Annual Report 2016

Tyro Payments Limited
ABN 49 103 575 042

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Dear Shareholders,

While continuing to strongly grow the EFTPOS merchant base from 13,032 to 15,565 merchants over the past 12 months, Tyro delivered an in-house developed cloud-based mobile core banking platform, obtained authority to carry on banking business in Australia, raised $100 million and launched its first deposit product. Subsequent to year end, the first lending product went into pilot.

Tyro has the critical pre-requisites in place to deliver nextGen banking to a population of over half a million Australian EFTPOS merchants, small-to-medium enterprises (SME) that take credit, charge and debit cards in payment. This EFTPOS banking is fully contained in the cloud, totally mobile, seamlessly integrated into Point of Sale (POS) and practice management solutions as well as Xero cloud accounting. It means efficient banking.

This is important because efficient banking and access to cashflow-based lending are the two ingredients which are critical to SME businesses. Tyro nextGen banking boosts their growth so that they can create the jobs, products and services that will underpin Australia's prosperity in the digital century.

It is our goal, once we have fulfilled all conditions, to obtain from the Australian Prudential Regulation Authority (APRA) the naming right "Bank" to move from the category of Other ADIs to the list of Australian-owned Banks.

The journey of delivering nextGen banking to Australia's SMEs

Eleven years ago on the 26 April 2005, when the term 'Fintech' had not yet been coined and Tyro was a start-up backed by three Aussies and one German entrepreneur, the Reserve Bank of Australia (RBA) and APRA recognised that more competition was needed in the Australian banking system. Tyro is their vision realised. Back then they granted our start-up a special banking licence (SCCI) and ensured our access to the core banking system.

A year later, on 22 December 2006, Tyro was contracted by Medicare to provide the delivery of rebates in real-time through the domestic debit card system. Today Tyro is the market leader. Medicare rebates are claimed on the spot and funds are deposited into the patient's account in 11 seconds.

On 19 August 2015, with Tyro having lived successfully for 10 years as a regulated entity and serving around 14,000 SMEs with credit and debit card payment services, APRA granted the company an authority to carry on banking business to accept money on deposit and to offer loans. This was an Australian first. Never before in this country had a banking licence been granted to a technology company.

On 30 November 2015, Tyro secured a Tier One equity capital raising of $100 million from Tiger Global Management in New York, TDM Asset Management in Sydney, Australian technology entrepreneur Mike Cannon-Brookes and existing shareholders to fund the next stage of its ambitious growth strategy.

Tyro transaction and deposit account

In its quest to deliver efficient EFTPOS banking to its merchants, Tyro launched the first banking feature with the Tyro Smart Account on 19 January 2016. It is an interest bearing and fee-free business account integrated into Xero cloud accounting.

This one bank account removes the frictions from today's term deposit management and Xero batch bill, payroll and BPAY payments. The nuisances of ABA file handling and sharing credentials of online banking are a thing of the past. Payments are approved in the Tyro App on the smartphone anytime, anywhere. Deposits are at call, earn a daily interest with rates that increase every 30, 60 and 90 days and are guaranteed by the Australian Government up to $250,000.

Tyro unsecured cash flow-based lending

The pilot for the second EFTPOS banking feature, Tyro Smart Growth Funding, started on 1 July 2016. This is a cashflow-based lending solution offered to eligible EFTPOS merchants. Tyro Smart Growth Funding is easy to access on the Tyro App on a smartphone anytime, anywhere. Tyro merchants borrow against their future EFTPOS sales and repay with a percentage of their daily settlements. Applying for loans is frictionless, no collateral is required, and loans come with a fee locked in upfront, thereby leaving no surprises for the merchant. The funds are made available in the interest-bearing Tyro Smart Account within minutes.

Tyro EFTPOS banking is at an early stage. Tyro deploys new features early and frequently collects feedback from its customers to continuously learn and improve. There is significant work ahead to complete the feature and function set and to expand the product compatibility beyond Xero and Apple iOS to other accounting software and smartphone providers.

The Tyro vision is to remove the frictions in today's banking and cash flow management, so that Australian SMEs can focus on growing their businesses.

Performance highlights

As at 30 June 2016, Tyro was serving 15,565 SMEs, with a credit and debit card transaction volume growth rate of 26 percent to $8.6 billion. Tyro's revenue in 2016 grew 32 percent to $95.8 million. Being is business for over ten years, Tyro has maintained a high-growth rate in revenue. Over the past five years, the Compound Annual Growth Rate has been 37 percent.

Tyro continued to improve its operating metrics. Total operating income grew 41 percent to $46.2 million, while operating expenses grew 53 percent to $49.4 million. Significant drivers for the cost increase was an investment of approximately $12.5 million in 2016 ($10.0 million in 2015) into research and development, primarily for the mobile core banking platform including the first deposit and lending features. The year finished with a loss before tax result of $3.2 million reflecting this significantly accelerated reinvestment. Tyro has an accounting policy of not capitalising investments in product development.

Financial year ended 30 June	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transactions ($M)	116	511	1,310	1,983	2,951	4,074	5,250	6,800	8,590
Revenue ($'000)	1,510	6,283	14,298	19,913	28,440	39,091	52,644	72,358	95,767
Operating results before tax ($'000)	(5,855)	(5,113)	(1,824)	(1,816)	(528)	3,293	3,852	691	(3,207)

Employees

Tyro had 297 employees as at 30 June 2016 (compared to 221 at 30 June 2015 and 127 at 30 June 2014). Among these, 186 staff worked in end-to-end product and software development, an increase of 37 percent over the previous year.

To cater for the growth, Tyro moved on 15 November 2014 to new premises at 155 Clarence Street, Sydney. During the fiscal year, Tyro leased two additional floors bringing the total to five floors that offer the space to accommodate a staff capacity of 600 people. One floor is used for the Tyro Fintech Hub. Tyro invested $2.5m during the financial year to further fit out its 6,500 square metres of office space.

Tyro's performance reflects the strength of the exceptional team it has built over the years. During the year, one of the co-founders and Head of Product, Peter Haig announced his retirement effective 31 December 2016. Peter is one of these exceptional self-taught and self-made leaders, whose insights and experience stretch from technology and innovation, to banking and risk management, to start-ups, growth companies and broader business. He is the architect and thinker behind Tyro's promising next generation banking model.

Peter successfully transitioned the Head of Product role to his successor Paul Peterson who is a seasoned company and technology leader with 30 years' experience in large and small-sized technology companies and 15 years in senior management positions.

Our people are critical to our continued success and Tyro endeavours to recruit, retain and suitably reward the best people in the industry. All employees are invited to participate in the Employee Share Option Plan.

Tyro Health

Tyro was the first to launch an integrated Medicare Easyclaim solution into the primary health care market. Easyclaim is a real-time Medicare claiming and reimbursement service for patient-paid and bulk-billed claims. The solution uses an EFTPOS terminal and the EFTPOS network to enable rebates from the medical practice immediately after consultation.

Tyro Easyclaim eliminates data entry errors and printing of paper vouchers. End-of-day banking is fast and accurate and immediate payments reduce the practice's outstanding debt. Patients enjoy Medicare rebates by swiping their card and seeing their rebate in their account in 11 seconds.

Tyro leads the market with more than half of all Medicare rebate transactions processed through the EFTPOS card system. The solution is certified with most of the practice automation software providers.

Tyro's HealthPoint is a new private health fund and Medicare claiming solution tailored to allied health providers and integrated directly with the practice management software. The major modalities that will benefit from this solution in the future are dentists, optometrists and physiotherapists.

Tyro Retail

Tyro continues to execute its overall strategy of accessing merchants via POS vendors. The Tyro Terminal Adapters enable the POS vendors to implement the EFTPOS integration protocol directly with Tyro. This means that integration no longer requires weeks of effort but merely days and integrations are far more robust.

Tyro EFTPOS terminals process card payment transactions in less than two seconds with most POS software and without performance degradation through busy peak trading times such as Christmas. Reconciliation has become simpler because the cash register and EFTPOS reports always match. There are no more time-consuming manual adjustments and printouts each evening.

With a Dynamic Currency Conversion (DCC) feature, international customers can pay in more than 135 different currencies, eliminating surprises on their statements when returning home. For the merchant, DCC provides an extra revenue stream.

Tyro Hospitality

Tyro was the first provider of a pay, split and tip-at-table function on its terminals that can be integrated with most of the leading restaurant automation software systems.

In August 2014, Australia began phasing out the cardholder's signature as an acceptable authentication method for face-to-face payment card transactions. Now the consumer is required to enter their four-digit PIN or Tap & Go. The hospitality sector was particularly impacted by this change as table service restaurants had to arrange for the terminal to be brought to the table to complete the payment process and the PIN entry.

Tyro's Pay@Table solution permits the payment terminal to communicate with a restaurant's POS over a wireless network, thus permitting pay-at-table transactions to be conducted on an integrated basis. Tyro provides a comprehensive suite of features including tipping at table, splitting amounts and opening bar tabs.

Tyro Fintech Hub

The Tyro Fintech Hub supports fintech start-ups and high-growth companies with co-working space where founders work and collaborate, companies accelerate, mentors contribute, experts teach, investors discover and the fintech community meets. In February of 2016, exactly 12 months after opening, the Hub moved from Level 3 to Level 5 of Tyro's offices with bespoke finishes and a brand-new fit-out in February 2016.

It is now home to a broad spectrum of fintech start-ups innovating in areas as diverse as payments and lending, financial literacy and superannuation, trading and exchanges, through to blockchain and behavioural finance, as well as host to a health insurance accelerator.

Building the wider fintech ecosystem, the Tyro Fintech Hub is host to numerous events, conferences, meet-ups, and hackathons with three events per week on average. This ranges from educational master classes with Venture Capitalists, technical meet-ups to attract engineering talent, through to high profile events including the Federal Treasurer's open Q&A with the fintech community and international visitors from the wider fintech, banking, corporate, investor, regulatory and governmental community including Canada, China, Hong Kong, Japan, Korea, Singapore, the UK and the United States.

Andrew Corbett-Jones assumes the role of Head of Tyro Fintech Hub joined by Sharon Lu as General Manager. Both are serial entrepreneurs with the experience and credibility of leading a fintech hub by entrepreneurs, for entrepreneurs.

The internet and cloud architecture

The cloud-based Tyro architecture has brought EFTPOS into the internet age. Tyro removes constraints and enables businesses, no longer tied to legacy technology, to radically improve the efficiency of their processes. Merchants can increase transaction speed and lower communication expense by using the internet, or, for larger organisations, their corporate network.

Software vendors can integrate directly with Tyro eliminating the need for an expensive software and hardware middleware layer and consequently points of failure. Tyro provides them with the capability to integrate payment and reconciliation processes via a secure cloud infrastructure. At this stage, Tyro is not aware of any other acquirer that offers similar functionality.

Availability

Tyro has maintained 100 percent uptime of its core acquiring platform with its live-live infrastructure. Even during maintenance downtime, merchants can continue to transact as our terminals will automatically connect to any available application switch within either of our two data centres. When integrated, the merchant's POS system also uses either data centre. During the year Tyro regularly tested recovery of its infrastructure.

Investments for future performance

Tyro will continue to invest significantly in people to expand its EFTPOS banking platform and to deliver features and functions tailored to the specific needs of Australia's diverse SME community. Tyro will also invest in the purchase of servers and networking to ensure sufficient scalability of the production IT infrastructure to meet the continued growth of the acquiring and banking services.

In parallel, Tyro has been building the non-engineering capability of the business to support the sales and operational capability necessary to continue to scale up its acquiring and banking services. Tyro is active in the market with regard to hiring engineers to further increase the product delivery capacity.

Delivering simplicity

Hype around new mobile payment technologies, mainly capitalising on the propagation of smartphones, is invigorating innovation and investment. With NFC, Apple Pay, Android Pay, Square, PayPal and others, consumers and merchants are fed daily with news on new developments in mobile payments and mobile-pass technology.

As these new innovations get adopted, SMEs will struggle to offer their consumers these payment choices while maintaining the required reliability, efficiency and security of their payment and reconciliation processes. Tyro will use its platform, partnerships and integration architecture to offer customers simplicity: ONE account, ONE settlement, ONE point of contact.

Tyros and the Tyro world

Tyro stands for challenger. Against the backdrop of all the opportunities arising from new technologies, Tyro intends to continue to challenge and invest even more into further build-up. Rapid growth in itself has challenges, but Tyro is a very special and attractive place.

The Tyro team, the Tyros, embrace agile and lean methods. They marry deep banking knowledge, strong risk management and regulatory compliance with creative and innovative solutions. Tyros live in all these different worlds and most importantly have an opportunity to make a major difference for the Australian community.

Jost Stollmann
Chief Executive Officer

29 August 2016

Information for shareholders

We report to Shareholders each year, following the end of financial year, with the Annual Report and then the Annual General Meeting. During the financial year, the Company became a disclosing entity and publishes an Interim Financial Report for the half-year ended 31 December. A hard copy of the Annual Report can be obtained by contacting the Company Secretary.

Annual General Meeting

The Tyro Annual General Meeting will be held at the Tyro premises, 155 Clarence Street, Sydney NSW 2000 on Wednesday 19 October 2016, commencing at 3pm.

Shareholder Information

For information about your shareholding or to notify a change of address etc., you should contact the company via the Company Secretary.

Tyro Payments Limited
Attn: Company Secretary
Level 1
155 Clarence Street
Sydney NSW 2000

Phone: (02) 8907 1714

Email: jmitchell@tyro.com

Electronic Communications

Shareholders can elect to receive the Annual Report and shareholder newsletters by email. Shareholders who wish to register or notify a change of their email address should contact the company via the Company Secretary.

Tyro Payments Limited
Attn: Company Secretary
Level 1
155 Clarence Street
Sydney NSW 2000

Phone: (02) 8907 1714

Email: jmitchell@tyro.com

Directors' Report

The Board of Directors of Tyro Payments Limited present their report together with the financial statements for the financial year ended 30 June 2016.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are Kerry Chisholm Dart Roxburgh, Michael Alexander Cannon-Brookes, Robert Alexander Ferguson, Catherine Harris, Paul Gordon Rickard and Hans-Josef Jost Stollmann. Skills, qualifications, experience and special responsibilities for each director are set out below:

Kerry Roxburgh, Chairman
Non-executive Director since 18 April 2008

Kerry is currently the Lead Independent non-executive Director of Ramsay Health Care Ltd, and a Non-Executive Director of the Medical Indemnity Protection Society and of MIPS Insurance Ltd. He is Chairman of the Eclipx Group Ltd and is also a member of the Advisory Board of AON Risk Solutions Australia.

Kerry is a Member Practitioner of the Stockbrokers Association of Australia. In 2000 he completed a 3 year term as CEO of E*TRADE Australia (a business that he co-founded in 1997), continuing as its non-executive Chairman until June 2007, when it was acquired by the ANZ Bank. Prior to this appointment he was an Executive Director of Hong Kong Bank of Australia Group (now HSBC Bank Australia) where for 10 years from 1986, he held various positions including Head of Corporate Finance and Executive Chairman of the group's stockbroker, James Capel Australia. Until 1986 Kerry practiced for more than 20 years as a Chartered Accountant.

Kerry is Chairman of the Board of Tyro Payments Limited and a member of its Audit Committee, its Remuneration Committee and of its Risk Committee.

Other Non-Executive Directorships held in the last three years:

- Charter Hall Group Ltd - Chairman (ceased November 2014)
- Tasman Cargo Airlines Ltd - Chairman (ceased December 2015)
- Marshall Investments Pty Ltd (ceased December 2015)
- Ramsay Healthcare Limited
- Eclipx Group Ltd - Chairman
- Medical Indemnity Protection Society Ltd
- MIPS Insurance Ltd

Mike Cannon-Brookes
Non-executive Director since 10 December 2009

Michael is Co-Founder, CEO and Director of Atlassian, an innovative, award-winning enterprise software company based in Australia and established in 2002. Michael was named Australian IT Professional of the Year in 2004, awarded 'Australian Entrepreneur of the Year' by EY in 2006 and honoured by the World Economic Forum in 2009 as a Young Global Leader. Michael is an active investor and advisor to technology-focused ventures. Michael is Chairman of the Remuneration Committee and member of the Audit and Risk Committees.

Other Directorships held during the past three years:

- Atlassian Corporation Pty Limited & Subsidiaries

Rob Ferguson
Non-executive Director since 14 November 2005

Rob began his career as a research analyst for a Sydney stockbroker. He joined Bankers Trust Australia in 1972 and became Managing Director in 1985. By mid 1990s, BT had $50 billion under management. Rob became chairman of BT Funds Management in 1999 until he resigned the position in 2002. Rob is Chairman of the Risk Committee and a member of the Audit and Remuneration Committees.

Other Directorships held during the past three years:

- Chairman of GPT Management Holdings Limited
- Non-executive Chairman of Primary Health Care Limited
- Chairman of SmartWard Holdings Pty Ltd (appointed February 2012)
- Non-executive Director of Watermark Market Neutral Fund Limited (appointed May 2013)

Catherine Harris
Non-executive Director since 17 December 2015

Catherine Harris is the Chair of Harris Farm Markets Pty Ltd and her previous roles have included Federal Director of Affirmative Action and Deputy Chancellor of the University of NSW. Board positions include Trustee of the Sydney Cricket Ground Trust, The Australian Defence Force Academy, The MCA, and the Australia Japan Foundation. Catherine is also the Honorary Consul for Bhutan.

Catherine is an Officer in the Order of Australia and was awarded the Australian Public Service Medal, The Centenary Medal and has an Honorary Doctorate in Business from UNSW.

Other Directorships held during the past three years:

- The Australian Rugby League Commission
- The Australian Ballet
- Sport Australia Hall of Fame
- The Australian School of Business of UNSW
- The National Gallery of Australia (ceased June 2015)

Paul Rickard
Non-executive Director since 28 August 2009

Paul is a company director, financial adviser and financial services consultant. He was previously the Executive General Manager, Payments & Business Technology for the Commonwealth Bank. During his 20 year career at the CBA, Paul was the founding Managing Director of CommSec, which he led from 1994 through to 2002. In 2005, Paul was named 'Stockbroker of the Year' and admitted to the Industry Hall of Fame. Paul is Chairman of the Audit Committee and member of the Risk Committee.

Other Directorships held during the past three years:

- Property Exchange Australia Limited
- Switzer Financial Group Pty Ltd
- Switzer Asset Management Ltd
- Lumus Financial Services Pty Ltd
- Substancia Capital Limited (ceased)

Jost Stollmann
Director and CEO since 5 April 2005

Jost founded and grew the German system and network integrator CompuNet Computer AG into a US$1B company, sold it to GE Capital and led the integration and expansion of GE Capital IT Solutions across the continent as president of Europe. As Federal Shadow Minister of Economy and Technology, he ran and managed his own election campaign contributing significantly to the landslide victory of the first German government of Chancellor Gerhard Schröder.

No other Directorships were held during the past three years.

Company Secretary

Our Company Secretary as at 30 June 2016 was Justin Mitchell.

Justin was appointed on 19 March 2007 to build and manage the compliance and risk frameworks and oversee regulatory obligations. Justin was appointed Company Secretary on 12 April 2007. The Company Secretary ensures all relevant business is put to the board and the decisions of the board are implemented. In addition, Justin is the Chief Risk Officer, accountable for enabling the efficient and effective governance of significant risks. A main priority for Justin is to ensure that the organisation is in full compliance with all applicable regulations.

DIVIDENDS

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

CORPORATE INFORMATION

Corporate Structure

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

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Tyro Payments Limited were:

Director	Shares	Options
Kerry Roxburgh[1]	1,352,041	1,899,289
Michael Cannon-Brookes[2]	15,899,558	2,810,324
Rob Ferguson[3]	30,152,950	4,661,691
Catherine Harris	200,000	-
Paul Rickard	811,490	1,407,548
Jost Stollmann[4]	59,336,874	12,321,626

[1] Includes ordinary shares and options jointly held with Alex Roxburgh as trustees for the Kerry & Alex Roxburgh Superannuation Fund being an associate of Kerry Roxburgh

[2] Includes ordinary shares by Abyla Pty Ltd and Grokco Pty Ltd being associates of Michael Cannon-Brookes

[3] Includes ordinary shares held by Torryburn Superannuation Fund and Simon Peter Price and Rachel Emma Ferguson being associates of Rob Ferguson

[4] Includes options held by Fiona Stollmann being an associate of Jost Stollmann

Nature of operations and principal activities

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

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

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

(amounts in $'000s)	2016	2015
Revenues	$95,767	$72,358
Operating income	$46,183	$32,768
Operating (loss)/profit before tax expense	($3,207)	$691
Net (loss)/profit	($746)	$811

Tyro had a $0.7m net loss result for the year ended 30 June 2016. Tyro continues its phase of high growth and scaling up of the banking business as part of strategy. Tyro had interest income of $2.0m for the period

Capital Structure and Funding

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

During the period, 10,240,643 ordinary shares were issued upon exercise of options raising a total of $0.7m in fully paid capital. In addition, 96,638,869 ordinary shares were issued as part of the capital raising program to fund the next stage of Tyro's growth strategy to carry on a banking business, raising a total of $100.1m in fully paid capital. Total Tier 1 capital held as at 30 June 2016 was $118.9 million. Tyro has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

Tyro had cash and cash equivalents of $82.2m at the end of the reporting period.

Risk Management

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

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

The CEO and Management team are responsible for implementing our risk management strategy and framework, and for developing policies, controls, processes and procedures for identifying and managing risk.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 19 August 2015, APRA approved Tyro's application for authorisation to carry on a banking business, revoking its prior restrictive conditions. Immediately following this, Tyro commenced its fund raising program to continue pursuing its growth strategy.

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

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

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

On 22 December 2015, all existing Tyro shareholders received the opportunity to participate in a $5.5m pari passu offer for fully paid ordinary shares. This Pro Rata Raising was open until 10 February 2016 and was fully paid.

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

On 2 March 2016, Tyro completed a Tier 1 capital fund raising of $100.1m.

Significant events after balance date

On 1 July 2016, Tyro commenced pilot for the Smart Growth Funding product, which was offered to existing Tyro EFTPOS merchants.

Likely developments and expected results

The Directors expect that in the 2017 financial year, Tyro will continue to grow the business in line with its strategy and expand the features and products offered to merchants to facilitate EFTPOS banking solutions.

SHARE OPTIONS

Unissued shares

As at 30 June 2016, there were 76,831,955 unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company (named above) and the company secretary against a liability incurred as an officer of the company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has entered into deeds of access and indemnity with its directors and company secretary which will indemnify them against liability incurred as an officer of the company to a third party only to the extent permitted by the Corporations Act.

The company has agreed to indemnify its auditor, EY, against a liability incurred as auditor only to the extent permitted by law.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director is as follows:

	Board Meetings	Audit Committee	Risk Committee	Remuneration Committee
Meetings held during the year	10	4	6	2
Director				
Kerry Roxburgh	10	4	6	2
Michael Cannon-Brookes	7	3	5	2
Rob Ferguson	9	3	5	2
Catherine Harris *	4	2	4	1
Paul Rickard	10	4	6	1
Jost Stollmann	10	4	6	2

***Catherine has attended all meetings since appointment. Membership of committees changed during the period.

Committee Membership

As at the date of this report, Tyro had an Audit Committee, a Risk Committee and a Remuneration Committee of the Board of Directors. Members acting on the Committees of the Board during the year were:

Audit Committee	Remuneration Committee	Risk Committee
P. Rickard (Chairman)	M. Cannon-Brookes (Chairman)	K. Roxburgh (Chairman)
R. Ferguson	R. Ferguson	M. Cannon-Brookes
K. Roxburgh	C. Harris	C. Harris
		P. Rickard

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' report for the year ended 30 June 2016.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

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

As lead auditor for the audit of Tyro Payments Limited for the financial year ended 30 June 2016, 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 audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Andrew Price
Partner
29 August 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000	2015 $000
Continuing Operations			
Fees and commission income	2	92,683	70,850
Interchange, integration and support fees expense	2	(48,876)	(39,082)
Net fees and commission income		43,807	31,768
Interest expense on deposits		(3)	-
Net banking operating expense		(3)	-
Terminal and accessories sale		212	573
Terminals and accessories COGS		(705)	(508)
Net terminal and accessories sale (expense)/income		(493)	65
Interest income		2,010	805
Other income	2	862	130
Total operating income		**46,183**	**32,768**
Less: Expenses			
Employee benefits expenses	2	32,181	21,429
Administrative expenses		12,946	8,348
Depreciation	9	4,025	2,436
Impairment of inventories		14	8
Other expenses	2	234	89
Total operating expenses		**49,400**	**32,310**
Foreign currency gain		10	233
Operating (loss)/profit before tax expense		**(3,207)**	**691**
Income tax benefit	3	2,461	120
Net (loss)/profit		**(746)**	**811**
Other Comprehensive Income			
Net fair value gain on available-for-sale financial instrument		60	150
Total comprehensive (loss)/income		**(686)**	**961**

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 $000	2015 $000
ASSETS			
Current assets			
Cash and cash equivalents	4	82,224	9,990
Due from other financial institutions	5	27,803	6,794
Trade and other receivables	6	7,191	3,782
Prepayments		966	492
Inventories	7	923	855
Total current assets		119,107	21,913
Non-current assets			
Available-for-sale investments	8	681	596
Property, plant and equipment	9	12,557	7,673
Net deferred tax assets	3	8,174	5,631
Total non-current assets		21,412	13,900
TOTAL ASSETS		**140,519**	**35,813**
LIABILITIES			
Current liabilities			
Deposits	11	459	-
Trade payables and other liabilities	12	9,542	6,519
Provisions	13	1,526	1,088
Total current liabilities		11,527	7,607
Non-current liabilities			
Provisions	14	685	418
Total non-current liabilities		685	418
TOTAL LIABILITIES		**12,212**	**8,025**
NET ASSETS		**128,307**	**27,788**
EQUITY			
Contributed equity	15	134,566	34,013
Reserves	15	9,572	8,707
Accumulated losses	15	(15,831)	(14,932)
TOTAL EQUITY		**128,307**	**27,788**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Interest, fee and rental income received		91,101	71,970
Payments to suppliers and employees		(92,848)	(66,102)
Cash inflow from retail deposits		459	-
Receipts from terminals & accessories sale		212	573
Dividend income received		3	2
Net cash flows from operating activities	4	**(1,073)**	**6,443**
Cash flows from investing activities			
Investments in term deposits[1]		(20,000)	-
Purchase of property, plant and equipment		(8,941)	(7,138)
Proceeds from disposal of property, plant and equipment		139	112
Lease incentive received		2,080	1,229
Net cash flows from investing activities		**(26,722)**	**(5,797)**
Cash flows from financing activities			
Proceeds from fund raising, net of related costs		99,720	-
Proceeds from exercise of share options		412	101
Proceeds from shareholder loans		4,600	-
Shareholder loan repayment		(4,600)	-
Interest and fees paid on shareholder loans		(113)	-
Net cash flows from financing activities		**100,019**	**101**
Net increase in cash and cash equivalents		72,224	747
Net foreign exchange difference		10	232
Cash and cash equivalents at beginning of year		9,990	9,011
Cash and cash equivalents at end of year	4	**82,224**	**9,990**

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

[1]. Term deposits which have a contractual maturity greater than three months from date of acquisition.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

		Attributable to equity holders of Tyro Payments Limited						
	Note	Contributed Equity $000	Available for Sale Revaluation Reserve $000	Share Based Payments Reserve S000	Accumulated Losses $000	Option Premium Reserve $000	General Reserve for Credit Losses $000	Total $000
At 30 June 2014		33,912	210	6,983	(15,714)	480	368	26,239
Gain for the year		-	-	-	811	-	-	811
Other comprehensive income		-	150	-	-	-	-	150
Total comprehensive income		-	150	-	811	-	-	961
Issue of share capital – from options exercised		101	-	-	-	-	-	101
Share-based payments		-	-	487	-	-	-	487
Transfer to general reserve for credit losses		-	-	-	(29)	-	29	-
At 30 June 2015		**34,013**	**360**	**7,470**	**(14,932)**	**480**	**397**	**27,788**
Loss for the year					(746)			(746)
Other Comprehensive income			60					60
Total comprehensive income		-	60	-	(746)	-	-	(686)
Issue of share capital – from options exercised		725						725
Issue of share capital – from capital raising[1]		99,828						99,828
Share-based payments				965		(313)		652
Transfer to general reserve for credit losses					(153)		153	-
At 30 June 2016	15	**134,566**	**420**	**8,435**	**(15,831)**	**167**	**550**	**128,307**

[1] Net of related capital raising costs of $299k (net of tax)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES

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

The financial report of Tyro Payments Limited (the **Company**) was authorised for issue in accordance with a resolution of the Directors on 25 August 2016.

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

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

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars, under the option available to the Company under ASIC Class Order No. 2016/191, unless otherwise stated.

(b) Statement of compliance

The 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) Going concern

The Company had net current assets of $107.6m as at 30 June 2016 (2015: $14.3m).

The Directors consider the Company is able to pay its debts as and when they fall due, and therefore the Company is able to continue as a going concern.

(d) New accounting standards and interpretations

(i) Changes in accounting policies

The accounting policies are consistent with those applied in the previous financial year and corresponding interim period, apart from the treatment of the new Tyro Smart Account deposits which previously did not exist. The treatment for deposits is covered below.

(ii) New or amended accounting standards

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations during the financial year.

AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of* AASB 1031 *Materiality*

The adoption of the above Standards is deemed not to have a material impact on the financial statements or performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(iii) Accounting standards and interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations, which have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ended 30 June 2016:

- AASB 9 *Financial Instruments* – simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The new standard also:
    - simplifies requirements for embedded derivatives.
    - removes the tainting rules associated with held-to-maturity assets.
    - provides an opportunity to fair value investments in equity instruments to other comprehensive income, with no separate impairment test, whilst taking dividends to income.
    - requires entities to reclassify their financial assets when there is a change in the entity's business model.
    - simplifies hedge accounting requirements, including hedge effectiveness testing.

  For financial liabilities, where the fair value option is used, changes in fair value attributable to the issuer's own credit risk are presented in other comprehensive income, removing the volatility in profit or loss. A new impairment model is also included which requires more timely recognition of expected credit losses from when financial instruments are first recognised, and recognition of full lifetime expected losses on a more timely basis.

  AASB 9 applies to annual reporting periods on or after 1 January 2018. The new requirements of AASB 9 will be assessed closer to the effective date.

- AASB 15 *Revenue from Contracts with Customers* - establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principles explained in a step by step approach in the standard. AASB 15 applies to annual reporting periods on or after 1 January 2018. The new requirements of AASB 15 will be assessed closer to the effective date.

- AASB 16 *Leases* – introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, enhanced disclosures are required to improve information about the lessor's risk exposure, particularly to low value risk. AASB 16 applies to annual reporting periods beginning on or after 1 January 2019. The new requirements of AASB 16 will be assessed closer to the effective date.

- AASB 107 *Statement of Cash Flows* – requires entities preparing financial statements in accordance with Tier 1 reporting requirements, to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. AASB 107 applies to annual reporting periods beginning on or after 1 January 2017. The new requirements of AASB 107 will be adopted in the financial year ending 30 June 2018.

(e) 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 these financial statements are outlined as follows:

<u>Share-based payments transactions</u> - The Company recognises the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using the Black-Scholes option valuation model, with the assumptions detailed in Note 9.

<u>Classification of and valuation of investments</u> - The Company classifies its investments in listed securities as 'available-for-sale' investments and movements in fair values are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

Estimation of useful lives of assets - The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against their remaining useful lives. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in Note 8. An impairment assessment is conducted and reviewed by Management at least annually as to whether indicators of impairment such as technical obsolescence exist.

Long service leave - Entitlements that arise in respect of long service leave which are expected to be settled more than 12 months after the reporting date have been measured at their present values of expected future payments. Long service leave is calculated based on assumptions and estimates of when employees will take leave and the prevailing wage rates at the time the leave will be taken. Long service leave liability also requires a prediction of the number of employees that will achieve entitlement to long service leave.

Taxation – Provisions for taxation require significant judgement with respect to outcomes that are uncertain. The Company has estimated its tax provisions based on expected outcomes. Deferred tax assets are recognised for deductible temporary differences as Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. In forming their view, Management considers the probability of forecast future taxable income and performs stress testing on expecting budgets to assess the likelihood of deferred tax assets being utilised. Management does not recognise deferred tax assets where utilisation is not considered probable. An assessment of research and development (R&D) activities and associated expenditure that is considered claimable, is conducted and reviewed by Management at least annually as part of the annual R&D tax incentive application.

Software capitalisation – The Company does not capitalise any investments on in-house product development, with such costs being expense to the Statement of Comprehensive Income.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Fee income

The Company derives fee income from the following sources:

- Merchant service fee income is generated from merchant customers for credit and debit card acquiring services. Fees are charged to merchants depending on the type of transaction being performed based on a percentage of transaction value or on a fixed amount per transaction. Fees related to the payment transactions are recognised at the time transactions are processed. Related interchange fee, which is collected from merchants and paid to credit institutions is recognised as an expense instead of netting-off against merchant service fee income in the Statement of Comprehensive Income.
- Revenue from terminal rental income generated from merchants is based on a fixed rental from terminals.
- Revenue from Debit Card Interchange generated from banks is based on a fixed fee per transaction and is recognised when transactions are processed.
- Revenue from processing Medicare Easyclaim generated from merchants is based on a fixed fee per transaction and is recognised when transactions are processed.
- Revenue from Dynamic Currency Conversion (DCC) transactions generated from merchants is calculated based on the individual value of the transactions and is recognised once the transaction has been processed.

(ii) Interest income

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis, using a method that approximates the effective interest rate method. The effective interest rate method measures the amortised cost of a financial asset and allocates the interest income over the relevant period using the effective interest which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases in which the Company does not retain substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental income. Operating lease payments are recognised as an income or expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Deferred income is recognised as a liability on the Statement of Financial Position on inception of the lease. The deferred lease incentive is then recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease, through rent expense.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents are reported net of outstanding bank overdrafts.

(i) Due from other financial institutions

Includes term deposits with a remaining maturity greater than three months, and term deposits pledged to counterparties as collateral. These are initially measured at fair value and subsequently measured at amortised cost using a method that approximates the effective interest method.

(j) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(k) Prepayments

Prepayments are recognised for amounts paid whereby goods have not transferred ownership to the Company or where services have not yet been provided. Upon receipt of goods or the service the corresponding asset is recognised in the Statement of Financial Position or the expense is recognised in the Statement of Comprehensive Income.

(l) Available-for-sale investments

Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the investment. After initial recognition these investments are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is transferred to the Statement of Comprehensive Income.

Purchase and sale of investments are recognised on settlement date - the date on which the Company receives or delivers the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(m) Inventories

(i) Cost and valuation

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the Company from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Inventories are subsequently held at the lower of cost and their net realisable value. Impairment is assessed on an annual basis. Inventories are derecognised upon transfer to property, plant and equipment when leased out to merchants or rights to benefits are transferred to a third party.

(ii) Impairment

Management make assessments of the net realisable value of inventory on an annual basis. The cost of inventory may not be recoverable where the inventory is damaged, wholly or partially obsolete, or if selling prices have declined. In accordance with AASB 102, where the cost of inventory exceeds the net realisable value, inventory is written down to their net realisable value.

Net realisable value is an estimate, based on the most reliable evidence at the time, of the amount the inventories are expected to realise.

(n) Income taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the by the reporting date.

(o) Deferred tax asset

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date (Note 3).

(p) Other taxes

Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except for the following:

- when the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- trade receivables and trade payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of other receivables or other payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST.

(q) Acquisition of non-financial assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus any incidental costs directly attributable to the acquisition.

Expenditure is recognised as an asset only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. All other expenditure is expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(r) Property, plant and equipment

(i) Cost and Valuation

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing parts when the cost is incurred and the recognition criteria are met. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant or equipment, as a replacement, provided that the recognition criteria are satisfied.

(ii) Depreciation

Depreciation is provided on a straight-line basis over the estimated useful life of each specific item of property, plant and equipment.

Estimated useful lives are as follows:	**2016**	**2015**
Plant and equipment:		
EFTPOS terminals	3 years	3 years
Furniture and office equipment	5 years	5 years
Computer equipment	4 years	4 years
Leasehold improvements	Remaining term of lease	Remaining term of lease

The assets' residual values, remaining useful lives and depreciation methods are reassessed and adjusted, if appropriate at each reporting date.

(iii) Impairment

Management has identified cash generating units and applicable impairment indicators in accordance with AASB 136 Impairment of Assets. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs of disposal and its value in use.

(iv) De-recognition and disposal

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the Statement of Comprehensive Income in the year the asset is derecognised.

(s) Deposits from customers

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

(t) Trade and other payables

Merchant payables arise when the Company has received monies from the relevant schemes and financial institutions that have not yet been settled with the merchant.

Payables to merchants are only recognised to the extent that a liability arises. This liability arises when the proceeds have been paid by the schemes and financial institutions and received by the Company.

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and liabilities are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the cost of the loans and liabilities. The fair value of the options attached to the loan is also included in the cost of the loan. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for 12 months after the reporting date. Borrowing costs consists of interest and other costs incurred in the borrowing of funds.

(v) Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the impact of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed in the relevant notes to the financial statements. They may arise from uncertainty as to the existence of a liability or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. Only when settlement becomes probable will a liability be recognised.

The Company is contingently liable for processed credit card sales transactions in the event of a dispute between the cardholder and a merchant. If a dispute is resolved in the cardholder's favour, the Company will credit or refund the amount to the cardholder and charge back the transaction to the merchant. If the Company is unable to collect the amount from the merchant, the Company will bear the loss for the amount credited or refunded to the cardholder.

Management evaluates the risk of such transactions and estimates its potential loss for credit losses based primarily on historical experience and other relevant factors. A provision is recognised for merchant losses necessary to absorb chargebacks and other losses for merchant transactions that have been previously processed and on which revenues have been recorded.

From the current financial year a specific provision for credit losses is maintained when there is objective evidence that the company will not be able to collect the debts.

(w) General reserve for credit losses

The Company provides for estimated future credit losses primarily from chargebacks, with a general reserve for credit losses. The Company estimates the reserve by using a multiple of historical losses over a rolling 120 day period of transaction values. The general reserve for credit losses is then allocated as a separate reserve within equity.

The methodology and assumptions used for estimating the general reserve for credit losses required are reviewed regularly.

(x) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Entitlements arising in respect of salaries and wages, annual leave and other employee benefits that are expected to be settled within one year have been measured at their nominal amounts. Employees are entitled to 20 days annual leave each year. The company classes as a current liability the portion that is expected will be taken by the employees in the next 12 months.

Entitlements that arise in respect of long service leave which are expected to be settled more than 12 months after the reporting date have been measured at their present values of expected future payments. Long service leave is calculated based on assumptions and estimates of when employees will take leave and the prevailing wage rates at the time the leave will be taken. Long service leave liability also requires a prediction of the number of employees that will achieve entitlement to long service leave.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave to be taken in the future by all employees at reporting date is estimated to be less than the annual entitlement for sick leave.

(y) Share-based payment transactions

Share-based compensation benefits are provided to employees (including Key Management Personnel) via the Employee Share Option Plan, whereby employees render services in exchange for rights over the Company's shares.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined internally using the Black-Scholes option valuation model.

The cost of equity-settled transactions is recognised, together with any corresponding increase in equity, over the period in which the employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest. There were no modifications to the terms of the outstanding options during the financial year. Details of the types of share-based payments and their respective terms and vesting conditions are disclosed in Note 10.

(z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are accounted in contributed equity as a deduction, net of tax, from the proceeds of issue.

(aa) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date.

Non-monetary assets and liabilities are translated at their historic rates of exchange at their respective transaction dates.

(ab) De-recognition of assets and liabilities

Assets and liabilities are derecognised from the Statement of Financial Position upon sale, maturity or settlement. Gains and losses arising from de-recognition of these assets and liabilities are accounted in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2. REVENUE AND EXPENSES

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

	2016 $000	2015 $000
Fees and commission income		
Merchant service fee	79,823	60,596
Terminal rental income	7,404	5,246
Other fee income	5,456	5,008
	92,683	70,850
Interchange, integration and support fees expense		
Interchange and scheme fees	42,913	33,411
Integration and support fee expense	5,363	4,647
Other settlement fees and expenses	600	1,024
	48,876	39,082
Other income		
Sublease and other rental income	743	-
Gain on disposal of PPE	107	88
Dividend income on financial instruments and other	12	42
	862	130
Employee benefits expense		
Wages, salaries and bonuses	27,984	18,690
Superannuation	2,608	1,790
Share-based payments expense	965	487
Other employee benefits expense	624	462
	32,181	21,429
Other expenses		
Interest, fees and other expenses	138	30
Bad debt and credit loss expense	96	43
Other write-offs	-	16
	234	89

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3. INCOME TAX

a) Income tax expense

Major components of income tax expense for the period ended 30 June 2016:

	2016 $000	2015 $000
Current income tax		
Current income tax charge	-	592
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,461)	-
Derecognition of deferred income tax from temporary differences	-	(712)
Income tax benefit in the statement of comprehensive income	**(2,461)**	**(120)**
Amount reported directly in other comprehensive income		
Deferred tax related to items recognised in equity during the year	(108)	-
Deferred tax on unrealised gain on available-for-sale investment	25	64
Income tax benefit/(expense) reported in equity	**(83)**	**64**

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

	2016 $000	2015 $000
Operating (loss)/profit before tax	**(3,207)**	**691**
At the statutory income tax rate of 30%	(962)	207
Research and development incentive	(1,247)	(600)
Share-based payment remuneration	289	147
Entertainment expenses	32	16
Adjustment in respect to previous year’s tax balances	(573)	110
Total income tax benefit	**(2,461)**	**(120)**

c) Deferred income tax assets and liabilities

	2016				2015			
	Statement of Financial Position $000	SOCI $000	OCI $000	Share Capital $000	Statement of Financial Position $000	SOCI $000	OCI $000	Share Capital $000
Deferred income tax assets								
Fixed assets	701	(155)	-	-	545	10	-	-
Provisions & accruals	2,110	(876)	-	-	1,235	(636)	-	-
Other (legal fees)	87	22	-	108	-	-	-	-
Lease break fee	63	21	-	-	84	(84)	-	-
Unrealised FX loss	-	-	-	-	-	24	-	-
R&D credits *	5,459	(5,459)	-	-	-	-	-	-
Tax Losses *	-	4,010	-	-	4,010	(115)	-	-
	8,420	(2,437)	-	108	5,874	(801)	-	-
Deferred income tax liabilities								
Available-for-sale investments	(180)	-	(25)	-	(154)	-	(64)	-
Unrealised FX gain	(66)	(24)	-	-	(89)	89	-	-
	(246)	(24)	(25)	-	(243)	89	(64)	-
Total	**8,174**	**(2,461)**	**(25)**	**108**	**5,631**	**(712)**	**(64)**	**-**

* During the year ended 30 June 2016, the Company submitted requests for amended assessments to the Commissioner of Taxation in respect to the 30 June 2013 and 2014 income years. The effect of these amendments was to deduct prior year carried forward tax losses, and to carry forward Research and Development tax credits. There was no net change to the tax payable of the Company as a consequence of these amendments.

4. CASH AND CASH EQUIVALENTS

	2016 $000	2015 $000
Deposits at call	15,497	9,990
Short term deposits	66,727	-
	82,224	9,990

Deposits at call include cash at banks, cash held in the exchange settlement account with the Reserve Bank of Australia, and cash in hand. Short term deposits are those with maturities of three months or less from date of acquisition.

Comparatives for the prior period have been restated due to the reclassification of deposits held as collateral, from “cash and cash equivalents” to “due from other financial institutions” in Note 5.

4. CASH AND CASH EQUIVALENTS (cont'd)

Reconciliation of operating loss after tax to net cash flows used in operations	2016 $000	2015 $000
Operating (loss)/profit	(746)	811
Adjustments for:		
Depreciation	4,025	2,436
Share-based payments expense	965	487
Gain on disposal of property plant and equipment	(107)	(88)
Deferred tax benefits	(2,461)	(120)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,430)	1,494
(Increase) in term deposits held as collateral	(1,009)	-
(Increase) in prepayments	(472)	(184)
(Increase) in inventories	(69)	(561)
Increase in trade and other payables	1,060	1,682
Increase in provisions	712	486
Increase in deposits	459	-
Net cash from operating activities	(1,073)	6,443

5. DUE FROM OTHER FINANCIAL INSTITUTIONS

Term deposits	20,000	-
Deposits held as collateral	7,803	6,794
	27,803	6,794

Includes term deposits with a remaining maturity greater than three months and deposits pledged to counterparties as collateral.

Comparatives for the prior period have been restated due to the reclassification of deposits held as collateral, from “cash and cash equivalents” to “due from other financial institutions” in Note 5.

Refer to Note 17 for details of deposits held as collateral.

6. TRADE AND OTHER RECEIVABLES

Scheme and other trade receivables	6,972	3,688
Interest receivable	191	85
Other receivables	28	9
	7,191	3,782

The Company's ageing of trade debtors and receivables (schemes and merchants) is as follows:

	Total $000	Current $000	1-30 days $000	31-60 days $000	61-90 days $000	>90 days $000
Scheme and other trade receivables before impairment:						
Carrying value 2016	**$6,972**	6,303	426	6	33	204
Carrying value 2015	**$3,688**	3,534	127	13	9	5

7. INVENTORIES

	2016 $000	2015 $000
Terminals and accessories	923	855

8. AVAILABLE-FOR-SALE INVESTMENTS

	2016 $000	2015 $000
Investment in VISA shares	681	596

These investments were acquired following the demutualisation of VISA International, as a result of which listed VISA shares were issued to members of the VISA network.

9. PROPERTY, PLANT AND EQUIPMENT

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

	EFTPOS Terminals $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Year ended 30 June 2016					
At 30 June 2015 net of accumulated depreciation and impairment	5,031	679	957	1,006	7,673
Additions/transfers	4,415	743	1,272	2,511	8,941
Disposals/transfers	(32)	-	-	-	(32)
Depreciation for the year	(3,050)	(210)	(513)	(252)	(4,025)
At 30 June 2016 net of accumulated depreciation and impairment	6,364	1,212	1,716	3,265	12,557
At 30 June 2015					
Cost or fair value	11,560	919	2,390	1,096	15,965
Accumulated depreciation and impairment	(6,529)	(240)	(1,433)	(90)	(8,292)
Net carrying amount	5,031	679	957	1,006	7,673
At 30 June 2016					
Cost or fair value	15,853	1,662	3,662	3,607	24,784
Accumulated depreciation and impairment	(9,489)	(450)	(1,946)	(342)	(12,227)
Net carrying amount	6,364	1,212	1,716	3,265	12,557

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

	EFTPOS Terminals $000	Furniture and Office Equipment $000	Computer Equipment $000	Leasehold Improvements $000	Total $000
Year ended 30 June 2015					
At 30 June 2014 net of accumulated depreciation and impairment	2,505	76	415	-	2,996
Additions/transfers	4,545	690	807	1,096	7,138
Disposals/transfers	(23)	(1)	-	-	(24)
Depreciation for the year	(1,996)	(86)	(265)	(90)	(2,437)
At 30 June 2015 net of accumulated depreciation and impairment	5,031	679	957	1,006	7,673
At 30 June 2014					
Cost or fair value	7,145	254	2,133	-	9,532
Accumulated depreciation and impairment	(4,640)	(178)	(1,718)	-	(6,536)
Net carrying amount	2,505	76	415	-	2,996
At 30 June 2015					
Cost or fair value	11,560	919	2,390	1,096	15,965
Accumulated depreciation and impairment	(6,529)	(240)	(1,433)	(90)	(8,292)
Net carrying amount	5,031	679	957	1,006	7,673

10. SHARE-BASED PAYMENTS

The Company will provide 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
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 consultant with the Company during the vesting schedule.
Service vesting schedule	The 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.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10. SHARE-BASED PAYMENTS (cont'd)

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 Employee Share Option Plan include:

- the term of each option grant shall be 7 years from the date of grant or such shorter term as provided in the Employee Share Option Plan agreement.
- Each option entitles the holder to one ordinary share.
- All awards granted under the Employee Share Option Plan are equity-settled.

(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 year ended 30 June 2016:

	2016
Dividend yield (%)	0%
Expected volatility (%)	52%
Risk-free interest rate (%)	2.2%
Share price ($)	$0.40

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 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.

The average expected life for 7 year options is assumed to be 5 - 6 years from the grant date. The expected life for 10 year option is assumed to be 5 - 8 years. For all other options with a contractual life of 5 year or less, the expected life is assumed to be the total contractual life from the date of grant to the expiry date.

There were 3,840,607 options exercised during the year ended 30 June 2016 (2015: 450,858).

The weighted average remaining contractual life for share options outstanding as at 30 June 2016 was 3 years (2015: 3 years).

The following table summarises further details of the share options outstanding at 30 June 2016:

Range of Exercise Prices	Contractual life	Vesting conditions	No. of Outstanding Options 2016	2015
6 cents to 55 cents	10 years or less	5 year linear vesting	35,158,554	30,193,725
6 cents to 45 cents	5 years and 10 years	12 months service	1,043,478	1,043,478
6 cents to 55 cents	3, 5 and 10 years	12 months linear vesting	11,445,679	11,454,189
6 cents to 55 cents	10 years or less	Fully vested at time of grant	21,684,244	23,314,679
Total			**69,331,955**	**66,006,071**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10. SHARE-BASED PAYMENTS (cont'd)

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

	2016 *No*	**2016** *WAEP (cents)*	**2015** *No*	**2015** *WAEP (cents)*
Linear vesting schedule				
Outstanding at the beginning of the year	41,647,914	21	36,733,255	12
Granted during the year	9,138,435	60	6,554,981	45
Exercised during the year	(2,210,172)	14	(450,858)	22
Forfeited/expired during the year	(1,971,944)	47	(1,189,464)	37
Outstanding at the end of the year	46,604,233	28	41,647,914	21
Exercisable at the end of the year	25,510,673	12	32,076,185	21
Fully vested at time of grant				
Outstanding at the beginning of the year	23,314,679	7	23,314,679	7
Granted during the year	-	-	-	-
Exercised during the year	(1,630,435)	1	-	-
Forfeited/expired during the year	-	-	-	-
Outstanding at the end of the year	21,684,244	10	23,314,679	7
Exercisable at the end of the year	21,684,244	10	23,314,679	7
Service Vesting Schedule				
Outstanding at the beginning of the year	1,043,478	6	1,043,478	6
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited/expired during the year	-	-	-	-
Outstanding at the end of the year	1,043,478	6	1,043,478	6
Exercisable at the end of the year	1,043,478	6	1,043,478	6
Total outstanding at the end of the year	69,331,955		66,006,071	
Total exercisable at the end of the year	48,238,398		56,434,342	

The expense recognised in the Statement of Comprehensive Income in relation to share-based payments is disclosed in Note 2.

Refer to Note 21, for outstanding share options at the end of the year that are not part of ESOP.

11. DEPOSITS

	2016 $000	**2015 $000**
Deposits	459	-
	459	-

In January 2016, the Company launched its first banking product being the Tyro Smart Account (deposits). The deposits are at call, earn a daily interest with rates that increase every 30, 60 and 90 days, and are guaranteed by the Australian Government up to $250,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12. TRADE PAYABLES AND OTHER LIABILITIES

	2016 $000	2015 $000
Accounts payable and other	1,319	1,963
Deferred lease incentive	3,345	1,265
Accruals	3,349	2,119
Other liabilities	1,529	1,172
	9,542	6,519

13. PROVISIONS

	2016 $000	2015 $000
Annual leave liability		
Balance at the beginning of the year	850	504
Provided for during the year	478	417
Released during the year	(88)	(71)
Balance at the end of the year	1,240	850
Long service leave liability		
Balance at the beginning of the year	231	85
Provided for during the year	89	146
Released during the year	(34)	-
Balance at the end of the year	286	231
Provision for credit losses		
Balance at the beginning of the year	7	30
Released during the year	(7)	(23)
Balance at the end of the year	-	7
Total provisions – current liabilities	**1,526**	**1,088**

14. NON-CURRENT LIABILITIES

	2016 $000	2015 $000
Provisions:		
Annual leave liability		
Balance at the beginning of the year	103	105
Provided for during the year	136	7
Released during the year	(17)	(9)
Balance at the end of the year	222	103
Long service leave liability		
Balance at the beginning of the year	290	319
Provided for/(released) during the year	59	(29)
Balance at the end of the year	349	290
Make good provision		
Balance at the beginning of the year	25	-
Provided for during the year	89	25
Balance at the end of the year	114	25
Total provisions – non-current liabilities	**685**	**418**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

15. CONTRIBUTED EQUITY AND RESERVES

(i) Ordinary shares

Issued and fully paid	2016 Number of Shares	2015 Number of Shares	2016 $000	2015 $000
Ordinary shares paid at 5 cents each	61,018,733	54,618,733	3,051	2,732
Ordinary shares paid at 6 cents each	158,561,386	156,320,233	9,513	9,379
Ordinary shares paid at 8 cents each	1,925,274	1,273,227	154	102
Ordinary shares paid at 10 cents each	5,774,963	5,166,595	577	517
Ordinary shares paid at 12 cents each	21,311	21,311	3	3
Ordinary shares paid at 15 cents each	10,475,433	10,475,433	1,571	1,571
Ordinary shares paid at 30 cents each	32,767,214	32,767,214	9,830	9,830
Ordinary shares paid at 37.5 cents each	128,803	53,924	48	20
Ordinary shares paid at 45 cents each	8,286,412	8,120,589	3,729	3,654
Ordinary shares paid at 55 cents each	11,357,777	11,282,322	6,247	6,205
Ordinary shares paid at 60 cents each	22,918	-	14	-
Ordinary shares paid at 1.0361 dollars each	96,638,869	-	100,128	-
	386,979,093	**280,099,581**	**134,865**	**34,013**
Costs directly attributable to the capital raising (net of tax)			299	-
Ordinary shares			**134,566**	**34,013**

Shares issued at $1.0361 relate to the capital raising of $100.1m during the year, $0.4m from the exercise of share options and $0.3m from the release and exercise of options from the option premium reserve.

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.

(ii) Share-based payments reserve	2016 $000	2015 $000
Balance at the beginning of the year	7,470	6,983
Share-based payments expensed	965	487
Balance at the end of the year	8,435	7,470

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

(iii) General reserve for credit losses	2016 $000	2015 $000
Balance at the beginning of the year	397	368
Transfer from accumulated losses	153	29
Balance at the end of the year	550	397

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

15. CONTRIBUTED EQUITY AND RESERVES (cont'd)

The general reserve for credit losses has been created to satisfy APRA's prudential standards for ADIs. The Company applies an internal methodology to estimate the credit risk of its merchant customers and the maximum expected losses based upon a number of assumptions concerning the performance of merchants in relation to the Company's credit risk grading system and actual experience.

(iv) Available-for-sale revaluation reserve	2016 $000	2015 $000
Balance at the beginning of the year	360	210
Total revaluations for the year	60	150
Balance at the end of the year	420	360

(v) Option premium reserve	2016 $000	2015 $000
Balance at the beginning of the year	480	480
Total option transferred to shares	(313)	-
Balance at the end of the year	167	480

During the year, $313,600 was released from the option premium reserve into ordinary equity.

	2016 $000	2015 $000
Total reserves at the end of the year	9,572	8,707

(vi) Accumulated losses	2016 $000	2015 $000
Movements in accumulated losses were as follows:		
Accumulated losses at the beginning of the financial year	(14,932)	(15,714)
Net (loss)/profit attributable to shareholders of the Company	(746)	811
Transfer to general reserve for credit losses	(153)	(29)
Accumulated losses at the end of the financial year	(15,831)	(14,932)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The Company's principal financial instruments include cash and cash equivalents, due from other financial institutions, trade and other receivables, available-for-sale financial assets, deposits and trade and other payables.

(i) Risk management

The Board is responsible for approving and reviewing the risk management strategy and risk framework and all risk management policies. The Board has installed a Management Risk Committee (MRC) to assist the Board in fulfilling its responsibilities in the management of risk. The MRC provides non-executive oversight of the implementation and on-going operation of Tyro’s risk management framework. The MRC provides recommendations to the Board on risk appetite, reviews and approves the frameworks for managing risk, monitors the Company’s risk profile, exposures against limits and the management and control of its risks. Various Management committees, including the MRC, the Asset and Liability Management Committee and the Credit Committee ensure appropriate execution of the Board’s risk appetite in day to day operations and regularly report to the Board Risk Committee.

(ii) Risk controls

Risks are controlled through a system that identifies key risks, establishes controls to manage those risks (with an emphasis on preventive control), and maintains a regular review process to monitor the effectiveness of controls. Business risks are controlled within tolerance levels approved by the MRC and the Board.

(iii) Internal Audit

Tyro has an independent and adequately resourced internal audit function. The internal audit function provides independent assurance to the Board on the adequacy and effectiveness of the control environment and risk framework. Internal Audit also reviews the controls implemented by management to ensure compliance with APRA's prudential requirements. This program of internal control and audit is reviewed and approved on a regular basis by the Board Audit Committee.

Internal Audit has unfettered access to Tyro’s business lines and support functions.

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Tyro is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and available-for-sale investments.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets at reporting date. Tyro's credit risk management principles define the framework and core values which govern its credit risk taking activities and reflect the priorities established by the Board.

From these principles flow the development of target market strategies, underwriting standards and credit procedures which define the operating processes. The operation of a credit risk grading system coupled with ongoing monitoring, reporting and review allows Tyro to identify changes in credit quality at client and portfolio levels and to take corrective actions in a timely manner.

In addition, Tyro is subject to the risk of credit card losses via chargebacks. The maximum period Tyro is potentially liable for such chargebacks is 120 days after the date of the transaction. Tyro prudently manages credit risk associated with its merchant portfolio both at an individual and a portfolio level, by monitoring the concentration of risk by industry and type of counterparty.

It is Tyro's policy that all merchants are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

As part of equity, a General Reserve for Credit Losses is raised to cover losses due to uncollectible chargebacks that have not been specifically identified. The reserve is calculated based on expected future credit losses as described in Note 1(x). Tyro does not hold any credit derivatives or collateral to offset its credit exposure. Tyro trades only with recognised, creditworthy third parties and as such no collaterals are requested. Credit exposures are monitored on an ongoing basis with the result that Tyro's exposure to bad debts is not significant at reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

30 June 2016

Standard & Poor's Credit Rating*	Cash and balances with financial institutions ($000)	Due from other financial institutions ($000)	Trade receivables ($000)
AAA	6,731	-	649
AA	75,493	7,736	67
A+	-	67	4
A	-	10,000	-
A-	-	10,000	185
unrated	-	-	6,286
	82,224	**27,803**	**7,191**

30 June 2015

Standard & Poor's Credit Rating*	Cash and balances with financial institutions ($000)	Due from other financial institutions ($000)	Trade receivables ($000)
AAA	8,505	-	-
AA-	244	6,794	-
unrated	1,241	-	3,782
	9,990	**6,794**	**3,782**

*Long-term credit rating

Comparatives for the prior period have been restated due to the reclassification of deposits held as collateral, from "cash and cash equivalents" to "due from other financial institutions" in Note 5.

(v) Operational risk

Operational risk is the risk that arises from inadequate or failed internal processes and systems, human error or misconduct, or from external events. It also includes, amongst other things, technology risk, model risk and outsourcing risk.

The Board Risk Committee is responsible for monitoring the operational risk profile, the performance of operational risk management and controls, and the development and ongoing review of operational risk policies.

(vi) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Tyro does not engage in financial market trading activities nor assume any foreign exchange, interest rate or other derivative positions and does not have a trading book. The Company does not undertake any hedging around the values of its financial instruments as any risk of loss is considered insignificant to the operations of the Company.

Any government securities, bank bills or other marketable instruments that the Company holds are for investment or liquidity purposes and held in the normal course of business in line with investment and liquidity guidelines. Each component of market risk is detailed below as follows:

1) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has exposure to interest rate risk on its variable interest-bearing cash and cash equivalent balances. Other interest bearing assets are held to maturity and carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

Interest rate sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in interest. With all other variables held constant, Tyro's profit before tax is affected as follows:

An increase of 50 basis points for 12 months in the general cash rate (assuming every other factors being constant) will increase the Company's profit after tax and increase equity by $549,796 (2015: $83,839). A decrease of 50 basis points in the general cash rate will have an equal and opposite effect.

The following table shows the financial assets and liabilities on which the interest rate sensitivity analysis has been performed.

(amounts in $'000s)	Variable Interest Rate	Fixed Interest Rate			Total
		< 3 Months	3 to 12 Months	> 1 Year	
Financial assets					
Cash and cash equivalents	15,496	66,728	-	-	82,224
Deposits	1,460	1,547	22,978	-	25,985
USD term deposit	-	-	1,751	-	1,751
Financial liabilities					
Deposits from customers	(459)	-	-	-	-

2) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Tyro is not exposed to foreign currency risk in the settlement of merchant transactions as all monies received and paid are in Australian Dollars. The Company's settlement of fees with card schemes and the purchases of inventory from foreign suppliers are transacted in foreign currencies at the exchange rate prevailing the balance sheet date. At reporting date the Company has some US Dollar and Euro Dollar exposure.

Foreign currency sensitivity analysis

The following demonstrates the sensitivity to a reasonably possible change in the US dollar, Euro and AUD exchange rates, with all other variables held constant.

An appreciation of 15% of the US Dollar and EUR compared to the Australian Dollar (assuming every other factors being constant) will increase the Company's profit after tax and increase equity by $362,192 (2015: $291,866). A depreciation of 15% of the US Dollar and EUR compared to the Australian Dollar will reduce the company's profit after tax and reduce equity by $267,707 (2015: $215,727).

Foreign currency sensitivity

The following table shows the financial assets and liabilities on which the foreign currency sensitivity analysis has been performed.

		AUD 2016 ($000)	AUD 2015 ($000)
USD Term Deposit	USD	1,751	1,693
Union Pay Deposit	USD	67	65
Available-for-sale investments-VISA shares	USD	681	596
Trade Payables	EUR	446	692
Trade Payables	NZD	-	5
Trade Payables	USD	1	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

3) Other price Risk

The Company's investment in available-for-sale financial assets is valued by way of reference to an underlying listed equity on the New York Stock Exchange and as such its fair value will fluctuate in direct proportion with the quoted market price indicated.

(vii) Capital Management

Tyro Payments Limited capital management objectives are to:

- Maintain a sufficient level of capital above the regulatory minimum to provide a buffer against loss arising from unanticipated events, and allow Tyro to continue as a going concern; and
- Ensure that capital management is closely aligned with Tyro's business and strategic objectives.

Tyro manages capital adequacy according to the framework set out by APRA Prudential Standards.

APRA determines minimum prudential capital ratios (eligible capital as a percentage of total risk-weighted assets) that must be held by all ADIs. Accordingly, Tyro is required to maintain a minimum prudential capital ratio (eligible capital as a percentage of total risk-weighted assets) on a Level 1 basis as determined by APRA.

The Board considers Tyro's strategy, financial performance objectives, and other factors relating to the efficient management of capital in setting target ratios of capital above the regulatory required levels. These processes are formalised within Tyro's Internal Capital Adequacy Assessment Process (ICAAP). Tyro operates under the specific capital requirements set by APRA. Tyro has satisfied its minimum capital requirements throughout the 2016 financial year in the form of Tier 1 capital which is the highest quality components of capital.

Capital Adequacy

	2016 ($000)	**2015 ($000)**
Risk weighted capital ratios		
Tier 1	249%	136%
Tier 2	249%	136%
Total capital ratio	**250%**	**137%**
Qualifying capital		
Tier 1		
Contributed capital	134,566	34,013
Accumulated losses & reserves	(6,809)	(6,621)
Common equity tier 1 capital	127,757	27,392
Less		
Net deferred tax assets	(8,174)	-
Other adjustments	(681)	(6,227)
Total Tier 1 capital	**118,902**	**21,165**
Tier 2		
General reserve for credit losses	550	174
Total Tier 2 capital	**550**	**174**
Total qualifying capital	**119,452**	**21,339**
Total risk weighted assets	**43,971**	**15,584**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

(viii) Liquidity risk

Tyro's liquidity risk is the risk that the Company will have insufficient liquidity to meet its obligations as they fall due. This could potentially arise as a result of mismatched cash flows.

Tyro manages this risk by the Management Risk Committee approved liquidity framework. Responsibility for liquidity management is delegated to the CFO and CEO. The CFO manages liquidity on a daily basis and submits weekly reports to the CEO and to CRO, and bi-monthly reports to ALCO and the Management Risk Committee. The CFO is also responsible for monitoring and managing capital planning. The capital plan outlines triggers for additional funding should liquidity be required.

Liquidity risk management framework models the ability to fund under both normal conditions and periods of stress. The capital plan and liquidity management is reviewed at least annually.

At balance sheet date, the Board of Directors determined that there was sufficient cash available to meet its anticipated expenditure and other financial liabilities.

Maturity analysis

Amounts in the table below are based on contractual undiscounted cash flows for the remaining contractual maturities.

	< 6 months ($000)	6-12 months ($000)	Total ($000)
As at 30 June 2016			
Financial assets			
Cash and cash equivalents	82,224	-	82,224
Due from other financial institutions	10,000	17,803	27,803
Trade and other receivables	7,191	-	7,191
	99,415	17,803	117,218
Financial liabilities			
Deposits at call	(459)	-	(459)
Trade payables and other liabilities	(9,542)	-	(9,542)
	(10,001)	-	(10,001)
Net inflow	89,414	17,803	107,217

	< 6 months ($000)	6-12 months ($000)	Total ($000)
Year ended 30 June 2015			
Financial assets			
Cash and cash equivalents	9,990	-	9,990
Due from other financial institutions	2,748	4,046	6,794
Trade and other receivables	3,782	-	3,782
	16,520	4,046	20,566
Financial liabilities			
Trade payables and other liabilities	(6,519)	-	(6,519)
	(6,519)	-	(6,519)
Net inflow	10,001	4,046	14,047

Comparatives for the prior period have been restated due to the reclassification of deposits held as collateral, from “cash and cash equivalents” to “due from other financial institutions” in Note 5.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES (cont'd)

(ix) Fair values

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The table below shows the Company's financial assets that are measured at fair value. Management has assessed that for other financial assets and liabilities not disclosed in the table below, that due to their short term maturity profile, the carrying amount is an approximation of fair value.

	Year ended 30 June 2016 ($000)			
	Level 1	Level 2	Level 3	**Total**
Financial Asset				
Available-for-sale assets	681	-	-	**681**

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

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

Transfer between categories

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

17. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

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

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

Contingent liabilities - secured	**2016 $000**	**2015 $000**
(I) Irrevocable standby letters of credit in favour of:		
MasterCard International	3,151	3,093
Visa International	60	60
UnionPay International	67	65
(ii) Bank Guarantee in favour of:		
UIR Australia, the lessor of 155 Clarence Street, Sydney (St Hilliers Pty Limited as lessor until November 2015)	4,525	3,576
	7,803	**6,794**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

17. COMMITMENTS AND CONTINGENCIES (cont'd)

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

A bank guarantee is held with the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents 9 month's rent, includes all annual increases of 4% until lease maturity and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

18. LEASES

(a) Operating lease commitments - Company as lessor

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

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

Type of Terminals	Cost ($000)	Accumulated Depreciation ($000)	Net Carrying Value ($000)
Xenta & Xentissimo	5,009	4,949	60
Yomani, Yomani XR and Yoximo 3G	10,629	4,325	6,304
Accessories	215	215	0
	15,853	**9,489**	**6,364**

(b) Operating lease commitments - Company as lessee

Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2016 are as follows:

	2016 $000	2015 $000
Within one year	3,725	2,191
After one year but not more than five years	16,888	9,990
More than five years	2,549	4,403
	23,162	16,584

The operating lease commitments relate to the lease of the Company's registered office located at 155 Clarence Street, Sydney NSW. It is a non-cancellable lease with a term of up to 7 years ending 22 January 2022. The lease agreement provides the Company with the option to extend the lease for another 3 years. Lease payments are subject to annual increases of 4%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19. SEGMENT REPORTING

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

20. AUDITOR'S REMUNERATION

	2016 $000	2015 $000
Received or due and receivable by Ernst & Young:		
Audit of the financial reports of the Company	354	208
Other services in relation to the Company	160	149
	514	357

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 20 do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company jointly sharing economic risks and rewards.

21. RELATED PARTY DISCLOSURES

(a) Key Management Personnel

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Details of Key Management Personnel

Directors	Title	Appointed
Kerry Roxburgh	Non-Executive Director, Chairman	18-Apr-08
Mike Cannon-Brookes	Non-Executive Director	10-Dec-09
Rob Ferguson	Non-Executive Director	17-Nov-05
Catherine Harris	Non-Executive Director	17-Dec-15
Paul Rickard	Non-Executive Director	28-Aug-09
Jost Stollmann	Executive Director, Chief Executive Officer	05-Apr-05

Executives	Title	Appointed
Peter Haig	Head of Product*	03-Feb-03
Justin Mitchell	Chief Risk Officer	19-Mar-07
Praveenesh Pala	Chief Financial Officer	20-Oct-14
Paul Peterson	Head of Product	06-Jun-16
Andrew Rothwell	VP Product & Channel Management	03-Feb-03

* Resigned as Head of Product on 1 July 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. RELATED PARTY DISCLOSURES (cont'd)

	2016 $000	2015 $000
Compensation of Key Management Personnel		
Short-term benefits	2,217	2,042
Termination benefits	-	7
Post-employment benefits (superannuation)	165	150
Share-based payments	158	159
Total	**2,540**	**2,358**

Interests held by Key Management Personnel

Share options held by Key Management Personnel to purchase ordinary shares have the following expiry dates and exercise prices.

Issue Year	Expiry Year	Exercise Price($)	2016 Number Outstanding	2015 Number Outstanding
FY06/07	FY16/17	$0.550	466,641	466,641
FY07/08	FY17/18	$0.300	958,735	958,735
FY07/08	FY17/18	$0.550	244,002	244,002
FY08/09	FY18/19	$0.060	4,956,521	5,608,695
FY09/10	FY16/17	$0.060	7,964,639	9,070,528
FY09/10	FY16/17	$0.080	3,319,193	3,446,821
FY09/10	FY16/17	$0.100	541,416	669,044
FY10/11	FY17/18	$0.060	6,231,891	6,231,891
FY10/11	FY17/18	$0.080	4,621,301	4,621,301
FY10/11	FY20/21	$0.080	3,250,000	4,875,000
FY13/14	FY20/21	$0.375	2,624,744	2,624,744
FY14/15	FY21/22	$0.450	1,235,212	1,235,212
FY15/16	FY22/23	$0.600	1,011,288	-

(b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. These transactions were on commercial terms & conditions.

Related Party		2016 $000	2015 $000
Health Communications Network	Commissions paid	(1,841)	(1,894)
Atlassian Pty Ltd	Software purchased	(43)	(29)
Atlassian Pty Ltd	Sub-lease rental income	132	-

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

Mike Cannon-Brookes, a Non-Executive Director of Tyro Payments is Co-Founder, CEO and Director of Atlassian Pty Ltd. Tyro entered into an agreement with Atlassian to sublease Level 4 of 155 Clarence Street, commencing 1 April 2016 to 31 December 2016, with an option to renew for up to two months. As part of the agreement, Atlassian has taken out a bank guarantee equivalent to one month's rent.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. RELATED PARTY DISCLOSURES (cont'd)

(c) Loans with related parties

In October 2015, the Company entered into on a loan facility of $4.6m with 7 lenders, all of whom are either Directors and/or shareholders of the Company. The draw down was for the purposes of funding operational liquidity requirements. This loan facility was both drawn upon and repaid in full in November 2015. Consideration paid for the loan facility consisted of interest and fee expenses totalling $113k. This facility expires on 30 April 2017.

	Maximum Loan Amount	Interest and Fee Expenses
Jost Stollmann (Director)	$1,950,000	$48,577
Euclid Capital Partners, related party of David Fite (Shareholder)	$1,400,000	$35,364
Lumus Financial Services Pty Ltd, related party of Paul Rickard (Director)	$250,000	$5,833
Rachel Ferguson, related party of Robert Ferguson (Director)	$250,000	$5,877
Dominique Hess, related party of Sascha Hess (Shareholder)	$250,000	$5,877
Lin-Lily Wong (Shareholder)	$250,000	$5,822
Circle Square Pty Ltd, related party of Peter Wetenhall (Shareholder)	$250,000	$5,822
Total	**$4,600,000**	**$113,172**

In December 2010, the Company granted 7.5 million share options for draw down on a now expired loan facility. These options are not under ESOP. As at 30 June 2016, all of these options were outstanding with a WAEP of 8 cents.

	Outstanding options at the end of the year
Euclid Capital Partners, related party of David Fite (Shareholder)	2,625,000
Abyla Pty Ltd, related party of Mike Cannon-Brookes (Director)	1,625,000
Robert Ferguson (Director)	1,625,000
Fiona Stollmann, related party of Jost Stollmann (Director)	1,625,000
Total	**7,500,000**

22. MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 1 July 2016, Tyro commenced pilot for the Smart Growth Funding product, which was offered to existing Tyro EFTPOS merchants.

No matter or circumstance other than those already disclosed in the financial report, has arisen subsequent to 30 June 2016 that has affected or may significantly affect:

(a) the Company's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

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

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 30 June 2016 and of its performance for the year ended on that date; and

   II. complying with Accounting Standards and Corporations Regulations 2001;

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

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; and

d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

On behalf of the Board

Kerry Roxburgh
Chairman

Jost Stollmann
Director and CEO

Sydney, 29 August 2016

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Independent Auditor's Report to the Members of Tyro Payments Limited

Report on the financial report

We have audited the accompanying financial report of Tyro Payments Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

a. the financial report of Tyro Payments Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

Andrew Price
Partner
Sydney
29 August 2016

Corporate Directory

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

Company Secretary
Justin Mitchell

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