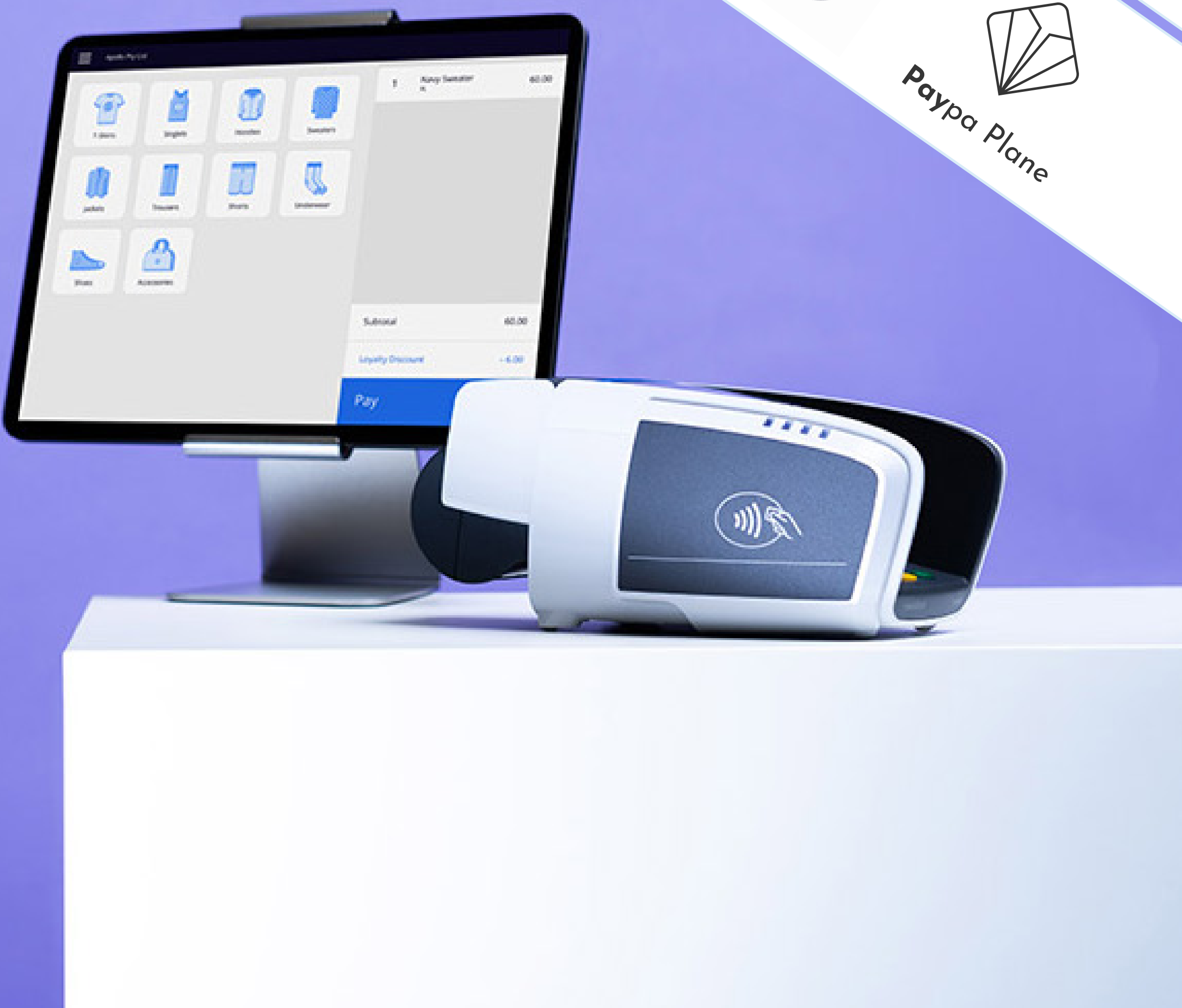
Tyro Payments Limited

APPENDIX 4D AND INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021



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 2021**
PREVIOUS PERIOD	**FOR THE HALF-YEAR ENDED DECEMBER 2020**

Results for announcement to the market

KEY INFORMATION		HALF-YEAR ENDED 31 DECEMBER				
				2021		**2020**
		%		**$'000**		**$'000**
Transaction value[1]	▲	30.6%	to	15,826,286	from	12,117,714
Revenue from ordinary activities	▲	29.9%	to	149,212	from	114,835
Gross profit[2] (normalised)	▲	11.3%	to	68,063	from	61,176
EBITDA[3]	▼	67.2%	to	2,772	from	8,457
Loss before tax[4] (normalised)	▼	305.2%	to	(11,193)	from	(2,762)
Loss before tax (statutory)	▼	430.0%	to	(18,066)	from	(3,409)
Loss after tax attributable to the ordinary equity holders of Tyro Payments Limited	▼	430.0%	to	(18,066)	from	(3,409)

Dividends

No dividends were declared or paid and are not proposed to be paid in respect of the half-year ended 31 December 2021 (H1 FY21: Nil).

Net tangible asset backing

	31 December 2021	31 December 2020
	$	$
Net tangible assets per share	$0.00	$0.36

Net tangible assets per share decreased due to the right-of-use-asset of $33.1 million for the new Tyro corporate office being deducted from total assets. Australian Accounting Standards require the liability attached to the right-of-use asset to be deducted from Net Tangible Assets, however does not allow the recognition of the associated asset, resulting in the decrease as recorded above.

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

[2] *Normalised gross profit is adjusted for Bendigo support fees of $1.35 million associated with transition of Bendigo merchants to the Tyro platform and the Bendigo gross profit share of $4.4 million not deducted from statutory gross profit but deducted to calculate normalised gross profit. Half year ended 31 December 2020 included JobKeeper income of $4.5 million.*

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

[4] *Normalised 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, the non-cash accounting impact of the Bendigo Alliance, expenses associated with the terminal connectivity issue and significant one-off expenses.*

APPENDIX 4D (Listing rule 4.2A.3)

HALF-YEAR REPORT (continued)

Details of associates

Details of associate entities in which Tyro holds an interest at 31 December 2021.

	Principal Activities	Principal place of business	Ownership Interest	
			31 Dec 2021	31 Dec 2020
			%	%
Axis IP Pty Ltd[1]	Payments software provider	Brisbane, Australia	21%	20%
meandu Australia Holdings Pty Ltd	App based menu, ordering and payments provider	Sydney, Australia	16%	16%

[1] In November 2021, the Group increased its stake in Axis IP Pty Ltd trading as Paypa Plane to 21% for an additional $0.5 million investment, as part of a funding-round undertaken by Axis IP Pty Ltd.

Supplementary Information

The previous corresponding period is the half-year ended 31 December 2020.

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 2021 and ASX Media Release.

Basis of Preparation

The interim financial report for the half-year period ended 31 December 2021:

- is for the entity consisting of Tyro Payments Limited and its controlled entities;
- is presented in Australian dollars, with all values rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191;
- has been prepared in accordance with Australian Accounting Standard AASB 134 I*nterim 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 2021 and any public announcements made by Tyro Payments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its financial report for the year ended 30 June 2021.

This report is based on the consolidated financial statements for the half-year ended 31 December 2021 which have been reviewed by Ernst & Young.

INTERIM FINANCIAL REPORT

CONTENTS

Directors' Report

The Board of Directors present their report together with the Interim Financial Report of the Group consisting of Tyro Payments Limited (the **Company**) and its controlled entities (**Tyro** or the **Group**) for the half-year ended 31 December 2021.

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	Independent	
Robbie Cooke	CEO and Managing Director	Executive	
Hamish Corlett	Non-Executive Director	Independent	Resigned 3 November 2021
David Fite	Non-Executive Director	Independent	
Claire Hatton	Non-Executive Director	Independent	Appointed 5 January 2022
Aliza Knox	Non-Executive Director	Independent	
Fiona Pak-Poy	Non-Executive Director	Independent	
Paul Rickard	Non-Executive Director	Independent	
Shefali Roy	Non-Executive Director	Independent	Appointed 5 January 2022

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

Changes to Board Committees

Following Hamish Corlett's resignation on 3 November 2021 and the appointment of Claire Hatton and Shefali Roy as Non-Executive Directors on 5 January 2022, numerous changes were made to the Board Committees. The Members of the Company's committees at the date of this Report are summarised as follows:

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

Principal Activities

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

Directors' Report (continued)

Review of Operations

	31 Dec 2021	31 Dec 2020		Growth
	$'000	$'000		%
Transaction value[1]	15,826,286	12,117,714	▲	31%
Payments revenue and income	145,984	107,682	▲	36%
Lending income	2,561	2,042	▲	25%
Investment income	336	567	▼	41%
Other revenue and income	331	4,544	▼	93%
Revenue	**149,212**	**114,835**	▲	**30%**
Payments direct expenses (includes Bendigo gross profit share)[3]	(81,022)	(53,423)	▲	52%
Interest expense on deposits	(127)	(236)	▼	46%
Total direct expenses (normalised)[3]	**(81,149)**	**(53,659)**	▲	**51%**
Gross profit (normalised)[3]	**68,063**	**61,176**	▲	**11%**
Operating expenses (normalised)[3]	(65,291)	(52,719)	▲	24%
EBITDA[2]	**2,772**	**8,457**	▼	**67%**

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

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

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

3 *Refer to page 31 of the Tyro H1 FY22 Investor Presentation for a reconciliation of normalised results to statutory results.*

Group Performance

For the half-year ended 31 December 2021, transaction values were $15.8 billion, up 30.6% on the prior comparative period (**pcp**). The strong increase in transaction values were achieved from a combination of the addition of Bendigo merchants acquired under the alliance and strong organic growth in the final quarter of the half. There were a total of 61,554 merchants at 31 December 2021, made up of 42,318 Tyro merchants, up 15.2% from 36,720 in the pcp, 18,236 Bendigo merchants and 1,000 Medipass health providers.

Total revenue was up 29.9% to $149.2 million with payments revenue up 35.6% to $146.0 million. The increase in payments revenue was driven by the growth in transaction value and a 50.4% increase in terminal rental income. Total gross profit on a normalised basis was up 11.3%, noting that the pcp included JobKeeper income of $4.5 million which has not been normalised. Tyro's core payments business (excluding Bendigo and Medipass) generated payments revenue of $119.4 million from a merchant service fee (**MSF**) of 80.6bps which excludes terminal rental revenue (H1 FY21: 79.7bps) and a gross profit margin of 41.0bps (inclusive of terminal rental) (H1 FY21: 44.8bps). The lower gross profit margin of 3.8bps was in part the result of deferring Tyro's usual annual merchant pricing review which was scheduled to have taken place in H1 FY22. The deferral being made to assist merchants during the period of heightened Covid lockdowns. Tyro's Bendigo merchants generated revenue of $25.8 million from a MSF of 83.5bps which excludes terminal rental revenue and a gross profit margin of 39.4bps (inclusive of terminal rental).

Revenue from the Group's Banking Business was up 25.4% to $2.6 million. $1.8 million of the banking revenue related to interest income earned on loan originations of $36.2 million (H1 FY21: $1.0 million interest revenue from $2.6 million in loan originations). The remaining revenue relates to a positive fair value gain on loans of $0.7 million (H1 FY21: $1.0 million). The decrease in investment income of 42.9% at $0.3 million from $0.6 million is due to the lower interest rate environment in Australia.

The Group generated normalised EBITDA of $2.8 million, down 67.2% from the pcp. The decrease in EBITDA reflects the 23.8% increase in normalised operating expenses driven by increased employee costs and headcount, and increased use of contractors during the period. Furthermore the prior comparative period EBITDA included JobKeeper benefits of $4.5 million. Excluding the JobKeeper benefits would result in EBITDA being down by 30.4%.

Directors' Report (continued)

On a net loss basis, Tyro realised a normalised loss before tax of $11.2 million and a statutory loss before tax of $18.1 million.

Payments Business

The Group's Payments Business processed $15.8 billion in transactions on behalf of our merchants in the period, a lift of 30.6% on the pcp (H1 FY21: $12.1 billion). Tyro's core payment business generated transaction value of $13.3 billion, up 9.7% on the pcp of $12.1 billion. Excluding NSW and ACT which was significantly impacted by Covid-19 lock-downs in the first 3 months of the period recording negative growth of 9.4% for H1 FY22, Tyro's core Payments Business generated transaction value growth of 23.1% with an exit rate in December 2021 of an annualised $30 billion transaction value.

The Bendigo Bank Alliance completed on 1 June 2021 with all Bendigo merchants coming across to the Tyro platform. Tyro generated $2.5 billion from the Bendigo merchants in the current period (H1 FY21: Nil). Furthermore, following the acquisition of Medipass on 31 May 2021, Tyro generated $22.4 million in transaction value from the Medipass health providers in the period (H1 FY21: Nil) and processed a further $77.0 million in claims.

Below is a monthly analysis of transaction value for Tyro's core Payments Business (excluding Bendigo and Medipass), highlighting the impact of COVID-19 restrictions on transaction value growth in the first three months of H1 FY22.

	H1 FY22 $'billion	H1 FY21 $'billion		Growth %
Transaction value	**$13.298 billion**	**$12.118 billion**	▲	**10%**
July	$1.892 billion	$1.851 billion	▲	2%
August	$1.669 billion	$1.701 billion	▼	(2%)
September	$1.782 billion	$1.787 billion	▼	(0%)
October	$2.254 billion	$1.994 billion	▲	13%
November	$2.669 billion	$2.159 billion	▲	24%
December	$3.031 billion	$2.626 billion	▲	15%

The Group added 24,834 net new and active merchants to our Payments Business, taking the total number of merchants transacting with the Group to 61,554 – a 67.6% increase on H1 FY21. Bendigo added 18,326 new merchants to the Group (73.8% of new merchants), while Medipass added 1,000 new health providers to the Group (4.0% of new merchants). The Tyro core Payments Business added 5,598 new merchants for the period. New application numbers for the Group were strong with a total of 7,391 new applications received at an average run-rate of 1,232 applications per month.

The increase in merchant numbers and transaction value of 30.6% resulted in payments revenue up 35.6% to $146.0 million. Revenue growth was further assisted by the increase in terminal rental of $5.1 million generated from the increased merchant base. Tyro's core payments business (excluding Bendigo and Medipass) generated payments revenue of $119.4 million from a MSF of 80.6bps which excludes terminal rental revenue (H1 FY21: 79.7bps) and a gross profit margin of 41.0bps (inclusive of terminal rental) (H1 FY21: 44.8bps). The lower gross profit margin of 3.8bps was in part the result of deferring Tyro's usual annual merchant pricing review which was scheduled to have taken place in H1 FY22. The deferral being made to assist merchants during the period of heightened Covid lockdowns. Tyro's Bendigo merchants generated revenue of $25.8 million from a MSF of 83.5bps which excludes terminal rental revenue and a gross profit margin of 39.4bps (inclusive of terminal rental). Our newly acquired Medipass business generated revenue of $0.8 million.

Our Payments Business (inclusive of Bendigo and Medipass) recorded normalised gross profit growth of 19.7% and statutory gross profit growth of 25.4% against transaction value growth of 30.6% and revenue growth of 35.6%. The variance between transaction value growth and gross profit growth is largely attributable to the Bendigo gross profit share payable under the Tyro-Bendigo Alliance agreement and the deferral of annual price increases.

Directors' Report (continued)

Banking Business

The Group's merchant cash advance in the form of a loan product returned to strong growth in the period with $36.2 million in new originations (H1 FY21: $2.6 million). The features of the Merchant Cash Advance (**MCA**) were also improved in the period allowing advances of up to a maximum of $350,000 from the previous maximum of $120,000 together with an improved automated approval process through the Tyro app.

The increase in originations has seen lending income from the MCA product increase 25.4% in H1 FY22 to $2.6 million. $1.8 million revenue was generated from interest on the MCA and a further $0.7 million recorded in revenue as a fair value gain on the loans at 31 December 2021. At 31 December 2021, loans of $21.1 million were carried on the balance sheet compared to $15.4 million in the pcp with an average loan origination amount in the period of $41,200 compared to $23,200 in the pcp.

Strong growth has been achieved on our Tyro Bank Account. This fee-free and interest paying business transaction deposit account had 4,964 active accounts in existence at 31 December 2021, representing an 19.6% increase on the pcp (H1 FY21: 4,150 active accounts). Total deposits held by the Group on the Tyro Bank Account amount to $96.4 million compared to $99.3 million at 31 December 2020. The Group's term deposit product continues to offer merchants an attractive interest rate with total terms deposits of $4.4 million on the balance sheet at 31 December 2021.

Gross profit of $2.4 million from our Banking Business was up 34.8% (H1 FY21: $1.8 million) reflecting the increased interest generated from our loan product and lower interest expense on our business deposit accounts and term deposit accounts from a favourable interest rate environment.

Financial Position

With total cash and financial investments of $157.4 million (30 June 2021: $172.8 million) Tyro has sufficient liquidity in place to continue to fund its growth strategy. The movement in cash is reflective principally of the timing difference in scheme receivables of $13 million, terminal purchases of $8.8 million, other capex of $10 million including the new office premises, and remediation payments of $3.5 million. This was offset by a net increase in banking flows of $20.3 million.

At 31 December 2021, Tyro had total assets of $433.4 million of which 36.3% 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, the right of use asset recognised on the new lease, receivables from card schemes, property, plant and equipment and deferred tax assets.

Tyro had total liabilities of $263.4 million of which 38.2% related to the merchant bank account deposits, with the remainder relating to trade and other liabilities, lease liabilities and provisions. The Group's total assets exceeded its total liabilities by $170.0 million.

Regulatory Landscape, Capital and Funding

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

The Group had cash, cash equivalents, deposits and other liquid investments of $157.4 million at the end of the reporting period. The Group's is also well capitalised with a total capital ratio of 45%. The movement from the prior period ratio of 73% reflecting the recognition of right of use assets of $33 million and office fitout of $7.3 million, an increase in net scheme receivables, an increase in the lending book and losses for the half year (before share based payments expense). The total capital ratio remains multiples above APRA Prudential Capital Requirements.

Directors' Report (continued)

Risk Management

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

Events occurring after balance sheet date

In the opinion of the Directors, there are no other matters or circumstances which have arisen between 31 December 2021 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 10 for the half-year ended 31 December 2021.

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

David Thodey

David Thodey
Chair

Robbie Cooke

Robbie Cooke
Managing Director | CEO

Sydney
21 February 2022

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 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

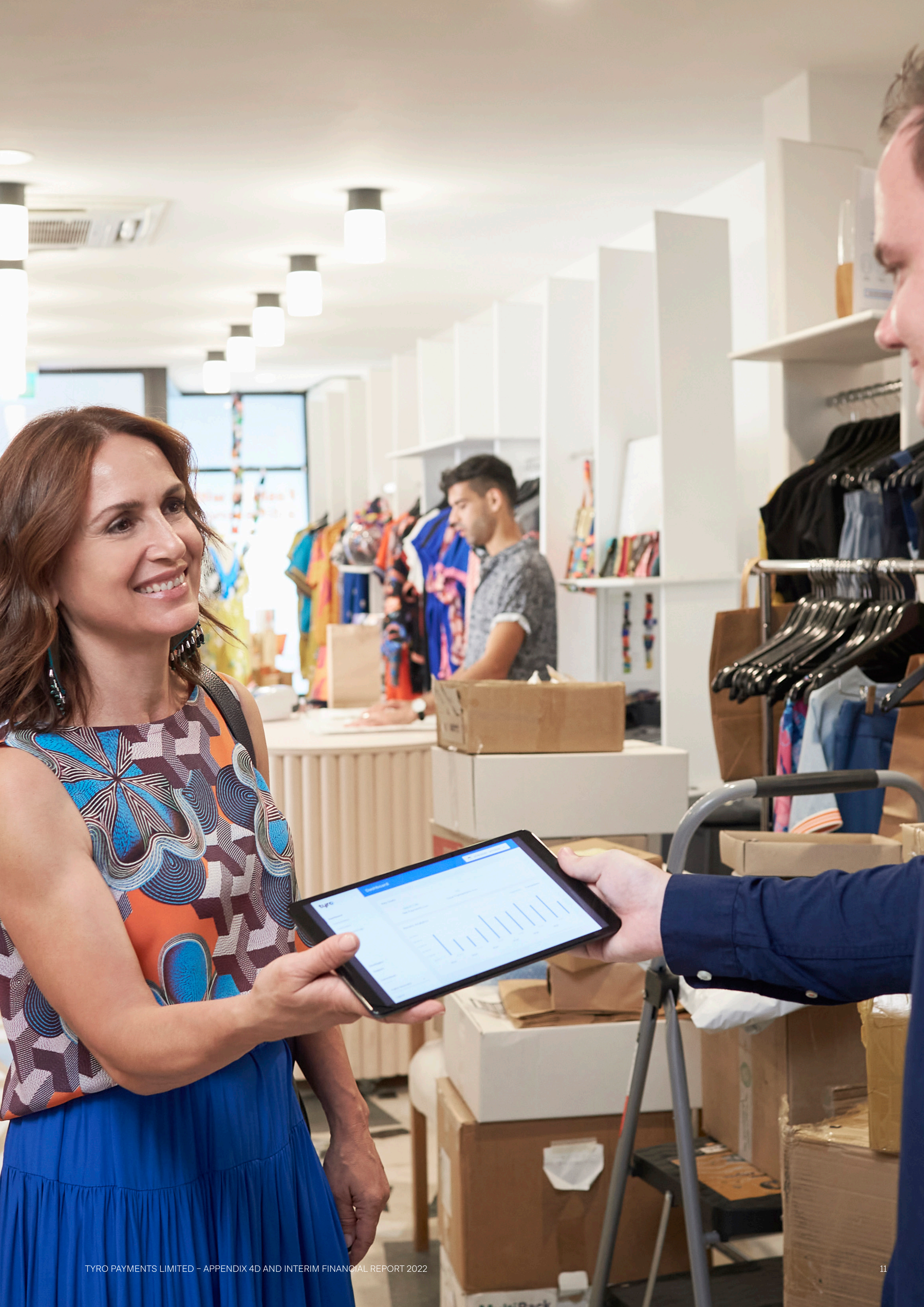
b. No contraventions of any applicable code of professional conduct in relation to the review; and

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

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

Ernst & Young

Michael Byrne
Partner
21 February 2022



Statement of Comprehensive Income

for the Half-Year ended 31 December 2021

	NOTE	DEC 2021 $000	DEC 2020 $000
Fees and terminal rental income	2	145,418	107,100
Interest income on loans		1,833	1,040
Fair value gain on loans		728	1,002
Interest income on cash and deposits		34	275
Interest income on assets at fair value through other comprehensive income (**FVOCI**)		302	292
Sale of terminal accessories		566	582
Other revenue and income	2	331	4,544
Total revenue		**149,212**	**114,835**
Interchange, integration and support fees	2	(77,284)	(52,997)
Interest expense on deposits		(127)	(236)
Terminal accessories		(642)	(426)
Total direct expenses		**(78,053)**	**(53,659)**
Gross profit		**71,159**	**61,176**
Employee benefits expense (excl. share-based payments)	2	(45,113)	(36,713)
Share-based payments expense		(3,720)	(4,255)
Administrative expenses	2	(12,397)	(9,575)
Contractor and consulting expenses		(5,605)	(2,951)
Marketing expenses		(2,998)	(2,482)
Depreciation and amortisation		(15,537)	(7,070)
Lending and non-lending losses	2	(510)	(998)
Net interest expense		(1,614)	(181)
Total operating expenses		**(87,494)**	**(64,225)**
Share of losses from associates		(1,731)	(28)
Initial Public Offering (IPO) expenses		-	(332)
Loss before tax expense		**(18,066)**	**(3,409)**
Income tax benefit	4	-	-
Loss for the period		**(18,066)**	**(3,409)**
Other comprehensive income/(loss)			
FVOCI reserve – revaluation gain/(loss), net of tax		(341)	296
Total comprehensive loss for the period		**(18,407)**	**(3,113)**

Earnings per share for loss attributable to the Ordinary Equity Holders of Tyro Payments Limited		CENTS	CENTS
Basic earnings per share	19	(3.51)	(0.68)
Diluted earnings per share	19	(3.51)	(0.68)

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

Statement of Financial Position

as at 31 December 2021

	NOTE	DEC 2021 $000	JUN 2021 $000
ASSETS			
Current assets			
Cash and cash equivalents	5	67,608	84,521
Due from other financial institutions	6	19,121	19,191
Trade and other receivables	7	29,120	17,095
Loans	8	17,437	13,408
Prepayments		5,647	3,337
Inventories		191	128
Total current assets		**139,124**	**137,680**
Non-current assets			
Loans	8	3,675	1,979
Financial investments	9	70,679	69,068
Investment in associate	10	3,768	4,998
Property, plant and equipment	11	34,721	26,027
Right of use assets	17	33,145	1,654
Intangible assets	12	135,324	140,867
Deferred tax assets		12,986	12,986
Total non-current assets		**294,298**	**257,579**
TOTAL ASSETS		**433,422**	**395,259**
LIABILITIES			
Current liabilities			
Deposits		100,848	75,481
Trade payables and other liabilities		27,927	29,215
Lease liabilities	17	287	2,812
Provisions	18	12,279	15,382
Total current liabilities		**141,341**	**122,890**
Non-current liabilities			
Other liabilities		86,896	90,478
Lease liabilities	17	33,276	-
Provisions	18	1,926	1,227
Total non-current liabilities		**122,098**	**91,705**
TOTAL LIABILITIES		**263,439**	**214,595**
NET ASSETS		**169,983**	**180,664**
EQUITY			
Contributed equity	14	278,442	274,436
Reserves	14	44,820	40,827
Accumulated losses		(153,279)	(134,599)
TOTAL EQUITY		**169,983**	**180,664**

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

Statement of Cash Flows
for the Half-Year ended 31 December 2021

	NOTE	DEC 2021 $000	DEC 2020 $000
Cash flows from operating activities			
Fees and terminal rental income received		145,818	107,008
Interchange, integration and support fees paid		(75,783)	(53,040)
Interest received		2,167	1,320
Interest paid		(125)	(266)
Other income and dividends received		851	6,666
Payments to employees and suppliers and IPO costs:			
Personnel expenses paid		(44,632)	(37,136)
Terminals purchased		(8,847)	(3,661)
Other operating expenses		(28,746)	(11,342)
Terminal incident remediation payments		(4,042)	-
Movement in net scheme and other receivables		(13,060)	(14,362)
Movement in customer loans		(5,096)	8,049
Movement in deposits		25,367	53,422
Net cash flows (used in)/from operating activities		**(6,128)**	**56,658**
Cash flows from investing activities			
Movement in term deposit investments			
Purchases		(4,930)	(25,081)
Proceeds on maturity		5,000	5,034
Movement in financial investments			
Purchases		(13,963)	(11,862)
Proceeds		12,074	8,200
Movement in equity investments			
Purchases		(501)	(2,141)
Proceeds		-	-
Purchase of property, plant and equipment (excluding terminals)		(7,800)	(681)
Payments for recognised intangible assets		(2,169)	(4,391)
Payments received from sublease		-	202
Net cash used in investing activities		**(12,289)**	**(30,720)**
Cash flows from financing activities			
Proceeds from exercise of share options		4,006	3,046
Payments for lease liabilities		(2,561)	(2,489)
Net cash flows from financing activities		**1,445**	**557**
Net movement in cash and cash equivalents		**(16,972)**	**26,495**
Effect of foreign exchange rates on cash and cash equivalents		59	(202)
Cash and cash equivalents at beginning of period		84,521	103,761
Cash and cash equivalents at end of period	5	**67,608**	**130,054**

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

Statement of Changes in Equity

for the Half-Year ended 31 December 2021

ATTRIBUTABLE TO EQUITY HOLDERS OF TYRO PAYMENTS LIMITED	CONTRIBUTED EQUITY	FVOCI RESERVE	SHARE-BASED PAYMENTS RESERVE	GENERAL RESERVE FOR CREDIT LOSSES	ACCUMULATED LOSSES	TOTAL
	$000	$000	$000	$000	$000	$000
At 1 July 2020	**265,763**	**3**	**26,371**	**2,103**	**(104,521)**	**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 to general reserve for credit losses	-	-	-	(413)	413	-
At 31 December 2020	**268,809**	**299**	**30,626**	**1,690**	**(107,517)**	**193,907**
At 1 July 2021	**274,436**	**108**	**38,361**	**2,358**	**(134,599)**	**180,664**
Loss for the half-year	-	-	-	-	(18,066)	(18,066)
Other comprehensive income	-	(341)	-	-	-	(341)
Total comprehensive income	**-**	**(341)**	**-**	**-**	**(18,066)**	**(18,407)**
Issue of share capital	4,006	-	-	-	-	4,006
Share-based payments	-	-	3,720	-	-	3,720
Transfer from general reserve for credit losses	-	-	-	614	(614)	-
At 31 December 2021	**278,442**	**(233)**	**42,081**	**2,972**	**(153,279)**	**169,983**

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

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

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 the Group was authorised for issue in accordance with a resolution of the Directors on 21 February 2022.

The financial report includes the consolidated financial statements of Tyro Payments Limited and its controlled entities (together referred to as the Group). In the comparative period there was no consolidated group and therefore Group balances represent the Company on a stand-alone basis.

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 Group 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 Group for the financial year ended 30 June 2021.

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

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

b) Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its financial report for the year ended 30 June 2021.

c) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, Management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management. Actual results may differ from judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by Management in the preparation of the interim financial report, including the key sources of estimation uncertainty, are updated for the reporting date and consistent with those applied in the Group's financial report for the year ended 30 June 2021.

d) Intangible Assets and Goodwill

In the 2021 Annual Report, Tyro disclosed that the valuation of assets acquired in the purchase of Medipass was not complete. This work has now been completed and no adjustments have been made to the value of assets recognised on the Group's balance sheet.

Goodwill will be tested for impairment prior to 30 June 2022.

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

2. REVENUE AND EXPENSES

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

	DEC 2021 $000	DEC 2020 $000
Fees and terminal rental income		
Merchant service fee	129,412	96,607
Terminal rental income	15,121	10,057
Other fee income	885	436
	145,418	**107,100**
Other revenue and income		
JobKeeper receipts	-	4,476
Other income	331	68
	331	**4,544**
Interchange, integration and support fees		
Interchange and scheme fees	(70,115)	(48,789)
Integration, support and other fees	(7,169)	(4,208)
	(77,284)	**(52,997)**
Employee benefits expense (excluding share-based payments)		
Wages, salaries and incentives	(38,840)	(31,512)
Superannuation	(3,378)	(2,751)
Other employee benefits expense	(2,895)	(2,450)
	(45,113)	**(36,713)**
Administrative expenses		
Communications, hosting and licencing costs	(6,870)	(4,541)
Terminal management and logistics	(1,683)	(1,404)
Professional services	(617)	(1,177)
Travel and entertainment	(540)	(165)
Other administrative expenses	(2,687)	(2,288)
	(12,397)	**(9,575)**
Lending and non-lending losses		
Lending losses	(99)	(495)
Non-lending losses	(411)	(503)
	(510)	**(998)**

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

3. SEGMENT REPORTING

a) Description of segments and principal activities

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

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

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

Reportable Segment	Principal activities
Payments	Acquires electronic payment transactions from merchants. Revenue is primarily earned from fees charged for processing acquired transactions. Revenue is also earned from other fee income, terminal rental income and 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.

b) Revenue and gross profit by segment

	Payments[1]	Banking[2]	Corporate and other[3]	Total
	$'000	$'000	$'000	$'000
December 2021				
Revenue	145,984	2,561	667	149,212
Gross profit	68,058	2,434	667	71,159
December 2020				
Revenue	107,682	2,042	5,111	114,835
Gross profit	54,259	1,806	5,111	61,176

Reconciliation of gross profit to loss before tax:

	DEC 2021 $000	DEC 2020 $000
Gross profit	71,159	61,176
Operating expenses (excl. depreciation, amortisation, and net interest expense)	(70,343)	(56,974)
Depreciation and amortisation	(15,537)	(7,070)
Net interest expense	(1,614)	(181)
IPO expenses	-	(332)
Share of loss from associates	(1,731)	(28)
Loss before tax	**(18,066)**	**(3,409)**

[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 2021

3. SEGMENT REPORTING (continued)

c) Assets and liabilities by segment

	Payments $'000	Banking $'000	Corporate and other $'000	Total $'000
December 2021				
Segment assets	232,825	86,537	114,060	433,422
Segment liabilities	101,065	100,848	61,526	263,439
June 2021				
Segment assets	234,848	35,955	124,456	395,259
Segment liabilities	104,525	75,481	34,589	214,595

4. INCOME TAX

Major components of income tax benefit for the period ended 31 December 2021.

a) Income tax benefit:

	DEC 2021 $000	DEC 2020 $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 other comprehensive income and equity		
Deferred tax related to items recognised in equity during the period	-	128
Income tax benefit reported in equity	**-**	**128**

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

	DEC 2021 $000	DEC 2020 $000
Operating loss before tax	**(18,066)**	**(3,409)**
At the statutory income tax rate of 30%	5,420	1,023
Research and development incentive	-	-
Share-based payment remuneration	(1,116)	(1,276)
Entertainment expenses	(61)	(22)
Investment loss	-	(8)
Adjustment in respect to previous year	-	766
Tax effect of current year losses for which no deferred tax asset is recognised	(4,243)	(483)
Total income tax benefit	**-**	**-**

Deferred tax assets (net of deferred tax liabilities) relate to deductible temporary differences, unused tax losses and credits up to $13.0 million (tax effected) recognised as assets as at 31 December 2021. In addition, approximately $31.2 million (tax effected) of unused tax losses and credits have not been recognised and approximately $0.5 million (tax effected) of temporary differences have not been recognised as assets at balance sheet date.

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

5. CASH AND CASH EQUIVALENTS

	DEC 2021 $000	JUN 2021 $000
Deposits at call	62,608	69,521
Short-term deposits	5,000	15,000
	67,608	**84,521**

6. DUE FROM OTHER FINANCIAL INSTITUTIONS

	DEC 2021 $000	JUN 2021 $000
Term deposits	-	5,000
Deposits pledged as collateral	19,121	14,191
	19,121	**19,191**

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 2021 $000	JUN 2021 $000
Scheme and other receivables	20,449	10,108
Merchant acquiring fees	8,694	7,033
Interest receivable	15	13
Expected credit loss provision	(38)	(59)
	29,120	**17,095**

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

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

	Total $'000	Current $'000	1-30 Days $'000	31-60 Days $'000	61-90 Days $'000	>90 Days $'000	Impairment $'000
December 2021							
Carrying value - Dec 2021	29,120	29,045	28	85	-	-	(38)
Carrying value - Jun 2021	17,095	16,935	11	-	52	156	(59)

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

8. LOANS

	DEC 2021 $000	JUN 2021 $000
Current		
Loans (net of unearned fees)	17,437	13,408
Non-current		
Loans (net of unearned fees)	3,675	1,979
	21,112	**15,387**

Loans are presented net of unearned fees. Income from loans comprises interest income of $1,833,000 (2020: $1,040,000), fair value loss of $728,000 (2020: gain of $1,002,000) and lending loss of $99,000 (2020: loss of $495,000).

9. FINANCIAL INVESTMENTS

	DEC 2021 $000	JUN 2021 $000
Floating rate notes	70,679	69,068
	70,679	**69,068**

10. INVESTMENT IN ASSOCIATES

	DEC 2021 $000	JUN 2021 $000
Axis IP Pty Ltd	1,840	1,666
meandu Australia Holdings Pty Ltd	1,928	3,332
Closing balance	**3,768**	**4,998**

Investment in Associates are recognised at cost using the equity method. The carrying amount of the investment in associates are increased or decreased by the Company's share of Axis IP Pty Ltd's and meandu Australia Holdings Pty Ltd's net assets after acquisition date.

In November 2021, the Company made an additional investment of $501,000 in Axis IP Pty Ltd increasing the ownership from 20% to 21.34%.

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT

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

	TERMINALS	FURNITURE AND OFFICE EQUIPMENT	COMPUTER EQUIPMENT	CONSTRUCTION IN PROGRESS	LEASEHOLD IMPROVEMENTS	TOTAL
	$000	$000	$000	$000	$000	$000
Half-year ended 31 December 2021						
At 30 June 2021 net of accumulated depreciation	23,000	545	1,942	-	540	26,027
Additions	6,702	1	632	7,296	-	14,631
Disposals	(37)	(7)	(132)	-	-	(176)
Depreciation for the half-year	(4,612)	(107)	(555)	-	(487)	(5,761)
At 31 December 2021 net of accumulated depreciation	**25,053**	**432**	**1,887**	**7,296**	**53**	**34,721**
At 30 June 2021						
Cost	59,610	2,771	9,955	-	4,817	77,153
Accumulated depreciation	(36,610)	(2,226)	(8,013)	-	(4,277)	(51,126)
Net carrying amount	**23,000**	**545**	**1,942**	**-**	**540**	**26,027**
At 31 December 2021						
Cost	66,083	2,756	10,315	7,296	4,817	91,267
Accumulated depreciation	(41,030)	(2,324)	(8,428)	-	(4,764)	(56,546)
Net carrying amount	**25,053**	**432**	**1,887**	**7,296**	**53**	**34,721**

Construction in progress represents payments made towards the fit-out of Tyro's new headquarters at 55 Market Street.

12. INTANGIBLE ASSETS

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

	INTERNALLY GENERATED SOFTWARE	CUSTOMER RELATIONSHIPS	GOODWILL	TOTAL
	$000	$000	$000	$000
Half-year ended 31 December 2021				
At 30 June 2021 net of accumulated amortisation and impairment	13,304	113,876	13,687	140,867
Additions	2,169	-	-	2,169
Impairment	-	-	-	-
Amortisation for the half-year	(1,856)	(5,856)	-	(7,712)
At 31 December 2021 net of accumulated amortisation and impairment	**13,617**	**108,020**	**13,687**	**135,324**
At 30 June 2021				
Cost	14,613	114,912	13,687	143,212
Accumulated amortisation and impairment	(1,309)	(1,036)	-	(2,345)
Net carrying amount	**13,304**	**113,876**	**13,687**	**140,867**
At 31 December 2021				
Cost	16,782	114,913	13,687	145,382
Accumulated amortisation and impairment	(3,165)	(6,893)	-	(10,058)
Net carrying amount	**13,617**	**108,020**	**13,687**	**135,324**

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

13. SHARE-BASED PAYMENTS

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

a) Employee Share Option Plan

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

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 Group 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 Group.

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.

There were 3,807,316 options exercised during the period ended 31 December 2021 (2020: 3,923,180).

The weighted average remaining contractual life for share options outstanding as at 31 December 2021 was 4 years (2020: 5 years).

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

13. SHARE-BASED PAYMENTS (continued)

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

	Dec 2021 NUMBER	Dec 2021 WAEP (CENTS)	Dec 2020 NUMBER	Dec 2020 WAEP (CENTS)
Monthly linear and annual linear vesting				
Opening	16,945,628	119	23,081,551	107
Granted	-	-	-	-
Exercised	(3,962,892)	78	(3,923,180)	71
Forfeited or expired	(230,457)	70	(606,533)	83
Closing	**12,752,279**	**124**	**18,551,838**	**116**
Of which: Exercisable at the end of the period	**10,205,770**	**103**	**12,717,634**	**101**
Performance based vesting				
Opening	12,409,865	166	13,894,547	166
Granted	-	-	-	-
Forfeited or expired	(135,791)	179	(633,694)	179
Closing	**12,274,074**	**166**	**13,260,853**	**165**
Of which: Exercisable at the end of the period	**-**	**-**	**-**	**-**

Total outstanding at the end of the period	**25,026,353**		31,812,691	
Total exercisable at the end of the period	**10,205,770**		12,717,634	

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

During the period, the Group issued 1,058,200 Medipass service rights, 1,058,200 Medipass performance rights, 818,154 rights as part of the Long Term Incentive (**LTI**) scheme and 966,627 rights as part of the Short Term Incentive (**STI**) scheme. The following table sets out the number of rights outstanding as at 31 December 2021:

	Dec 2021 NUMBER	Dec 2021 WAEP (CENTS)	Dec 2020 NUMBER	Dec 2020 WAEP (CENTS)
Performance, remuneration sacrifice rights and rights to shares under other contractual arrangements				
Opening	5,412,550	-	6,485,940	-
Granted	3,901,071	-	1,565,864	-
Exercised	(1,042,097)	-	(1,762,234)	-
Forfeited or expired	(736,485)	-	(12,691)	-
Closing	**7,535,039**	**-**	**6,276,879**	**-**
Exercisable at the end of the period	**1,730,184**	**-**	**1,503,610**	**-**

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

14. CONTRIBUTED EQUITY AND RESERVES

(i) Movement in ordinary shares on issue

	NUMBER OF SHARES	$000
At 1 July 2020	**499,496,171**	**265,763**
Share options and rights exercised	9,822,925	4,059
Shares issued in consideration for acquisition of Medipass	1,220,694	4,614
Equity instruments issued in consideration for acquisition of Medipass	1,132,632	-
At 30 June 2021	**511,672,422**	**274,436**
Shares options and rights exercised	4,849,413	4,006
At 31 December 2021	**516,521,835**	**278,442**

During the half-year ended 31 December 2021, 4,849,413 ordinary shares were issued upon exercise of options and rights, raising a total of $4,006,000 in fully paid capital.

Terms and conditions of contributed equity

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

(ii) Share-based payments reserve

	DEC 2021 $000	JUN 2021 $000
Balance at the beginning of the period	38,361	26,371
Share-based payments expensed	3,720	9,342
Equity instruments issued in consideration for acquisition of Medipass	-	2,648
Balance at the end of the period	**42,081**	**38,361**

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 2021 $000	JUN 2021 $000
Balance at the beginning of the period	2,358	2,103
Transfer from/(to) accumulated losses:		
Appropriation for chargeback losses	353	(12)
Appropriation for lending losses	261	267
Balance at the end of the period	**2,972**	**2,358**

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

14. CONTRIBUTED EQUITY AND RESERVES (continued)

(iv) FVOCI reserves

	DEC 2021 $000	JUN 2021 $000
Balance at the beginning of the period	108	3
Deferred tax on equity movements	-	(80)
Revaluations gain	(341)	185
Balance at the end of the period	**(233)**	**108**
Total reserves	**44,820**	**40,827**

15. FAIR VALUES (INCLUDING FINANCIAL RISK MANAGEMENT)

a) Fair values

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

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

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

		31 DECEMBER 2021 ($'000)			
FINANCIAL ASSET	**NOTE**	**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Floating rate notes	9	70,679	-	-	**70,679**
Loans	8	-	-	21,112	**21,112**
		70,679	**-**	**21,112**	**91,791**

		30 JUNE 2021 ($'000)			
FINANCIAL ASSET		**LEVEL 1**	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Floating rate notes	9	69,068	-	-	**69,068**
Loans	8	-	-	15,387	**15,387**
		69,068	**-**	**15,387**	**84,455**

Floating rate notes

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

Loans

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

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 $59,800 and positive $59,800 to profit and loss.

Equity investments

At the reporting date, the Group held unlisted equity instruments in me&u and Paypa Plane and 100% of the share capital of Medipass which was acquired on 31 May 2021. me&u and Paypa Plane are valued using the equity accounting method as noted in Note 10.

Transfer between categories

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

Financial risk management

During the ordinary course of business, the Group is exposed to credit risk, operational risk, market risk (including interest rate risk and foreign exchange risk) and liquidity risk. For details on the management of these risks, refer to the financial report for the year ended 30 June 2021.

16. COMMITMENTS AND CONTINGENCIES

a) Commitments relating to BECS

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

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

Contingent liabilities - secured	DEC 2021 $000	JUN 2021 $000
(i) Irrevocable standby letters of credit in favour of:		
Mastercard International	3,192	3,129
Visa International	524	524
(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
Bendigo and Adelaide Bank Limited - Alliance Agreement	6,000	6,000
Leader Autainvest II Pty Ltd (Lessor of 55 Market Street, Sydney)	4,867	-
	19,121	**14,191**

The Group has provided irrevocable standby letters of credit of $3,715,733 (June 2021: $3,653,183) secured through fixed charges over term deposits with the Commonwealth Bank of Australia and Westpac Banking Corporation, to Mastercard International and Visa International. These are one-year arrangements that are subject to automatic renewal on a yearly basis. Mastercard International and Visa International, at their discretion, may increase the required amounts of the standby letters of credit upon written request to the Group. The required amounts of the standby letters of credit are dependent on Mastercard International's and Visa International's view of their risk exposure to the Group.

A bank guarantee in favour of UIR Australia 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

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

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

	DEC 2021 $000	JUN 2021 $000
Guaranteed amount	35,230	39,183
Variable amount	63,905	63,090
	99,135	**102,273**

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.

17. LEASES

Company as lessee – property lease

The Company entered into an agreement for a lease at 55 Market Street terminating in January 2031, with an option to renew for a further 5 years. The annual rental charge is $7,208,085 in the first year with annual increases of 3.25% in year 2 and 3, and of 3.5% in years 4 to 8.

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

	RIGHT-OF-USE ASSETS $'000	LEASE LIABILITIES $'000
As at 1 July 2021	**1,654**	**2,812**
Additions	33,578	33,041
Depreciation expense	(2,064)	-
Interest expense	-	295
Payments	-	(2,561)
Derecognition of short-term leases	(23)	(24)
As at 31 December 2021	**33,145**	**33,563**

Lease liabilities - Maturity analysis

	DEC 2021 $000	JUN 2021 $000
Contractual Undiscounted Cash Flows		
Within one year	288	2,872
After one year but not more than five years	18,323	-
More than five years	23,322	-
Total undiscounted lease liabilities	**41,933**	**2,872**

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

	DEC 2021 $000	DEC 2020 $000
Depreciation expense of right-of-use assets	(2,064)	(1,462)
Interest expense on lease liabilities	(295)	(222)
Total amount recognised in Consolidated Statement of Comprehensive Income	**(2,359)**	**(1,684)**

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

18. PROVISIONS

IN THOUSANDS OF AUD	ANNUAL LEAVE	LONG SERVICE LEAVE	MAKE GOOD PROVISION	OTHER PROVISION	TOTAL
Balance at 1 July 2021	4,916	1,603	853	9,237	16,609
Provisions provided/utlised during the period	761	220	610	(3,995)	(2,404)
As at 31 December 2021	**5,677**	**1,823**	**1,463**	**5,242**	**14,205**
Current	5,677	456	904	5,242	12,279
Non-current	-	1,367	559	-	1,926
	5,677	**1,823**	**1,463**	**5,242**	**14,205**

19. EARNINGS PER SHARE

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

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

Earnings

	DEC 2021 $000	DEC 2020 $000
Net loss attributable to ordinary shareholders used to calculate basic and diluted earnings per share	(18,066)	(3,409)

	DEC 2021 NUMBER	DEC 2020 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	514,254,001	502,748,863
Weighted average number of potentially dilutive ordinary shares	534,518,524	532,162,626

Earnings per share

	DEC 2021 CENTS	DEC 2020 CENTS
Basic	(3.51)	(0.68)
Diluted	(3.51)	(0.68)

Notes to the Financial Statements
for the Half-Year ended 31 December 2021

20. CONTINGENT LIABILITY

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

It is currently not possible to reliably determine the ultimate impact on the Group of the claims raised in this proceeding and accordingly no provision has been recognised.

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

In the opinion of the Directors, there are no other matters or circumstances which have arisen between 31 December 2021 and the date of this report that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the opinion of the Directors:

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

   i. giving a true and fair view of the Group's financial position as at 31 December 2021 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 Group will be able to pay its debts as and when they become due and payable.

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

David Thodey

David Thodey
Chair

Robbie Cooke

Robbie Cooke
Managing Director | CEO

Sydney, 21 February 2022

Independent Auditor's Report

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

Conclusion

We have reviewed the accompanying half-year financial report of Tyro Payments Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Directors' responsibilities for the half-year financial report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

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and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Michael Byrne
Partner
Sydney
21 February 2022

Corporate Directory

DIRECTORS

David Thodey AO (Chair and Non-executive Director)

Robbie Cooke (CEO | Managing Director)

David Fite (Non-executive Director)

Claire Hatton (Non-executive Director)

Aliza Knox (Non-executive Director)

Fiona Pak-Poy (Non-executive Director)

Paul Rickard (Non-executive Director)

Shefali Roy (Non-executive Director)

COMPANY SECRETARY

Jay Amigh

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STOCK EXCHANGE LISTING

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

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