

Tyro Payments Limited APPENDIX 4D AND INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

ABN 49 103 575 042



APPENDIX 4D (Listing rule 4.2A.3)

HALF-YEAR REPORT

NAME OF ENTITY	TYRO PAYMENTS LIMITED
ABN	49 103 575 042
REPORTING PERIOD	FOR THE HALF-YEAR ENDED DECEMBER 2020
PREVIOUS PERIOD	FOR THE HALF-YEAR ENDED DECEMBER 2019

Results for announcement to the market

KEY INFORMATION	HALF-YEAR ENDED 31 DECEMBER					
				2020		2019
		%		\$'000		\$'000
Transaction value ¹	▲	9.5%	to	12,117,714	from	11,064,972
Revenue from ordinary activities	▼	2.1%	to	114,835	from	117,289
Gross profit	▲	21.6%	to	61,176	from	50,289
EBITDA ²	▲	464.2%	to	8,457	from	1,499
Profit/(Loss) before tax (pro forma ³)	▲	69.1%	to	(2,790)	from	(9,031)
Profit/(Loss) before tax (statutory)	▲	82.3%	to	(3,409)	from	(19,246)
Profit/(Loss) after tax attributable to the ordinary equity holders of Tyro Payments Limited	▲	82.3%	to	(3,409)	from	(19,246)

Dividends

No dividends were declared or paid and are not proposed to be paid in respect of the half-year ended 31 December 2020 (H1 FY20: Nil).

Net tangible asset backing

	31 December 2020	31 December 2019
	\$	\$
Net tangible assets per share	\$0.36	\$0.40

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

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

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

APPENDIX 4D (Listing rule 4.2A.3)

HALF-YEAR REPORT (continued)

Controlled entities acquired or disposed of

Nil.

Details of investments in associated entities

On 2 December 2020, the Company acquired 20% of the shares in Axis IP Pty Ltd for \$1.89 million.

Name of Entity	Principal activities	Principal place of business /country of incorporation	Ownership interest	
			31 December 2020 %	31 December 2019 %
Axis IP Pty Ltd	Payments software provider	Brisbane, Australia	20%	-

Supplementary Information

The previous corresponding period is the half-year ended 31 December 2019.

For additional disclosure in compliance with Listing Rule 4.2A.3, refer to the accompanying Interim Financial Report (which includes the Directors' Report) for the half-year ended 31 December 2020 and ASX Media Release.

Basis of Preparation

The interim financial report for the half-year period ended 31 December 2020:

- is for the entity consisting of Tyro Payments Limited;
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investment Commission Corporations Instrument 2016/191;
- has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;
- has been prepared on a going concern basis; and
- does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Tyro Payments Limited Annual Report for the year ended 30 June 2020 and any public announcements made by Tyro Payments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2020.

INTERIM FINANCIAL REPORT

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Directors' Report

The Board of Directors of Tyro Payments Limited (the **Company** or **Tyro**) present their report together with the financial statements for the half-year ended 31 December 2020.

Directors

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

David Thodey AO (Chairman)	Chair and Non-Executive Director
Robbie Cooke	CEO and Managing Director
Hamish Corlett	Non-Executive Director
David Fite	Non-Executive Director
Catherine Harris AO PSM	Non-Executive Director
Fiona Pak-Poy	Non-Executive Director
Paul Rickard	Non-Executive Director

Principal Activities

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

As an Australian bank, the Company operates under the supervision of the Australian Prudential Regulation Authority (**APRA**). The Company provides credit, debit and EFTPOS card acquiring, Medicare and private health fund claiming and rebating services to Australian businesses. The Company takes money on deposit and offers unsecured cash-flow based lending to Australian EFTPOS merchants. The Company has implemented appropriate systems and controls to comply with the stringent prudential and regulatory requirements within the Australian Banking System.

Review of Operations

	31 Dec 2020	31 Dec 2019		Growth
	\$'000	\$'000		%
Transaction value ¹	12,117,714	11,064,972	▲	9.5%
Payments revenue and income	107,682	113,604	▼	5.2%
Lending income	2,042	2,570	▼	20.5%
Investment income	567	774	▼	26.7%
Other revenue and income	4,544	341	▲	1,232.6%
Revenue	114,835	117,289	▼	2.1%
Payments direct expenses	(53,423)	(66,779)	▼	20.0%
Interest expense on deposits	(236)	(221)	▲	6.8%
Total direct expenses	(53,659)	(67,000)	▼	19.9%
Gross profit	61,176	50,289	▲	21.6%
Operating expenses (excl. share-based payments, loss on equity investments and IPO expenses)	(52,719)	(48,791)	▲	8.1%
EBITDA²	8,457	1,499	▲	464.2%

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

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

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

Directors' Report (continued)

Company Performance

For the half-year ended 31 December 2020, transaction values were \$12.1 billion, up 9.5% on the prior comparable period (pcp). The increase in transaction values were achieved notwithstanding the continued impact of COVID-19 restrictions in Australia. There were 36,720 Tyro merchants at 31 December 2020, up 13.2% from 32,450 in the pcp.

Total revenue was down 2.1% to \$114.8 million with Payments revenue down 5.2% to \$107.7 million. Payments revenue was impacted by the card mix in the Tyro portfolio with the proportion of transaction value generated from higher Merchant Service Fee (MSF) international credit cards representing 0.7% in H1 FY21 compared to 4.4% in the pcp while the proportion of lower MSF debit cards increased to 61% from 56% in the pcp. Although Payments revenue was down, gross profit was up 21.6% from the higher margin generated from the increased transaction value from debit cards which carries a higher Merchant Acquiring Fee margin compared to standard and international credit cards.

Revenue from the Company's banking business was down 20.5% to \$2.0 million. Revenue was directly impacted by the lower loan originations in the period due to the impacts of COVID-19 on merchant lending. Total loan originations from our merchant cash advance offering for the period came in at \$2.6 million, down 93.0% compared to \$37.4 million in the pcp.

The decrease in investment income of 26.7% at \$0.6 million from \$0.8 million is due to the lower interest rate environment in Australia.

The Company generated EBITDA (excluding share based payments, loss on equity investments and IPO costs) of \$8.5 million, up 464.2% from the pcp. The increase in EBITDA was driven by the increased gross profit in the Payments business and a contribution of \$4.5 million from JobKeeper.

On a net profit basis, Tyro realised a pro forma loss of \$2.8 million (before costs associated with the IPO) and a statutory loss after tax for the period of \$3.4 million. The pro forma loss represented a 69.1% improvement on the pcp while the statutory loss after tax represented an improvement of 82.3% on the pcp.

Payments Business

The Company's Payments business processed \$12.1 billion in transaction on behalf of our merchants in the period, a lift of 9.5% on the pcp (H1 FY20: \$11.1 billion). The transaction value growth was impacted by the continuing restrictions imposed on businesses by state governments due to COVID-19. H1 FY21 started with a positive uptick in transaction value growth in July 2020 at 11% but was significantly impacted in August 2020 and September 2020 when Victoria went into a hard lockdown. Double digit growth returned from October 2020 with the Company achieving an all-time record in monthly transaction values in December 2020 with \$2.6 billion being processed in that month alone, an increase of 19% on the pcp. Below is a monthly analysis of transaction value highlighting the impact of COVID-19 restrictions on transaction value growth.

	H1 FY21	H1 FY20		Growth
	\$'billion	\$'billion		%
Transaction value	\$12.118 billion	\$11.065 billion	▲	9.5%
July	\$1.851 billion	\$1.667 billion	▲	11%
August	\$1.701 billion	\$1.766 billion	▼	4%
September	\$1.787 billion	\$1.696 billion	▲	5%
October	\$1.994 billion	\$1.817 billion	▲	10%
November	\$2.159 billion	\$1.913 billion	▲	13%
December	\$2.626 billion	\$2.206 billion	▲	19%

The Company added 4,270 net new merchants to our payments business, taking the total number of merchants transacting with the Company to more than 36,700 – a 13.2% increase on H1 FY20.

Although transaction values and merchant numbers were up, Payments revenue was down 5.2% to \$107.7 million. Payments revenue was affected by the change in card mix between the higher MSF priced international credit cards and the lower priced MSF debit cards. International credit cards represented 0.7% of the transaction value mix in H1 FY21 compared to 4.4% in the pcp while the proportion of debit cards in the mix increased to 61% from 56% in the pcp. Gross profit of \$54.3 million from our payments business was up 15.9% (H1 FY20: \$46.8 million). With interchange and scheme fees associated with merchant acquiring decreasing by 20.0% on the pcp.

Directors' Report (continued)

Banking Business

The Company's merchant cash advance in the form of a loan product experienced a significant slow down in originations due to the impact of COVID-19 on merchants. Loan originations of \$2.6 million were achieved for the period, down 93.0% from H1 FY20 (\$37.4 million). This decline in originations has seen lending income from the merchant cash advance product decline 20.5% in H1 FY21 to \$2.0 million. At 31 December 2020, loans of \$4.4 million were carried on the balance sheet compared to \$18.0 million in the pcp, a decrease in the loan balance of 75.7%.

Strong growth has been achieved on our Tyro Bank Account. This fee-free and interest paying business transaction deposit account had 4,150 active accounts in existence at 31 December 2020, representing an 33.1% increase on the pcp (H1 FY20: 3,119 active accounts). The Company's term deposit product, that was introduced in December 2019, has similarly achieved strong growth. At 31 December 2020, the Company has 136 term deposit accounts compared to 8 at 31 December 2019. Total deposits and term deposits held by the Company now amount to \$104.0 million compared to \$39.7 million at 31 December 2019.

The impact of the lower loan originations and resulting revenue, together with the increased deposits held, saw the Company's revenue from the Banking business decline by 20.5% in the period to \$2.0 million from \$2.6 million in the pcp.

Gross profit of \$1.8 million from our banking business was down 23.1% (H1 FY20: \$2.3 million) reflecting the increased interest generated from our loan product and increased interest expense on our business deposit accounts and term deposit accounts.

Financial Position

At 31 December 2020, the Company had:

- total assets of \$322.8 million of which 73.9% related to cash, cash equivalents, deposits and other investments, with the remainder relating primarily to an intangible asset recognised in the period for customer contracts on the Bendigo alliance, receivables from card schemes, property, plant and equipment and deferred tax assets; and
- total liabilities of \$128.9 million of which 80.7% related to the merchant bank account deposits, with the remainder relating to trade and other liabilities, lease liabilities and provisions.

The Company's total assets exceed our total liabilities by \$193.9 million.

Regulatory Landscape, Capital and Funding

The Company holds an authority under the *Banking Act 1959 (Cth)* to carry on a banking business as an Authorised Deposit-taking Institution and is subject to prudential capital requirements set by APRA. The Company is fully compliant with the prudential capital requirements prescribed by APRA and has sufficient capital to fund on-going operations. The information required by APS 330: Public Disclosure is provided in the 'Investors' section of Tyro's website at www.tyro.com/investors (under Regulatory Disclosures).

The Company had cash, cash equivalents, deposits and other liquid investments of \$238.6 million at the end of the reporting period.

Total Tier 1 Capital held as at 31 December 2020 was \$163.6 million. The Company has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements..

Risk Management

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

Events occurring after balance sheet date

In January 2021, the Company experienced a terminal connectivity issue with respect to a limited number of its merchants (**Incident**). The impacted merchants have been restored to normal operations as at the date of this report and merchants who have suffered a financial loss as a result have been encouraged to register their details with the Company.

Directors' Report (continued)

Events occurring after balance sheet date (continued)

The estimated impact of the Incident on the Company's financial performance for the second half of FY21 is summarised as follows:

- approximate direct costs incurred in logistics and staff costs in rectifying the Incident circa \$3 million;
- capital expenditure in respect of replacing a small portion of obsolete terminals of around \$1 million;
- an approximation of possible claims from merchants for lost income and other payments as a result of the Incident estimated at circa \$15 million. This approximation is a best estimate based on available information as at the date of this report, however the ultimate exposure may be more or less than this estimated amount.

Tyro has lodged a significant breach notice with the Australian Securities and Investments Commission, has reported the Incident to the Reserve Bank of Australia and the Australian Prudential Regulation Authority, and is in the process of proactively contacting merchants impacted by the Incident. On 18 January 2021 Tyro received correspondence from a law firm advising that it was investigating a potential class action against Tyro in relation to the incident. At the date of this report no proceedings have commenced.

In the opinion of the Directors, there are no other matters or circumstances which have arisen between 31 December 2020 and the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations and the state of affairs of the Company in subsequent financial periods.


Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 9 for the half-year ended 31 December 2020.

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



David Thodey
Chair



Robbie Cooke
Managing Director | CEO

Sydney
22 February 2021

Auditor's Independence Declaration



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

As lead auditor for the review of the half-year financial report of Tyro Payments Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

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

Michael Byrne
Partner
22 February 2021

Statement of Comprehensive Income

for the Half-Year ended 31 December 2020

	NOTE	DEC 2020 \$000	DEC 2019 \$000
Fees and terminal rental income	2	107,100	113,034
Interest income on loans		1,040	2,336
Fair value gain on loans		1,002	234
Interest income on cash and deposits		275	443
Interest income on assets at fair value through other comprehensive income (FVOCI)		292	331
Sale of terminal accessories		582	570
Other revenue and income	2	4,544	341
Total revenue		114,835	117,289
Interchange, integration and support fees	2	(52,997)	(66,281)
Interest expense on deposits		(236)	(221)
Terminal accessories		(426)	(498)
Total direct expenses		(53,659)	(67,000)
Gross profit		61,176	50,289
Employee benefits expense (excl. share-based payments)	2	(36,713)	(34,364)
Share-based payments expense		(4,255)	(5,254)
Administrative expenses	2	(9,575)	(8,208)
Contractor and consulting expenses		(2,951)	(2,827)
Marketing expenses		(2,482)	(2,694)
Depreciation and amortisation		(7,070)	(6,175)
Lending and non-lending losses	2	(998)	(698)
Loss on equity investments	10	(28)	-
Net interest expense		(181)	(305)
Initial Public Offering (IPO) expenses		(332)	(9,010)
Total operating expenses		(64,585)	(69,535)
Loss before tax expense		(3,409)	(19,246)
Income tax expense	4	-	-
Loss for the period		(3,409)	(19,246)
Other comprehensive income/(loss)			
FVOCI reserve – revaluation gain/(loss), net of tax		296	(96)
Total comprehensive loss for the period		(3,113)	(19,342)
Earnings per share for loss attributable to the Ordinary Equity Holders of Tyro Payments Limited			
		CENTS	CENTS
Basic earnings per share	18	(0.68)	(4.29)
Diluted earnings per share	18	(0.68)	(4.29)

Statement of Financial Position

as at 31 December 2020

	NOTE	DEC 2020 \$000	JUN 2020 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	130,054	103,761
Due from other financial institutions	6	38,150	18,429
Trade and other receivables	7	27,677	15,172
Loans	8	2,996	9,840
Prepayments		2,729	2,223
Net investment in sublease	17	931	823
Inventories		73	60
Total current assets		202,610	150,308
Non-current assets			
Loans	8	1,383	2,081
Financial investments	9	74,262	69,761
Investment in associate	10	1,862	-
Property, plant and equipment	11	16,634	17,266
Right of use assets	17	3,081	4,528
Intangible assets	12	9,042	5,367
Net investment in sublease	17	56	544
Deferred tax assets		13,856	13,984
Total non-current assets		120,176	113,531
TOTAL ASSETS		322,786	263,839
LIABILITIES			
Current liabilities			
Deposits		103,965	50,542
Trade payables and other liabilities		13,703	10,332
Lease liabilities	17	4,933	4,672
Provisions		4,265	4,347
Total current liabilities		126,866	69,893
Non-current liabilities			
Lease liabilities	17	299	2,811
Provisions		1,714	1,416
Total non-current liabilities		2,013	4,227
TOTAL LIABILITIES		128,879	74,120
NET ASSETS		193,907	189,719
EQUITY			
Contributed equity	14	268,809	265,763
Reserves	14	32,615	28,477
Accumulated losses		(107,517)	(104,521)
TOTAL EQUITY		193,907	189,719

Statement of Cash Flows

for the Half-Year ended 31 December 2020

	NOTE	DEC 2020 \$000	DEC 2019 \$000
Cash flows from operating activities			
Fees and terminal rental income received		107,008	113,648
Interchange, integration and support fees paid		(53,040)	(66,369)
Interest received		1,320	3,046
Interest paid		(266)	(206)
Other income received		6,666	649
Payments to employees, suppliers and IPO costs:			
Personnel expenses paid		(37,136)	(34,113)
Terminals purchased		(3,661)	(2,409)
Other operating expenses and IPO costs paid		(11,342)	(21,842)
Movement in net schemes and other receivables		(14,362)	(14,673)
Movement in customer loans		8,049	(2,758)
Movement in deposits		53,422	12,787
Net cash flows from/(used in) operating activities		56,658	(12,240)
Cash flows from investing activities			
Movement in term deposit investments			
Purchases		(25,081)	(25,021)
Proceeds on maturity		5,034	-
Movement in financial investments			
Purchases		(11,862)	-
Proceeds		8,200	6,038
Movement in equity investments			
Purchases		(2,141)	(3,499)
Purchase of property, plant and equipment (excl. terminals)		(681)	(1,050)
Payments for recognised intangible assets		(4,391)	(1,914)
Payments received from sublease		202	270
Net cash flows used in investing activities		(30,720)	(25,176)
Cash flows from financing activities			
Proceeds from issues of shares (net of transaction costs)		-	120,051
Proceeds from exercise of share options		3,046	2,735
Payments for lease liabilities		(2,489)	(2,357)
Net cash flows from financing activities		557	120,429
Net movement in cash and cash equivalents		26,495	83,013
Effect of foreign exchange rates on cash and cash equivalents		(202)	(35)
Cash and cash equivalents at beginning of period		103,761	23,900
Cash and cash equivalents at end of period	5	130,054	106,878

Statement of Changes in Equity

for the Half-Year ended 31 December 2020

ATTRIBUTABLE TO EQUITY HOLDERS OF TYRO PAYMENTS LIMITED	CONTRIBUTED EQUITY	FVOCI RESERVE	SHARE- BASED PAYMENTS RESERVE	ACCUMULATED LOSSES	GENERAL RESERVE FOR CREDIT LOSSES	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2019	141,856	99	15,475	(66,279)	1,918	93,069
Loss for the half-year	-	-	-	(19,246)	-	(19,246)
Other comprehensive income	-	(96)	-	-	-	(96)
Total comprehensive income	-	(96)	-	(19,246)	-	(19,342)
Issue of share capital – from IPO ¹	120,051	-	-	-	-	120,051
Issue of share capital – from options and rights exercised	2,735	-	-	-	-	2,735
Share-based payments	-	-	5,254	-	-	5,254
Transfer to general reserve for credit losses	-	-	-	(343)	343	-
At 31 December 2019	264,642	3	20,729	(85,868)	2,261	201,767
At 1 July 2020	265,763	3	26,371	(104,521)	2,103	189,719
Loss for the half-year	-	-	-	(3,409)	-	(3,409)
Other comprehensive income	-	296	-	-	-	296
Total comprehensive income	-	296	-	(3,409)	-	(3,113)
Issue of share capital – from options and rights exercised	3,046	-	-	-	-	3,046
Share-based payments	-	-	4,255	-	-	4,255
Transfer from general reserve for credit losses	-	-	-	413	(413)	-
At 31 December 2020	268,809	299	30,626	(107,517)	1,690	193,907

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

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

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 22 February 2021.

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

a) Basis of preparation

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

The interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the financial report of the Company for the financial year ended 30 June 2020.

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

b) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2020.

c) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies, Management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management. Actual results may differ from judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by Management in the preparation of the interim financial report, including the key sources of estimation uncertainty, are updated for the reporting date and consistent with those applied in the Company's financial report for the year ended 30 June 2020.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

2. REVENUE AND EXPENSES

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

	DEC 2020 \$000	DEC 2019 \$000
Fees and terminal rental income		
Merchant service fee	96,607	100,890
Terminal rental income	10,057	9,174
Other fee income	436	2,970
	107,100	113,034
Other revenue and income		
JobKeeper receipts	4,476	-
Fair value gain on debt instruments	-	19
Other income	68	322
	4,544	341
Interchange, integration and support fees		
Interchange and scheme fees	(48,789)	(61,667)
Integration, support and other fees	(4,208)	(4,614)
	(52,997)	(66,281)
Employee benefits expense (excluding share-based payments)		
Wages, salaries and incentives	(31,512)	(29,325)
Superannuation	(2,751)	(2,631)
Other employee benefits expense	(2,450)	(2,408)
	(36,713)	(34,364)
Administrative expenses		
Communications, hosting and licencing costs	(4,541)	(3,598)
Terminal management and logistics	(1,404)	(1,229)
Professional services	(1,177)	(633)
Travel and entertainment	(165)	(772)
Training and conferences	(68)	(457)
Other administrative expenses	(2,220)	(1,519)
	(9,575)	(8,208)
Lending and non-lending losses		
Lending losses	(495)	(608)
Non-lending losses	(503)	(90)
	(998)	(698)

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

3. SEGMENT REPORTING

a) Description of segments and principal activities

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

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

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

b) Revenue and gross profit by segment

	Payments ¹	Banking ²	Corporate and other ³	Total
	\$'000	\$'000	\$'000	\$'000
December 2020				
Revenue	107,682	2,042	5,111	114,835
Gross profit	54,259	1,806	5,111	61,176
December 2019				
Revenue	113,604	2,570	1,115	117,289
Gross profit	46,825	2,349	1,115	50,289

Reconciliation of gross profit to loss before tax:

	DEC 2020 \$000	DEC 2019 \$000
Gross profit	61,176	50,289
Operating expenses (excl. depreciation, amortisation, net interest expense and loss on equity investments)	(56,974)	(54,045)
Depreciation and amortisation	(7,070)	(6,175)
Net interest expense	(181)	(305)
IPO expenses	(332)	(9,010)
Loss on equity investments	(28)	-
Loss before tax	(3,409)	(19,246)

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

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

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

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

3. SEGMENT REPORTING (continued)

c) Assets and liabilities by segment

	Payments	Banking	Corporate and other	Total
	\$'000	\$'000	\$'000	\$'000
December 2020				
Segment assets	68,338	65,416	189,032	322,786
Segment liabilities	1,244	103,965	23,670	128,879
June 2020				
Segment assets	48,759	37,790	177,290	263,839
Segment liabilities	2,441	50,543	21,136	74,120

4. INCOME TAX

Major components of income tax benefit for the period ended 31 December 2020.

a) Income tax benefit:

	DEC 2020 \$000	DEC 2019 \$000
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Income tax benefit in the statement of comprehensive income	-	-
Amount reported directly in equity		
Deferred tax related to items recognised in equity during the period	128	-
Deferred tax on capital raising costs	-	1,022
Income tax benefit reported in equity	128	1,022

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

	DEC 2020 \$000	DEC 2019 \$000
Operating loss before tax	(3,409)	(19,246)
At the statutory income tax rate of 30%	1,023	5,774
Research and development incentive	-	182
Share-based payment remuneration	(1,276)	(1,576)
Entertainment expenses	(22)	(114)
Loss on equity investments	(8)	-
Adjustment in respect to previous year	766	-
Tax effect of current year losses for which no deferred tax asset is recognised	(483)	(4,266)
Total income tax benefit	-	-

Deferred tax assets relate to deductible temporary differences, unused tax losses and credits up to \$13,856,000 recognised as assets as at 31 December 2020. In addition, approximately \$15,786,000 of deductible temporary differences, unused tax losses and credits have not been recognised as assets at balance date.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

5. CASH AND CASH EQUIVALENTS

	DEC 2020 \$000	JUN 2020 \$000
Deposits at call	120,054	88,761
Short-term deposits	10,000	15,000
	130,054	103,761

6. DUE FROM OTHER FINANCIAL INSTITUTIONS

	DEC 2020 \$000	JUN 2020 \$000
Term deposits	30,000	10,000
Deposits pledged as collateral	8,150	8,429
	38,150	18,429

Includes term deposits with maturities greater than three months from the date of acquisition and deposits pledged to counterparties as collateral. Refer to Note 16 for details of deposits pledged as collateral.

7. TRADE AND OTHER RECEIVABLES

	DEC 2020 \$000	JUN 2020 \$000
Scheme and other receivables	20,755	10,625
Merchant acquiring fees	7,158	4,532
Interest receivable	95	53
Expected credit loss provision	(331)	(38)
	27,677	15,172

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

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

	Total \$'000	Current \$'000	1-30 Days \$'000	31-60 Days \$'000	61-90 Days \$'000	>90 Days \$'000	Impairment \$'000
December 2020							
Carrying value - Dec 2020	27,677	27,518	51	35	2	402	(331)
Carrying value - Jun 2020	15,172	15,004	100	-	90	16	(38)

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

8. LOANS

	DEC 2020 \$000	JUN 2020 \$000
Current		
Loans (net of unearned fees)	2,996	9,840
Non-current		
Loans (net of unearned fees)	1,383	2,081
	4,379	11,921

Loans are presented net of unearned fees. Income from loans comprises interest income of \$1,040,000 (2019: \$2,336,000), fair value gain of \$1,002,000 (2019: gain of \$234,000) and lending loss of \$495,000 (2019: loss of \$608,000).

9. FINANCIAL INVESTMENTS

	DEC 2020 \$000	JUN 2020 \$000
Floating rate notes	70,408	66,134
Equity investment – meandu Australia Holdings Pty Ltd	3,750	3,499
Equity investments – YBF Holdings Pty Ltd and Teamsquare Pty Ltd	104	128
	74,262	69,761

The Company elected to measure the equity investments in meandu Australia Holdings Pty Ltd (**me&u**), YBF Holdings Pty Ltd and Teamsquare Pty Ltd (**YBF**) at FVOCI, resulting in no recycling of fair value changes to the Statement of Comprehensive Income upon a de-recognition event.

10. INVESTMENT IN ASSOCIATE

	DEC 2020 \$000	JUN 2020 \$000
Equity investments - Axis IP Pty Ltd		
Acquisition	1,890	-
Share of net loss during the period	(28)	-
Closing balance	1,862	-

On 2 December 2020, the Company acquired 20% of the shares in Axis IP Pty Ltd.

The investment is recognised at cost using the equity method. The carrying amount of the investment is increased or decreased by the Company's share of Axis IP Pty Ltd's net assets after acquisition date.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

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

	TERMINALS \$000	FURNITURE AND OFFICE EQUIPMENT \$000	COMPUTER EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	TOTAL \$000
Half-year ended 31 December 2020					
At 30 June 2020 net of accumulated depreciation and impairment	12,863	799	2,060	1,544	17,266
Additions	3,934	10	642	-	4,586
Disposals	(49)	-	-	-	(49)
Depreciation for the half-year	(3,867)	(169)	(621)	(512)	(5,169)
At 31 December 2020 net of accumulated depreciation and impairment	12,881	640	2,081	1,032	16,634
At 30 June 2020					
Cost	42,543	2,708	8,758	4,817	58,826
Accumulated depreciation and impairment	(29,680)	(1,909)	(6,698)	(3,273)	(41,560)
Net carrying amount	12,863	799	2,060	1,544	17,266
At 31 December 2020					
Cost	45,982	2,718	9,400	4,817	62,917
Accumulated depreciation and impairment	(33,101)	(2,078)	(7,319)	(3,785)	(46,283)
Net carrying amount	12,881	640	2,081	1,032	16,634

12. INTANGIBLE ASSETS

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

	INTERNALLY GENERATED SOFTWARE \$000	CUSTOMER RELATIONSHIPS \$000	CUSTOMER CONTRACTS \$000	TOTAL \$000
Half-year ended 31 December 2020				
At 30 June 2020 net of accumulated amortisation and impairment	5,170	197	-	5,367
Additions	1,391	-	3,000	4,391
Impairment	(277)	-	-	(277)
Amortisation for the half-year	(413)	(26)	-	(439)
At 31 December 2020 net of accumulated amortisation and impairment	5,871	171	3,000	9,042
At 30 June 2020				
Cost	5,350	250	-	5,600
Accumulated amortisation and impairment	(180)	(53)	-	(233)
Net carrying amount	5,170	197	-	5,367
At 31 December 2020				
Cost	6,741	250	3,000	9,991
Accumulated amortisation and impairment	(870)	(79)	-	(949)
Net carrying amount	5,871	171	3,000	9,042

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

13. SHARE-BASED PAYMENTS

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

a) Employee Share Option Plan

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

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

TYPE OF OPTION	VESTING TERMS AND CONDITIONS
Monthly linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuous status as an employee or Director with the Company during the vesting period. The options generally vest in equal amounts each month over the vesting period.
Annual linear vesting schedule	Options vest similarly to the monthly linear vesting schedule; except they vest in equal amounts annually over the vesting period.
Performance linear vesting schedule	Options vest in equal amounts annually over the vesting period and are also subject to performance criteria.

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

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

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

- The term of each option grant ranges primarily between 6 – 7 years from the date of grant or such shorter term as provided in the ESOP or grant letter;
- Each option entitles the holder to one ordinary fully paid share;
- All awards granted under the ESOP are equity-settled;
- A 2-year holding lock applies to those options with annual linear or performance linear vesting schedules. For annual linear options, the lock period applies following the relevant vesting date, and for performance linear options the lock period applies from exercise date. During this period the shares issued cannot be transferred, sold, encumbered or otherwise dealt with; and
- Under the ESOP rules and subject to any requirements under law or the ASX listing rules, the Board, at its discretion, may determine that options held by an employee or Director do not lapse on cessation of employment or Directorship and that the relevant holder of options has additional time to exercise their options.

b) Fair value of options under the ESOP

The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model.

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

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

There were 3,923,180 options exercised during the period ended 31 December 2020 (2019: 4,816,627).

The weighted average remaining contractual life for share options outstanding as at 31 December 2020 was 5 years (2019: 5 years).

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

13. SHARE-BASED PAYMENTS (continued)

The following table summarises further details of the share options outstanding at 31 December 2020:

RANGE OF EXERCISE PRICES	CONTRACTUAL LIFE	VESTING CONDITIONS	NO. OF OUTSTANDING OPTIONS	
			Dec 2020	Dec 2019
179 cents	7 years	4 year annual vesting, plus performance criteria	7,375,603	7,822,597
176 cents	6 years or less	5 year monthly linear vesting	7,106,769	7,964,430
162 cents to 176 cents	7 years or less	No vesting in first 6 months of 5 year monthly linear vesting period	685,690	750,000
162 cents	7 years or less	5 year monthly linear vesting	-	90,000
150 cents	7 years	4 year annual vesting, plus performance criteria	5,885,250	6,154,423
37.5 cents to 149 cents	7 years or less	5 year monthly linear vesting	7,575,487	12,704,458
0 cents	6 years	5 year annual linear vesting	3,183,892	3,808,712
Total			31,812,691	39,294,620

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

	Dec 2020 NUMBER	Dec 2020 WAEP (CENTS)	Dec 2019 NUMBER	Dec 2019 WAEP (CENTS)
<i>Monthly linear and annual linear vesting</i>				
Opening	23,081,551	107	30,615,768	102
Granted	-	-	1,554,294	-
Exercised	(3,923,180)	71	(4,816,627)	50
Forfeited or expired	(606,533)	83	(2,035,835)	111
Closing	18,551,838	116	25,317,600	105
Of which: Exercisable at the end of the period	12,717,634	101	14,645,991	101
<i>Performance based vesting</i>				
Opening	13,894,547	166	6,154,423	150
Granted	-	-	7,822,597	179
Forfeited or expired	(633,694)	179	-	-
Closing	13,260,853	165	13,977,020	166
Of which: Exercisable at the end of the period	-	-	-	-
Total outstanding at the end of the period	31,812,691		39,294,620	
Total exercisable at the end of the period	12,717,634		14,645,991	

Refer to Note 19, for outstanding share options at the end of the period that are not part of ESOP.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

13. SHARE-BASED PAYMENTS (continued)

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

During the period, the Company granted 731,548 performance rights as part of the short-term incentive (STI) arrangement and 834,316 performance rights as part of the long-term incentive (LTI) plan. The following model inputs were used in the Black-Scholes valuation model to determine the fair values:

	STI Rights	LTI Rights
Grant date	July 2020	September 2020
Vesting period	2 years	3 years
Expiry date	30 days following cessation of employment	September 2023
Share price at grant date ¹ (\$)	\$3.50	\$3.60
Dividend yield (%)	0%	0%
Expected volatility (%)	N/A	N/A
Risk-free interest rate (%)	N/A	N/A

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

	Dec 2020 NUMBER	Dec 2020 WAEP (CENTS)	Dec 2019 NUMBER	Dec 2019 WAEP (CENTS)
<i>Performance, remuneration sacrifice rights and rights to shares under other contractual arrangements</i>				
Opening	6,485,940	-	6,998,587	-
Granted	1,565,864	-	1,475,617	-
Exercised	(1,762,234)	-	(842,401)	-
Forfeited or expired	(12,691)	-	(105,617)	-
Closing	6,276,879	-	7,526,186	-
Of which: Exercisable at the end of the period	1,503,610	-	-	-

14. CONTRIBUTED EQUITY AND RESERVES

(i) Movement in ordinary shares on issue

	NUMBER OF SHARES	\$000
At 1 July 2019	443,871,751	141,856
Shares issued as part of IPO	45,493,432	125,000
Share options and rights exercised	10,130,988	3,913
Capital raising costs (net of tax)	-	(5,006)
At 30 June 2020	499,496,171	265,763
Shares options and rights exercised	8,310,414	3,046
At 31 December 2020	507,806,585	268,809

During the half-year ended 31 December 2020, 8,310,414 ordinary shares were issued upon exercise of options and rights, raising a total of \$3,046,000 in fully paid capital.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

14. CONTRIBUTED EQUITY AND RESERVES (continued)

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

	DEC 2020 \$000	JUN 2020 \$000
Balance at the beginning of the period	26,371	20,729
Share-based payments expensed	4,255	5,642
Balance at the end of the period	30,626	26,371

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

(iii) General reserve for credit losses

	DEC 2020 \$000	JUN 2020 \$000
Balance at the beginning of the period	2,103	2,261
Transfer from/(to) accumulated losses:		
Appropriation for chargeback losses	148	19
Appropriation for lending losses	(561)	(177)
Balance at the end of the period	1,690	2,103

(iv) FVOCI reserves

	DEC 2020 \$000	JUN 2020 \$000
Balance at the beginning of the period	3	3
Total revaluation for the period	296	-
Balance at the end of the period	299	3
Total reserves	32,615	28,477

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

15. FAIR VALUES (INCLUDING FINANCIAL RISK MANAGEMENT)

a) Fair values

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

Level 1 -	The fair value is calculated using quoted prices in active markets.
Level 2 -	The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 -	The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

31 DECEMBER 2020 (\$'000)				
FINANCIAL ASSET	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Floating rate notes	70,408	-	-	70,408
Loans	-	-	4,379	4,379
Equity investment	-	-	3,854	3,854
Net investment in sublease	-	-	987	987
	70,408	-	9,220	79,628

30 JUNE 2020 (\$'000)				
FINANCIAL ASSET	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Floating rate notes	66,134	-	-	66,134
Loans	-	-	11,921	11,921
Equity investment	-	-	3,627	3,627
Net investment in sublease	-	-	1,367	1,367
	66,134	-	16,915	83,049

Floating rate notes

The floating rate notes invested in by the Company have a short-term repricing profile and are of high credit quality. The fair value of these floating rate notes is obtained from an independent third-party pricing service that uses tradable prices and quotes from active markets.

Loans

Loans are included in Level 3 due to one or more of the significant inputs used in determining the fair value being based on unobservable inputs. To determine the fair value, an income valuation approach is used. This technique converts forecasted cash flows to a present value amount (also known as a discounted cash flow method). Forecast cash flows are actuarially determined using predictive models based partly on evidenced historical performance and expected repayment profiles.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

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

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

The fair value of loans requires estimation of:

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

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

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

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

- the pricing of loans including adjustments for credit risk with the risk adjustments ranging between 35% and 37%;
- historical data with respect to behavioural repayment patterns - generally ranging between 3 to 12 months;
- default experience for loans deemed uncollectable and which are valued at \$0; and
- An estimate for the deterioration in credit risk of merchants as a result of COVID-19.

These inputs directly affect the fair value of the loans. A sensitivity of a change of 10% in the value ascribed to credit risk for loans to merchants that are either not trading completely, or are on repayment holidays, will have an impact of between negative \$207,000 and positive \$198,000 to profit and loss.

Equity investments

At the reporting date, the Company held unlisted equity instruments in me&u and YBF. The valuations of me&u and YBF are level 3 financial instruments with several unobservable inputs.

me&u is in early stage development and continues to invest in development of its operations and technology.

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

Transfer between categories

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

b) Financial Risk Management

During the ordinary course of business, the Company is exposed to credit risk, operational risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk. For details on the management of these risks, refer to the financial report for the year ended 30 June 2020.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

16. COMMITMENTS AND CONTINGENCIES

a) Commitments relating to BECS

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

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

Contingent liabilities - secured	DEC 2020 \$000	JUN 2020 \$000
(i) Irrevocable standby letters of credit in favour of:		
Mastercard International	3,088	3,294
Visa International	524	524
UnionPay International	-	73
(ii) Bank Guarantee in favour of:		
UIR Australia (lessor of 155 Clarence Street, Sydney)	4,525	4,525
Premium Custody Services (lessor of 1.15/14-16 Lexington Drive, Bella Vista)	13	13
	8,150	8,429

The Company has provided irrevocable standby letters of credit of \$3,612,000 (June 2020: \$3,891,000) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to Mastercard International, Visa International and Union Pay International. These are one-year arrangements that are subject to automatic renewal on a yearly basis. Mastercard International and Visa International, at their discretion, may increase the required amounts of the standby letters of credit upon written request to the Company. The required amounts of the standby letters of credit are dependent on Mastercard International's and Visa International's view of their risk exposure to the Company.

A bank guarantee in favour of UIR is held with the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents up to 9 month's rent and includes all annual increases of 4% since 2016 until lease maturity and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

b) Commitments relating to Tyro | Bendigo Bank Alliance

During the half-year ended 31 December 2020, the Company announced an alliance with Bendigo and Adelaide Bank Limited (**Bendigo Bank**) for merchant acquiring services (**Alliance**). As part of the Alliance, Bendigo Bank agreed to transfer existing and refer potential customers to the Company for the provision of a co-branded merchant acquiring service and receive upfront consideration and commission from existing and newly referred Bendigo Bank business customers who use the Company's merchant acquiring services.

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

	DEC 2020 \$000	JUN 2020 \$000
Guaranteed amount	45,627	-
Variable amount	60,900	-
	106,527	-

Key assumptions in respect of estimating the variable amount include:

- Discount rates derived from similar observed rates for comparable assets that are traded in the market;
- Merchant churn rate; and
- Probability weighted forecasts considering a high, mid and low forecast estimate prepared by management and approved by the Board.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

17. LEASES

a) Company as lessee – property lease

The property lease predominantly relates to the lease of the Company's registered office located at 155 Clarence Street, Sydney NSW. It is a non-cancellable lease with a term of up to 7 years ending 21 January 2022. The lease agreement provides the Company with the option to extend the lease for another 3 years. Lease payments are subject to annual increases of 4%.

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

	RIGHT-OF-USE ASSETS \$'000	LEASE LIABILITIES \$'000
As at 1 July 2020	4,528	7,483
Additions	15	15
Depreciation expense	(1,462)	-
Interest expense	-	222
Payments	-	(2,488)
As at 31 December 2020	3,081	5,232

Lease liabilities - Maturity analysis

	DEC 2020 \$000	JUN 2020 \$000
Contractual Undiscounted Cash Flows		
Within one year	5,134	5,035
After one year but not more than five years	300	2,872
Total undiscounted lease liabilities	5,434	7,907

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

	DEC 2020 \$000	DEC 2019 \$000
Depreciation expense of right-of-use assets	(1,462)	(1,427)
Interest expense on lease liabilities	(222)	(366)
Total amount recognised in Statement of Comprehensive Income	(1,684)	(1,793)

b) Company as lessor - sublease arrangement

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

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

	DEC 2020 \$000	DEC 2019 \$000
Gain on initial recognition of net investment in sublease	-	141
Interest income on net investment in sublease	41	61
Total amount recognised in Statement of Comprehensive Income	41	202

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

17. LEASES (continued)

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

	DEC 2020 \$000	JUN 2020 \$000
Within one year	970	892
After one year but not more than five years	56	556
Total undiscounted lease payments receivable	1,026	1,448
Unearned interest income	(39)	(81)
Net investment in sublease	987	1,367

18. EARNINGS PER SHARE

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

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

Earnings

	DEC 2020 \$000	DEC 2019 \$000
Net loss attributable to ordinary shareholders used to calculate basic and diluted earnings per share	(3,409)	(19,246)

	DEC 2020 NUMBER	DEC 2019 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	502,748,863	448,804,808
Weighted average number of potentially dilutive ordinary shares	532,162,626	477,642,837

Earnings per share

	DEC 2020 CENTS	DEC 2019 CENTS
Basic	(0.68)	(4.29)
Diluted	(0.68)	(4.29)

19. RELATED PARTY DISCLOSURES

a) Transactions with related parties - Tyro SaleCo Limited (SaleCo)

Tyro SaleCo Limited (**SaleCo**) was registered on 5 November 2019, for the purpose of facilitating the initial public offering (**IPO**) and ASX listing of the Company. Robbie Cooke – CEO | Managing Director of the Company holds 100% of the shares in SaleCo.

In total, SaleCo held 58,962,897 shares at a value of \$162,147,967, representing 11.9% of the shares on issue as at completion of the IPO. As at 31 December 2020, SaleCo no longer held any Company shares.

As SaleCo has now served its sole function of facilitating the sale of shares in the Company by existing shareholders into the IPO, the Directors anticipate that SaleCo will be deregistered during the financial year ending 30 June 2021.

Notes to the Financial Statements

for the Half-Year ended 31 December 2020

19. RELATED PARTY DISCLOSURES (continued)

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

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

As at 31 December 2020, there were no options outstanding.

	DEC 2020 NUMBER	DEC 2019 NUMBER
Euclid Capital Partners LLC, related party of David Fite (Director) ¹	-	2,625,000
Total	-	2,625,000

¹ Appointed as Director on 3 July 2018.

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

In January 2021, the Company experienced a terminal connectivity issue with respect to a limited number of its merchants (**Incident**). The impacted merchants have been restored to normal operations as at the date of this report and merchants who have suffered a financial loss as a result have been encouraged to register their details with the Company.

The estimated impact of the Incident on the Company's financial performance for the second half of FY21 is summarised as follows:

- approximate direct costs incurred in logistics and staff costs in rectifying the Incident circa \$3 million;
- capital expenditure in respect of replacing a small portion of obsolete terminals of around \$1 million;
- an approximation of possible claims from merchants for lost income and other payments as a result of the Incident estimated at circa \$15 million. This approximation is a best estimate based on available information as at the date of this report, however the ultimate exposure may be more or less than this estimated amount.

Tyro has lodged a significant breach notice with the Australian Securities and Investments Commission, has reported the Incident to the Reserve Bank of Australia and the Australian Prudential Regulation Authority. On 18 January 2021 Tyro received correspondence from a law firm advising that it was investigating a potential class action against Tyro in relation to the incident. At the date of this report no proceedings have commenced.

Directors' Declaration

In the opinion of the Directors:

- a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the six month period ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



David Thodey
Chair



Robbie Cooke
Managing Director | CEO

Sydney, 22 February 2021

Independent Auditor's Report



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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Tyro Payments Limited (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Report (continued)



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Independence

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

Ernst & Young

Michael Byrne
Partner
Sydney
22 February 2021

Corporate Directory

DIRECTORS

David Thodey AO (Chair and Non-executive Director)

Robbie Cooke (CEO | Managing Director)

Hamish Corlett (Non-executive Director)

David Fite (Non-executive Director)

Catherine Harris AO PSM (Non-executive Director)

Fiona Pak-Poy (Non-executive Director)

Paul Rickard (Non-executive Director)

STOCK EXCHANGE LISTING

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

SHARE REGISTER

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Phone: +61 1300 554 474

Email: registrars@linkmarketservices.com.au

COMPANY SECRETARY

Jay Amigh

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