated financial statements for the half-year ended 31 December 2022 which have been reviewed by Ernst & Young.

INTERIM FINANCIAL REPORT

CONTENTS

Directors' Report

The Board of Directors present their report together with the Interim Financial Report of the Group consisting of Tyro Payments Limited (the **Company**) and its controlled entities (**Tyro** or the **Group**) for the half-year ended 31 December 2022.

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 (Chair)	Chair and Non-Executive Director	Independent	Resigning effective 1 March 2023
Robbie Cooke	CEO and Managing Director	Executive	Resigned 3 October 2022
David Fite	Non-Executive Director	Independent	
Claire Hatton	Non-Executive Director	Independent	
Aliza Knox	Non-Executive Director	Independent	
Fiona Pak-Poy	Non-Executive Director, Chair-elect	Independent	
Paul Rickard	Non-Executive Director	Independent	
Shefali Roy	Non-Executive Director	Independent	

Details, including term of office, qualifications, experience and information on other directorships held by Directors, can be found on Tyro's Investor Relations website at https://investors.tyro.com/investor-centre/?page=board-of-directors.

Changes to Board Committees

The Members of the Company's committees at the date of this Report are summarised as follows:

Audit Committee	Risk Committee	People Committee	Nominations Committee
Paul Rickard (Chair)	Paul Rickard (Chair)	Fiona Pak-Poy (Chair)	David Thodey (Chair)
David Fite	David Fite	Claire Hatton	David Fite
Claire Hatton	Aliza Knox	Aliza Knox	Claire Hatton
Fiona Pak-Poy	Shefali Roy	Shefali Roy	Aliza Knox
David Thodey		David Thodey	Fiona Pak-Poy
			Paul Rickard
			Shefali Roy

Principal Activities

The Group is a technology-focused and values-driven company providing Australian businesses with payment solutions and complementary business banking products. As an Australian bank, the Group operates under the supervision of the Australian Prudential Regulation Authority (**APRA**). The Group provides credit, debit and EFTPOS card acquiring, Medicare and private health fund claiming and rebating services to Australian businesses. The Group takes money on deposit and offers unsecured cash flow based lending to Australian EFTPOS merchants. The Group has implemented appropriate systems and controls to comply with the stringent prudential and regulatory requirements within the Australian Banking System.

Directors' Report (continued)

Review of Operations

	31 Dec 2022	31 Dec 2021		Variance
	$'000	$'000		%
Transaction value[1]	21,693,388	15,826,286	▲	37.1%
Payments revenue and income	209,423	145,984	▲	43.5%
Banking revenue	4,461	2,561	▲	74.2%
Other revenue and income (normalised)[2]	2,706	667	▲	306.2%
Revenue (normalised)[2]	**216,590**	**149,212**	▲	**45.2%**
Payments direct expenses (includes Bendigo gross profit share)[2]	(121,176)	(81,022)	▲	49.6%
Interest expense on deposits	(254)	(127)	▲	99.0%
Total direct expenses (normalised)[2]	**(121,430)**	**(81,149)**	▲	**49.6%**
Gross profit (normalised)[2]	**95,160**	**68,063**	▲	**39.8%**
Operating expenses (normalised)[2]	(75,704)	(65,291)	▲	16.0%
EBITDA[3]	**19,456**	**2,772**	▲	**601.0%**
Net profit/(loss) after tax (normalised)	**3,121**	**(11,193)**	▲	**127.9%**
Net profit/(loss) after tax (statutory)	**1,100**	**(18,066)**	▲	**106.1%**

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 *Refer to page 18 of the Tyro H1 FY23 Investor Presentation for a reconciliation of normalised results to statutory results.*

3 *Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, share of losses from associates, change in accounting treatment of investments and one-off costs to implement the cost reduction program and any M&A related spend.*

Group Performance

For the half-year ended 31 December 2022, total transaction value of $21.7 billion was achieved, up 37.1% on the prior comparative period (**pcp**). The strong increase in transaction value was driven by a 9% increase in our merchant base to 66,884 merchants with a 15% growth in customer applications received in the period to 8,473 applications (H1 FY22: 7,391). Additionally, external factors such as the absence of COVID lockdowns and inflation have positively impacted our transaction values, particularly in our hospitality and retail verticals

Total revenue on a normalised basis was up 45.2% to $216.6 million with payments revenue up 43.5% to $209.4 million. The increase in payments revenue was driven by the 37.1% growth in transaction value and a 5.7 basis point (**bps**) increase in the merchant service fee compared to the pcp. Lending income of $4.5 million was up 74.2% on record loan originations of $72.7 million (H1 FY22: $36.2 million). Investment income and other revenue of $2.7 million was up 306.2% resulting from the increased interest received from cash and investments due to the increased interest rate environment.

On a statutory basis, total revenue of $220.6 million was achieved which includes $4.0 million relating to the recognition of our me&u investment as a financial asset at fair value instead of an investment associate. Refer to Note 9 of the Interim Financial Report for further details.

Gross profit on a normalised basis from the Payments business was up 35.8% principally driven by the growth of 37.1% in transaction value. The Payments business generated a gross profit margin of 40.7bps (H1 FY22: 41.1bps).

Gross profit from the Group's Banking business was up 72.9% to $4.2 million. $5.2 million of the Banking gross profit related to interest income earned on loan originations of $72.7 million (H1 FY22: $1.8 million interest revenue from $36.2 million in loan originations). The remaining Banking gross profit relates to a negative fair value adjustment on loans of $0.8 million (H1 FY22: positive $0.7 million) and interest paid on deposits of $0.3 million (H1 FY22: $0.1 million).

Directors' Report (continued)

The Group generated normalised EBITDA of $19.5 million, up 601.0% from the pcp. The significant increase in EBITDA reflects the strong growth in Payments normalised gross profit of 35.8% and Banking gross profit of 72.9% against an increase in operating costs of only 16% resulting in an operating leverage of 80% (H1 FY22: 96%). In October 2022, we announced a cost reduction program which is on track to deliver an annualised $11 million reduction in our cost base with a small amount of that achieved in the first half of FY23 already.

Tyro also realised a statutory and normalised net profit after tax for the first time since 2015 achieving a statutory net profit of $1.1 million (H1 FY22: loss of $18.1 million) and a normalised net profit after tax of $3.1 million (H1 FY22: loss of $11.2 million).

Payments Business

The Group's Payments business processed $21.7 billion in transactions on behalf of our merchants in the period, a lift of 37.1% on the pcp (H1 FY22: $15.8 billion). Tyro's core payment business generated transaction value of $18.9 billion, up 42.0% on the pcp of $13.3 billion. Strong growth was recorded in July 2022 to October 2022 due to the absence of COVID lockdowns which impacted transaction value in the pcp. Furthermore, inflation and the impact of price rises has also positively impacted our transaction value in the period particularly in our hospitality and retail verticals.

From a geographical standpoint, standout performers for the first half were New South Wales (up 59%), Victoria (up 52%), South Australia (up 34%) and Queensland (up 25%).

The Bendigo Alliance generated $2.8 billion in transaction value, up 11% (H1 FY22: $2.5 billion).

Below is a monthly analysis of transaction value for Tyro's core Payments Business (excluding Bendigo), highlighting the absence of COVID-19 restrictions on transaction value growth in the first three months of H1 FY23.

Tyro core transaction value per month	**H1 FY23**	**H1 FY22**		**Variance**
July	$2.934 billion	$1.895 billion	▲	55%
August	$2.990 billion	$1.673 billion	▲	79%
September	$3.080 billion	$1.786 billion	▲	73%
October	$3.137 billion	$2.258 billion	▲	39%
November	$3.145 billion	$2.674 billion	▲	18%
December	$3.624 billion	$3.034 billion	▲	19%
Tyro core transaction value[1]	**$18.910 billion**	**$13.320 billion**	▲	**42%**
Bendigo transaction value	$2.783 billion	$2.506 billion	▲	11%
Total transaction value	**$21.693 billion**	**$15.826 billion**	▲	**37%**

[1] *Includes Medipass transaction value*

The Group added 5,330 net new and active merchants to our Payments business, taking the total number of merchants transacting with the Group to 66,884 – a 8.7% increase on H1 FY22. A total of 8,473 applications were received (H1 FY22: 7,391) against transaction value churn of 8.9% and merchant number churn of 11.7%. Tyro core added a net new 6,849 active merchants (H1 FY22: 6,598 new merchants) while Bendigo's merchant base decreased by 1,519 merchants to 16,717 at 31 December 2022 (H1 FY22: 18,236).

The increase in merchant numbers and transaction value of 37.1% together with an increase in the MSF margin of 5.7bps in the half resulted in the Payments business revenue being up 43.5% to $209.4 million. Revenue growth was further assisted by the increase in terminal rental of $1.8 million generated from the increased merchant base and health claiming revenue up $0.2 million.

Our Payments Business recorded normalised gross profit of $88.2 million, up 35.8% against transaction value growth of 37.1% and revenue growth of 43.5% and an increase in direct costs of 49.6%.

Directors' Report (continued)

Banking Business

The Group's merchant cash advance (**MCA**) in the form of a loan product generated record new loan originations $72.7 million, up 100.7% (H1 FY22: $36.2 million). Following our risk mitigation based approach to the product during COVID, we are now starting to see the true potential of the MCA through increased access to the product with the adoption of web banking and increasing the maximum loan amount from $120,000 to $350,000 for certain merchants.

The increase in originations has seen lending income from the MCA product increase 185.6% in H1 FY23 to $5.2 million (H1 FY22: $1.8 million). At 31 December 2022, loans of $44.5 million were carried on the balance sheet compared to $21.1 million in the pcp with an average loan origination amount in the period of ~$47,300 compared to ~$41,200 in the pcp with a total of 1,538 new loans originated.

A key component to funding our MCA product relates to our deposit products which has seen strong growth in the period with the number of activated accounts increasing 5.4% over the pcp to 6,400 activated accounts. A total of $95.0 million is held on deposit with Tyro with an average deposit balance of ~$15,000.

Lending losses have again been well managed with total lending losses of only $0.9 million representing 1.2% of originations (H1 FY22: 0.3% loss to originations).

Gross profit of $4.2 million was generated from our Banking business, up 72.9% (H1 FY22: $2.4 million) reflecting the increased net interest margin generated on our loan product.

Financial Position

With total cash and financial investments of $117.4 million (30 June 2022: $122.8 million) Tyro has sufficient liquidity in place to continue to fund its growth strategy. The movement in cash is reflective principally of the timing difference in net scheme and other receivables of $12.7 million, terminal purchases of $8.3 million and other capital expenditure of $6.6 million including capitalisation of development expenditure. This was offset by a net increase in cash generated from operations of $14.4 million and net banking inflows of $5.1 million.

At 31 December 2022, Tyro had total assets of $444.8 million of which 27.3% related to cash, cash equivalents, deposits and other investments, with the remainder relating primarily to an intangible asset recognised for customer contracts on the Bendigo Alliance, the right-of-use asset recognised on the new HQ lease, receivables from card schemes, property, plant and equipment and deferred tax assets.

Tyro had total liabilities of $279.4 million of which 34.0% related to merchant bank account deposits, with the remainder relating to trade and other liabilities, lease liabilities and provisions. The Group's total assets exceeded its total liabilities by $165.4 million.

Regulatory Landscape, Capital and Funding

The Group 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 Group 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 https://investors.tyro.com/investor-centre/?page=regulatory-disclosure (under Regulatory Disclosures).

The Group had cash, cash equivalents, deposits and other liquid investments of $117.4 million at the end of the reporting period. The Group is also well capitalised with a total capital ratio of 34%. The movement from the prior period ratio at 30 June 2022 of 39% largely reflects a timing difference in scheme receivables. The total capital ratio remains well above APRA Prudential Capital Requirements.

Risk Management

The Board is responsible for reviewing and approving the Group's risk management strategy, including determining the Group's appetite for risk. The 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.

Directors' Report (continued)

Matters subsequent to the end of the half-year

In February 2023, Tyro entered into a Settlement Deed relating to an in-principle settlement of the class action relating to the terminal connectivity issue that occurred in January 2021 (**Settlement Deed**). The settlement remains subject to Court approval. If approved by the Court, payment of the settlement amount is not expected to involve any additional cost or expense to Tyro.

In the opinion of the Directors, other than entry into the Settlement Deed, there are no other matters or circumstances which have arisen between 31 December 2022 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations and the state of affairs of the Group 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 10 for the half-year ended 31 December 2022.

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

David Thodey
Chair

Fiona Pak-Poy
Non-executive Director, Chair-elect

Sydney
28 February 2023

Auditor’s Independence Declaration

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tyro Payments Limited and the entities it controlled during the financial period.

Ernst & Young

Michael Byrne
Partner
28 February 2023

Tyro from Telstra

Consolidated Statement of Comprehensive Income

for the Half-Year ended 31 December 2022

	NOTE	DEC 2022 $000	DEC 2021 $000
Fees and terminal rental income	2	208,639	145,418
Interest income on loans		5,237	1,833
Fair value gain/(loss) on financial assets	2	3,198	728
Interest income on cash and other investments		1,949	34
Interest income on assets at FVOCI		1,022	302
Sale of terminal accessories and other income		519	897
Total revenue		**220,564**	**149,212**
Interchange, integration and support fees	2	(116,299)	(77,284)
Terminal accessories		(1,193)	(642)
Interest expense on deposits		(254)	(127)
Total direct expenses		**(117,746)**	**(78,053)**
Gross profit		**102,818**	**71,159**
Employee benefits expense (excluding share-based payments)	2	(48,933)	(45,113)
Share-based payments expense		(3,970)	(3,720)
Communication, hosting and licencing costs		(7,946)	(6,870)
Administrative and other expenses	2	(8,441)	(5,527)
Contractor and consulting expenses		(8,764)	(5,605)
Marketing expenses		(3,609)	(2,998)
Depreciation and amortisation		(17,213)	(15,537)
Lending and non-lending losses	2	(1,139)	(510)
Net interest expense		(1,835)	(1,614)
Total operating expenses		**(101,850)**	**(87,494)**
Share of gain/(loss) from associates		132	(1,731)
Profit/(loss) before tax expense		**1,100**	**(18,066)**
Income tax expense	4	-	-
Profit/(loss) for the period		**1,100**	**(18,066)**
Other comprehensive income/(loss)			
FVOCI reserve – revaluation income/(loss), net of tax		82	(341)
Total comprehensive income/(loss) for the period		**1,182**	**(18,407)**

Earnings per share for profit/(loss) attributable to the Ordinary Equity Holders of Tyro Payments Limited		CENTS	CENTS
Basic earnings per share	19	0.21	(3.51)
Diluted earnings per share	19	0.21	(3.51)

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

Consolidated Statement of Financial Position
as at 31 December 2022

	NOTE	DEC 2022 $000	JUN 2022 $000
ASSETS			
Current Assets			
Cash and cash equivalents		36,708	36,885
Due from other financial institutions	5	14,730	14,698
Trade and other receivables	6	52,084	22,704
Loans	7	39,899	34,262
Prepayments		5,799	3,643
Financial investments	9	14,365	10,474
Inventories		1,456	388
Total Current Assets		**165,041**	**123,054**
Non-Current Assets			
Loans	7	4,565	5,242
Financial investments	9	55,583	62,221
Investment in associates	10	2,073	1,942
Property, plant and equipment	11	45,081	41,452
Right-of-use assets	8	29,343	31,158
Intangible assets and goodwill	12	130,093	132,033
Deferred tax assets		12,986	12,986
Total Non-Current Assets		**279,724**	**287,034**
Total Assets		**444,765**	**410,088**
LIABILITIES			
Current Liabilities			
Deposits		95,011	83,273
Trade payables and other liabilities	14	57,908	37,425
Lease liabilities	8	4,036	1,897
Provisions	15	10,088	10,532
Total Current Liabilities		**167,043**	**133,127**
Non-Current Liabilities			
Other liabilities	14	79,830	83,553
Lease liabilities	8	30,690	32,096
Provisions	15	1,826	1,712
Total Non-Current Liabilities		**112,346**	**117,361**
Total Liabilities		**279,389**	**250,488**
Net Assets		**165,376**	**159,600**
EQUITY			
Contributed equity	16	279,422	278,798
Reserves	16	51,640	47,085
Accumulated losses		(165,686)	(166,283)
Total Equity		**165,376**	**159,600**

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

Consolidated Statement of Changes in Equity
for the Half-Year ended 31 December 2022

ATTRIBUTABLE TO EQUITY HOLDERS OF TYRO PAYMENTS LIMITED	CONTRIBUTED EQUITY	FVOCI RESERVE	SHARE-BASED PAYMENTS RESERVE	GENERAL RESERVE FOR CREDIT LOSSES	ACCUMULATED LOSSES	TOTAL
	$000	$000	$000	$000	$000	$000
At 1 July 2021	**274,436**	**108**	**38,361**	**2,358**	**(134,599)**	**180,664**
Loss for the half-year	-	-	-	-	(18,066)	(18,066)
Other comprehensive loss	-	(341)	-	-	-	(341)
Total comprehensive loss	**-**	**(341)**	**-**	**-**	**(18,066)**	**(18,407)**
Issue of share capital – from options and rights exercised	4,006	-	-	-	-	4,006
Share-based payments	-	-	3,720	-	-	3,720
Transfer to general reserve for credit losses	-	-	-	614	(614)	-
At 31 December 2021	**278,442**	**(233)**	**42,081**	**2,972**	**(153,279)**	**169,983**
At 1 July 2022	**278,798**	**(689)**	**43,560**	**4,214**	**(166,283)**	**159,600**
Profit for the half-year	-	-	-	-	1,100	1,100
Other comprehensive income	-	82	-	-	-	82
Total comprehensive income	**-**	**82**	**-**	**-**	**1,100**	**1,182**
Issue of share capital – from options and rights exercised	624	-	-	-	-	624
Share-based payments	-	-	3,970	-	-	3,970
Transfer from general reserve for credit losses	-	-	-	503	(503)	-
At 31 December 2022	**279,422**	**(607)**	**47,530**	**4,717**	**(165,686)**	**165,376**

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

Consolidated Statement of Cash Flows

for the Half-Year ended 31 December 2022

	NOTE	DEC 2022 $000	DEC 2021 $000
Cash flows used in operating activities			
Fees and terminal rental and other income received		206,956	146,669
Interchange, integration and support fees paid		(117,906)	(75,783)
Interest received		7,914	2,167
Interest paid		(183)	(125)
Payments to employees and contractors		(50,448)	(44,632)
Terminals purchased		(8,314)	(8,847)
Other operating expenses paid		(31,711)	(28,746)
Payments for terminal remediation		(221)	(4,042)
Movement in net scheme and other receivables		(12,737)	(13,060)
Net cash flows used in operating activities excluding loans and deposits		**(6,650)**	**(26,399)**
Movement in loans		(6,625)	(5,096)
Movement in deposits		11,738	25,367
Net cash flows used in operating activities		**(1,537)**	**(6,128)**
Cash flows from/(used in) investing activities			
Movement in term deposit investments			
Purchases		-	(4,930)
Proceeds on maturity		-	5,000
Movement in financial investments			
Purchases		(2,500)	(13,963)
Proceeds		9,460	12,074
Movement in equity investments			
Purchases		-	(501)
Movement in property, plant and equipment (excluding terminals)			
Purchases		(476)	(7,800)
Proceeds		1,205	-
Payments for recognised intangible assets		(6,555)	(2,169)
Net cash flows from/(used) in investing activities		**1,134**	**(12,289)**
Cash flows from/(used in) financing activities			
Proceeds from exercise of share options and rights		624	4,006
Payments of the principal portion of leases		-	(2,561)
Net cash flows from financing activities		**624**	**1,445**
Net movement in cash and cash equivalents		**221**	**(16,972)**
Effect of foreign exchange rates on cash and cash equivalents		(398)	59
Cash and cash equivalents at beginning of period		36,885	84,521
Cash and cash equivalents at end of period		**36,708**	**67,608**

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

Notes to the Consolidated Financial Statements
for the Half-Year ended 31 December 2022

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 includes the consolidated financial statements of Tyro Payments Limited (the Company) and its controlled entities (together referred to as the **Group**).

The Group is listed on the Australian Securities Exchange (**ASX**), registered and domiciled in Australia. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report of the Group was authorised for issue in accordance with a resolution of the Directors on 28 February 2023.

a) Basis of preparation

The interim financial report is a general purpose financial report, which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the requirements of the *Corporations Act 2001*. The interim financial report complies with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards (**IFRS**) and Interpretations as issued by the International Accounting Standards Board (**IASB**).

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 Group for the financial year ended 30 June 2022.

Similar categories of income and expenses have been grouped together. Prior year comparative information for these amounts, where necessary, have been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

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

b) Going concern

The Directors consider the Group able to pay their debts as and when they fall due, and therefore the Group are able to continue as a going concern.

c) Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its financial report for the year ended 30 June 2022.

d) Significant accounting judgements, estimates and assumptions

In applying the Group'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 Group.

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 Group's financial report for the year ended 30 June 2022

2. REVENUE AND EXPENSES

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

	DEC 2022 $000	DEC 2021 $000
Fees and terminal rental income		
Merchant service fee	189,850	129,412
Terminal rental income	16,899	15,121
Other fee income	1,890	885
	208,639	**145,418**
Fair value gain/(loss) on financial assets		
Fair value gain/(loss) on equity investment	3,974	-
Fair value gain/(loss) on loans	(776)	728
	3,198	**728**
Interchange, integration and support fees		
Interchange and scheme fees	(104,801)	(70,115)
Integration, support and other fees	(11,498)	(7,169)
	(116,299)	**(77,284)**
Employee benefits expense (excluding share-based payments)		
Wages, salaries and incentives	(42,309)	(38,840)
Superannuation	(3,923)	(3,378)
Other employee benefits expense	(2,701)	(2,895)
	(48,933)	**(45,113)**
Administrative and other expenses		
Terminal management and logistics	(2,999)	(1,683)
Professional services	(1,532)	(617)
Travel and entertainment	(489)	(540)
Insurance	(858)	(663)
Other expenses	(2,563)	(2,024)
	(8,441)	**(5,527)**
Lending and non-lending losses		
Lending losses	(889)	(99)
Non-lending losses	(250)	(411)
	(1,139)	**(510)**

3. SEGMENT REPORTING

a) Description of segments and principal activities

For management purposes, the Group is organised into two operating segments, comprising **Payments** and **Banking**. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the CEO. The Group operates in one geographical segment being Australia.

The Corporate and other segment, which is not considered an operating segment of the Group, is used to reconcile the total segment results back to the consolidated results. It consists of other income and costs that fall outside the day-to-day operations of the Group. These include the Group's Head Office, all employee benefits expenses and other operating expenses, all of which are recorded below Gross Profit.

The Group'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 the sale 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.

b) Revenue and gross profit by segment

	Payments[1]	Banking[2]	Corporate and other[3]	Total
	$000	$000	$000	$000
December 2022				
Revenue	209,423	4,461	6,680	220,564
Gross profit	91,931	4,207	6,680	102,818
December 2021				
Revenue	145,984	2,561	667	149,212
Gross profit	68,058	2,434	667	71,159

Reconciliation of gross profit to loss before tax:

	DEC 2022 $000	DEC 2021 $000
Gross profit	102,818	71,159
Operating expenses (excl. depreciation and amortisation, share of gain/(loss) from associates and net interest expense)	(82,802)	(70,343)
Depreciation and amortisation	(17,213)	(15,537)
Share of gain/(loss) from associates	132	(1,731)
Net interest expense	(1,835)	(1,614)
Profit/(loss) before tax	**1,100**	**(18,066)**

[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 Consolidated Financial Statements (cont.)
for the Half-Year ended 31 December 2022

3. SEGMENT REPORTING (continued)

c) Assets and liabilities by segment

	Payments $000	Banking $000	Corporate and other $000	Total $000
December 2022				
Segment assets	222,988	118,105	103,672	444,765
Segment liabilities	126,413	95,011	57,965	279,389
June 2022				
Segment assets	216,972	71,556	121,560	410,088
Segment liabilities	97,714	83,273	69,501	250,488

4. INCOME TAX

Major components of income tax benefit for the period ended 31 December 2022.

a) Income tax benefit:

	DEC 2022 $000	DEC 2021 $000
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	301	-
Derecognition of DTA on temporary differences	(301)	-
Income tax expense/(benefit) in the statement of comprehensive income	**-**	**-**
Amount reported directly in other comprehensive income and equity		
Deferred tax related to items recognised in equity during the period	-	-
Income tax expense/(benefit) reported in equity	**-**	**-**

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

	DEC 2022 $000	DEC 2021 $000
Operating profit/(loss) before tax	**1,100**	**(18,066)**
At the statutory income tax rate of 30%	(330)	5,420
Share-based payment remuneration	(1,191)	(1,116)
Amortisation of intangible asset	(1,985)	(1,997)
Entertainment expenses	(57)	(61)
Other non-deductible expenses	(10)	-
Recoupment of prior year losses not brought to account	3,573	-
Tax effect of current year losses for which no deferred tax asset is recognised	-	(2,246)
Total income tax expense/(benefit)	**-**	**-**

Deferred tax assets relate to deductible temporary differences up to $12,986,000 (tax effected) as at 31 December 2022. In addition, approximately $27,860,000 (tax effected) of unused tax losses, credits and temporary differences have not been recognised as assets at balance sheet date.

Notes to the Consolidated Financial Statements (cont.)
for the Half-Year ended 31 December 2022

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

	DEC 2022 $000	JUN 2022 $000
Deposits pledged as collateral	14,730	14,698
	14,730	**14,698**

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

6. TRADE AND OTHER RECEIVABLES

	DEC 2022 $000	JUN 2022 $000
Scheme and other receivables	38,989	13,206
Merchant acquiring fees	13,136	9,536
Expected credit loss provision	(41)	(38)
	52,084	**22,704**

Scheme receivables are presented net of merchant payables in line with the Group's accounting policy.

The Group's ageing of trade and other receivables are as follows:

	Total $'000	Not past due $'000	1-30 Days $'000	31-60 Days $'000	61-90 Days $'000	>90 Days $'000	Impairment $'000
Carrying value - Dec 2022	52,084	51,953	145	27	-	-	(41)
Carrying value - Jun 2022	22,704	22,724	18	-	-	-	(38)

7. LOANS

	DEC 2022 $000	JUN 2022 $000
Current		
Loans (net of unearned fees)	39,899	34,262
Non-current		
Loans (net of unearned fees)	4,565	5,242
	44,464	**39,504**

Income from loans comprises interest income of $5,236,834 (2021: $1,833,330), fair value loss of $776,101 (2021: gain of $727,646) and net lending loss of $889,485 (2021: net lending loss of $99,290).

8. LEASES

a) Group as lessee – property lease

The Group holds a lease for the Group's headquarters. The lease has a non-cancellable period of 8 years ending in January 2031 with an option to renew for a further 5 years.

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

	RIGHT-OF-USE ASSETS $000	LEASE LIABILITIES $000
As at 1 July 2022	31,158	33,993
Additions	-	-
Depreciation expense	(1,815)	-
Interest expense	-	733
Payments	-	-
As at 31 December 2022	**29,343**	**34,726**

Lease liabilities

	DEC 2022 $000	JUN 2022 $000
Current		
Lease liability	4,036	1,897
Non-current		
Lease liability	30,690	32,096
Total lease liabilities	**34,726**	**33,993**

Lease liabilities – Maturity analysis

	DEC 2022 $000	JUN 2022 $000
Within one year	4,036	1,897
After one year but not more than five years	19,588	19,076
More than five years	18,020	20,671
Total undiscounted lease liabilities	**41,644**	**41,644**

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

	DEC 2022 $000	DEC 2021 $000
Depreciation expense of right-of-use assets	(1,815)	(2,064)
Interest expense on lease liabilities	(733)	(295)
Total amount recognised in Consolidated Statement of Comprehensive Income	**(2,548)**	**(2,359)**

Notes to the Consolidated Financial Statements (cont.)

for the Half-Year ended 31 December 2022

9. FINANCIAL INVESTMENTS

	DEC 2022 $000	JUN 2022 $000
Current		
Floating rate notes (FRNs)	14,365	8,964
Convertible note in meandu Australia Holdings Pty Ltd (me&u)	-	1,510
	14,365	**10,474**

	DEC 2022 $000	JUN 2022 $000
Non-current		
FRNs	51,609	62,221
Equity investment - me&u	3,974	-
	55,583	**62,221**

FRNs have been classified between current and non-current based on maturity date. The FRNs are held for liquidity purposes and qualify as eligible collateral for repurchase agreements with the Reserve Bank of Australia.

me&u is a leading hospitality in-venue food ordering and payments app. During the period Tyro's investment has reduced after me&u had an additional equity raising round in which Tyro did not participate. In accordance with AASB 9 *Financial Instruments,* Tyro's investment in me&u is now being held as a financial asset. The impact of the initial recognition as a financial asset is taken to the Statement of Comprehensive Income. The subsequent changes in the fair value of the financial investment in me&u will be recognised in OCI.

10. INVESTMENT IN ASSOCIATES

	DEC 2022 $000	JUN 2022 $000
Axis IP Pty Ltd (Paypa Plane)	2,073	1,482
me&u	-	460
Closing balance	**2,073**	**1,942**

Investment in associates are recognised at cost using the equity accounting method. The carrying amounts of the investment in associates are increased or decreased by the Group's share of Paypa Plane after acquisition date.

Paypa Plane is a payments technology business transforming scheduled payments. Tyro's ownership has reduced from 17.1% to 11.9% in December 2022 after Paypa Plane had an additional equity raising round in which Tyro did not participate.

The Group's investment in me&u is now being held as a financial asset. Refer to Note 9 for details.

Notes to the Consolidated Financial Statements (cont.)
for the Half-Year ended 31 December 2022

11. PROPERTY, PLANT AND EQUIPMENT

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

	TERMINALS $000	FURNITURE AND OFFICE EQUIPMENT $000	COMPUTER EQUIPMENT $000	LEASEHOLD IMPROVEMENTS $000	TOTAL $000
Half-year ended 31 December 2022					
At 1 July 2022 net of accumulated depreciation	27,909	339	3,198	10,006	41,452
Additions	10,231	1	433	9	10,674
Disposals	(31)	-	-	-	(31)
Depreciation for the half-year	(5,761)	(62)	(602)	(589)	(7,014)
At 31 December 2022 net of accumulated depreciation	**32,348**	**278**	**3,029**	**9,426**	**45,081**
At 30 June 2022					
Cost	74,033	2,756	11,873	10,213	98,875
Accumulated depreciation	(46,124)	(2,417)	(8,675)	(207)	(57,423)
Net carrying amount	**27,909**	**339**	**3,198**	**10,006**	**41,452**
At 31 December 2022					
Cost	84,028	2,757	12,306	10,222	109,313
Accumulated depreciation	(51,680)	(2,479)	(9,277)	(796)	(64,232)
Net carrying amount	**32,348**	**278**	**3,029**	**9,426**	**45,081**

12. INTANGIBLE ASSETS AND GOODWILL

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

	INTERNALLY GENERATED SOFTWARE $000	CUSTOMER RELATIONSHIPS $000	GOODWILL $000	TOTAL $000
Half-year ended 31 December 2022				
At 1 July 2022 net of accumulated amortisation and impairment	16,149	102,197	13,687	132,033
Additions	6,555	-	-	6,555
Impairment expense	(111)	-	-	(111)
Amortisation for the half-year	(2,562)	(5,822)	-	(8,384)
At 31 December 2022 net of accumulated amortisation and impairment	**20,031**	**96,375**	**13,687**	**130,093**
At 30 June 2022				
Cost	21,574	114,912	13,687	150,173
Accumulated amortisation and impairment	(5,425)	(12,715)	-	(18,140)
Net carrying amount	**16,149**	**102,197**	**13,687**	**132,033**
At 31 December 2022				
Cost	28,018	114,912	13,687	156,617
Accumulated amortisation and impairment	(7,987)	(18,537)	-	(26,524)
Net carrying amount	**20,031**	**96,375**	**13,687**	**130,093**

Notes to the Consolidated Financial Statements (cont.)
for the Half-Year ended 31 December 2022

13. SHARE-BASED PAYMENTS

The Group provides benefits to employees (including Key Management Personnel (**KMP**)) from time to time including share-based payments as remuneration for service. Additionally, the Group provides share-based payments to other stakeholders as part of contractual agreements.

a) Employee Share Option Plan

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

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

TYPE OF OPTION AND RIGHT	VESTING TERMS AND CONDITIONS
Monthly linear vesting schedule	Options and rights granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to the terms and conditions of each grant during the vesting period. The options and rights 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 and rights vest in equal amounts annually over the vesting period and are also subject to performance criteria.
Performance single vesting schedule	Options and rights vest on a single vesting date and are subject to performance criteria.

Certain option and right grants and any shares issued on the exercise of those options and rights may be subject to a trading restriction for a minimum period based on the terms and conditions of each respective grant of options and rights.

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

- the term of each option or right grants ranges between a period of 1 year to 7 years from the date of grant as provided in the grant letter;
- each option or right entitles the holder to one ordinary fully paid share;
- all awards granted under the ESOP are equity-settled; and
- under the ESOP rules and subject to any requirements under law or the ASX listing rules, the Board, at its discretion, may determine that options and rights held by an employee or Director do not lapse on cessation of employment or Directorship and that the relevant holder of options has additional time to exercise their options.

(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. 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.

There were 1,286,577 options exercised during the period ended 31 December 2022 (December 2021: 3,807,316).

The weighted average remaining contractual life for share options outstanding as at 31 December 2022 was 3 years (December 2021: 4 years).

Notes to the Consolidated Financial Statements (cont.)

for the Half-Year ended 31 December 2022

13. SHARE-BASED PAYMENTS (continued)

(b) Fair value of options under the ESOP (continued)

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

	Dec 2022 NUMBER	Dec 2022 WAEP (CENTS)	Dec 2021 NUMBER	Dec 2021 WAEP (CENTS)
Monthly linear and annual linear vesting				
Opening	11,284,622	126	16,945,628	119
Granted	-	-	-	-
Exercised	(1,286,577)	48	(3,807,316)	78
Forfeited or expired	(3,117,395)	153	(386,033)	96
Closing	**6,880,650**	**129**	**12,752,279**	**124**
Of which: Exercisable at the end of the period	**6,247,366**	**140**	**10,205,770**	**103**
Performance based vesting				
Opening	10,479,952	165	12,409,865	166
Granted	-	-	-	-
Forfeited or expired	(4,828,052)	166	(135,791)	179
Closing	**5,651,900**	**165**	**12,274,074**	**166**
Of which: Exercisable at the end of the period	**-**	**-**	**-**	**-**
Total outstanding at the end of the period	**12,532,550**		25,026,353	
Total exercisable at the end of the period	**6,247,366**		10,205,770	

(c) Performance rights, remuneration sacrifice rights and rights to shares under other contractual arrangements

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

	Dec 2022 NUMBER	Dec 2022 WAEP (CENTS)	Dec 2021 NUMBER	Dec 2021 WAEP (CENTS)
Performance, remuneration sacrifice rights and rights to shares under other contractual arrangements				
Opening	9,535,747	-	5,412,550	-
Granted	7,054,633	-	3,901,071	-
Exercised	(468,249)	-	(1,042,097)	-
Forfeited or expired	(1,196,089)	-	(736,485)	-
Closing	**14,926,042**	**-**	**7,535,039**	**-**
Exercisable at the end of the period	**1,752,435**	**-**	**1,730,184**	**-**

Notes to the Consolidated Financial Statements (cont.)
for the Half-Year ended 31 December 2022

14. TRADE AND OTHER PAYABLES

	DEC 2022 $000	JUN 2022 $000
Current		
Accounts payable	6,497	6,370
Scheme fees, commissions, incentives and other accruals	18,293	15,701
Commissions payable to Bendigo Bank	10,025	9,228
Clearing account and other liabilities	23,093	6,126
	57,908	**37,425**
Non-current		
Commissions payable to Bendigo Bank	79,830	83,553
	79,830	**83,553**

15. PROVISIONS

	ANNUAL LEAVE $000	LONG SERVICE LEAVE $000	MAKE GOOD PROVISION $000	OTHER PROVISION $000	TOTAL $000
Balance at 1 July 2022	5,597	1,866	548	4,233	12,244
Provisions (utilised)/provided during the period	(448)	235	8	(125)	(330)
As at 31 December 2022	**5,149**	**2,101**	**556**	**4,108**	**11,914**
Current	5,149	831	-	4,108	10,088
Non-current	-	1,270	556	-	1,826
	5,149	**2,101**	**556**	**4,108**	**11,914**

16. CONTRIBUTED EQUITY AND RESERVES

(i) Movement in ordinary shares on issue

	NUMBER OF SHARES	$000
At 1 July 2021	**511,672,422**	**274,436**
Share options and rights exercised	5,881,995	4,362
At 30 June 2022	**517,554,417**	**278,798**
Shares options and rights exercised	1,754,826	624
At 31 December 2022	**519,309,243**	**279,422**

During the half-year ended 31 December 2022, 1,754,826 ordinary shares were issued upon exercise of options and rights, raising a total of $623,904 in fully paid capital.

Terms and conditions of contributed equity

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

16. CONTRIBUTED EQUITY AND RESERVES (continued)

(ii) FVOCI reserves

	DEC 2022 $000	JUN 2022 $000
Balance at the beginning of the period	(689)	108
Revaluation gain/(loss), net of tax	82	(1,008)
Transfer to accumulated losses	-	211
Balance at the end of the period	**(607)**	**(689)**

(iii) Share-based payments reserve

	DEC 2022 $000	JUN 2022 $000
Balance at the beginning of the period	43,560	38,361
Share-based payments expensed	3,970	5,199
Balance at the end of the period	**47,530**	**43,560**

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

(iv) General reserve for credit losses

	DEC 2022 $000	JUN 2022 $000
Balance at the beginning of the period	4,214	2,358
Transfer from accumulated losses:		
Appropriation for chargeback losses	303	567
Appropriation for lending losses	200	1,289
Balance at the end of the period	**4,717**	**4,214**

Total reserves at the end of the period	**51,640**	**47,085**

17. FAIR VALUES (INCLUDING FINANCIAL RISK MANAGEMENT)

a) Fair values

The Group 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.

Quoted market price represents the fair value determined, based on quoted prices in active markets, as at the reporting date without any deduction for transaction costs.

The table below shows the Group's financial assets and financial liabilities 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.

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

			31 DECEMBER 2022 ($'000)		
FINANCIAL ASSETS	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Floating rate notes	9	65,974	-	-	**65,974**
Loans	7	-	-	44,464	**44,464**
Equity investment in me&u	9	-	-	3,974	**3,974**
		65,974	**-**	**48,438**	**114,412**

a) Fair values (continued)

			30 JUNE 2022 ($'000)		
FINANCIAL ASSETS	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Floating rate notes	9	71,185	-	-	**71,185**
Loans	7	-	-	39,504	**39,504**
Convertible note in me&u	9	-	-	1,510	**1,510**
		71,185	**-**	**41,014**	**112,199**

Floating rate notes

The floating rate notes invested in by the Group 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 based on unobservable inputs. To determine the fair value, an income valuation approach is used. This technique converts forecasted cash flows to a present value amount (also known as a discounted cash flow method). Forecast cash flows are actuarially determined using predictive models based partly on evidenced historical performance and expected repayment profiles.

The fair value model will be periodically reviewed, tested and refined as needed.

The fair value of loans requires estimation of:

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

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

- loan balance – accepted principal and fee, outstanding principal and fee, and date of acceptance;
- annual settlement amount – forecasted total annual settlements for loan customers;
- current repayment percentage – percentage of daily settlements through the loan customers' terminals that go towards loan repayments;
- historical default and recovery information; and
- discount rates – market benchmarked discount rate which allows for a market level of default risk.

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

- the pricing of loans including adjustments for credit risk with the risk adjustments ranging between 30% and 32%;
- historical data with respect to behavioural repayment patterns – generally ranging between 3 to 12 months;
- default experience for loans deemed uncollectable and which are valued at $nil; and
- An estimate for the deterioration in credit risk of merchants as a result of COVID-19.

These inputs directly affect the fair value of the loans. A sensitivity of a change of 10% in the value ascribed to credit risk for loans to merchants that are either not trading completely, or are on repayment holidays, will have an impact of between negative $126,057 (December 2021: $59,800) and positive $126,057 (December 2021: $59,800) to profit and loss.

Notes to the Consolidated Financial Statements (cont.)

for the Half-Year ended 31 December 2022

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

Equity investments

At the reporting date, the Group held an unlisted equity instrument in me&u. The valuation of me&u are level 3 financial instruments with several unobservable inputs.

The valuation of me&u is based on a transacted price from a capital raise during the reporting period and has been corroborated by consideration of the enterprise value of the investee including review of actual financial performance (compared to plan).

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 Group 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 2022.

18. COMMITMENTS AND CONTINGENCIES

a) Commitments relating to BECS

The Group pays merchants through the Bulk Electronic Clearing 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.

(b) Contingent liabilities arising from commitments

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

Contingent liabilities - secured	DEC 2022 $000	JUN 2022 $000
(i) Irrevocable standby letters of credit in favour of:		
Mastercard International	3,319	3,287
Visa International	524	524
	3,843	**3,811**
(ii) Bank Guarantee in favour of:		
Premium Custody Services (lessor of 1.15/14-16 Lexington Drive, Bella Vista)	13	13
Bendigo and Adelaide Bank Limited - Alliance Agreement	6,000	6,000
Bendigo and Adelaide Bank Limited to guarantee the Bendigo office	7	7
Leader Autainvest II Pty Ltd (guarantee to secure the obligation under the lease of 55 Market Street, Sydney)	4,867	4,867
	10,887	**10,887**

The Group has provided irrevocable standby letters of credit of $3,842,819 (June 2022: $3,811,066) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to Mastercard International and Visa 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 Group. 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 Group.

18. COMMITMENTS AND CONTINGENCIES (continued)

A bank guarantee in favour of Leader Autainvest II Pty Ltd is held with Westpac Banking Corporation in relation to the lease arrangement for the 55 Market Street office premises. The amount represents 6 months rent, outgoings and GST and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

A bank guarantee in favour of Bendigo and Adelaide Bank Limited is held with Westpac Banking Corporation to mitigate the default risk created by Bendigo settling funds to Alliance merchants that hold a settlement account with Bendigo ahead of funds receipt from Tyro.

(c) Commitments relating to Tyro – Bendigo Bank Alliance

In October 2020, the Group announced an alliance with Bendigo and Adelaide Bank Limited (**Bendigo Bank**) for merchant acquiring services (Alliance). As part of the Alliance, Bendigo Bank agreed to transfer existing and refer potential customers to the Group for the provision of a co-branded merchant acquiring service and receive upfront consideration and commission from existing and newly referred Bendigo Bank business customers who use the Group's merchant acquiring services.

The present value of commitments arising from the commission payable on existing customer network and future rollouts includes an amount guaranteed by the Group and an additional variable amount based on revenue achieved as follows:

	DEC 2022 $000	JUN 2022 $000
Guaranteed amount	24,172	28,108
Variable amount	65,683	64,673
	89,855	**92,781**

19. 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 Group.

Earnings

	DEC 2022 $000	DEC 2021 $000
Net profit/(loss) attributable to ordinary shareholders used to calculate basic and diluted earnings per share	1,100	(18,066)

	DEC 2022 NUMBER	DEC 2021 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	518,441,648	514,254,001
Weighted average number of potentially dilutive ordinary shares	528,478,388	534,518,524

Earnings per share

	DEC 2022 CENTS	DEC 2021 CENTS
Basic	0.21	(3.51)
Diluted	0.21	(3.51)

Notes to the Consolidated Financial Statements (cont.)
for the Half-Year ended 31 December 2022

20. CONTINGENT LIABILITY

In relation to the terminal connectivity issue in January 2021, a class action proceeding was filed against Tyro in October 2021 in the Federal Court of Australia on behalf of impacted customers. The class action is the subject of Tyro's previous ASX announcement on 20 October 2021. The class action alleges that Tyro engaged in misleading and deceptive conduct, contravened certain statutory guarantees and breached certain contractual warranties. The claim seeks compensation and damages from Tyro. Tyro denies the allegations and is defending the proceedings.

In February 2023, following a Court-ordered mediation, Tyro entered into a Settlement Deed relating to an in-principle settlement of the class action relating to the terminal connectivity issue. The settlement remains subject to Court approval. If approved by the Court, payment of the settlement amount is not expected to involve any additional cost or expense to Tyro.

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

In February 2023, Tyro entered into a Settlement Deed relating to an in-principle settlement of the class action relating to the terminal connectivity issue that occurred in January 2021 (**Settlement Deed**). The settlement remains subject to Court approval. If approved by the Court, payment of the settlement amount is not expected to involve any additional cost or expense to Tyro.

In the opinion of the Directors, other than entry into the Settlement Deed, there are no other matters or circumstances which have arisen between 31 December 2022 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the opinion of the Directors:

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

   i. giving a true and fair view of the Group's financial position as at 31 December 2022 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 consolidated 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 Group 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
Chair

Fiona Pak-Poy
Non-executive Director, Chair-elect

Sydney, 28 February 2023

Independent Auditor's Report

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Building a better working world

Independent auditor's review report to the members of Tyro Payments Limited

Conclusion

We have reviewed the accompanying half-year financial report of Tyro Payments Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, 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 significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Ernst & Young

Michael Byrne
Partner
Sydney
28 February 2023

Corporate Directory

DIRECTORS

David Thodey AO (Chair and Non-executive Director)

David Fite (Non-executive Director)

Claire Hatton (Non-executive Director)

Aliza Knox (Non-executive Director)

Fiona Pak-Poy (Non-executive Director and Chair Elect)

Paul Rickard (Non-executive Director)

Shefali Roy (Non-executive Director)

COMPANY SECRETARY

Jay Amigh

REGISTERED OFFICE

Level 18, 55 Market Street
Sydney NSW 2000

+61 2 8907 1700

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000

+61 2 9248 5555

WEBSITE

www.tyro.com

https://investors.tyro.com

ABN

49 103 575 042

STOCK EXCHANGE LISTING

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

SHARE REGISTER

Link Market Services Limited
Locked Bag A14
Sydney South, NSW, 1235
Phone: +61 1300 554 474
Email: *registrars@linkmarketservices.com.au*