Tyro Payments Limited ABN 49 103 575 042

Annual report to shareholders
Year ended 30 June 2011

CONTENTS **PAGE**

Building a specialised banking institution (SCCI) for merchants

Tyro Payments Limited (or “Tyro”) is an Australian banking institution specialised in facilitating the acceptance of electronic payments on behalf of merchants and recurrent billers.

Tyro holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution (SCCI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA). Tyro does not take money on deposit. Tyro is a Principal Member of Visa and MasterCard and a Tier One Member of the Australian payment clearing streams BECS and CECS.

Tyro provides an in-house developed, end-to-end solution, authorising, clearing and settling electronic payments. Tyro accepts Visa, MasterCard, American Express/JCB, Diners, PIN based EFTPOS as well as Medicare Easyclaim, gift and loyalty card transactions. Under its banking authority, Tyro is also able to provide additional services of BPAY and direct debit services. The Tyro solution is IP based and all transactions are processed in real time.

At the end of June 2011, Tyro completed its fourth full fiscal year trading, since the commercial launch of its EFTPOS facility on 26 April 2007.

Our vision and guiding principles

Tyro Payments provides the Merchant’s EFTPOS and it just works. Tyro listens, understands, develops, integrates and supports flawless solutions that plug in and just work for the merchant’s business.

Tyro People dare to challenge the EFTPOS Industry and they succeed. Tyros learn, think, respect, debate, decide, act and grow for a new world where innovation, fairness and transparency prevail.

Tyro shares the wealth and recognition fairly among its many stakeholders. Tyro aspires to build wealth for its staff and shareholders and to contribute innovation and competition to the Australian banking industry.

Our governance

Whilst senior management has responsibility for day-to-day management, in line with prudential and regulatory requirements, the Board of Directors (the board) has ultimate responsibility for Tyro’s sound and prudent management.

In line with best practice and in particular the requirements of APRA Prudential Standard 510: Governance, the board establishes frameworks, policy and direction, supported by operational management. The board also establishes advisory committees in respect of key aspects of the business which assist it in carrying out its functions, as well as providing it with expert advice on key issues. The primary role of the board is to provide effective governance over company affairs, including its strategic direction, establishing goals for management and monitoring the achievement of those goals, to ensure that the interests of stakeholders are protected and the confidence of the merchant acquiring market is maintained, whilst having regard for the interests of all stakeholders including customers, employees and suppliers.

The board currently consists of five directors, with a majority of four directors and the Chairman meeting APRA’s independence requirements. These requirements are largely consistent with that of the Corporations Act. The directors of the board have set standards of policy and conduct applicable at all levels of Tyro to ensure stringent compliance with the Tyro Code of Conduct, the Corporations Act 2001, the National Privacy Principles 2001 and the Banking Act 1959 and all other applicable regulation. In particular, the board is cognisant of its lifecycle and requirements and the need to maintain access to independent expertise. Consequently it has established a policy of board renewal that ensures it has the necessary expertise and general reinvigoration while also maintaining ongoing understanding of Tyro’s business.

Building the merchant portfolio

Tyro has grown his merchant portfolio in the health and general retailing space.

	June 2009	June 2010	June 2011	Growth
No of merchants or merchant outlets (MID)	1,431	2,991	4,520	51%
No of credit and debit card transactions	929,124	1,696,299	2,553,213	51%
No of Medicare Easyclaim transactions	96,000	595,800	804,514	39%
Value of credit and debit card transactions	\$78.8 million	\$127.3 million	\$183.1 million	44%

Tyro Health: Medical Practices and Pharmacies

Since launching, Tyro has focused on opportunities within primary care and related health markets. Specifically Tyro has targeted the installed base of Health Communication Network (HCN). HCN is the leading Australian provider of e-health and practice automation solutions and addresses both the General Practitioner and Specialist Practitioner market place.

Medicare Easyclaim

Tyro has deployed Australia's first integrated Easyclaim platform. Easyclaim is a real-time Medicare claiming and reimbursement service for patient-paid and bulk bill claims using an EFTPOS terminal and the EFTPOS network from the medical practice immediately after the consultation has occurred.

HCN has integrated the Easyclaim platform into its PracSoft practice management system. The highly automated end-to-end solution was first launched in April 2009.

Tyro and HCN have developed a seamless process of electronic payment, claiming, reimbursement and reconciliation. The claim and Medicare card data is automatically transferred from the practice management system (PMS), where it resides, through the Tyro EFTPOS terminal to Medicare and from Medicare back to the PMS for reconciliation.

Medicare statistics show that in June 2011 there were 8,695,968 million claims for GP Professional Attendances. During the same month, Tyro processed 804,514 Easyclaim transactions. Thus at this juncture Tyro is assumed to process in excess of 9% of GP professional attendances in Australia. By end of June 2011, 1,110 HCN practices used integrated Easyclaim.

Tyro Retail

Tyro is continuing to execute its overall strategy of accessing merchants via Point of Sale (POS) vendors. The Tyro Terminal Adaptor (TTA) enables the POS vendors to implement the Tyro integration protocol directly; This means that integration with Tyro no longer requires weeks of effort but merely days and integrations are far more robust.

As at 30 June 2011, Tyro had thirty-seven certified POS integrations. During the year Tyro completed integration and certification with a twelve POS vendors.

The Product Management Team has been working closely with POS providers to deliver integrated reporting, reconciliation and settlement solutions that automate the end of day processing used by our merchants. There is a “headless” version of the TTA that allows the POS vendor to provide integrated EFTPOS with his own skin i.e. the look and feel of his own user interface.

Tyro Hospitality

During the 2011 financial year Tyro launched its integrated Pay at Table solution. This solution permits the payment terminal to communicate with a restaurants POS over a wireless network, thus permitting pay at table transactions to be conducted on an integrated basis.

At this stage Tyro is not aware of any other acquirer that offers similar functionality. As at June 30th 2011 Tyro has signed up to 388 hospitality merchants.

Leveraging the Internet

Tyro architecture allows larger retail organizations to cut their infrastructure cost by reducing communication expense through the use of their corporate network and/or the public internet and by eliminating an expensive software and hardware middleware layer used by incumbents for aggregation and integration purposes.

Tyro is the only EFTPOS provider with the capability of secure integrated credit and debit card processing in a “thin client” (web-based) infrastructure. Tyro removes constraints and enables businesses, no longer tied to legacy technology, to radically improve the efficiency of their processes.

Product Expansion

To date, the TTA only suits a generic retail environment (purchases and refunds). Tyro has recognised that if it is to achieve greater success with this strategy, then it needs to become closer aligned to the workflow of POS systems. Tyro has identified the hospitality sector as an attractive market segment.

There are several POS vendors in the hospitality sector with whom Tyro has integrated with or recently begun an integration project. Tyro is working closely with the leading players in this sector to develop its differentiated hospitality product. Further solutions are planned to be released in stages over the next financial year.

Tyro Culture

Environmental Sustainability

Climate change is not simply an environmental issue. It is a key business and social issue which impacts us all. By the very nature of its innovative internet-based technology, Tyro is contributing to a more sustainable future with paperless statements, integrated receipt, online reporting and web based documentation. With the development of integrated receipt Tyro continues to further expand its environmental awareness beyond corporate headquarters to a growing proportion of its customer base. Tyro has implemented a company wide recycling program and continues to search for new and efficient ways to minimise its environmental footprint.

Supporting Employees

Tyro's 54 employees are critical to its continued success. By utilising comprehensive recruitment and pre-screening practices for all employees, along with at least annual performance management reviews, Tyro endeavours to recruit, retain and suitably reward the best people in the industry. All employees are offered to participate in the Employee Share Option Plan.

Security is top of mind in the financial industry

EMV (chip card) for Visa and MasterCard penetration is now over 98.5% of the terminal fleet. A measure of success in the application is the rate of fallback transactions, where the operator has been unsuccessful in processing with the chip and instead falls back to using the magnetic strip. The industry average for Australia is around 3%, while tyro is currently well down on this at 1.4%.

Last year Tyro reported that we were engaged in achieving a PCI compliant state. We have successfully certified our integration solution under PCI PA DSS. This means that merchants using our integrated solution and only using our terminals have no PCI issues to deal with.

PCI DSS for our own operations continues to be an ongoing goal. Our merchant community is mostly covered by our PA DSS certification, although merchants with Mail Order and Telephone Order do have some compliance assurance issues to achieve.

Tyro has continued to have negligible fraud and its chargeback ratio is low by industry standards.

Availability

Tyro has achieved a 100% availability with its live-live infrastructure. Even during maintenance downtime merchants are able to continue to transact as our terminals will automatically connect to either data centre, and either application switch within each of those data centres.

One major customer is still working to enable their POS to use either data centre. All other customers are able to transparently access either data centre from their POS, providing uninterrupted integrated EFTPOS services.

During the year, we completed development of improvements in recovery over transient network failures, greatly improving the resiliency of the merchant's environment. This next year will see enhancements to avoid the unnecessary cancelling and restarting of a transaction during a transient network outage.

While we have achieved high availability ourselves, our customers are still impacted by failures caused by TELCOs, Data Centre Infrastructure or our interconnected banks. We continue to work towards reducing the impact of these dependency failures for our customers.

Directors Report

The Board of Directors of Tyro Payments Limited has pleasure in submitting its report for the financial year ended 30 June 2011. The names and details of the company's directors in office during the financial year and until the date of this report are as follows. All directors were in office for the entire year unless otherwise stated.

Names, qualifications, experience and special responsibilities:

Kerry Roxburgh (Chairman)

Non-executive Director since 18 April 2008

Kerry was one of the founders, CEO then Chairman of E*Trade Australia until ANZ Banking Group acquired the business in 2007. Kerry spent 10 years as an executive director of the Hong Kong Bank of Australia Group including 5 years as managing director of their corporate finance subsidiary. He is non-executive chairman of Charter Hall Limited and of Tasman Cargo Airlines Pty Limited. He is a non-executive director of Ramsay Health Care, The Medical Indemnity Protection Society Group and of a private investment company. Kerry is a member of the Audit Committee, Remuneration Committee and Risk Committee.

Directorships held during the past 3 years:

- BTIG Australia Limited (ceased January 2009)
- Charter Hall Limited
- eircom Holdings Limited (ceased January 2010)
- Everest Financial Group Limited (ceased May 2009)
- Tyro Payments Limited
- Professional Insurance Australia Pty Ltd (ceased June 2010)
- Ramsay Health Care Limited
- Tasman Cargo Airlines Pty Limited
- The Medical Indemnity Protection Society Group
- Law Cover Insurance Pty Limited

Michael Cannon-Brookes

Non-executive Director since 10 December 2009

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

Directorships held during the past 3 years:

- Atlassian Corporation Pty Limited & Subsidiaries
- Tyro Payments Limited

Rob Ferguson

Non-executive Director since 14 November 2005

Rob began his career as a research analyst for a Sydney stockbroker. He joined Bankers Trust Australia in 1972 and became managing director in 1985. Through his ongoing delivery of higher investment performance, he and his team built BT Funds Management into the leader in the retail mutual funds business. By mid 1990s, BT had $50 billion under management. Rob became chairman of BT Funds Management in 1999 until he resigned the position in 2002. Rob is Chairman of the Risk Committee and a member of the Audit and Remuneration Committees.

Directorships held during the past 3 years:

- Chairman of GPT Management Holdings Limited
- Deputy Chair of the Sydney Institute
- Director of the Lowy Institute.
- Tyro Payments Limited
- Non-executive Chairman of IMF (Australia) Ltd
- Non-executive Chairman of Primary Health Care Limited

Other previous directorships of listed or unlisted companies held by Rob Ferguson:

- Director of Westfield Holdings Ltd (1994 – 2004)
- Chairman of Vodafone Australia (2000 – 2002)
- Chairman of Nextgen Limited (2000 – 2004)
- Director of Racing NSW (2004 – 2009)

Dr Thomas Girgensohn

Non-executive Director 9 March 2006 to 31 December 2010

Thomas brings extensive Australian and international experience in the consulting sector to Tyro Payments Limited. Previously managing partner (Australia and NZ) of the Boston Consulting Group and former chairman of Netcomm Ltd and TDG Logistics, he has a PhD in Business Administration from the University of Munich, a Masters of Business Administration from the University of Saarbrucken and a Bachelor of Economics from the University of Bochum, all in Germany. Thomas is a current Fellow of the Australian Institute of Company Directors. During the year Thomas served as Chairman of the Audit Committee and a member of the Remuneration and Risk Committees.

Directorships held during the past 3 years:

- Australian Co-operative Foods Limited (ceased)
- Make-A-Wish Australia
- Stemcor Australia Pty Ltd
- Tyro Payments Limited

Paul Rickard

Non-executive Director since 28 August 2009.

Until July 2009, Paul was the Executive General Manager & Chief Information Officer, Payments & Business Technology for the Premium Business Services organisation at the Commonwealth Bank of Australia. The board believes that Paul brings a tremendous amount of commercial acumen and experience in the delivery of IT projects and services. Paul is Chairman of the Audit Committee and member of the Risk Committee.

Directorships held during the past 3 years:

- Tyro Payments Limited
- Halidon Asset Management Ltd
- Religare Securities Australia Pty Ltd
- Switzer Financial Group Pty Ltd
- Lumus Financial Services Pty Ltd

Jost Stollmann

Director and CEO since 5 April 2005

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

Directorships held during the past 3 years:

- Tyro Payments Limited

Justin Mitchell

Company Secretary since 12 April 2007

Justin is Company Secretary and Head of Compliance & Risk at Tyro Payments Limited. Justin has over fifteen years experience in the financial services and banking industry, having spent five years with Westpac in operational and project roles and most recently as Risk and Audit Manager with EDS. His wide risk, compliance and audit experience includes the design and set up of internal audit functions, design and implementation of risk frameworks and internal compliance plans and controls. Justin has also developed and delivered enterprise-wide risk and compliance training.

Justin has not held any directorships during the past 3 years.

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

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

Director	Shares	Options
Kerry Roxburgh*	690,182	2,037,967
Michael Cannon-Brookes[%]	0	2,736,110
Rob Ferguson#	22,072,348	12,868,079
Thomas Girgensohn^	8,533,052	4,997,356
Paul Rickard	124,102	1,457,436
Jost Stollmann[@]	41,585,685	30,137,206

* Includes ordinary Shares and options jointly held with Alex Roxburgh as trustees for the Kerry & Alex Roxburgh Superannuation Fund being associates of Kerry Roxburgh.

[%] Includes shares and options held by Abyla Pty Ltd being an associate of Michael Cannon-Brookes

[#] Includes ordinary Shares and options held by Torryburn Superannuation Fund and Ordinary Shares and options jointly held by Simon Peter Price and Rachel Emma Ferguson being associates of Rob Ferguson

^ Includes ordinary Shares and options held by Dacroft Pty Ltd and Dacroft Pty Ltd ATF The Girgensohn Family Trust being associates of Thomas Girgensohn

[@] Includes ordinary shares and options held by Fiona Stollmann being associates of Jost Stollmann.

DIVIDENDS

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

CORPORATE INFORMATION

Corporate Structure

Tyro Payments Limited ("Tyro") is an unlisted public company. It is incorporated and domiciled in Australia. The registered office of Tyro is Level 2, 125 York Street, Sydney, New South Wales, 2000.

Nature of operations and principal activities

Tyro's principal activities are:

- Providing electronic transaction acquiring services to Australian businesses (merchants). This includes the authorisation, clearing and settlement of credit card, pin based debit card, EFTPOS, Easyclaim and gift card transactions.
- Developing the transaction switching and payment software and infrastructure required to support the provision of credit and debit acquiring services.

There have been no significant changes in the nature of those activities during the year.

Employees

Tyro employed 54 employees as at 30 June 2011 (compared to 51 employees at 30 June 2010).

OPERATING AND FINANCIAL REVIEW

Overview

Tyro was founded on 3 February 2003 by Peter Haig, Andrew Rothwell and Paul Wood. Two founders Peter Haig and Andrew Rothwell have maintained their active association with Tyro. In November 2004 Jost Stollmann became a major investor, then Director and CEO. Kerry Roxburgh joined as non-executive Director on 18 April 2008. He was appointed Chairman of the Board on 19 February 2010.

Tyro positions itself as a specialised institution focused on merchant acquiring acting as a developer of its own acquiring technology, as a processor of its own transactions and as acquirer of record with its own banking authority.

Credit and Debit Acquiring Services

Tyro is a specialist financial institution focused on providing credit and debit acquiring services. As such, it has implemented the necessary frameworks, policies, procedures and systems to comply with the stringent prudential and regulatory requirements to perform electronic transaction processing, clearing and settlement activities within the Australian banking sector.

Software development

Tyro's focus is on using proven modern technology to provide extremely reliable, secure, low cost and flexible acquiring services to merchants and value-added resellers. As such, Tyro owns its own switching and payment software and has continued to develop this for further competitive advantage over the course of the year.

Performance Indicators

Reviewing and approving all Tyro business strategies and significant policies, the board ensures that it is satisfied that all aspects of management and operations conform to its strategy, direction and policies. Additionally, the board monitors management practice and ensures that senior management adhere to set KPI's in all spheres of the business. It practices a rigorous program of board meetings, board committee meetings and the stringent review of a range of regular management reports encompassing all aspects of the business, including finance, operations, sales and strategy.

In particular, the board ensures that an effective system of risk management and internal control is established and maintained, and that senior management proactively monitors the effectiveness of the risk management framework.

Operating Results for the Year

Tyro reported an operating loss after providing for income tax of $1,815,517(2010: $1,823,959 loss).

2011		**2010**		**2009**	
Revenues	**Operating Loss**	**Revenues**	**Operating Loss**	**Revenues**	**Operating Loss**
$19,912,640	$1,815,517	$14,298,130	$1,823,959	$6,282,651	$5,113,175

One of Tyro's business partners agreed with Tyro to forego commission payments for the period from 1 January 2009 to 30 June 2010 in return for a heightened commission payment for the period from 1 July 2010 to 31 December 2011. The impact of this agreement decreased losses for fiscal year 2009 by $0.1 million, 2010 by $0.9 million and increased losses for fiscal year 2011 by $0.7 million.

Investments for Future Performance

Tyro has invested significantly in human resources to develop its availability and speed of the switching and payments system architecture. It has also invested in the purchase of computer servers and networking and security monitoring equipment to ensure sufficient scalability of the production IT infrastructure to meet the expected demand for acquiring services.

In parallel, the Company has been building the non-engineering capability of the business to support the sales and operational capability necessary as it scales up its acquiring services.

Capital Structure

During the period, Tyro did not issue any additional capital during the period. As at 30 June 2011 Tyro had accounts payable of $456,922.

Cash from Operations

Tyro continued to operate at a loss for the 2010/11 financial year, in line with the fact that it is still operating under the heightened commission agreement for the period and is still in the phase scaling up the operational business. Tyro had interest income of $615,194, for the period.

Funding

Tyro had cash and cash equivalents of 15,800,649 at the end of the period.

Under its banking authority as a Specialist Credit Card Institution (SCCI), Tyro is subject to a Prudential Capital Ratio (PCR) set by APRA. The regulatory minima are set in three ways, by a PCR, minimum Tier 1 Ratio and a minimum Net Tier 1 Capital requirement. The PCR is confidential and cannot be disclosed. APRA requires Tyro to always maintain a prudent buffer above the regulatory minima.

Internal limits are always above the capital minima and these internal limits currently are:

	PCR	Tier 1 Ratio	Net Tier 1 Capital
Level 1	22%	22%	$5.5 million

Total Tier 1 capital held as at 30 June 2011 was $8.8M. Tyro has always held sufficient capital to meet APRA's prudential capital requirements.

Risk Management

Tyro is prudentially supervised by APRA and is required to comply with prudential standards and provide quarterly capital adequacy reporting. Tyro has undertaken improvements to its risk management frameworks, policies, procedures and systems required to ensure on-going compliance with regulatory requirements and to satisfy both business needs and external stakeholders of its acquiring business.

Statement of Compliance

This report is based on the guidelines in The Group of 100 Incorporated Publication *Guide to the Review of Operations and Financial Condition*.

Liquidity

Although Tyro has made operating losses in prior years, this is in line with expectations given that Tyro remains in the start-up and development phase of its business. Tyro has maintained its operating loss for the year ended 30 June 2011 in line with forecast and holds sufficient cash to pay its debts as and when they become due and payable. It is also able to manage and control its expenses.

For these reasons the directors believe Tyro is a viable going concern as the next phase of the business plan approaches; one of a fully operational business.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs.

Significant events after balance date

There are no significant events after balance date.

Likely developments and expected results

The directors predict that in the 2011/12 financial year Tyro will continue to grow the acquiring business and continue to expand the functionality of electronic transaction acquiring services.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 77,384,544 un-issued ordinary shares under options under the Employee Share Option Plan.

There are a further 61,018,733 un-issued ordinary shares under options attached to the 11 December 2009 capital-raising, these options expire on 11 December 2011.

There are a further 7,500,000 un-issued shares attached to the 17 December 2010 loan facility for $2.5M, these options expire on 17 December 2020.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

Shares issued as a result of the exercise of options

During the financial year no options have been exercised.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, Tyro has not in respect of any person who is, or has been, an officer or auditor of the company or of a related body corporate:

> Indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings with the exception of the general indemnity provisions contained in the Company's Constitution.

During or since the financial year, Tyro has paid premiums in relation to a contract insuring all of its directors and officers against legal costs incurred in defending proceedings for conduct involving:

(a) a willful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

DIRECTORS' MEETINGS

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

	Board Meetings	Audit Committee	Risk Committee	Remuneration Committee
Number of meetings held during the year	12	4	7	2
Director				
Kerry Roxburgh	12	4	7	2
Michael Cannon-Brookes*	9	4	6	2
Rob Ferguson*	8	3	6	2
Thomas Girgensohn^	7	2	3	1
Paul Rickard	11	3	7	1
Jost Stollmann	11	4	7	1

* Both Michael Cannon-Brookes and Rob Ferguson did not attend three Board Meetings due to declared conflict of interests at those meetings.
^Thomas Girgensohn resigned as director on 31 December 2010. Thomas attended all meetings prior to resigning with the exception of one meeting for each of the Board, Audit Committee, Risk Committee and Remuneration Committee.

Committee Membership

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

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

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Auditor's independence declaration to the directors of Tyro Payments Limited

In relation to our audit of the financial report of Tyro Payments Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Clare Sporle
Partner
29 September 2011

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Continuing Operations			
Fees and commission income	2	18,579,778	12,648,612
Fees and commissions expense	2	(11,665,071)	(7,134,777)
Net fees and commissions Income		6,914,707	5,513,835
Terminal and accessories sale		717,668	733,200
Terminal and accessories COGS		(566,551)	(586,998)
Net Terminal and Accessories Sale Income		151,117	146,202
Medicare Subsidy		-	573,012
Interest Income	2	615,194	343,306
Other Income	2	12,946	-
Net gain on financial instruments	2	666	2,584
Total Operating income		7,694,629	6,578,940
Less : Expenses			
Engineering expenses	2	2,408,426	2,074,291
Operations expenses	2	3,161,850	3,033,126
Sales and marketing expenses	2	1,004,072	841,269
Administrative expenses	2	2,353,153	2,527,378
Other expenses	2	55,276	38,802
Interest Expense		209,645	-
Total operating expenses		9,192,422	8,514,866
Foreign Currency gain/(loss)		(317,723)	111,969
Operating loss before tax expense		(1,497,793)	(1,935,927)
Income tax expense	3	-	-
Net loss for the year		(1,815,517)	(1,823,958)
Other Comprehensive Income			
Net fair value gain/(loss) on available for sale financial instrument		(6,980)	9,635
Total comprehensive income for the period		(1,822,496)	(1,814,323)

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

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	15,800,649	12,035,508
Trade and other receivables	5	493,940	457,601
Prepayments		157,762	111,447
Inventories	6	108,151	280,882
Total Current Assets		16,560,502	12,885,437
Non-current Assets			
Available-for-sale investment	7	120,399	127,380
Property, plant and equipment	8	1,388,465	1,340,348
Total Non-current Assets		1,508,864	1,467,728
TOTAL ASSETS		18,069,366	14,353,165
LIABILITIES			
Current Liabilities			
Trade payables and other liabilities	10	6,109,187	3,411,351
Interest-bearing loans and borrowings	11	2,413,052	-
Provisions	12	295,839	262,438
Total Current Liabilities		8,818,078	3,673,789
Non - current Liabilities			
Long Service Leave Liability	13	93,917	-
Total Non - current Liabilities		93,917	-
TOTAL LIABILITIES		8,911,995	3,673,789
NET ASSETS		9,157,373	10,679,376
EQUITY			
Contributed equity	14	30,401,219	30,401,219
Reserves	14	6,525,996	6,184,977
Retained earnings	14	(27,769,842)	(25,906,819)
TOTAL EQUITY		9,157,373	10,679,376

The above Balance Sheet should be read in conjunction with the accompanying notes.

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
<u>STATEMENT OF CASH FLOWS</u>			
Cash flows from operating activities			
Payments to suppliers and employees		(17,262,563)	(16,127,049)
Interest and fee income received		18,726,209	12,765,973
Dividend Income Received		666	2,584
Terminals & Accessories Sale		717,668	733,200
Net cash used in operating activities	4	2,181,980	(2,625,292)
Cash flows from investing activities			
Purchase of property, plant and equipment		(912,678)	(911,781)
Proceeds from disposal of property, plant and equipment		(4,161)	10,083
Net cash flows used in investing activities		(916,839)	(901,698)
Cash flows from financing activities			
Proceeds from issue of shares		-	3,667,320
Proceeds from Loan		2,500,000	-
Net cash flows from financing activities		2,500,000	3,667,320
Net increase/ (decrease) in cash and cash equivalents		3,765,141	140,332
Cash and cash equivalents at beginning of year		12,035,508	11,895,176
Cash and cash equivalents at end of year	4	15,800,649	12,035,508

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

		Attributable to equity holders of Tyro Payments Limited						
		Contributed Equity	**Asset Revaluation Reserve**	**Employee Equity Benefits Reserve**	**Retained Earnings**	**Option Premium Reserve**	**General Reserve for Chargeback Losses**	**Total**
	Note	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At 1 July 2009		26,733,899	35,881	5,262,549	(24,160,315)	-	172,943	8,044,957
Loss for the year		-	-	-	(1,823,958)	-	-	(1,823,958)
Other Comprehensive income		-	9,635	-	-	-	-	9,635
Total comprehensive income		-	9,635	-	(1,823,958)	-	-	(1,814,323)
Issue of share capital		3,667,320	-	-	-	-	-	3,667,320
Share-based payments		-	-	781,423	-		-	781,423
Transfer to general reserve for credit losses		-	-	-	77,454	-	(77,454)	-
At 30 June 2010		30,401,219	45,516	6,043,972	(25,906,818)	-	95,489	10,679,376
Loss for the year		-	-	-	(1,815,517)		-	(1,815,517)
Other Comprehensive income		-	(6,980)	-	-	-	-	(6,980)
Total comprehensive income		-	(6,980)	-	(1,815,517)	-	-	(1,822,496)
Issue of share capital		-	-	-	-		-	-
Share-based payments		-	-	133,774	-	-	-	133,774
Transfer to general reserve for credit losses		-	-	-	(47,506)	-	47,506	-
		-	-	-	-	166,720	-	166,720
At 30 June 2011	14	30,401,219	38,536	6,177,746	(27,769,841)	166,720	142,995	9,157,373
								-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 (the Company) was authorised for issue in accordance with a resolution of the directors on 29 September 2011.

Tyro Payments Limited is an unlisted public company, incorporated and domiciled in Australia.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.
Unless otherwise indicated, all amounts are expressed in Australian Dollars ($).

The financial report has been prepared on the basis of historical cost and except for some assets, as disclosed in this report, has been measured at fair values.

The principal accounting policies applied in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current year and the comparative period, unless otherwise stated in the relevant note disclosures. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

(b) Going concern

The Company is in its fifth year of operation and has made an operating loss of $ 1,815,517. It commenced operation in April 2007 with the launch of stand-alone EFTPOS facilities to the general public and has been incurring losses since.

The Company has a history of raising sufficient capital to meet the Company's expenditure and prudential capital needs. Tyro Payments Limited is able to control its expenses. Should current cash levels not be sufficient to meet the Company's prudential capital requirements, the Company may seek to raise additional funding internally from existing shareholders and/or externally from additional strategic investors or implement cost reduction measures. Liabilities recognised relate to trade payables from the course of ordinary operations and a loan and related interest from shareholders. No other lending has been sought from financial or other entities.

It is for the above reasons that the directors consider the company is able to pay its debts as and when they fall due, and therefore the entity is able to continue as a going concern.

(c) Statement of compliance

The financial report complies with Australian Accounting standards issued by the Australian Accounting Standards Board and complies with International Financial Reporting Standards issued by the International Financial Reporting Standards Board.

(d) Accounting standards and interpretations issued but not effective

Australian Accounting Standards and Interpretations, which have recently been issued or amended but are not yet effective have not been adopted by the company for the annual reporting period ending 30 June 2011, as outlined in the table below:

These new standards, when applied in future periods, are not expected to have a material impact on the statement of financial position and statement of comprehensive income of the company.

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Re These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in A (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a r (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or l	1-Jan-13	1-Jul-13

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(d) Accounting standards and interpretations issued but not effective (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ► two categories for financial assets being amortised cost or fair value ► strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest ► an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ► reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ► changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1-Jan-13	1-Jul-13
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1-Jan-11	1-Jul-11
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments.	1-Jan-13	1-Jul-13
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose	1-Jan-13	1-Jul-13

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(d) Accounting standards and interpretations issued but not effective (cont'd)

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be at	1-Jan-13	1-Jul-13

(e) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined as follows:

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

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

Estimation of useful lives of assets - The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against their remaining useful lives. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in Note 8.

(f) Revenue recognition

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

(i) Fees income

The Company derives fees income from the following sources:

- Merchant service fee income is generated from merchant customers for credit and debit card acquiring services. Fees are charged to merchants depending on the type of transaction being performed based on a percentage of transaction value or on a fixed amount per transaction. Fees related to the payment transactions are recognised at the time transactions are processed. Interchange fee is recognised as an expense instead of netting-off against merchant service fee income in the income statement.

- Revenue from gift-card transaction fees generated from merchants is based on a fixed fee per transaction and is recognised when transactions are processed.

- Revenue from processing Medicare Easyclaim generated from merchants is based on a fixed fee per transaction and is recognised when transactions are processed.

(ii) Interest income

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

(iii) Government/Medicare grant

- Government and government body grant income (such as Medicare) is recognised on a systematic basis over the term of the grant in the income statement. Amounts not yet taken to the income statement are held as "unearned income" in trade payables and other liabilities at the present value of future income to be recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

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

Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental income. Operating lease payments are recognised as an income or expense in the income statement on a straight-line basis over the lease term.

Deferred Income is recognised as a liability on the balance sheet on inception of the lease. The deferred lease incentive is then recognised in the income statement on a straight line basis over the term of the lease, through lease expense.

(h) Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and the Exchange Settlement Account balance (held with the RBA).
For the purposes of the Cash Flow Statement, cash and cash equivalents are reported net of outstanding bank overdrafts.

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

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

(j) Prepayments
Prepayments are recognised for amounts paid whereby goods have not transferred ownership to the company or where services have not yet been provided. Upon receipt of good or the service the corresponding asset is recognised in the balance sheet or the expense is recognised in the income statement.

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

The Company currently does not have any investments categorised as held-for-trading.

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

(l) Inventories
The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. Inventories are subsequently held at the lower of cost and their recoverable amounts. Impairment is assessed on an annual basis (refer to Note 1(p)). Inventories are derecognised upon transfer to property, plant and equipment when leased out to merchants or rights to benefits are transferred to a third party.

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

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to recognise the deferred tax asset or liability. An exemption is made for temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets relating to tax losses, unused tax credits and deductible temporary differences are not carried forward as an asset unless it is probable that the future taxable amounts will be available to utilise those temporary differences, losses and tax credits.

(n) Other Taxes
Goods and Services Tax (GST)
Revenues, expenses, assets and liabilities are recognised net of the amount of GST except for the following:

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

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

Cash flows used in or from operating activities are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as part of the Company's operating cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(o) Acquisition of assets

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

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

(p) Recoverable amount of inventory and property, plant and equipment

The carrying amounts of inventory and property, plant and equipment valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amounts at balance date. If the carrying amount of such an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

The write-down is expensed in the reporting period in which it occurs.

Recoverable amount of an asset is the greater of its fair-value-less-costs-to-sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where a group of assets working together supports the generation of cash inflows, their recoverable amounts are determined as part of the cash-generating unit to which the group of asset belongs, unless the value-in-use of this group of assets can be estimated to be close to its fair value.

(q) Property, plant and equipment

(i) Cost and Valuation

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value (Note 1 (o)). The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing parts when the cost is incurred and the recognition criteria are met. When each major inspection is performed, its cost is recognised in the carrying amount of the item of property, plant or equipment, as a replacement, provided that the recognition criteria are satisfied.

(ii) Depreciation

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

Estimated useful lives are as follows:	**2011**	**2010**
Plant and equipment:		
- EFTPOS terminals	3 years	3 years
- Furniture and office equipment	5 years	5 years
- Computer equipment	4 years	4 years

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

(iii) Impairment

The impairment testing for property, plant and equipment is conducted in accordance with the Accounting Policy in Note 1(o).

(iv) Derecognition and disposal

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

Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

(r) Trade and other payables

Merchant Payables are amounts owing to merchants for transactions done in which Tyro has received the monies from the relevant schemes and financial institutions.

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

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

(s) Interest-bearing loan and borrowings

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

Borrowing costs consists or interest and other costs incurred in the borrowing of funds. Tyro Payments does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(t) Provisions and contingencies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. STATEMENT OF ACCOUNTING POLICIES (cont'd)

(t) Provisions and contingencies (cont'd)

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

Management evaluates the risk of such transactions and estimates its potential loss for chargebacks based primarily on historical experience and other relevant factors. If there is objective evidence that a loss on merchant accounts has been incurred, a provision is maintained for merchant losses necessary to absorb chargebacks and other losses for merchant transactions that have been previously processed and on which revenues have been recorded.

(u) General reserve for charge backs

The Company provisions against credit risk by a general reserve for charge backs. The Company estimates the reserve by using a multiple of historical losses over a rolling 120 day period of transaction values. The general reserve for charge backs is then allocated as a separate reserve within equity.

The methodology and assumptions used for estimating chargeback provisions are reviewed regularly to reduce any possibilities that uncollectible chargebacks may not have been specifically identified.

(v) Employee benefits

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

Entitlements arising in respect of salaries and wages, annual leaves and other employee benefits that are expected be settled within one year have been measured at their nominal amounts.

Entitlements that arise in respect of long service leave which are expected to be settled more than 12 months after the reporting date have been measured at their present values of expected future payments.

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

Employee benefit expenses arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types or employee benefits

are recognised in the income statement on a net basis in their respective categories.

(w) Share-based payment transactions

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

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

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

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

No expense is recognised for awards that do not ultimately vest. There were no modifications to the terms of the outstanding options during the financial year. Details of the types of share-based payments and their respective terms and vesting conditions are disclosed in Note 9.

(x) Contributed equity

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

(y) Foreign currency translation

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

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

(z) Derecognition of assets and liabilities

Assets and liabilities are derecognised from the balance sheet upon sale, maturity or settlement. Gains and losses arising from derecognition of these assets and liabilities are accounted in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. REVENUE AND EXPENSES

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

	2011 $	2010 $
Fees and commission income		
Easyclaim income	1,785,018	1,091,024
DCC commission	364,948	245,482
Merchant service fee	13,775,930	9,455,544
Debit card interchange fee	957,849	531,204
Terminal rental income	1,613,444	1,155,055
Development fee	26,146	125,999
Other fee income	56,443	44,304
	18,579,778	12,648,612
Fees and commission expense		
Interchange fees	6,629,829	4,865,541
Switching and settlement fees	420,517	270,641
Gift card processing expenses	18,867	7,541
Scheme fees	1,999,487	1,647,771
Commissions expense	2,500,640	241,347
Other expense	95,732	101,936
	11,665,071	7,134,778
Interest income		
Interest on cash and cash equivalents	615,194	343,306
	615,194	343,306
Other Income		
Gain on disposal of PPE	12,946	-
	12,946	-
Net gain on available-for-sale investments		
Miscellaneous share income	666	2,584
Engineering expenses		
Employee benefits expense	2,282,259	1,962,536
Recruitment	51,632	57,995
Depreciation	22,179	32,910
Other expenses	52,357	20,850
	2,408,426	2,074,291
Operations expenses		
Communication and hosting	175,053	331,065
Employee benefits expense	1,429,388	1,259,919
Depreciation	791,497	785,284
Software and hardware maintenance	123,991	201,380
Terminal Management & Logistics	378,684	313,333
Data centre and Infrastructure	155,256	115,370
Other expenses	107,980	26,775
	3,161,850	3,033,126

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. REVENUE AND EXPENSES (cont'd)	**2011**	**2010**
	$	**$**
Sales and marketing expenses		
Marketing and branding	79,665	23,680
Employee benefits expense	903,875	773,083
Other expenses	20,532	44,506
	1,004,072	841,269
Administrative expenses		
Employee benefits expense	905,009	687,762
Professional fees	317,386	335,777
Interconnect and membership	157,759	128,559
Legal	119,065	116,873
Telephone and internet	42,226	53,360
Depreciation	42,101	41,103
Travel	35,616	22,641
Office supplies	52,666	48,703
Insurance	51,967	40,872
Provision for employee leave (adjustment)/entitlement	127,319	38,326
Recruitment	15,803	1,873
Utilities	15,911	19,043
Occupancy expenses	285,097	119,678
Share based payments expense	133,774	781,423
Other expenses	51,456	91,386
	2,353,153	2,527,378
Extracted from the above are the following:		
Employee benefits expense		
Wages, salaries and commissions	4,804,858	4,075,773
Termination Payment	27,270	15,990
Superannuation	432,356	362,873
	5,264,484	4,454,637
Depreciation of non-current assets		
Property, plant and equipment	855,777	859,297
Other expenses		
Impairment of inventory	-	22,543
Other Write offs	50,616	-
Bad debt and chargeback loss expense	4,660	13,644
Loss on disposal of PPE	-	2,615
	55,276	38,802

Other Write offs refer to a once of expense taken as a result of the implementation of a system reconciliation of all receivable and settlement accounts that had been previously unreconciled. This is expected to be a one off cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. INCOME TAX

(a) Income tax expense	**2011**	**2010**
The major components of income tax expenses are	$	$
Income statement		
Current income tax		
Current income tax charge	(313,734)	(305,870)
Derecognition of deferred tax asset from tax losses*	313,734	305,870
Deferred income tax		
Deferred income tax relating to origination and reversal of temporary differences	(343,685)	(136,145)
Derecognition of deferred income tax from temporary differences*	343,685	136,145
Income tax expense reported in the statement of comprehensive income	-	-

(b) Amount charged or credited directly to equity		
Deferred tax on unrealised gain/(loss) on available-for-sale investment	(2,094)	2,891
Derecognition of deferred income tax*	2,094	(2,891)
Income tax expense reported in equity	-	-

(c) Reconciliation between tax expense recognised in statement of comprehensive income and tax expense calculated per the statutory income tax rate

Accounting profit before income tax	(1,815,517)	(1,823,958)
At the statutory income tax rate of 30%	(544,655)	(547,187)
Non deductible expenditure	42,266	238,404
Other	(155,030)	(133,231)
Derecognition of deferred income tax*	657,419	442,014
Total	-	-

(d) Recognised deferred tax assets and liabilities		
(i) Deferred tax assets		
Property plant and equipment	201,734	125,432
Provisions and accruals	24,176	10,487
Available-for-sale investments	2,094	-
Other	119,249	1,288
	347,253	137,207
(ii) Deferred tax liabilities		
Property plant and equipment	-	-
Prepayments	1,474	1,062
Available-for-sale investments	-	2,891
	1,474	3,953
Net deferred tax asset/(liability) prior to derecognition	345,779	131,332
Derecognition of deferred income tax from temporary differences*	(345,779)	(131,332)
Net deferred tax asset recognised in the statement of financial position	-	-

* The company has not recognised any deferred tax on the basis that it does not meet the requirements under AASB 112 "Income Taxes"

The new Australian legislation for financial arrangements, TOFA, aims to align the tax and accounting recognition and measurement of financial arrangements and their related flows.

The Company does not meet the threshold requirement for an automatic application of the TOFA regime for the 30 June 2011 income year, nor has made any election in relation to the election methodologies under the TOFA provisions.

4. CASH AND CASH EQUIVALENTS

Comparatives for prior period have been restated due to the derecognition of scheme receivables and the related merchant payables
Merchant payables have been reclassified from "Cash and Cash Equivalents" to "Trade Payables and Other Liabilities" (Note 10)

	2011	**2010**
	$	$
Term Deposit	1,210,541	1,525,285
Call deposits	2,576,552	2,903,653
Exchange settlement balance	12,012,732	7,606,070
Cash in hand	823	500
	15,800,649	12,035,508

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4. CASH AND CASH EQUIVALENTS (cont'd)

Call deposits earn interest at floating rates based on daily bank deposit rates. The Reserve Bank of Australia (RBA) pays interest on balances held in exchange settlement accounts at a rate of 25 basis points below the cash rate. Refer to note 15 for details of cash and cash equivalents pledged as security.

Term deposits earn interest based on an agreed rate and term.

Reconciliation of operating loss after tax to net cash flows used in operations	**2011 $**	**2010 $**
Operating loss for the year	(1,815,517)	(1,823,958)
Adjustments for:		
Depreciation of non-current assets	855,777	859,297
Share-based payments and share issuance expense	133,774	781,423
Gain / Loss on disposal of property plant and equipment	12,946	2,615
Changes in assets and liabilities		
(Increase) / Decrease in trade and other receivables	(8,018,524)	(3,465,782)
(Increase) / Decrease in prepayments	(13,948)	(22,692)
(Increase) / Decrease in inventory	172,731	246,518
Increase /(Decrease) in trade and other payables	10,854,741	797,288
Net cash used in operating activities	2,181,980	(2,625,292)

5. TRADE AND OTHER RECEIVABLES

	2011	2010
Trade debtors	454,478	437,973
Interest receivable	21,384	17,852
Other receivables	18,078	1,776
	493,940	457,601

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

	Current $	1-30 days* $	31-60 days* $	61-90 days* $	>90 days* $
Trade and other receivables before impairment Carrying Value 2011 (Total $493,940)	274,602	218,313	1,023	2	0
2010 (Total $457,601)	191,540	144,183	119,654	880	1,344

* These balances are past due net of impairment at balance sheet date.

Movements in the general reserve for credit losses account are detailed in Note 14 and the Company's accounting policy is outlined in Note 1(u).

	2011 $	**2010 $**
6. INVENTORIES		
Terminals and accessories	108,151	295,142
EFTPOS paper rolls	-	8,285
Impairment of inventory	-	(22,544)
	108,151	280,882
7. AVAILABLE-FOR-SALE INVESTMENTS		
Investment in VISA shares	120,399	127,380

These investments were acquired following the demutualisation of VISA International, as a result of which listed VISA shares were issued to members of the VISA network. All VISA shares were listed on the New York Stock Exchange (NYSE) on 26th March 2008 with VISA's certificate of incorporation providing for the mandatory buy back of up to 80% of the common stock allocated to VISA members out of IPO proceeds as soon as possible after listing.

TYRO PAYMENTS LIMITED
ABN 49 103 575 042

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8. PROPERTY, PLANT AND EQUIPMENT

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

	Eftpos Terminals $	*Furniture and Office Equipment $*	*Computer Equipment $*	*Total $*
Year ended 30 June 2010				
At 1 July 2009 net of accumulated depreciation and impairment	825,752	70,310	404,500	1,300,563
Additions	780,131	27,200	103,974	911,305
Disposals/transfers	(12,223)	-	-	(12,223)
Depreciation for the year	(584,161)	(28,217)	(246,919)	(859,297)
At 30 June 2009 net of accumulated depreciation and impairment	1,009,498	69,294	261,556	1,340,348
At 1 July 2009				
Cost or fair value	1,501,796	136,093	1,299,205	2,937,094
Accumulated depreciation and impairment	(676,044)	(65,783)	(894,705)	(1,636,532)
Net carrying amount	825,752	70,310	404,500	1,300,563
At 30 June 2010				
Cost or fair value	2,254,817	159,121	1,403,179	3,817,118
Accumulated depreciation and impairment	(1,245,319)	(89,827)	(1,141,624)	(2,476,770)
Net carrying amount	1,009,498	69,294	261,556	1,340,348

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

	Eftpos Terminals $	*Furniture and Office Equipment $*	*Computer Equipment $*	*Total $*
Year ended 30 June 2011				
At 1 July 2010 net of accumulated depreciation and impairment	1,009,498	69,294	261,556	1,340,348
Additions/transfers	720,721	6,247	185,710	912,678
Disposals/transfers	(8,197)	-	(587)	(8,784)
Depreciation for the year	(658,726)	(27,490)	(169,561)	(855,777)
At 30 June 2011 net of accumulated depreciation and impairment	1,063,297	48,051	277,117	1,388,465
At 1 July 2010				
Cost or fair value	2,254,817	159,121	1,403,179	3,817,118
Accumulated depreciation and impairment	(1,245,319)	(89,827)	(1,141,624)	(2,476,770)
Net carrying amount	1,009,498	69,294	261,556	1,340,348
At 30 June 2011				
Cost or fair value	2,954,383	160,059	1,585,192	4,699,634
Accumulated depreciation and impairment	(1,891,087)	(112,007)	(1,308,075)	(3,311,169)
Net carrying amount	1,063,297	48,051	277,117	1,388,465

Fully depreciated assets as at 30th June 2011 $1,240,429 (2010 : $108,713)

9.SHARE-BASED PAYMENTS

The Company will provide benefits to employees and directors from time to time including share-based payments as remuneration for service.

(a) Employee Share Option Plan

The Employee Share Option Plan was established to grant options over ordinary shares in the Company to employees or directors of the company or to external consultants who provide services to the Company.

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

Type of Option	**Vesting Terms and Conditions**
Linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuous status as an employee or consultant with the Company during the vesting schedule.
Service vesting schedule	The options vest according to a period of service may be exercised as to a set number of shares per agreed day of service, as defined in the specific option grant.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

Other relevant terms and conditions applicable to options granted under the Employee Share Option Plan include:

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

(b) Fair value of options

The weighted average fair value of the share options granted during the financial year is 2 cents (2010: 2 cents).

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes Option Valuation Model. The following table lists the assumptions used in determining the fair value of the options granted in the years ended 30 June 2011 and 30 June 2010:

	2011	**2010**
Dividend yield (%)	0%	0%
Expected volatility (%)	74%	74%
Risk-free interest rate (%)	4.70% - 5.28%	5.79%
Share price ($)	$0.04	$0.04

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

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

The average expected life for 7 year options is assumed to be 5 - 6 years from the grant date. The expected life for 10 year option is assumed to be 5 - 8 years. For all other options with a contractual life of 1 - 5 years or less, the expected life is assumed to be the total contractual life (years) from grant date to expiry date.

There were no options exercised during the year ended 30 June 2011 (2010: 103,261).
The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 was 5.65 years (2010: 5.27 years).

The following table summarises further details of the stock options outstanding at 30 June 2011:

Range of Exercise Prices	**Contractual life**	**Vesting conditions**	**No of Outstanding Options**
6 cents to 55 cents	10 years or less	5 year linear vesting	20,650,800
6 cents to 45 cents	5 years and 10 years	12 months service	2,434,782
6 cents to 55 cents	3, 5 and 10 years	12 months linear vesting	15,679,793
6 cents to 55 cents	10 years or less	Fully vested at time of grant	31,210,566
Total			**69,975,941**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9.SHARE BASED PAYMENTS (cont'd)

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

	2011	**2011**	**2010**	**2010**
	No	*WAEP (Cents)*	*No*	*WAEP (Cents)*
Linear vesting schedule				
Outstanding at the beginning of the year	29,762,147	22	14,732,734	22
Granted during the year	9,301,317	8	17,065,770	8
Exercised during the year	-		(103,261)	6
Forfeited/expired during the year	(2,732,871)	20	(1,933,096)	34
Outstanding at the end of the year	**36,330,593**	**12**	**29,762,147**	**15**
Exercisable at the end of the year	**31,935,352**	**13**	**14,942,557**	**16**
Fully vested at time of grant				
Outstanding at the beginning of the year	21,782,169	10	15,190,227	16
Granted during the year	9,905,804	6	6,847,827	6
Exercised during the year	-		-	
Forfeited/expired during the year	(477,407)	39	(255,885)	55
Outstanding at the end of the year	**31,210,566**	**10**	**21,782,169**	**10**
Exercisable at the end of the year	**31,210,566**	**10**	**21,782,169**	**10**
Service vesting schedule				
Outstanding at the beginning of the year	2,634,782	6	5,112,560	11
Granted during the year	-		-	
Exercised during the year	-		-	
Forfeited/expired during the year	(200,000)	10	(2,477,778)	16
Outstanding at the end of the year	**2,434,782**	**6**	**2,634,782**	**6**
Exercisable at the end of the year	**2,434,782**	**6**	**2,634,782**	**6**
Total outstanding at the end of the year	**69,975,941**		**54,179,098**	
Total exercisable at the end of the year	**65,580,700**		**39,359,508**	

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 2.

10. TRADE PAYABLES AND OTHER LIABILITIES

Comparatives for prior period have been restated due to the derecognition of scheme receivables and the related merchant payables
Merchant payables have been reclassified from "Cash and Cash Equivalents" (Note 4) to "Trade Payables and Other Liabilities"

	2011	**2010**
	$	**$**
Merchant Payables	4,762,856	2,470,604
Accounts payable	456,922	267,688
Rent payable	-	22,355
Interest Payable	106,849	-
Accruals	475,840	297,866
Other liabilities	306,720	352,838
	6,109,187	3,411,351

11. INTEREST-BEARING LOANS AND BORROWINGS

Loans from related parties	2,413,052	-
	2,413,052	-

On 17 December 2010, Tyro received a loan for liquidity funding purposes. The loan was for $2.5M until 15 January 2012 at a contractual interest rate of 8%.

12. PROVISIONS	**2011**	**2010**
	$	**$**
Annual leave provision		
Balance at the beginning of the year	262,438	224,111
Provision during the year	99,376	74,572
Leave taken during the year	(65,974)	(36,245)
Balance at the end of the year	295,839	262,438

13. LONG SERVICE LEAVE LIABILITY	**2011**	**2010**
	$	**$**
Balance at the beginning of the year	-	-
Provision during the year	93,917	-
Balance at the end of the year	93,917	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. CONTRIBUTED EQUITY AND RESERVES

		2011	2010
(i) Ordinary Shares		$	$
Issued and fully paid			
Ordinary shares paid at 6 cents each	147,738,440	8,864,306	8,864,306
Ordinary shares paid at 10 cents each	3,540,688	354,069	354,069
Ordinary shares paid at 15 cents each	10,475,433	1,571,315	1,571,315
Ordinary shares paid at 30 cents each	32,520,837	9,756,251	9,756,251
Ordinary shares paid at 45 cents each	8,111,112	3,650,001	3,650,001
Ordinary shares paid at 55 cents each	11,282,322	6,205,277	6,205,277
		30,401,219	30,401,219

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.

	No: Shares	$
Movement in ordinary shares on issue		
At 1 July 2009	152,546,838	26,733,899
Shares issued during the year:		
- 11 Dec 2009 equity raising at 6c each	61,018,733	3,661,124
- 7 May 2010 shares exercised at 6c each	103,261	6,196
At 1 July 2010	213,668,832	30,401,219
No shares issued during the year	-	-
At 30 June 2011	213,668,832	30,401,219

	2011 $	2010 $
(ii) Share-based payments reserve		
Balance at the beginning of the year	6,043,972	5,262,549
Share-based payments expensed during the year		
- Share options issued during the year	133,774	781,423
Balance at the end of the year	6,177,746	6,043,972

Nature and purpose of reserve

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

Refer to Note 9 for further details of these plans.

	2011 $	2010 $
(iii) General reserve for credit losses		
Balance at the beginning of the year	95,489	172,943
Transfer (to) / from retained earnings	47,506	(77,454)
Balance at the end of the year	142,995	95,489

The general reserve for credit losses has been created to satisfy Australian Prudential and Regulation Authority (APRA) prudential standards for Authorised Deposit-Taking Institutions (ADI) to maintain a general reserve for credit losses. The Company applies an internal methodology to estimate the credit risk of its merchant customers and the maximum expected losses based upon a number of assumptions concerning the performance of merchants in relation to the Company's credit risk grading system and actual experience.

	2011 $	2010 $
(iv) Available-for-sale investment revaluation reserve		
Balance at the beginning of the year	45,516	35,881
Total revaluations for the year	(6,980)	9,635
Balance at the end of the year	38,536	45,516
(v) Option Premium Reserve		
Balance at the beginning of the year	-	-
Total revaluations for the year	166,720	-
Balance at the end of the year	166,720	-

The option premium reserve correspond to the fair value of the equity instruments issued in consideration of the $2.5 million loan taken out by Tyro. The fair value of the options has been determined using the Black Scholes option valuation model.

	2011	2010
Total reserves at the end of the year	6,525,996	6,184,977
(vi) Retained losses		
Movements in retained losses were as follows:		
Retained losses at the beginning of the financial year	(25,906,818)	(24,160,315)
Net loss attributable to shareholders of the Company	(1,815,517)	(1,823,958)
Transfer to general reserve for credit losses	(47,506)	77,454
Retained losses at the end of the financial year	(27,769,842)	(25,906,818)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The Company's principal financial instruments include cash and cash equivalents, trade and other receivables, held-to-maturity investments, available-for-sale financial assets and trade and other payables.

(i) Risk management

The Board is responsible for approving and reviewing the risk management strategy and framework and all risk management policies. The Board also ensures senior management has identified all risks and that those risks are managed and controlled appropriately. Senior management is responsible for implementing the Board's approved risk management strategy and for developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities. The Board has installed a Board Risk Committee to assist the Board in fulfilling its responsibilities in the management of risk. The Risk Committee overseas matters relating to credit, capital, liquidity, operational and other aspects of risk management.

(ii) Risk controls

Risks are controlled through a system that identifies key risks, establishes controls to manage those risks (with an emphasis on preventive control), and maintains a regular review process to monitor the effectiveness of controls. Business risks are controlled within tolerance levels set by the Chief Executive Officer and approved by the Board. A set of control and compliance principles provide prudent standards for risk management.

(iii) Internal audit

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

(iv) Credit risk

Credit risk represents the loss if counterparties failed to perform as contracted. Credit risk arises from trade receivables, cash and cash equivalent balances, exposures to merchants and held to maturity investments. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets at reporting date. The Company's credit risk management principles define the framework and core values which govern its credit risk taking activities and reflect the priorities established by the Board.

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

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

It is the Company's policy that all merchants are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The Company has an existing portfolio of low-risk merchant categories and therefore minimal exposure to credit risk in terms of liabilities.

As part of equity, a general provision reserve for credit losses is raised to cover losses due to uncollectible chargebacks that have not been specifically identified. The reserve is calculated based on estimation of potential credit risk in the merchant portfolio based on a multiple of historical loss experience. 'The Company does not hold any credit derivatives of collaterals to offset its credit exposure. The Company trades only with recognised, creditworthy third parties and as such no collaterals are requested nor is it the Company's policy to securities any of its financial assets. Credit exposures are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant at reporting date.

30 June 2011

Standard & Poors Credit Rating*	Cash and balances with financial institutions	Trade receivables
AAA	12,012,732	
AA	3,786,912	
A+	181	
unrated		493,940

30 June 2010

Standard & Poors Credit Rating*	Cash and balances with financial institutions	Trade receivables
AAA	7,606,070	
AA	4,384,793	
A+	44,145	
unrated		457,601

*Long-term credit rating

(v) Operational risk

Operational risk is the risk that arises from inadequate or failed internal processes, people and systems, or from external events. The definition is aligned to the regulatory (Basel II) definition, including legal and regulatory risk but excluding strategic and reputation risk.

(vi) Market risk

Market risk is the risk the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices or conditions, and comprises interest rate risk, foreign currency risk and other price risk. The Company does not engage in financial market trading activities nor assume any foreign exchange, interest rate or other derivative positions and does not have a trading book. The Company does not undertake any hedging around the values of its financial instruments as any risk of loss is considered insignificant to the operations of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Interest rate risk

The Company's financial assets and liabilities are subject to interest rate risk as their fair values will fluctuate in accordance with movements in the market interest rates. The Company has exposure to interest rate risk on its variable interest-bearing cash and cash equivalent balances. Held-to-maturity investments in treasury bonds are at fixed interest rate rates and as such are not exposed to any interest rate risk fluctuations. All other financial assets and financial liabilities at reporting date are non-interest bearing.

The following net exposure to interest rate risk is to be reported at balance sheet date:

	2011	2010
Cash and cash equivalents	15,799,885	12,035,007

Sensitivity analysis:

An increase of 100 basis points in the general cash rate (assuming every other factors being constant) will reduce the Company's loss after tax and increase equity by $157,998 (2010:$120,350). A decrease of 100 basis points in the general cash rate will have an equal and opposite effect.

(b) Foreign Currency risk

Tyro is not exposed to foreign currency risk in the settlement of merchant transactions as all moneys received and paid are in Australian Dollars.

The Company's settlement of fees with card schemes and the purchases of inventory from foreign suppliers are transacted in foreign currencies and any balances at reporting date are translated at the exchange rate prevailing the balance sheet date. At reporting date the Company has some US Dollar and Euro exposure.

The following USD and EUR net exposure is to be reported at balance sheet date:

		AUD 2011	AUD 2010
Available-for-sale investments-VISA shares	USD	120,399	127,380
Trade Payables	EUR	207,153	115,689
USD Term Deposit	USD	1,210,541	1,525,285

Sensitivity analysis:

An appreciation of 15% of the US Dollar and EUR compared to the Australian Dollar (assuming every other factors being constant) will reduce the Company's loss after tax and increase equity by $177,879 (2010: $248,752). A depreciation of 15% of the US Dollar and EUR compared to the Australian Dollar will increase the company's loss after tax and reduce equity by $309,354 (2010:$432,612).

(c) Other Price Risk

The Company's investment in available-for-sale financial assets is valued by way of reference to an underlying listed equity on the New York Stock Exchange (NYSE) and as such its fair value will fluctuate in direct proportion with the quoted market price indicated. However, this investment is not linked to any NYSE Market Index and any form of Price risk as a result of movements caused by any specific index is considered minimal. No sensitivity analysis has been performed.

(vii) Liquidity risk

Liquidity risk is the risk that the Company will have insufficient liquidity to meet its obligations as they fall due. This risk is managed by liquidity forecasting , maintaining adequate cash resources for future expenditure and other financial commitments. The Company's liquidity risk management policy aims to ensure that enough high quality liquid assets are always available for the Company's cash flow and liquidity requirements.

The company forecasts cashflow and liquidity needs on a monthly basis with detailed period analysis for critical funding periods such as Christmas. The company also has a capital plan in place which outlines triggers for required funding should liquidity be required.

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

	< 6 months $000	6-12 months $000	Total $000
Year ended 30 June 2011			
Liquid financial assets			
Cash and cash equivalents	15,800,649	-	15,800,649
Trade and other receivables	493,940	-	493,940
	16,294,589	-	16,294,589
Financial Liabilities			
Trade payables and other liabilities	(6,002,337)	(106,849)	(6,109,187)
Interest-bearing loans and borrowings	-	(2,413,052)	(2,413,052)
	(6,002,337)	(2,519,902)	(8,522,239)
Net inflow/(outflow)	10,292,252	(2,519,902)	7,772,350

	< 6 months $000	6-12 months $000	Total $000
Year ended 30 June 2010			
Liquid financial assets			
Cash and cash equivalents	12,035,508	-	12,035,508
Trade and other receivables	457,601	-	457,601
	12,493,109	-	12,493,109
Financial Liabilities			
Trade payables and other liabilities	(3,411,351)	-	(3,411,351)
Interest-bearing loans and borrowings	-	-	-
	(3,411,351)	-	(3,411,351)
Net inflow/(outflow)	9,081,757	-	9,081,757

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(viii) 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 fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2011			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
Financial Asset				
Available for sale	-	120,399	-	120,399

	Year ended 30 June 2010			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
Financial Asset				
Available for sale		127,380	-	127,380

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

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

(ix) Capital Management

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by APRA. The Company has aligned its objectives and processes in respect of risk management around the prudential standards.

The Company has an internal policy target ratio above the prudential limit requirement and includes elements for risk exposures such as market, operations and credit risk.

During the past year, the Company complied in full with APRA's capital minima. In all planning, the Company maintains a buffer above regulatory capital adequacy requirements to ensure that the level of capital held is appropriate for the level and type of risks associated with the acquiring business.

Regulatory capital

	Actual 2011**	**Actual 2010***
Tier 1 capital	8,835,427	10,482,586
Tier 2 capital	14,819	23,591
Total capital	8,850,246	10,506,176
Risk weighted assets	5,462,961	6,350,133
Tier 1 capital ratio	162%	165%
Total capital ratio	162%	165%

*These are per the final submitted APRA return for June 2010 and have not been adjusted for new comparatives

**Current year figures have been calculated with the new accounting treatment in place. The updated APRA return has not been submitted to date.

Below defines what APRA considers as Capital :

Tier 1 Capital consists of ordinary shares, general reserves, retained earnings, non-cumulative irredeemable preference shares (approved by the Board and APRA) and other APRA approved Tier 1 Capital instruments.

Upper Tier 2 Capital consists of general provision for Doubtful Debts and other APRA approved Upper Tier 2 Capital instruments. Lower Tier 2 Capital (not to exceed 50% of net Tier 1 Capital) consists of APRA approved Term Subordinated Debt.

The Company does not have any lower Tier 2 Capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16. COMMITMENTS AND CONTINGENCIES

Commitments relating to BECS

Tyro pays merchants through the BECS system (Bulk Electronic Clearing System). Tyro commits the amount to be paid to merchants with the BECS file sent. The amount committed must be available on the RBA Exchange Settlement Account (ESA), a day before the actual payment. At balance date, the amount committed was $7,158,179. This commitment was settled the following day.

On each settlement day, Tyro would have received a portion of the funds committed, thus the actual contingent asset and corresponding liability would be less than the total amount committed.

	2011 $	2010 $
Contingent liabilities -secured		
(I) Irrecoverable standby letters of credit in favour of:		
- MasterCard International	2,610,541	2,925,285
- Visa International	140,000	140,000
(ii) Bank Guarantee in favour of:		
- Dukeville Pty Ltd, the lessor of 125 York Street, Sydney	291,308	245,025
	3,041,849	3,310,310

The Company has provided an irrevocable standby letter of credit of $2,750,541, secure 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 Company. The required amounts of the standby letters of credit are dependent on MasterCard International's and Visa International's view of their risk exposure to the Company.

A bank guarantee is held with the Westpac Banking Corporation in relation to the lease arrangement for the office premises. The amount represents 9 months rent and is refundable on expiry of the lease agreement, subject to satisfactory vacation of the leased premises.

17. LEASES

(a) Operating lease commitments - Company as lessor

Prior to April 2010, Tyro operated a "rent to own" model whereby ownership of the terminal would transfer to the merchant once they had made 36 consecutive rental payments. However Tyro bears the risk of repairing or replacing the terminal over the 3 year period. The merchant would then continue to pay a service and maintenance fee after this period. There is no minimum rental period for merchants and they are able to terminate with Tyro at any time with no penalty or buy out fees.

From April 2010, the company has moved to a perpetual rental model whereby there will be no transfer of ownership of the asset and the merchant will pay rental for the duration that they are with Tyro.

Type of Terminals	Cost	Depreciation Expense	Net Carrying Value
Xenta	2,040,128	1,297,804	742,324
Xentissimo	914,255	593,282	320,973
	2,954,383	1,891,086	1,063,297

(b) Operating lease commitments - Company as lessee

	2011 $	2010 $
Future minimum rentals payable under the non-cancellable operating leases as at 30 June 2011 are as follows:		
- Within one year	353,100	173,250
- After one year but not more than five years	912,175	-
	1,265,275	173,250

The operating lease commitments relates to the lease of the Company's registered office located at 125 York Street, Sydney NSW. It is a non-cancellable lease with a term of 4 years ending 31 January 2015. The lease agreement provides the Company with a right of renewal on expiry at which time all terms will be renegotiated. Lease payments are subject to discretionary annual increases of 4%.

18. SEGMENT REPORTING

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

19. AUDITOR'S REMUNERATION

	2011 $	2010 $
Amounts received or due and receivable by Ernst & Young:		
- an audit of the financial report of the Company	190,000	209,500
- other services in relation to the Company	45,474	8,500
	235,474	218,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. RELATED PARTY DISCLOSURES

(a) Key Management Personnel

The total cash remuneration paid to the Directors and Executives of the Company amounted to $944,613 (2010: $816,375). Details of compensation paid to key management personnel including all monetary and non-monetary components are shown in the various tables in this note.

Details of Key Management Personnel

		Appointed	Resigned
Directors			
Kerry Roxburgh	Non-executive Chairman	18-Apr-08	
Michael Cannon-Brookes	Non-executive	10-Dec-09	
Rob Ferguson	Non-executive	14-Nov-05	
Thomas Girgensohn	Non-executive	09-Mar-07	31-Dec-10
Paul Rickard	Non-executive	28-Aug-09	
Jost Stollmann	Chief Executive Officer	05-Apr-05	
Executives	**Title**		
Garry Duursma	VP Sales and Marketing	1-Jan-07	
Peter Haig	Chief Information Officer	3-Feb-03	
Justin Mitchell	Company Secretary	19-Mar-07	

	2011 $	**2010 $**
Compensation of Key Management Personnel		
Short-term Benefits	817,665	683,073
Post Employment benefits (superannuation)	126,948	133,302
Share-based Payments	237,871	565,324
Total	1,182,484	1,381,699

30 June 2011	**Short-term Benefits** Salary & fees ($)	**Termination Benefits** ($)	**Post Employment** Super-annuation ($)	**Share-based Payments** Options ($)	**Total** ($)
Directors					
Kerry Roxburgh	-	-	-	18,373	18,373
Michael Cannon-Brookes	-	-	-	11,066	11,066
Rob Ferguson	-	-	-	11,066	11,066
Thomas Girgensohn	-	-	-	5,116	5,116
Paul Rickard	-	-	-	11,066	11,066
Jost Stollmann	206,468	-	44,742	48,561	299,771
Executives					
Garry Duursma	244,199	-	21,905	43,096	309,200
Peter Haig	221,331	-	46,080	56,651	324,061
Justin Mitchell	145,669	-	14,220	32,876	192,765
	817,665	-	126,948	237,871	1,182,484

30 June 2010	**Short-term Benefits** Salary & fees ($)	**Termination Benefits** ($)	**Post Employment** Super-annuation ($)	**Share-based Payments** Options ($)	**Total** ($)
Directors					
Kerry Roxburgh	-	-	-	23,677	23,677
Brad Banducci	-	-	-	11,838	11,838
Michael Cannon-Brookes	-	-	-	15,785	15,785
Rob Ferguson	-	-	-	35,515	35,515
Thomas Girgensohn	-	-	-	23,677	23,677
Paul Rickard	-	-	-	23,677	23,677
Jost Stollmann	104,347	-	45,676	176,304	326,327
Executives					
Garry Duursma	242,429	-	29,891	79,840	352,160
Peter J Haig	199,831	-	45,453	126,266	371,550
Justin Mitchell	136,466	-	12,282	48,745	197,493
	683,073	-	133,302	565,324	1,381,699

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. RELATED PARTY DISCLOSURES (cont'd)

Shareholdings of Key Management Personnel and their Related Entities Transactions

30 June 2011	Outstanding at start of year	Shares Issued during the year	On exercise of options	Outstanding at end of year
Directors				
Kerry Roxburgh	690,182	-	-	690,182
Michael Cannon-Brookes	-	-	-	-
Rob Ferguson	22,072,348	-	-	22,072,348
Thomas Girgensohn	8,533,052	-	-	8,533,052
Paul Rickard	124,102	-	-	124,102
Jost Stollmann	41,585,685	-	-	41,585,685
Executives				
Garry Duursma	2,155,379	-	-	2,155,379
Peter Haig	5,405,977	-	-	5,405,977
Justin Mitchell	-	-	-	-
Total	80,566,725	-	-	80,566,725

30 June 2010	Outstanding at start of year	Shares Issued during the year	On exercise of options	Outstanding at end of year
Directors				
Kerry Roxburgh	440,182	250,000	-	690,182
Brad Banducci	2,392,545	2,392,545	-	4,785,090
Michael Cannon-Brookes	-	-	-	-
Rob Ferguson	13,791,746	8,280,602	-	22,072,348
Thomas Girgensohn	5,552,180	2,980,872	-	8,533,052
Paul Rickard	-	124,102	-	124,102
Jost Stollmann	29,704,061	11,881,624	-	41,585,685
Executives				
Garry Duursma	1,197,433	957,946	-	2,155,379
Peter Haig	3,739,310	1,666,667	-	5,405,977
Justin Mitchell	-	-	-	-
Total	56,817,457	28,534,358	-	85,351,815

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. RELATED PARTY DISCLOSURES (cont'd)

Option Holdings of Key Management Personnel

30 June 2011	Outstanding at start of period 1-Jul-10	Options granted	Options exercised/ expired/forfeited during the year	Outstanding at end of period 2011	Exercisable at end of period 2011
Linear/Service vesting schedule					
Directors					
Kerry Roxburgh	666,667	1,121,300	-	1,787,967	1,787,967
Michael Cannon-Brookes	444,443	666,667	-	1,111,110	1,111,110
Rob Ferguson	2,328,631	666,667	32,821	2,962,477	2,962,477
Thomas Girgensohn	1,349,817	666,667	333,333	1,683,151	1,683,151
Paul Rickard	666,667	666,667	-	1,333,334	1,333,334
Jost Stollmann	4,773,797	-	133,333	4,640,464	4,019,711
Executives					
Garry Duursma	545,046	-	-	545,046	545,046
Peter Haig	2,812,244	-	-	2,812,244	2,812,244
Justin Mitchell	595,927	-	-	595,927	595,927
	14,183,239	3,787,968	499,487	17,471,720	16,850,967
Fully vested at time of grant					
Directors					
Michael Cannon-Brookes	-	1,625,000	-	1,625,000	1,625,000
Rob Ferguson	-	1,625,000	-	1,625,000	1,625,000
Jost Stollmann	8,098,814	5,516,304	-	13,615,118	13,615,118
Executives					
Garry Duursma	3,369,961	2,173,913	-	5,543,874	5,543,874
Peter Haig	6,196,838	2,391,304	-	8,588,142	8,588,142
Justin Mitchell	1,656,255	1,449,283	-	3,105,538	3,105,538
	19,321,868	14,780,804	-	34,102,672	34,102,672
Total	**33,505,107**	**18,568,772**	**499,487**	**51,574,392**	**50,953,639**

30 June 2010	Outstanding at start of period 1-Jul-09	Options granted	Options exercised/ expired/forfeited during the year	Outstanding at end of period 2010	Exercisable at end of period 2010
Linear/Service vesting schedule					
Directors					
Kerry Roxburgh	-	666,667	-	666,667	666,667
Brad Banducci	1,197,146	333,333	223,233	1,307,246	1,307,246
Michael Cannon-Brookes	-	444,443	-	444,443	444,443
Rob Ferguson	1,328,631	1,000,000	-	2,328,631	2,328,631
Thomas Girgensohn	683,150	666,667	-	1,349,817	1,349,817
Paul Rickard	-	666,667	-	666,667	666,667
Jost Stollmann	2,506,364	3,154,100	886,667	4,773,797	3,854,185
Executives					
Garry Duursma	-	545,046	-	545,046	545,046
Peter Haig	1,339,921	1,472,323	-	2,812,244	2,812,244
Justin Mitchell	213,043	382,884	-	595,927	595,927
	7,268,255	9,332,130	1,109,900	15,490,485	14,570,873
Fully vested at time of grant					
Directors					
Brad Banducci	109,091	-	109,091	-	-
Jost Stollmann	6,142,292	1,956,522	-	8,098,814	8,098,814
Executives					
Garry Duursma	1,413,439	1,956,522	-	3,369,961	3,369,961
Peter Haig	4,240,316	1,956,522	-	6,196,838	6,196,838
Justin Mitchell	677,994	978,261	-	1,656,255	1,656,255
	12,583,132	6,847,827	109,091	19,321,868	19,321,868
Total	**19,851,387**	**16,179,957**	**1,218,991**	**34,812,353**	**33,892,741**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. RELATED PARTY DISCLOSURES (cont'd)

Option Terms and Conditions

Stock option grants may be exercised, in whole or in part, subject to vesting terms and conditions indicated below:

Type	*Terms and Conditions*
Type of Option	**Vesting Terms and Conditions**
Linear vesting schedule	Options granted will vest in proportion to the time that passes linearly during the vesting schedule, subject to maintaining continuous status as an employee or consultant with the Company during the vesting schedule.
Service vesting schedule	The options with service vesting schedule may be exercised as to a set number of shares per agreed day of consulting service, as defined in the specific option grant.
Fully vested at time of grant	Options may be exercised as to all shares from the vesting commencement date.

(b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

These transactions were on commercial terms & conditions.

Related Party		2011 $	2010 $
Health Communications Network	Commissions Paid	2,038,749	-

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

c) Loans from related parties

On 3 December 2010 the company entered into a six day loan facility of $750,000 with three lenders, all of whom being Directors or related parties for the purpose of funding operational liquidity requirements. Consideration paid consisted of an Establishment Fee equal to 1% of loan amount, a Line Fee of 1.5% of maximum loan amount and interest equal to 16% per annum payable on the total outstanding. The facility was documented and approved by the Board.

	Loan Amount	Interest Paid
Abyla Pty Ltd ABN 92 119 827 593 related party Michael Cannon-Brookes (Director)	$ 250,000.00	$6,907.53
Robert Alexander Ferguson (Director)	$ 250,000.00	$6,907.53
Fiona Stollmann related party Jost Stollmann (Director)	$ 250,000.00	$6,907.53

On 9 December 2010 the company entered into a seven day loan facility of $750,000 with three lenders, all of whom being Directors or related parties to Directors for the purpose of funding operational liquidity requirements. Consideration paid was interest equal to 16% per annum payable on the total outstanding. The facility was documented and approved by the Board.

	Loan Amount	Interest Paid
Abyla Pty Ltd ABN 92 119 827 593 related party Michael Cannon-Brookes (Director)	$ 250,000.00	$767.12
Robert Alexander Ferguson (Director)	$ 250,000.00	$767.12
Fiona Stollmann related party Jost Stollmann (Director)	$ 250,000.00	$767.12

On 17 December 2010 the company entered into a loan facility of $2,500,000 with four lenders, all of whom being Directors, major shareholders or related parties for the purpose of funding operational liquidity requirements. The Loan Facility commenced on 17 December 2010 and ends on 16 January, 2012. Consideration for the facility is 8% p.a. interest rate and 7,500,000 options granted at time of drawdown. The facility was documented and approved by the Board. At balance date the carrying value of this loan was $2,413,052. The interest expense attributable to the options attached to the loan as at 30 June 2011 was $79,772. No additional rights are attached to the options. The options do represent an equity instrument and thus have a corresponding reserve against equity in the Statement of Equity. The term of the options is 10 years and the exercise price is $0.08 per option. The average effective interest rate including options for the $2,500,000 facility is 15.3%.

	Loan Amount	No of Options	Interest to be paid
Abyla Pty Ltd ABN 92 119 827 593 related party Michael Cannon-Brookes (Director)	$625,000.00	1,625,000 options.	$26,712
Fiona Stollmann related party Jost Stollmann (Director)	$625,000.00	1,625,000 options.	$26,712
Euclid Capital Partners ABN 79 937 786 536 related party David Fite (Major Shareholder)	$625,000.00	2,625,000 options.	$26,712
Robert Alexander Ferguson (Director)	$625,000.00	1,625,000 options.	$26,712

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

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

I. giving a true and fair view of the company's financial position as at 30 June 2011 and of their its performance for the year ended on that date; and

II. complying with Accounting Standards and Corporations Regulations 2001;

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

c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period year ending 30 June 2011.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2011.

On behalf of the Board

Kerry Roxburgh
Chairman

Jost Stollmann
Director and CEO

Sydney, 29 September 2011

Ernst & Young

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

Report on the financial report

We have audited the accompanying financial report of Tyro Payments Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of Tyro Payments Limited is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*: and

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

Ernst e Young

Ernst & Young

Clare Sporle
Partner
Sydney
29 September 2011

corporate information

directors

kerry roxburgh (Chairman)

mike cannon-brookes

rob ferguson

paul rickard

jost stollmann

company secretary

justin mitchell

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