

# **Transaction Solutions International Limited**

***ABN 98 057 335 672***

## **Appendix 4E - Preliminary Final Report**

1. The current reporting period is for the 12 months ended 31 March 2018 and the previous period is for the 12 months period ended 31 March 2017.
2. Results for announcement to the market.

	<b>1 April 2017 to 31 March 2018</b>	<b>1 April 2016 to 31 March 2017</b>	<b>% Change</b>
	\$	\$	
2.1 Revenue from ordinary activities.	2,363,281	91,766	2475%
2.2 Profit (loss) from ordinary activities after tax attributable to members.	(586,597)	(1,302,870)	55%
2.3 Net profit (loss) for the year attributable to members.	(586,978)	(1,297,250)	55%
2.4 Amount per security and franked amount per security of final and interim dividend.	No dividends have been paid or provided for during the year.		
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.	Refer to the financial statements and the notes that follow in this report.		

### 3. Consolidated statement of profit or loss and other comprehensive income

	Notes	Year ended 31 March 2018 \$	Year ended 31 March 2017 \$
<b>Continuing operations</b>			
Rendering of services		2,319,721	-
Finance income		33,190	51,685
Other income		10,370	40,081
		<b>2,363,281</b>	<b>91,766</b>
Employee benefits expense		(1,889,090)	(421,802)
Business Acquisition costs		(51,247)	-
Due diligence		(125,596)	-
Depreciation and amortisation expenses		(5,606)	(1,067)
Finance costs		(28,953)	-
Share-based payment expense		-	(392,668)
Other expenses		(849,386)	(579,099)
Loss before tax		(586,597)	(1,302,870)
Income tax expense		-	-
<b>Loss for the year from continuing operations</b>		<b>(586,597)</b>	<b>(1,302,870)</b>
<b>Other comprehensive income/(expense), net of income tax – items that may subsequently be reclassified to profit or loss</b>			
Foreign currency movement in translation of foreign operations		(381)	5,620
Movement in fair value of available for sale assets	12	-	-
<b>Total comprehensive gain/(loss) for the year attributable to members</b>		<b>(586,978)</b>	<b>(1,297,250)</b>
<b>Loss per share</b>		<b>Cents</b>	<b>Cents</b>
From continuing operations			
Basic loss per share		(0.03)	(0.07)
Diluted loss per share		(0.03)	(0.07)

#### 4. Consolidated statement of financial position

	Notes	31 March 2018 \$	31 March 2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalent		1,490,028	2,537,646
Trade and other receivables		946,322	44,217
Other assets		26,486	10,410
<b>TOTAL CURRENT ASSETS</b>		<b>2,462,836</b>	<b>2,592,273</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale financial assets	12	9,750,000	9,750,000
Plant and equipment		35,155	3,339
Goodwill	13	3,163,057	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,948,212</b>	<b>9,753,339</b>
<b>TOTAL ASSETS</b>		<b>15,411,048</b>	<b>12,345,612</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		337,837	114,139
Provisions		250,339	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>588,176</b>	<b>114,139</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible note		647,223	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>647,223</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,235,399</b>	<b>114,139</b>
<b>NET ASSETS</b>		<b>14,175,649</b>	<b>12,231,473</b>
<b>EQUITY</b>			
Contributed equity		36,643,831	34,179,407
Reserves		5,093,071	5,026,722
Accumulated losses	10	(27,561,253)	(26,974,656)
<b>TOTAL EQUITY</b>		<b>14,175,649</b>	<b>12,231,473</b>

## 5. Consolidated statement of cash flows

	Notes	Year ended 31 March 2018 \$	Year ended 31 March 2017 \$
<b>Cash flows from operating activities</b>			
Receipt from customers		2,051,167	40,283
Payments to employees		(1,864,654)	(414,110)
Payment to suppliers		(964,538)	(598,068)
Income taxes paid		(48,507)	-
Interest received		39,580	47,845
<b>Net cash used in operating activities</b>		<b>(786,952)</b>	<b>(924,050)</b>
<b>Cash flows from investing activities</b>			
Net cash outflow on acquisition of business		(1,427,105)	-
Acquisition of property, plant and equipment		(24,758)	(2,023)
<b>Net cash used in investing activities</b>		<b>(1,451,863)</b>	<b>(2,023)</b>
<b>Cash flows from financing activities</b>			
Proceeds from convertible notes		670,000	-
Proceeds from the issue of shares		530,000	1,700,000
Share issue costs		(8,422)	(121,211)
<b>Net cash provided by financing activities</b>		<b>1,191,578</b>	<b>1,578,789</b>
<b>Net decrease in cash held</b>		<b>(1,047,237)</b>	<b>652,716</b>
<b>Cash at the beginning of the year</b>		<b>2,537,646</b>	<b>1,883,929</b>
Effect of exchange rates on cash balances		(381)	1,001
<b>Cash at the end of the year</b>		<b>1,490,028</b>	<b>2,537,646</b>

Consolidated statement of cash flows includes continuing and discontinued operations.

## 6. Consolidated statement of changes in equity

	Contributed equity	Convertible note reserve	Share based payment reserve	Foreign currency translation reserve	Available for sale reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 April 2016</b>	<b>32,654,210</b>	-	<b>128,979</b>	-	<b>4,445,862</b>	<b>(25,671,786)</b>	<b>11,557,265</b>
Net loss for the year	-	-	-	-	-	(1,302,870)	(1,302,870)
Other comprehensive income for the year	-	-	-	5,620	-	-	5,620
Total comprehensive income for the year	-	-	-	5,620	-	(1,302,870)	(1,297,250)
Issue of shares	1,700,000	-	-	-	-	-	1,700,000
Share issue costs	(174,803)	-	53,593	-	-	-	(121,210)
Share based payments	-	-	392,668	-	-	-	392,668
<b>Balance at 31 March 2017</b>	<b>34,179,407</b>	-	<b>575,240</b>	<b>5,620</b>	<b>4,445,862</b>	<b>(26,974,656)</b>	<b>12,231,473</b>
Net loss for the year	-	-	-	-	-	(586,597)	(586,597)
Other comprehensive income for the year	-	-	-	(381)	-	-	(381)
Total comprehensive income for the year	-	-	-	(381)	-	(586,597)	(586,978)
Convertible note reserve	-	51,730	-	-	-	-	51,730
Issue of shares	2,519,646	-	-	-	-	-	2,519,646
Share issue costs	(55,222)	-	-	-	-	-	(55,222)
Share based payments	-	-	15,000	-	-	-	15,000
<b>Balance at 31 March 2018</b>	<b>36,643,831</b>	<b>51,730</b>	<b>590,240</b>	<b>5,239</b>	<b>4,445,862</b>	<b>(27,561,253)</b>	<b>14,175,649</b>

## **7. Significant accounting policies**

### **a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Transaction Solutions International Limited and its controlled entities. The Group has control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and ceases when the Company loses control of the subsidiary. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent has control.

#### *Accounting for subsidiaries in parent financial statements*

The investments in subsidiaries are measured at costs less any accumulated impairment.

### **b) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, with limited exceptions. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If that amount is less than the fair value of the net identifiable assets, the difference is recognised directly in the profit and loss as a bargain purchase.

### **c) Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note b above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **d) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for license fees, rebates and other similar allowances.

#### *Rendering of services*

Revenue from the rendering of services is recognised as follows:

- Fixed price support contracts are recognised at the end of each month based on the monthly contractual fee;
- Time and material support contracts and projects are recognised at contractual rates and labour hours delivered;

- Fixed price projects are recognised by reference to the state of completion of the contract based on milestones met multiplied by the total value of the project;
- License revenue on charged to a customer is recognised when licenses are paid to the supplier.

#### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### **e) Employee benefits**

Employee benefits such as salary and wages are measured at the rate at which the Group expects to settle the liability; and recognised during the period over which the employee services are being rendered.

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### **f) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight line basis.

#### **g) Income tax**

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *Deferred tax*

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

#### **h) Other taxes**

Revenues, expenses and assets are recognised net of the amount of indirect taxes except:

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

The net amount of taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the indirect tax component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of indirect taxes recoverable from, or payable to, the taxation authority.

#### **i) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The weighted average number of shares outstanding during the reporting period represents the equity structure of the legal parent, i.e. Transaction Solutions International Limited ("TSI Limited").

#### **j) Financial instruments**

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. The de-recognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

The financial instruments of the group comprise of (i) cash and cash equivalents; (ii) trade and other receivables; (iii) loans and receivables; and (iv) trade and other payables.

#### **k) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of valuation techniques. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

#### **l) Issued capital**

Issued and paid up capital are recognised at the consideration received by the Group.

Expenses (including the tax effect) incurred directly in relation to the issue of the equity instruments are deducted from equity.



**m) Available for sale financial assets**

The investments in equity instruments of other entities (other than subsidiaries) are designated as available-for-sale (AFS) financial assets.

AFS financial assets are initially recognised at their fair value plus their transaction costs. After initial recognition AFS financial assets are measured at fair value with gains or losses including any related foreign currency component, being recognised in other comprehensive income and as a separate component of equity until the asset is derecognised or until the asset is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

**8. Dividend payments**

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

**9. Dividend reinvestment plans**

There are no dividend or distribution reinvestment plans in operation.

**10. Accumulated losses**

	31 March 2018 \$	31 March 2017 \$
<b>Accumulated losses</b>		
Balance at beginning of year	26,974,656	25,671,786
Loss for the year	586,597	1,302,870
<b>Balance at end of the year</b>	<b>27,561,253</b>	<b>26,974,656</b>

**11. Net tangible assets per security**

	31 Mar 2018 Cents	31 Mar 2017 Cents
Net tangible assets per security	0.51	0.63

**12. Available for sale financial assets**

	31 Mar 2018 \$	31 Mar 2017 \$
24.89% shareholding in TSI India opening balance	9,750,000	9,750,000
Movement in fair value of shareholding in TSI India	-	-
	<b>9,750,000</b>	<b>9,750,000</b>

The fair value of investments in TSI India has not been finalised at the time of this report. It will be disclosed in the annual report when released.

### **13. Goodwill**

TSI acquired 100% of Decipher Works Pty Ltd, a cyber security specialist located in Sydney, NSW on 23 August 2017 for \$5.1 million resulting in goodwill of \$3.2 million. More detailed information will be provided in the annual report.

### **14. Joint venture**

Not applicable.

### **15. Foreign Entities – Controlled entities, TSI Investments (Mauritius) Pty Limited**

The consolidated group includes TSI Investments (Mauritius) Pty Limited, a company incorporated in Mauritius. The financial reports of the foreign entity in the Group have been prepared under International Financial Reporting Standards (IFRS).

### **16. Commentary on Results**

The Group's principal activity during the year was the operation of Decipher Works Pty Ltd, a cyber security specialist and to hold a minority investment in TSI India and seek other business opportunities with the objective of enhancing shareholder value.

The Group recorded an after-tax loss for the year of \$568,597 (2017: \$1,302,870). The loss is attributable to costs associated with business development activities and other costs associated with the operation of a publicly listed company in Australia.

At the end of the year the overseas assets of the Group are converted to Australian dollars at the prevailing rates of exchange. For accounting purposes, a foreign currency translation reserve credit adjustment of \$381 (2016: credit adjustment of \$5,620) was recognised against those assets as a result of movement in those exchange rates during the year.

At the end of the year the carrying value of the Groups investment in TSI India is reviewed and translated to Australian dollars at the spot rate of exchange and any movement over the year is taken to the AFS asset reserve. The movement for the year has not yet been determined (2017: nil)

The Company is continuing to look for and review other investment opportunities which may enhance shareholder value.

### **17. Events subsequent to the Balance date**

Subsequent to the balance date a valuation of TSI India is currently underway. Once approved by the auditors and the board of directors, the results will be updated and disclosed in the annual report when released.

No other matters or circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations or the state of affairs of the Group in the future financial years.

### **18. Progress of Audit / Review**

This Appendix 4E is based on a Financial Report that is in the process of being audited.

### **19. Audit Dispute or Qualification**

None.