

Transaction Solutions International Limited

ABN 98 057 335 672

Appendix 4D – 30 September 2017 Half-Year Report

1. Results for Announcement to the Market.

	30 Sep' 2017	30 Sep' 2016	% Change
	\$	\$	
2.1 Revenue from ordinary activities (excluding interest income)	304,010	20,425	1,388%
2.2 Profit/(loss) from continuing operations after tax attributable to members.	(507,566)	(811,622)	37.46%
2.3 Net profit/(loss) for the period attributable to members.	(507,566)	(811,622)	37.46%
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report – Financial Report for the Half-Year Ended 30 September 2017.		

2. Net Tangible Assets per Security

	30 Sep'2017	30 Sep' 2016
	Cents	Cents
Net tangible assets per security	0.50	0.63

3. Details of Dividend and Distribution Payments

No dividends or distributions have been paid or provided for during the period.

4. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

5. Associates and Joint Venture Entities

Not applicable

6. Foreign Entities

The Group includes the following overseas entity:

TSI Investments (Mauritius) Pty Ltd (Mauritius)

7. Audit Dispute or Qualification

None.



TRANSACTION SOLUTIONS INTERNATIONAL

SHAPING SECURE PAYMENTS

**Interim Financial Report
for the Half Year Ended
30 September 2017**

CORPORATE DIRECTORY

Directors

Gary Foster – Chairman, Non-executive director
Jeffrey Lai – Executive director
Gernot Abl – Non-executive director

Secretary

Phillip MacLeod

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Share Registry

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Solicitors

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe WA 6011

Auditor

Bentleys (WA) Pty Ltd
Level 3, London House
216 St Georges Terrace
Perth WA 6000

Bankers

Australia and New Zealand Banking Group Limited

Stock Exchange Listing

ASX Limited
Home Exchange: Perth, Western Australia
Code: TSN

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TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors of Transaction Solutions International Limited present their report on Transaction Solutions International Limited ("TSN" or "the Company") and its' subsidiaries ("the Group") for the half-year ended 30 September 2017.

DIRECTORS

The names of the Directors of TSN in office during the half-year and until the date of this report are:

Mr Gary Foster
Mr Jeffrey Lai (appointed 30 June 2017)
Mr Gernot Abl (appointed 30 June 2017)
Mr Paul Boyatzis (resigned 30 June 2017)
Mr Yew Seng Kwa (resigned 30 June 2017)

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

RESULTS AND REVIEW OF OPERATIONS

Operating Results

During the period, the Company entered into the cybersecurity business and thereby, has two principal activities.

Firstly, TSN acquired and holds a 100% investment in Decipher Works Pty Ltd ("DWX"), a cybersecurity specialist based in Sydney. DWX provides consulting and managed services, primarily in Identity and Access Management, to financial institutions and large corporations. DWX has gradually built a loyal client base that provide a regular revenue stream from repeat or recurring revenue business. As a result, DWX is expected to continue generating positive cash flow and EBITDA to TSN (refer Note 6: Goodwill for details of acquisition).

Secondly, the Group continues to hold a 24.89% interest in Transaction Solutions International (India) Private Limited ("TSI India"), whose business is building recurring revenue through the deployment of ATMs on behalf of major banks in India. In addition, TSI India has contracts to service the financial payments sector through automation of bill payment processes in a market that is migrating from paper based to electronic transactions.

The Group recorded a loss from continuing operations for the half-year ended 30 September 2017 of \$507,566 (2016: loss of \$811,622).

There was no change in the fair value of available-for-sale assets recorded by the Group during the half-year. (2016: no gain)

Review of Operations

Cybersecurity Business – 100% interest in DWX (acquired on 23 August 2017)

The Company entered into the cybersecurity business with the 100% acquisition of DWX on 23 August 2017. DWX, a cybersecurity specialist founded in 2007, offers consulting, solution architecture, integration, managed services and enhancement support services for clients deploying identity and access management solutions.

DWX's business is built on deep technical expertise and a loyal client base. The depth of its experience and expertise position DWX favourably in the market. DWX continued to rely on this differentiation to drive business growth. On the one hand, DWX has been successful in maintaining its largest customers; and on the other hand, it has secured engagements with new promising customers.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

In addition, DWX expanded its service offering and technology partnerships to further drive organic growth. This included signing a partnership agreement with Forgerock, which offer specialises in identity and access management for Internet of Things (IoT), cloud and mobile environments. The Forgerock partnership adds to DWX's other technology partnerships signed in recent years, such as Okta, Thycotic and Sailpoint. These partnerships will play an increasingly more critical role to support DWX's growth in customer base and revenue.

Apart from driving organic growth in DWX, TSN continues to explore inorganic growth opportunities to further expand into new and other attractive areas within cybersecurity. During the period, DWX has evaluated a few other acquisition opportunities in cybersecurity. The acquisition targets that TSN has shortlisted and evaluated are complementary to DWX's expertise, customer base and geographic coverage.

AFS Investment– 25% equity interest in TSI India

During the last 6 months of operations, TSI India continued to focus on restabilising its business after the disruptions caused by changes to the currency and regulatory policies made by the Modi Government of India in November 2016.

On 21 October 2016, the Company announced that it entered into an exclusive option agreement with CX partners to purchase the remaining ~75% equity of TSI India. After conducting an extensive review and valuation of the TSI India business, along with independent accountants and its advisory firm, TSN announced on 1 May 2017 that it has decided not to exercise the option.

The Company continues to explore approaches to enhance the value of its investment in TSI India. Such approaches include bringing new technologies to complement TSI India's ATM business. The value-added reseller arrangement with Novatti Group Limited (ASX:NOV), which was announced on 13 April 2017, is aimed at enabling TSI India to deploy alternative payment solutions such as digital wallets, mobile money and remittance.

Business strategies and prospects

The Company will seek to expand the business of Decipher Works Pty Ltd and will continue to manage its minority interest in TSI India. It will seek other investment opportunities with the objective of maximising shareholder value.

Corporate and Financial Position

At 30 September 2017, the Group had cash balances of \$2,673,307 and available-for-sale financial asset – an investment in TSI India valued at \$9,750,000 and Decipher Works Pty Ltd, a wholly-owned subsidiary comprising goodwill on acquisition amounting to \$3,163,057.

SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the balance date Decipher Works Pty Ltd (DWX), a wholly-owned subsidiary of the Company, announced a 6 month contract extension with one of its major clients in addition to a number of other growth initiatives. DWX also announced a broadening of its services to encompass the insurance industry.

Subsequent to the balance date TSN has appointed Robyn Large, to the position of Financial Controller.

Subsequent to the balance date TSN paid DWX owners \$458,592 on 27 November 2017.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's independence declaration under Section 307C of the Corporations Act 2001 is included in page 4 of this financial report.

Signed in accordance with a resolution of Directors pursuant to Section 306(3) of the Corporations Act 2001.

Jeffrey Lai
Director

Perth, 30 November 2017

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Transaction Solutions International Limited for the half year ended 30 September 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS NICOLOFF CA
Director

Dated at Perth this 30th day of November 2017

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Transaction Solutions International Limited, I state that:

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 September 2017 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Board

Jeffrey Lai
Director

Perth, 30 November 2017

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Note	Half Year ended 30 Sep 2017 \$	Half Year ended 30 Sep 2016 \$
Continuing operations			
Revenue			
Finance income		21,793	27,343
Other income		304,010	20,425
		325,803	47,768
Expenses			
Depreciation expenses		(2,163)	(729)
Business acquisition costs		(46,129)	-
Due diligence		(107,605)	-
Employee benefits expenses		(378,270)	(201,726)
Financial expenses		(325)	
Share-based payment expense		-	(392,668)
Other expenses		(298,877)	(264,267)
Loss before tax		(507,566)	(811,622)
Income tax		-	-
Loss for the period		(507,566)	(811,622)
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency movement in translation of foreign operations		(498)	-
Other comprehensive income/(loss) for the period		(498)	-
Total comprehensive loss for the period attributable to members		(508,064)	(811,622)
Loss per share			
Basic loss per share (cents per share)		(0.03)	(0.04)
Diluted loss per share (cents per share)		(0.03)	(0.04)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

		30 Sep 2017	31 Mar 2017
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		2,673,307	2,537,646
Trade and other receivables		608,222	44,217
Work in progress		145,154	-
Other assets		40,445	10,410
Total Current Assets		3,467,128	2,592,273
Non-current Assets			
Other financial assets	5	9,750,000	9,750,000
Property, plant and equipment		15,772	3,339
Goodwill	6	3,163,057	-
Total Non-current Assets		12,928,829	9,753,339
TOTAL ASSETS		16,395,957	12,345,612
LIABILITIES			
Current Liabilities			
Trade and other payables	7	2,521,896	114,139
Provisions		169,428	-
Total Current Liabilities		2,691,324	114,139
TOTAL LIABILITIES		2,691,324	114,139
NET ASSETS		13,704,633	12,231,473
EQUITY			
Contributed equity	8	36,160,631	34,179,407
Reserves	9	5,026,224	5,026,722
Accumulated losses		(27,482,222)	(26,974,656)
TOTAL EQUITY		13,704,633	12,231,473

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Note	Half Year ended 30 Sep 2017 \$	Half Year ended 30 Sep 2016 \$
Cash flows from operating activities			
Receipt from customers		315,832	20,425
Payments to staff		(376,032)	(201,726)
Payments to suppliers		(489,103)	(388,788)
Income taxes paid		(104,225)	-
Interest received		25,095	22,964
Net cash used in operating activities		(628,433)	(547,125)
Cash flows from investing activities			
Net cash inflow on acquisition of business		775,496	-
Payment for plant & equipment		(1,933)	-
Net cash generated by investing activities		773,563	-
Cash flows from financing activities			
Proceeds from the issue of shares		-	1,700,000
Share issue costs		(8,422)	(121,210)
Net cash generated by/(used in) financing activities		(8,422)	1,578,790
Net increase during the period		136,708	1,031,665
Cash and cash equivalents at the beginning of the period		2,537,646	1,883,929
Effect of exchange rate movements		(1,047)	(41)
Cash and cash equivalents at the end of the period		2,673,307	2,915,553

The above condensed consolidated statement of cash flows should be read in conjunction with the The accompanying notes.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Contributed equity	Foreign currency translation reserve	AFS reserve	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$
Balance at 1 April 2016	32,654,210	-	4,445,862	128,979	(25,671,786)	11,557,265
Total comprehensive income/(expense) for the period:						
Net loss for the period	-	-	-	-	(811,622)	(811,622)
Total other comprehensive income/(expense)	-	-	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	-	-	(811,622)	(811,622)
Transactions with equity holders, recorded directly in equity						
Issue of shares for cash	1,700,000	-	-	-	-	1,700,000
Issue costs	(174,803)	-	-	-	-	(174,803)
Share-based payment	-	-	-	446,261	-	446,261
Total transactions with equity holders	1,525,197	-	-	446,261	-	1,971,458
Balance at 30 September 2016	34,179,407	-	4,445,862	575,240	(26,483,408)	12,717,101
Balance at 1 April 2017	34,179,407	5,620	4,445,862	575,240	(26,974,656)	12,231,473
Total comprehensive income/(expense) for the period:						
Net loss for the period	-	-	-	-	(507,566)	(507,566)
Total other comprehensive income/(expense)	-	(498)	-	-	-	(498)
Total comprehensive income/(expense) for the period	-	(498)	-	-	(507,566)	(508,064)
Transactions with equity holders, recorded directly in equity						
Issue of shares for acquisition of business	1,989,646	-	-	-	-	1,989,646
Issue costs	(8,422)	-	-	-	-	(8,422)
Total transactions with equity holders	1,981,224	-	-	-	-	1,981,224
Balance at 30 September 2017	36,160,631	5,122	4,445,862	575,240	(27,482,222)	13,704,633

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

1. REPORTING ENTITY

Transaction Solutions International Limited, ("TSN", the "Company") is a company domiciled in Australia. The interim financial report of the Group comprising Transaction Solutions International Ltd and its subsidiaries as at and for the six months ended 30 September 2017.

The annual financial report of the Company for the year ended 31 March 2017 is available upon request from the Company's registered office.

2. ACCOUNTING POLICIES

Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on a basis of historical cost, unless stated otherwise in the notes. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless stated otherwise.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 31 March 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report was approved by the Board of Directors on 24th November 2017.

New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for acquisitions if Interests in Joint Operations

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The adoption of the above standards has not had a material impact on this half year financial report.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

3. COMPONENTS OF THE GROUP

The condensed consolidated financial statements represent the financial position of Transaction Solutions International Limited, and the entities it controlled at 30 September 2017 and their financial performance, cash flows and changes in equity for the half year ended on that date.

The consolidated entity comprises the following entities:

The consolidated entity comprises the following entities:				
		Extent of control		
	Incorporation	30 Sep 2017	31 Mar 2017	30 Sep 2016
Accounting parent				
Transaction Solutions International Limited ("TSI Limited")	Australia			
Controlled entities				
Decipher Works Pty Ltd	Australia	100%	-	-
Transaction Solutions International Pty Ltd	Australia	100%	100%	100%
TSI Investments (Mauritius) Pty Ltd ("TSI Mauritius")	Mauritius	100%	100%	100%

4. SEGMENT REPORTING

The Group operates in 2 segments. One segment, being holder of a minority interest in TSI India. The other being cybersecurity through Decipher Works Pty Ltd, a wholly-owned subsidiary of TSN, which was acquired on 23 August 2017.

	TSI India	Decipher Works	Corporate	Total
Consolidated	\$	\$	\$	\$
30 September 2017				
Segment revenue	-	304,010	-	304,010
Segment finance revenue	-	1,489	20,304	21,793
Segment expenditure	-	(227,333)	(449,815)	(677,148)
Segment depreciation	-	(1,352)	(811)	(2,163)
Other segment expenses	-	(335)	(153,723)	(154,058)
Segment result	-	76,479	(584,045)	(507,566)

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

4. SEGMENT REPORTING (CONTINUED)

	TSI India	Decipher Works	Corporate	Total
Included within segment result:				
Interest revenue	-	1,489	20,304	21,793
Segment assets				
Cash and term deposits	-	1,666,896	1,006,411	2,673,307
Trade and other receivables	-	552,793	55,429	608,222
Work in progress	-	145,154	-	145,154
Other assets	-	1,960	38,485	40,445
Financial assets	9,750,000	-	-	9,750,000
Goodwill	-	3,163,057	-	3,163,057
Plant and equipment	-	13,244	2,528	15,772
Total segment assets	9,750,000	5,543,104	1,102,853	16,395,957
Segment liabilities				
Trade and other payables	-	201,464	2,320,432	2,521,896
Provisions	-	169,428	-	169,428
Total segment liabilities	-	370,892	2,320,432	2,691,324
NET SEGMENT ASSETS	9,750,000	5,172,212	(1,217,579)	13,704,633

In the prior year, financial year 2017 the Group operated in only one segment, being holder of a minority interest in TSI India.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

5. AVAILABLE FOR SALE FINANCIAL ASSETS

Fair value methodology

TSI India Pvt Limited (TSI India)

Shares in TSI India are not publicly traded and the directors are not aware of any reliable information regarding independent third party share transactions to assess the fair value.

The fair value of investments in TSI India is measured on a recurring basis at each reporting date.

The assessment of fair value of those investments is a 'Level 3' hierarchy under AASB 13 '*Fair Value Measurement*'. The measurement of fair value under Level 3 hierarchy is based on significant unobservable inputs.

The directors obtained an independent expert's valuation report to measure the fair value of the investments at 31 March 2017.

The fair value measurement model was based on the combination of:

- Discounted Cash Flows (DCF) method for valuation of the TSI India existing ATM business;
- Discounted Cash Flows method for valuation of the Mphasis contract; and
- Cost approach for measurement of other assets and liabilities (such as financial assets and liabilities at balance date).

The DCF method estimated the fair value of the business by discounting the future cash flows arising from the business of TSI India. The application of DCF method required significant assumptions to be made regarding the various inputs. The key assumptions of the existing business were:

- The future cash flows for the period of 5 years have been applied;
- At 31 March 2017, TSI India's existing ATM networks comprised 14,346 machines installed for three major Indian banks. Over the forecast period an additional 1,207 ATMs are expected to be installed across all three banks and the DCF is adjusted for this expected increase.
- TSI India's revenue is primarily generated in the form of fee per ATM transaction. This fee varies among the banks and also the location of the ATM machines. A range based on historical averages has been applied.
- The transaction volumes per ATM machines have historically ranged from 3,000 to 6,000 on a monthly basis. The DCF valuation model has been based on a reasonable estimate of 4,000 transactions per month.
- Transaction volumes at ATM sites have been assumed to increase 4% year on year over the forecast period;
- Operating cost assumptions regarding the fixed costs and direct and indirect site expenses have been based on historical expenses of FY2016 and FY2017.
- The terminal value of the ATMs at the end of 5 years are computed based on no growth into perpetuity

In addition:

- A discount rate of 15.00% has been applied based on the cost of equity. This discount rate has been applied having regard to Indian Government's 10 year bond yield at 6.68%, an equity beta of 1.00 and an equity risk premium of 8.00%.
- The inflation rate has been assumed at 4% based on recent historical economic data from the Reserve Bank of India.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

5. AVAILABLE FOR SALE FINANCIAL ASSETS (CONTINUED)

The valuation of the Company's investment in TSI India is predominantly based on prospective financial information. Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of managements actions in implementing the plans on which the forecasts are based. Accordingly actual results may vary materially from the forecast.

The Directors have relied upon the 31 March 2017 independent expert valuation report to assess the carrying value at 30 September 2017. The Directors are of the opinion there has been no material change to the investment in the 6 month period and that all assumptions in the valuation remain valid. The Directors have resolved to leave the carrying value unchanged.

The directors have concluded that, even though the Group (TSN) has a 24.89% equity interest in TSI India, it does not exert significant influence over the operations of the investee. The reasons are stated below:

Board representation: TSN has one seat on a Board of 7 directors. The decisions of the Board are taken by a majority vote. TSN has no significant ability to influence decision making at Board level.

Material transactions: There have been no material transactions between TSN and the investee.

Interchange of Managerial personnel: Other than the involvement of Non-executive Director, Gary Foster on the Board of the investee there has been no interchange of managerial personnel between TSN and the investee.

Provision of essential technical information: There has been no provision of essential technical information between TSN and the investee.

6. GOODWILL

Acquisition

On 23 August 2017 Transaction Solutions International Limited (TSN) acquired 100% of the voting shares of Decipher Works Pty Ltd (DWX).

The total cost of the combination was \$5,095,734 and comprised an issue of equity instruments and cash consideration. The Company issued 180,876,934 ordinary shares with a fair value of \$0.011 each, based on the quoted price of the shares of TSN at the date of exchange.

Consideration transferred

Acquisition date fair value of the consideration transferred

	\$
Shares issued, at fair value	1,989,646
Cash paid on settlement	917,183
Cash due 90 days post settlement	458,591
Cash due 180 days post settlement	1,730,314
Total consideration	5,095,734

Directly attributable costs of issuing shares have been included as a deduction from equity.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

6. GOODWILL (CONTINUED)

Assets acquired and liabilities assumed at the date of acquisition

	\$
Cash and cash equivalents	1,730,232
Trade and other receivables	409,415
Work in progress	228,750
Deposits	1,960
Property, plant and equipment	14,596
Trade and other payables	(65,478)
Current tax liabilities	(230,304)
Provisions	(156,494)
Fair value of identifiable net assets acquired	1,932,677
Goodwill arising on acquisition	3,163,057
Total consideration	5,095,734

Goodwill arising on acquisition

Decipher Works Pty Ltd (DWX)

Fair value methodology

The recoverable amount of the goodwill has been determined using value in use method based on the net present value of projected earnings before interest, tax and depreciation using cash flow projections based on financial budgets approved by senior management covering a one-year period. A growth rate of 0% was used to extrapolate managements cash flow forecast of \$1,000,000 for a further 4 years. The pre-tax discount rate applied to cash flow projections is 10%. The cash flow projections were prepared based on past experience and contracts that are in place.

The calculated recoverable value was greater than the net assets of the Cash Generating Unit and therefore there was no impairment required.

A 5% increase/decrease in the discount rate used while holding other variables constant would decrease/increase the net present value by (\$438,632)/\$538,690 and would not result in an impairment.

The net present value is predominantly based on prospective financial information. Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of managements actions in implementing the plans on which the forecasts are based. Accordingly actual results may vary from the forecast.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

6. GOODWILL (CONTINUED)

Net cash outflow arising on acquisition

	\$
Cash paid	917,183
Cash due to be paid	2,188,905
Less cash acquired with the subsidiary	(1,730,232)
Net cash outflow	1,375,856

Impact of acquisition on the results of the Group

If the combination had taken place at the beginning of the period, the loss of the Group would have been \$80,799 and revenue from continuing operations would have been \$2,064,759.

At 30 September 2017, DWX profit since acquisition was \$76,479.

7. TRADE AND OTHER PAYABLES

	30 Sep 2017 \$	31 Mar 2017 \$
Amount owed to Decipher Works owners	2,188,905	-
Trade payables	162,122	50,728
Employee entitlements	134,027	10,574
Other payables	36,842	52,837
	2,521,896	114,139

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

8. CONTRIBUTED EQUITY

	30 Sep 2017 \$	31 Mar 2017 \$
<i>Issued and paid up capital</i>		
Ordinary shares	36,160,631	34,179,407
	36,160,631	34,179,407
	No.	\$
<i>Movement in ordinary shares:</i>		
Opening balance	1,838,886,208	32,654,210
Issue of shares for cash	106,250,000	1,700,000
Share issue costs		(174,803)
Balance at 30 September 2016	1,945,136,208	34,179,407
Opening balance	1,945,136,208	34,179,407
Issue of shares for cash	180,876,934	1,989,646
Share issue costs		(8,422)
Balance at 30 September 2017	2,126,013,142	36,160,631
	No.	\$
<i>Movement in unlisted options over ordinary shares:</i>		
Opening balance	30,000,000	128,979
Vesting of options	-	392,668
Issue of broker's options	7,500,000	53,593
Issue of investor options	53,125,004	-
Balance at 30 September 2016	90,625,004	575,240
Opening balance	90,625,004	575,240
Balance at 30 September 2017	90,625,004	575,240

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

9. RESERVES

	30 Sep 2017	31 Mar 2017
	\$	\$
Available for sale reserve ("AFS")	4,445,862	4,445,862
Share based payment reserve ("SBP")	575,240	575,240
Foreign currency translation reserve (FCTR)	5,122	5,620
	5,026,224	5,026,722

- The AFS reserve represents the cumulative gains and losses including foreign currency gains or losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or determined to be impaired.
- The SBP reserve relates to share options granted by the Company to its employees.
- Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (ie. Australian dollars) are recognised directly in other comprehensive income and accumulated in the FCTR.

10. RELATED PARTIES

There were no transactions with related parties during the half-year other than salary and fee payments to the directors and key management personnel.

11. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half-year.

12. SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the balance date Decipher Works Pty Ltd (DWX), a wholly-owned subsidiary of the Company, announced a 6 month contract extension with one of its major clients in addition to a number of other growth initiatives. DWX also announced a broadening of its services to encompass the insurance industry.

Subsequent to the balance date TSN has appointed Robyn Large, to the position of Financial Controller.

Subsequent to the balance date TSN paid DWX owners \$458,592 on 27 November 2017.

13. CONTINGENCIES

The Group has no contingencies at the balance date.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

14. COMMITMENTS

The Group has operating lease commitments in relation to office premises. The existing commitments in relation to non-cancellable operating leases at reporting dates were:

	30 Sep 2017 \$	30 Sep 2016 \$
Payable within 1 year	109,200	36,716
Between 1 and 5 years	94,350	-
Total	203,550	36,716

The Group has an agreement for the provision of corporate advisory services. The existing commitments in relation to those services at reporting dates were:

	30 Sep 2017 \$	30 Sep 2016 \$
Payable within 1 year	-	49,000
Between 1 and 5 years	-	-
Total	-	49,000

Independent Auditor's Review Report

To the Members of Transaction Solutions International Limited

We have reviewed the accompanying half-year financial report of Transaction Solutions International Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 30 September 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

To the Members of Transaction Solutions International Limited (Continued)



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transaction Solutions International Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2017 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 30th day of November 2017