



TRANSACTION SOLUTIONS INTERNATIONAL

SHAPING SECURE PAYMENTS

ABN 98 057 335 672

**2018**

**ANNUAL REPORT**

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## Corporate Directory

### Directors

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

### Company secretary

Phillip MacLeod

### Registered office

108 Forrest Street  
Cottesloe, WA 6011

### Principal office

8-12 Market Street  
Fremantle, WA 6160

### Auditors

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

### Contact details

Telephone: +61 8 9430 5033

### Bankers

Australia and New Zealand Banking  
Group Limited

### Stock exchange listing

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

### Share registry

Computershare Investor Services Pty Ltd  
Level 11  
172 St Georges Terrace  
Perth, WA 6000

Telephone: 1300 787 272

International: +61 8 9323 2000

## Review of operations

The Company's principal activities are:

- **Cybersecurity Services:** the provision of cybersecurity services to banks, insurance providers and large enterprises by Decipher Works Pty Ltd
- **ATM Managed Services:** the holding of a non-controlling interest in Transaction Solutions International (India) Private Limited ("TSI India"), a company installing and managing a network of ATMs on behalf of major banks in India.

### OPERATING RESULTS

#### *Cybersecurity Services*

The Company ("TSN") entered into cybersecurity services with the 100% acquisition of Decipher Works Pty Ltd ("DWX") on 23 August 2017 for a total consideration of \$5.1 million.

Since the acquisition, DWX has increased its revenue by approximately 20% and continues to generate profit and positive cash flow.

The profit contributed by DWX for the 7 months between August 2017 and March 2018 reduced the Group's after-tax loss from \$1,302,870 for 2017 to \$586,597 for 2018. The loss is attributable to costs associated with corporate activities and other costs associated with the operation of a public listed company in Australia.

Furthermore, the cash generated by DWX enabled the Group to achieve positive cash flow from operations of \$93,490 for Q4 FY2018.

Apart from contributing positive cash flow to TSN, DWX is also a strong foundation to build TSN's cybersecurity business. TSN is evaluating acquisition opportunities that are complementary to DWX in order to strengthen its market position and grow its revenue base.

TSN's cybersecurity strategy includes continued focus on:

- growing DWX organically by expanding its customer base, geographic footprint and managed services business;
- acquiring complementary businesses that provide synergies to DWX's business; and
- research and development activities to create proprietary intellectual property.

#### *ATM Managed Services*

TSN continued to hold its 24.89% non-controlling interest in TSI India.

On 1 May 2017, after conducting an extensive review and valuation of the TSI India business, along with independent accountants and its advisory firm, TSN announced that it has decided not to exercise the exclusive option agreement that it entered with CX Partners to purchase the remaining 75.11% equity of TSI India.

During the financial year, the ATM market continued to recover from the disruptions caused by the demonetisation introduced by the Indian government in November 2016. Based on data from Reserve Bank of India, currency notes in circulation as at 31 March 2018 has exceeded pre-demonetisation levels, after a 48% decline caused by the demonetisation. Correspondingly, daily ATM transaction volumes have almost recovered to pre-demonetisation levels, with a difference of less than 3.5% as at 31 March 2018, compared to the pre-demonetisation peak.

The recovery of ATM transaction volumes have resulted in improvement of TSI India's financial position since the demonetisation.

As the market showed recovery during the financial year, TSI India recorded positive EBITDA and cash flow from operations for 2018.

At the end of the year, the Directors reviewed the carrying value of the Groups investment in TSI India. An independent experts report was obtained and the Directors resolved to carry the investment at \$15,340,000 (2017: \$9,750,000 refer to Notes to the financial statements – note 9). The increase in the carrying value in TSI India reflects the improvement in its financial performance compared to 2017.

The movement over the year of \$5,590,000 (2017: nil) was taken to the available for sale asset reserve.

## Directors' Report

Your directors of Transaction Solutions International Limited ("**TSI Limited**") submit herein the annual financial report of the Company for the financial year ended 31 March 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows.

### DIRECTORS

The names of the Company's directors and secretary in office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

#### **Mr Gary Foster – Non-executive Chairman (from 1 April 2017), Managing Director (to 31 March 2017)**

Mr Gary Foster was instrumental in building one of the largest independent electronic transaction companies in Australia. Mr Foster oversees all subsidiaries of the Group and its business units. These include companies in Australia, Mauritius and an investment in India.

Mr Foster has been in executive leadership and management roles for three financial and e-transaction payment companies and is co-founder of the Group business.

Mr Foster is a member of the Australian Institute of Company Directors.

During the three year period to the end of the financial year Mr Foster has held a directorship in Pearl Global Pty Ltd (February 2018 – present).

#### **Mr Paul Boyatzis – Non-executive Chairman (to 31 March 2017), Non-executive Director (to 30 June 2017)**

Mr Boyatzis has over 30 years' experience in the commercial, investment and equity markets, and in particular, with emerging growth companies within the financial services and mining sectors.

Mr Boyatzis is a member of the Australian Institute of Company Directors, the Securities and Derivatives Industry Association and CPA Australia. He has served as Chairman and Director of a number of public and private companies globally.

During the three year period to the end of the financial year Mr Boyatzis has held a directorship in Nexus Minerals Limited (October 2006 – present), Ventnor Resources Limited (September 2010 – present) and Aruma Resources Limited (January 2010 – present).

#### **Mr Yew Seng Kwa – Non-executive Director (to 30 June 2017)**

Mr Yew Seng Kwa has acted as the senior finance executive for public listed companies in Australia and Hong Kong. Mr Yew Seng Kwa has extensive experience of all aspects in financial management, strategic planning, project development and transaction based business operations of multi-national companies.

Mr Yew Seng Kwa has a Bachelor of Commerce and a Master of Administration degree. He is a member of the Institute of Chartered Accountants in Australia.

Mr Yew Seng Kwa has not held any other directorships of publicly listed companies in the last three years.

#### **Mr Gernot Abl – Non-executive Director (from 30 June 2017)**

Mr Gernot Abl is currently the Managing Director of ASX listed, eSports Mogul Asia Pacific Limited. He currently holds directorships in several technology start-ups.

His career background is in corporate advisory, where he held roles at Deloitte Australia, assisting in the restructuring of distressed companies. Some of his previous clients included Crown, Government of Victoria, Government of WA, Department of Health, Western Power and Tattersalls.

Gernot holds a Commerce/Law degree from the University of Western Australia.

During the three year period to the end of the financial year Mr Abl has held a directorship in Exports Mogul Asia Pacific Ltd (November 2016 – present).

#### **Mr Jeffrey Lai – Executive Director (from 30 June 2017)**

Mr Jeffrey Lai brings more than 25 years of experience in the financial services and technology sectors.

He was previously Managing Director of Accenture, where he provided advice and solutions to banks in Southeast Asia. Prior to that, he was Managing Director of Arthur D. Little, focused on the financial services and technology sectors across Asia Pacific and Middle East.

During the course of his career, he has worked in most countries across Asia, where he has an extensive network in the financial services and technology sectors.

He holds an Engineering degree (University of Melbourne) and MBA (INSEAD).

Mr Jeffrey Lai has not held any other directorships of publicly listed companies in the last three years.

#### **Mr Phillip MacLeod – Company Secretary**

Mr MacLeod has over 25 years commercial experience and has held the position of company secretary with listed public companies since 1995. Mr MacLeod has provided corporate, management and accounting advice to Australian and international public companies involved in the resource, technology, healthcare and property industries.

Mr MacLeod is a Fellow of the Governance Institute of Australia, a member of the Australian Institute of Company Directors and a member of CPA Australia.

### **DIRECTORS' INTEREST**

As at the date of this report, the Directors interest in the securities of Transaction Solutions International Limited are as follows:

Director	Director's Interest	
	Shares (Nos.)	Options (Nos.)
Paul Boyatzis	122,482,581	-
Gary Foster	176,158,478	-
Yew Seng Kwa	2,248,000	-

### **NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

The principal activity of the Group during the year was the operation of Decipher Works Pty Ltd, a cyber security company and to hold a non-controlling interest in TSI India, a business network of operating bank automated teller machines and bill payment systems in India.

### **RESULTS OF OPERATIONS**

The operating loss after income tax of the Group for the year was \$586,597 (2017: loss of \$1,302,870).

The basic and diluted loss per share for the Group for the year was 0.03 cents (2017: loss 0.07 cents).

No dividend has been paid during the year, nor is it recommended for the year ended 31 March 2018. (2017: Nil)

## FINANCIAL POSITION

The net assets of the Group have increased by \$7,543,176 since 31 March 2017 to \$19,765,649. This is largely the result of an operating loss incurred during the year of \$586,597, an increase in share equity of \$2,464,424, net of issue costs and an increase in the Group's reserves of \$66,349.

The Group's working capital, being current assets less current liabilities, was \$1,874,660 at 31 March 2018 (2017: \$2,478,134).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year not otherwise dealt with in this report.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

Subsequent to the balance date no 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.

## LIKELY DEVELOPMENTS

The Group will focus on the business strategies and prospects outlined in the Review of Operations section of this report. These activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be able to be achieved. If any or all of these activities are or are not successfully completed, the Group's financial prospects may materially change. Therefore the Board is unable to provide any further comment on likely developments or expected results.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

## SHARE OPTIONS

Options over ordinary shares of the Group as at the reporting date are as follows:

Date granted	Expiry date	Fair value per option at grant date	Exercise price	Number of options
24 August 2016	30 June 2018	.020	.030	53,125,004
24 August 2016	30 June 2018	.020	.030	7,500,000
28 March 2018	03 April 2020	.008	.017	48,181,818
28 March 2018	03 April 2020	.008	.020	5,000,000

53,181,818 options were issued by the Company after balance sheet date for private placement of funds received on 28 March 2018. 48,181,818 options were issued as free attaching options as part of the placement on the basis of 1 option for every 1 share held. A further 5,000,000 options were issued to the broker managing the placement.

No option holder has any right under the options to participate in any other share issue of the Group or of any other controlled entity. No options were exercised during the year. 30,000,000 options expired during the year.



## INDEMNIFICATION OF AUDITORS AND DIRECTORS

Under its Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

No indemnity was implemented in respect of auditors.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under legislation such as section 237 of the Corporations Act of Australia for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Group entity with leave of the court under such legislation.

## NON-AUDIT SERVICES

The auditors' of the Group have been engaged to provide certain taxation related services during the year. The details of their remuneration have been presented in note 3 to the financial statements.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 March 2018 has been received and is included in this financial report.

## DIRECTORS MEETINGS

The number of meetings attended by each Director of the Company during the year was:

Director	Eligible Number of meetings	
	Held	Attended
Gary Foster	4	4
Paul Boyatzis	1	1
Yew Seng Kwa	1	1
Jeffrey Lai	3	3
Gernot Abl	3	3

## Remuneration Report (Audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

### Key Management Personnel

The KMP of the Group during the current year and the prior financial year were:

Name	Role
Mr. Gary Foster	Chairman, non-executive director (appointed 1 April 2017)
Mr. Paul Boyatzis	Non-executive director (resigned 30 June 2017)
Mr. Yew Seng Kwa	Non-executive director (resigned 30 June 2017)
Mr. Jeffrey Lai	Chief executive officer (appointed 20 March 2017), Executive director (appointed 30 June 2017)
Mr Gernot Abl	Non-executive director (appointed 30 June 2017)

Except as noted the named persons held their current position for the whole of the financial year and since the end of the financial year.

### Remuneration policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the business, the size of the management team, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- the Group is currently focused on business development and contract implementation activities; and
- risks associated with companies at this stage of development.

### Executive Remuneration

The Group's remuneration policy for executives is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

#### *Fixed Remuneration*

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

### Non-Executive Director Remuneration

The Board policy is to remunerate Non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Director's fees paid to Non-executive directors accrue on a daily basis. Fees for Non-executive directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group and Non-executive directors may in limited circumstances receive incentive options in order to secure their services.

### Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Company's share price or movement in the share price over the financial year. As a result of the Group's development activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly the Group does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (e.g. return of capital).

### Impact of Earnings on Key Management Personnel Remuneration

The Board has focused the Group's efforts on finding and completing new business opportunities. The Board considers that the prospects of the Group and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings. Accordingly, the Board may pay a bonus to directors or executives based on the success in generating suitable new business opportunities. A further bonus may also be paid upon the successful completion of a new business acquisition.

### Remuneration of KMPs

Details of the nature and amount of each element of the emoluments of each director of the Group are as follows:

Year ended 31 March 2018	Short term benefits Salary & fees	Post-employment Benefits	Equity Compensation Benefits	Total	Compensation based on performance
	\$	\$	\$	\$	%
Paul Boyatzis**	18,000	-	-	18,000	-
Gary Foster	72,000	-	-	72,000	-
Yew Seng Kwa**	12,500	-	-	12,500	-
Jeffrey Lai	157,654	42,346	-	200,000	-
Gernot Abl*	27,000	-	-	27,000	-
<b>Total</b>	<b>287,154</b>	<b>42,346</b>	<b>-</b>	<b>329,500</b>	<b>-</b>

\*appointed 30 June 2017

\*\*resigned 30 June 2017

Year ended 31 March 2017	Short term benefit Salary & fees	Post-employment Benefits	Equity Compensation Benefits	Total	Compensation based on performance
	\$	\$	\$	\$	%
Paul Boyatzis	130,050	-	-	130,050	-
Gary Foster	197,945	18,805	-	216,750	-
Yew Seng Kwa	54,795	5,205	-	60,000	-
Jeffrey Lai*	7,025	667	-	7,692	-
<b>Total</b>	<b>389,815</b>	<b>24,677</b>	<b>-</b>	<b>414,492</b>	<b>-</b>

\*appointed 20 March 2017

#### Options: Granted and vested to KMPs

Year ended 31 March 2018	Opening Balance Nos.	Number acquired during the year Nos.	Granted as remuneration Nos.	Expired Nos.	On leaving Group Nos.	Closing Balance Nos.
Paul Boyatzis**	-	-	-	-	-	-
Gary Foster	-	-	-	-	-	-
Yew Seng Kwa**	-	-	-	-	-	-
Jeffrey Lai	-	-	-	-	-	-
Gernot Abl*	-	312,500	-	-	-	-
<b>Total</b>	-	<b>312,500</b>	-	-	-	-

\*appointed 30 June 2017

\*\*resigned 30 June 2017

Mr Gernot Abl's options were acquired prior to directorship in TSN.

Year ended 31 March 2017	Opening Balance Nos.	Number acquired during the year Nos.	Granted as remuneration Nos.	Expired Nos.	On leaving Group Nos.	Closing Balance Nos.
Paul Boyatzis	-	-	-	-	-	-
Gary Foster	-	-	-	-	-	-
Yew Seng Kwa	-	-	-	-	-	-
Jeffrey Lai*	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

\*appointed 20 March 2017

#### Share-based compensation arrangement to KMPs

There were no share-based payments to KMPs during the year; however, per Mr Jeffrey Lai's service agreement, he was eligible to receive 7,500,000 options upon achieving performance hurdles. It was decided by the board and Mr Lai that advice would be sought on whether the structure was appropriate for Mr Lai and Company.

#### Shareholding of KMPs

Year ended 31 March 2018	Balance at 1 April 2017 Nos.	At appointment date Nos.	At resignation/ leaving Group date Nos.	Other Nos.	Balance at 31 March 2018 Nos.
Paul Boyatzis**	122,482,581	-	(122,482,581)	-	-
Gary Foster	175,658,478	-	-	500,000	176,158,478
Yew Seng Kwa**	3,500,000	-	(3,500,000)	-	-
Jeffrey Lai	-	-	-	-	-
Gernot Abl*	-	-	-	-	-
<b>Total</b>	<b>301,641,059</b>	-	<b>(125,982,581)</b>	<b>500,000</b>	<b>176,158,478</b>

\*appointed 30 June 2017

\*\*resigned 30 June 2017

Year ended 31 March 2017	Balance at 1 April 2016	At appointment date	At resignation/ leaving Group date	Other	Balance at 31 March 2017
	Nos.	Nos.	Nos.	Nos.	Nos.
Paul Boyatzis	122,482,581	-	-	-	122,482,581
Gary Foster	175,658,478	-	-	-	175,658,478
Yew Seng Kwa	3,500,000	-	-	-	3,500,000
Jeffrey Lai*	-	-	-	-	-
<b>Total</b>	<b>301,641,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,641,059</b>

\*appointed 20 March 2017

### Service agreements

The Company has a formal service agreement with Mr Jeffrey Lai, Chief Executive Officer. His agreement commencement date was 20 March 2017 with a 3 month probation period. Remuneration is \$200,000 inclusive of superannuation guarantee. Other benefits include mobile phone and laptop computer. Post probation period incentive package to include options with a 3 year term subject to achievement of performance hurdles to be agreed.

### Performance of the Company for the last five years

The performance of the Company and the impact on shareholder wealth are noted below:

	31 Mar 18	31 Mar 17	31 Mar 16	31 Mar 15	31 Mar 14
	\$	\$	\$	\$	\$
Revenue	2,363,281	91,766	125,127	290,929	3,646,941
Net profit / (loss) before tax	(586,597)	(1,302,870)	(993,967)	(808,001)	(7,532,237)
Net profit / (loss) after tax	(586,597)	(1,302,870)	(993,967)	(808,001)	(7,532,237)
	Cents	Cents	Cents	Cents	Cents
Share price at beginning	1.70	3.40	0.40	0.50	0.60
Share price at the end	0.80	1.70	3.40	0.40	0.50
Dividends paid	-	-	-	-	-
Basic earnings per share	(0.03)	(0.07)	(0.06)	(0.05)	(0.42)
Diluted earnings per share	(0.03)	(0.07)	(0.06)	(0.05)	(0.42)

The Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Jeffrey Lai  
Perth, 22<sup>nd</sup> June 2018

## Directors' Declaration

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

In the opinion of the directors:

- (a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

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

Signed in accordance with a resolution of the Directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors



Jeffrey Lai

Perth, 22<sup>nd</sup> June 2018

**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 March 2018**

	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 payments	17	-	(392,668)
Other expenses		(849,386)	(579,099)
<b>Loss before tax</b>	5	<b>(586,597)</b>	<b>(1,302,870)</b>
Income tax expense	5	-	-
<b>Loss for the year from continuing operations</b>		<b>(586,597)</b>	<b>(1,302,870)</b>
<b>Other comprehensive income (net of tax) – items that may subsequently be reclassified to profit or loss</b>			
Foreign currency movement in translation of foreign operations	16	(381)	5,620
Movement in fair value of available for sale assets	9	5,590,000	-
Other comprehensive income		5,589,619	5,620
<b>Total comprehensive income/(loss) for the year attributable to members</b>		<b>5,003,022</b>	<b>(1,297,250)</b>
<b>Loss per share</b>		<b>Cents</b>	<b>Cents</b>
<b>From continuing operations</b>			
Basic loss per share	6	(0.03)	(0.07)
Diluted loss per share	6	(0.03)	(0.07)

This statement should be read in conjunction with accompanying notes to the accounts

## Consolidated statement of financial position

### As at 31 March 2018

	Notes	31 March 2018	31 March 2017
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,490,028	2,537,646
Trade and other receivables	8	946,322	44,217
Prepayments		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	9	15,340,000	9,750,000
Plant & equipment	10	35,155	3,339
Goodwill	11	3,163,057	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,538,212</b>	<b>9,753,339</b>
<b>TOTAL ASSETS</b>		<b>21,001,048</b>	<b>12,345,612</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	337,837	95,873
Provisions	13	250,339	18,266
<b>TOTAL CURRENT LIABILITIES</b>		<b>588,176</b>	<b>114,139</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible note	14	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>19,765,649</b>	<b>12,231,473</b>
<b>EQUITY</b>			
Contributed equity	15	36,643,831	34,179,407
Reserves	16	10,683,071	5,026,722
Accumulated losses		(27,561,253)	(26,974,656)
<b>TOTAL EQUITY</b>		<b>19,765,649</b>	<b>12,231,473</b>

This statement should be read in conjunction with accompanying notes to the accounts



## Consolidated statement of cash flows

### For the year ended 31 March 2018

	Notes	Year ended 31 March 2018 \$	Year ended 31 March 2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,051,167	40,283
Payments to employees		(1,864,654)	(414,110)
Payments 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>7</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 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 and cash equivalents at the beginning of the financial year</b>		<b>2,537,646</b>	<b>1,883,929</b>
Effect of exchange rates on cash balances		(381)	1,001
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7</b>	<b>1,490,028</b>	<b>2,537,646</b>

This statement should be read in conjunction with accompanying notes to the accounts

## Consolidated statement of changes in equity

### For the year ended 31 March 2018

	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)	5,590,000	-	5,589,619
Total comprehensive income for the year	-	-	-	(381)	5,590,000	(586,597)	5,003,022
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>10,035,862</b>	<b>(27,561,253)</b>	<b>19,765,649</b>

This statement should be read in conjunction with accompanying notes to the accounts

# Notes to the financial statements

## For the year ended 31 March 2018

### 1. General information

#### (a) Corporate information

Transaction Solutions International Limited (the "Company") is a company domiciled in Australia. These consolidated financial statements comprise Transaction Solutions International Limited, a company incorporated in Australia and its subsidiaries including the Company as at and for the year ended 31 March 2018.

The Company's principal activity during the year was the operation of Decipher Works Pty Ltd, a cyber security specialist and to hold a non-controlling interest in TSI India, a company installing and managing a network of ATMs on behalf of major banks in India.

This financial report was approved and was authorised for issue by the Directors on the date of the Directors' declaration.

#### (b) Components of the Group

The Group financial statements represent the financial position of Transaction Solutions International Limited, and the other entities within the Group at 31 March 2018 and their financial performance, cash flows and changes in equity for the year ended on that date.

The Group comprises of the following entities:

		Extent of control	
	Incorporation	31 Mar 2018	31 Mar 2017
<u>Accounting parent</u>			
Transaction Solutions International Limited (“TSI Limited)	Australia		
<u>Controlled entities</u>			
Decipher Works Pty Ltd	Australia	100%	
Transaction Solutions International Pty Ltd	Australia	100%	100%
Transaction Solutions International (Mauritius) Pty Limited	Mauritius	100%	100%

The Group retains a non-controlling 24.89% interest in TSI India.

#### (c) Basis of preparation

The financial statements have been prepared on the basis of historical costs, unless specifically stated otherwise in the notes. Cost is based on the fair value of the consideration given or received at the time of the transaction.

The financial statements have been presented in Australian dollars.

#### (d) Statement of compliance

These financial statements are 'for-profit' general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

**(e) Critical accounting judgements and key sources of estimation and uncertainty**

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Fair value measurements - Valuation of Available for Sale investments*

The Group has investments in unlisted shares that are not traded in an active market but that are classified as Available for Sale (AFS) financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 9. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses where the losses exceed prior revaluation increments, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

*Benefit from carried forward tax losses*

The future recoverability of the carried forward tax losses are dependent upon the Group's ability to generate taxable profits in the future in the same tax jurisdiction in which the losses arise. This is also subject to determinations and assessments made by the taxation authorities. The recognition of a deferred tax asset on carried forward tax losses (in excess of taxable temporary differences) is dependent on management's assessment of these two factors. The ultimate recoupment and the benefit of these tax losses could differ materially from management's assessment. (refer Note 5)

*Share-based payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 17.

**(f) Application of new and revised International Financial Reporting Standards (AASBs)**

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 year.

In the current year, the Group has applied a number of amendments to AASBs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

**Amendments to AASB 107 *Disclosure Initiative***

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of convertible notes (note 14). A reconciliation between the opening and closing balances of these items is provided in note 14. Apart from the additional disclosure in note 14, the application of these amendments has had no impact on the Group's consolidated financial statements.

**Amendments to AASB 112 *Recognition of Deferred Tax Assets for Unrealised Losses***

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

#### Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.	
AASB 9	Financial Instruments <sup>1</sup>
AASB 15	Revenue from Contracts with Customers (and the related Clarifications) <sup>1</sup>
AASB 16	Leases <sup>2</sup>
Amendments to AASB 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to AASB 10 and AASB 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors have yet to assess the potential impact of the standards not yet adopted.

## 2. 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) Translation of foreign operations**

The functional currencies of each individual component of the Group are their respective economic currencies.

As at the reporting date the assets and liabilities of foreign operations are translated into the presentation currency at the rate of exchange ruling at the reporting date and the statement of comprehensive income, statement cash flows and statement of changes in equity are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation are recognised in other comprehensive income and accumulated balances are carried forward as a separate component of equity.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is reclassified to profit or loss.

**(e) Transactions in foreign currencies**

In preparing the financial statements of each individual group entity, transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date, and gain or loss in exchange rate movements are recognised in profit or loss.

*Non monetary items*

Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

**(f) 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.

### **(g) 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.

### **(h) 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.

### **(i) Income tax**

#### *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.

### **(j) 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 authority 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.

**(k) 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").

**(l) 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 receivable; (iv) available for sale financial assets (v) Compound instruments and (vi) trade and other payables.

**(m) Cash and cash equivalents**

Cash comprises cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(n) Trade and other receivables**

Receivables are recognised and carried at original costs less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(o) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The assets are depreciated over the following period in the current and prior reporting periods:

	Life
Computer related equipment	2 to 4 years
Office equipment & furniture	5 to 14 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.



Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

**(p) Recoverable amount of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(q) 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.

**(r) Compound instruments**

The component parts of compound instruments (convertible notes) issued by the Company are classified as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

**(s) Trade and other payables**

Liabilities are recognised for amounts to be paid in the future for goods and services received. Liabilities expected to be settled within the normal trading cycle are carried at cost, and those expected to be settled beyond 12 months are measured at amortised cost.

**(t) Share based payment arrangements**

*Share-based payment transactions of the Company*

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, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

**(u) 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.

**(v) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3. Profit and loss items**

	Year ended 31 Mar 2018 \$	Year ended 31 Mar 2017 \$
<b>Loss for the year includes:</b>		
<b>Auditors' remuneration</b>		
Paid/payable to parent entity auditor, Bentleys (WA) Pty Ltd		
For audit and review of financial statements	44,786	32,000
For taxation services	17,000	5,000
	<u>61,786</u>	<u>37,000</u>
 Paid/payable to auditors of subsidiary entities		
For audit and review of financial statements	8,917	7,503
For taxation services	2,313	1,965
	<u>11,230</u>	<u>9,468</u>

## 4. Segment information

### Identification of reportable segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in the capacity of the CODM. Two operating segments have been identified around differences in products and services.

One segment, being holder of a minority interest in TSI India, a specialist in providing solutions in the payments, electronic surveillance and managed services space. The other being a wholly-owned subsidiary, Decipher Works Pty Ltd, a cyber security specialist in identity, access, governance & federation.

	TSI India \$	IT Services \$	Corporate \$	Total \$
<b>Consolidated 31 March 2018</b>				
Segment revenue	-	2,330,091	-	2,330,091
Segment finance revenue	-	2,234	30,956	33,190
Segment expenditure	-	(1,799,991)	(937,068)	(2,737,059)
Segment depreciation	-	(3,844)	(1,762)	(5,606)
Other segment expenses	-	(1,417)	(205,796)	(207,213)
<b>Segment result</b>	-	<b>527,073</b>	<b>(1,113,670)</b>	<b>(586,597)</b>
Included within segment result:				
Interest revenue	-	2,234	30,956	33,190
<b>Segment assets</b>				
Cash and term deposits	-	470,861	1,019,167	1,490,028
Trade and other receivables	-	786,917	14,695	801,612
Work in progress	-	144,710	-	144,710
Other assets	-	19,065	7,421	26,486
Financial assets	15,340,000	-	-	15,340,000
Goodwill	-	3,163,057	-	3,163,057
Plant and equipment	-	31,519	3,636	35,155
<b>Total segment assets</b>	<b>15,340,000</b>	<b>4,616,129</b>	<b>1,044,919</b>	<b>21,001,048</b>
<b>Segment liabilities</b>				
Trade and other payables	-	132,921	123,652	256,573
Provisions	-	309,767	21,836	331,603
Convertible note	-	-	647,223	647,223
<b>Total segment liabilities</b>	-	<b>442,688</b>	<b>792,711</b>	<b>1,235,399</b>
<b>NET SEGMENT ASSETS</b>	<b>15,340,000</b>	<b>4,173,441</b>	<b>252,208</b>	<b>19,765,649</b>

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

### Information about major customers

Included in revenues of \$2.3 million are revenues of approximately \$1.9 million which arose from sales to the Group's largest customers. No other single customers contributed 10% or more to the Group's revenue.

## 5. Income taxes relating to continuing operations

### Income tax recognised in profit or loss:

No income tax is payable by the Group as it recorded losses for income tax purposes for the year.

### Income tax reconciled to the accounting profit

	Year ended 31 Mar 2018 \$	Year ended 31 Mar 2017 \$
Loss for the year from continuing operations	(586,597)	(1,302,870)
Income tax using the Australia tax rate of 27.5% for 2018 and 30.0% for 2017	(161,314)	(390,861)
Adjustment for:		
Effect of different tax rate in Mauritius of 15%	5,843	5,700
Effect of permanent non-deductible items	4,398	1,234,910
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	137,209	(849,749)
Under recognition in prior year of deferred tax assets not brought to account as future income tax benefits	13,864	-
<b>Tax benefit recognised in Statement of profit or loss and other comprehensive income relating to continuing operations</b>	<b>-</b>	<b>-</b>

### Income tax recognised in other comprehensive income

	Year ended 31 Mar 2018 \$	Year ended 31 Mar 2017 \$
Arising on income and expenses reclassified from equity to profit or loss:		
Capital raising costs	(12,149)	-

## Unrecognised deferred tax assets and liabilities

*Deferred tax assets and liabilities are attributable to the following:*

	31 Mar 2018	31 Mar 2017
	\$	\$
Trade and other receivables	-	(12,160)
Trade and other payables	14,025	31,388
Business acquisition costs	38,906	-
Capital raising costs	12,149	-
Employee entitlements	68,843	-
Carried forward tax losses	1,530,398	1,502,039
Net tax assets	1,664,321	1,521,267
Unrecognised tax assets and liabilities	(1,664,321)	(1,521,267)
	-	-

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Group continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the Company in utilising the benefits.

The directors do not consider that the Group would have sufficient taxable profits in the foreseeable future to recoup the tax losses. Hence no deferred tax asset has been recognised.

## 6. Loss per share

	Year ended 31 Mar 2018	Year ended 31 Mar 2017
	\$	\$
Net loss attributable to equity holders from continuing operations	(586,597)	(1,302,870)
Net loss attributable to equity holders from continuing and discontinued operations	(586,597)	(1,302,870)
	<b>No.</b>	<b>No.</b>
Weighted average number of shares for basic and diluted loss per share	2,054,653,475	1,904,881,071
From continuing operations		
Loss per share (cents)	(0.03)	(0.07)

## 7. Cash and cash equivalents

	31 Mar 2018	31 Mar 2017
	\$	\$
Cash and cash equivalent consists of:		
Cash in hand and on demand deposits*	1,490,028	2,537,646
	1,490,028	2,537,646

**Reconciliation of net loss to operating cash flows:**

Net loss for the year	(586,597)	(1,302,870)
<i>Adjustments for:</i>		
Depreciation expense	5,606	1,067
Share based payments	-	392,668
Finance costs	28,953	-
Foreign exchange gains	-	4,619
Business acquisition costs	51,247	-
<i>Movement in working capital items:</i>		
Increase in trade and other receivables	(210,673)	(2,651)
Increase in prepayments	(16,076)	(5,825)
Decrease in trade and other payables	(78,000)	(11,058)
Increase in employee provisions	18,588	-
	<u>(786,952)</u>	<u>(924,050)</u>

\*Includes \$20,000 held as security for credit card facility  
No non-cash financing occurred during the period.

**8. Trade and other receivables**

	31 Mar 2018	31 Mar 2017
	\$	\$
Trade receivables	738,944	-
Work in progress	144,710	-
Security deposits	24,840	25,500
Other receivables	37,828	18,717
	<u>946,322</u>	<u>44,217</u>

The average credit period on the sale of goods and services is 30 days. No interest is charged on trade receivables and an allowance for doubtful debts has not been recognised.

**Age of trade receivables but not impaired**

	31 Mar 2018	31 Mar 2017
	\$	\$
0-30 days	671,954	-
31-60 days	49,390	-
61-90 days	17,600	-
	<u>738,944</u>	<u>-</u>
Average age (days)	<u>41</u>	<u>-</u>

**9. Available for sale financial assets**

	31 Mar 2018	31 Mar 2017
	\$	\$
Shareholding in TSI India	15,340,000	9,750,000
	<u>15,340,000</u>	<u>9,750,000</u>

## Fair value methodology

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 have obtained an independent expert's valuation report to measure the fair value of the investment at balance date. The fair value measurement model is based on the Sum-of-parts methodology comprising the following:

Discounted Cash Flows (DCF) method for valuation of the TSI India business; and

The value of other assets and liabilities of TSI India

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

- The future cash flows for the period of 4.5 years have been applied;
- At balance date, TSI India's existing ATM networks comprise of 13,414 machines installed and managed for three major Indian banks. No growth of ATMs was included in the forecast period and the DCF was adjusted accordingly.
- ATM 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 is different for each bank; therefore, the forecast is based on the 2018 average transactions per month by bank, which is between 1,000 to 5,000;
- Transaction volumes at ATM sites have been assumed to increase 5% year on year over the forecast period and BillPay and E-surveillance revenue is assumed to increase 8% year on year;
- Operating cost assumptions regarding the fixed costs and direct and indirect site expenses have been based on historical expenses of 2018.
- The terminal value of the ATMs at the end of 5 years are computed based on no growth into perpetuity

In addition:

- A pre-tax discount rate of 13.30% 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 7.40%, an equity beta of 1.00 and an equity risk premium of 4.00%.
- The inflation rate has been assumed at 4.5% based on recent historical economic data from, and inflation rate targets set by, the Reserve Bank of India.

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.

### Reconciliation of movement in 'Level 3' financial instruments

	31 Mar 2018	31 Mar 2017
	\$	\$
Balance at the beginning of the year	9,750,000	9,750,000
Movement in fair value of financial instruments	5,590,000	-
	<b>15,340,000</b>	<b>9,750,000</b>

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: Other than a partial reimbursement of costs which expired in June 2015 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

## 10. Plant and equipment

	31 Mar 2018	31 Mar 2017
	\$	\$
<b>Plant and equipment</b>		
At cost	56,984	29,367
Accumulated depreciation	(21,829)	(26,028)
	<b>35,155</b>	<b>3,339</b>
<b>Movement in plant and equipment</b>		
Balance at the beginning of the year	3,339	2,383
Additions during the year	37,422	2,023
Depreciation for the year	(5,606)	(1,067)
Balance at the end of the year	<b>35,155</b>	<b>3,339</b>

## 11. 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.

#### 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
<b>Goodwill arising on acquisition</b>	<b>3,163,057</b>
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 five-year period. A professional revenue growth rate of 15% was used in 2019 with no growth for a further 4 years to extrapolate managements cash flow forecast of ~\$1.2 million 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 carrying value 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 (\$525,264)/\$645,425 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.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

### Net cash outflow arising on acquisition

	\$
Cash paid	3,106,088
Less cash acquired with the subsidiary	(1,730,232)
Net cash outflow	<u>1,375,856</u>

### 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 \$159,829 and revenue from continuing operations would have been \$4,102,237.

At 31 March 2018, DWX profit since acquisition was \$527,073.

## 12. Trade and other payables

	31 Mar 2018	31 Mar 2017
	\$	\$
Trade payables	256,573	95,873
Employee entitlements	81,264	18,266
	<u>337,837</u>	<u>114,139</u>

The trading terms with the creditors generally provide for 30 days credit.

## 13. Provisions

	31 Mar 2018	31 Mar 2017
	\$	\$
Annual Leave	154,830	-
Long Service Leave	75,509	-
Performance Incentive	20,000	-
	<u>250,339</u>	<u>-</u>

## 14. Convertible notes

During the year, the Company offered 2-year Convertible notes to staff, management and directors of the company to be used for working capital and advance further growth opportunities. The company raised \$670,000. The terms of the notes are:

- Immediate draw-down
- 2-year term
- 10% per annum interest accrued and payable at maturity in cash or converted in to shares at the conversion price
- Conversion price of 1.1 cents
- Unsecured

The notes were initially recognise by compounding the future value based on the 2-year term and 10% per annum interest rate. The present value was then calculated using a 15% discount rate, resulting in an equity component of \$51,730. Interest of \$28,953 was expensed in the year.

	01 Apr 2017	Financing cash flows	Non-cash changes	Other changes	31 Mar 2018
	\$	(i)	Equity component	(ii)	\$
Convertible notes	-	670,000	(51,730)	28,953	647,223

(i) The financing cash flows make up the net amount of proceeds in the statement of cash flows.

(ii) Other changes include interest accruals and payments

## 15. Contributed equity

	31 Mar 2018	31 Mar 2017
	\$	\$
<b>Issued and paid up capital</b>		
2,126,013,142* (2017: 1,945,136,208) ordinary shares	36,643,831	34,179,407
	<b>36,643,831</b>	<b>34,179,407</b>

\*Does not include placement shares of 48,181,818 issued after the reporting period; however, the corresponding funds of \$530,000 were received prior to the reporting date and are included in equity.

	Nos.	\$
<b>Movement in ordinary shares</b>		
Opening balance	1,838,886,208	32,654,210
Issued for cash	106,250,000	1,700,000
Costs of issue	-	(174,803)
<b>Balance at 31 March 2017</b>	<b>1,945,136,208</b>	<b>34,179,407</b>
Opening balance	1,945,136,208	34,179,407
Issued for cash	-	2,519,646
Issued on acquisition of DWX	180,876,934	-
Costs of issue	-	(55,222)
<b>Balance at 31 March 2018</b>	<b>2,126,013,142</b>	<b>36,643,831</b>

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

## 16. Reserves

	31 Mar 18	31 Mar 17
	\$	\$
Available for sale reserve	10,035,862	4,445,862
Share based payment reserve	590,240	575,240
Convertible note reserve	51,730	-
Foreign currency translation reserve	5,239	5,620
	<b>10,683,071</b>	<b>5,026,722</b>

### Available for sale reserve

The available for sale 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 are determined to be impaired.

#### *Share based payment reserve*

The share-based payment reserve relates to share options granted by the Company to its employees and brokers. Further information about share-based payments is set out in note 17.

#### *Foreign currency translation reserve*

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 foreign currency translation reserve.

## **17. Share-based payments**

### **Employee share-based payments**

The company has an employee share option plan for directors, executives, and employees of the company and its subsidiaries. The board may in its absolute discretion impose performance criteria that must be satisfied. Once the performance criteria is satisfied, the company must obtain shareholder approval before an option can be granted.

To date, no options have been granted to directors, executives, and employees of the company and its subsidiaries.

### **Non-employee share-based payments**

During the year share-based compensation was granted as part consideration for services performed in a capital raising undertaken by the company.

#### Fair value of share options granted in the year

Name	Granted Nos.	Exercise price	Expiry date	Vesting (from grant date)
Urban Alcorp Pty Ltd	3,750,000	2 cents	03 April 2020	28 March 2018
Jody Rybarczyk	1,250,000	2 cents	03 April 2020	28 March 2018

The input variables used in the Black Scholes option pricing model are as follows:

	Options expiring 03/04/2020
Share price 16/04/2018	0.9 cents
Exercise price	2.0 cents
Expected volatility	101%
Option life	2 years
Dividend yield	0%
Risk-free interest rate	1.50%

\$15,000 was recognised as a capital raising cost against share-based payment reserve in the year in relation to this share-based payment.

Share-based payment arrangements in existence during the current year

Name	Number	Grant date	Expiry date	Exercise price
1 for 2 attaching unlisted	53,125,004	24 August 2016	30 June 2018	3.0 cents
Managing broker	7,500,000	24 August 2016	30 June 2018	3.0 cents
1 for 1 attaching unlisted	48,181,818	28 March 2018	03 April 2020	1.7 cents
Managing broker	5,000,000	28 March 2018	03 April 2020	2.0 cents

Movements in share options during the year

	2018		2017	
	Number of options	Weighted average exercise price CU	Number of options	Weighted average exercise price CU
Balance at beginning of year	90,625,004	2.1	30,000,000	0.5
Issued during the year*	-	-	60,625,004	1.6
Expired during the year	(30,000,000)		-	
Balance at end of year	60,625,004	3.0	90,625,004	2.1

No options were exercised in the year. The share options outstanding at the end of the year had a weighted average remaining contractual life of 3 months (2017: 13.5 months).

53,181,818 options were issued by the Company after the balance sheet date as explained in the Share Options section of the Director's Report (page 8).

## 18. Financial Instruments

### Board policy on financial instruments

The Group's financial instruments arise directly from its operations and through the fund-raising activities. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The financial instruments expose the group to certain risks. The nature and extent of such risks, and the management's risk management strategy are noted below.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Given the nature and size of the business, no formal risk management committees have been established, however responsibility for control and risk management is delegated to the appropriate level of management with the chief executive officer and chief financial officer (or their equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of the operations and financial position of the Group. The Board also reviews risks that relate to operations and financial instruments as required, but at least every six months.

Given the uncertainty as to the timing and amount of cash inflows and outflows, the Group has not implemented any additional strategies to mitigate the financial risks and no hedging has been put in place. As the Group's operations change, the Directors will review this policy periodically going forward.

The Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains.

### Capital Management Policy

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares. The Group is currently examining new business opportunities where acquisition/working capital requirements of a new project may involve additional funding in some format (which may include debt, where appropriate).

The Board manages the paid up share capital as its capital base. (2018: \$36,643,831; 2017: \$34,179,407)

### Fair value of financial instruments

	31 Mar 18	31 Mar 17
	\$	\$
Cash and cash equivalent	1,490,028	2,537,646
Trade and other receivables (1)	946,322	44,217
Available for sale financial assets ( <i>Refer note 9</i> )	15,340,000	9,750,000
Total	17,776,350	12,331,863
Convertible notes	(647,223)	-
Trade and other payables (1)	(588,176)	(114,139)
	<b>16,540,951</b>	<b>12,217,724</b>

(1) The fair values closely approximate their carrying amount on account of the short maturity cycle.

### Credit risk

The Group's credit risks arise from potential default of trade and other receivables. The maximum credit exposure is limited to the carrying amount of trade and other receivables of \$946,322 (2017: \$44,217) at reporting dates.

	31 Mar 18	31 Mar 17
	\$	\$
<b>Ageing analysis of trade and other receivables:</b>		
Recoverable within 3 months	946,322	44,217
Recoverable after 3 months	-	-
Bad and doubtful debts	-	-
<b>Total</b>	<b>946,322</b>	<b>44,217</b>

Trade and other receivables comprise receivables from customers, work in progress and rental bonds. The Board monitors the recoverability through an aged receivable schedule and inputs from the management team.

There are no significant concentrations of credit risks.

### Liquidity risk

The Group's liquidity risks arise from potential inability of the group to meet its financial obligations as and when they fall due, generally due to shortage of cleared funds. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The contractual maturity analysis of the Group's financial liabilities is as follows:

	< 3 months		> 3 months		Total	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Trade and other payables	512,667	114,139	75,509	-	588,176	114,139
Convertible note	647,223	-	-	-	647,223	-
<b>Total outflows</b>	<b>1,159,890</b>	<b>114,139</b>	<b>75,509</b>	<b>-</b>	<b>1,235,399</b>	<b>114,139</b>
Cash and cash equivalents	1,490,028	2,537,646	-	-	1,490,028	2,537,646
Trade and other receivables	921,482	44,217	24,840	-	946,322	44,217
<b>Total inflows</b>	<b>2,411,510</b>	<b>2,581,863</b>	<b>24,840</b>	<b>-</b>	<b>2,436,350</b>	<b>2,581,863</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>1,251,620</b>	<b>2,467,724</b>	<b>(50,669)</b>	<b>-</b>	<b>1,200,951</b>	<b>2,467,724</b>

### Interest rate risk

Interest rate risk is the risk that fair values and cash flows of the Group's financial instruments will be affected by changes in the market interest rates.

The Group's cash and cash equivalents are impacted by interest rate risks. Other receivables and payables have short maturities and are non-interest bearing. Management believes that the risk of interest rate movement would not have a material impact of the Group's operations.

Management periodically reviews the interest rates offered on cash and cash equivalents. The Group's primary objective is on developing the core business rather than earning interest income. The cash balances are invested at the prevailing short-term market interest rates with credit worthy financial institutions.

The sensitivity of the interest bearing financial instruments to a 1% change in market interest rate is:

	31 Mar 18 \$	31 Mar 17 \$
Cash and cash equivalents	1,490,028	2,537,646
	<b>1,490,028</b>	<b>2,537,646</b>
Impact on profit and equity +1% movement	14,900	25,376
Impact on profit and equity -1% movement	(14,900)	(25,376)

### Foreign currency risk

The Group has exposure to Indian Rupees because of the geographical location of the investment.

	31 Mar 18 \$	31 Mar 17 \$
<b>Indian rupee denominated financial instruments</b>		
Available for sale financial assets	15,340,000	9,750,000
	<b>15,340,000</b>	<b>9,750,000</b>
<b>US dollar denominated financial instruments</b>		
Cash and cash equivalents	8,121	50,265
Trade and other payables	(11,742)	(16,507)
	<b>(3,621)</b>	<b>33,758</b>

The Board does not currently engage in hedging these foreign currency risks.

The sensitivity of the foreign currency denominated financial instruments to a 10% change in market exchange rate are:

Impact on profit or loss	31 Mar 18 \$	31 Mar 17 \$
<b>Appreciation of A\$ by 10%</b>		
Indian rupees	1,534,000	975,000
US dollars	(362)	3,376
	<b>1,533,638</b>	<b>978,376</b>
<b>Depreciation of A\$ by 10%</b>		
Indian Rupees	(1,534,000)	(975,000)
US dollars	362	(3,376)
	<b>(1,533,638)</b>	<b>(978,376)</b>

## 19. Key Management Personnel Disclosure

### Key Management Personnel

The KMP of the Group during the current year and prior financial year were:

Name	Role
Mr. Gary Foster	Chairman, non-executive director (Managing director to 31 March 2017)
Mr. Paul Boyatzis	Non-executive director (resigned 30 June 2017)
Mr. Yew Seng Kwa	Non-executive director (resigned 30 June 2017)
Mr. Jeffrey Lai	Executive director (appointed 30 June 2017) Chief executive officer (appointed 20 March 2017)
Mr. Gernot Abl	Non-executive director (appointed 30 June 2017)



All KMP of the Group were in office for the entire year unless stated otherwise.

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	31 Mar 18 \$	31 Mar 17 \$
Short-term employee benefits	287,154	389,815
Post-employment benefits	42,346	24,677
	<b>329,500</b>	<b>414,492</b>

### Loans to Key Management Personnel

There were no loans made to KMPs during the year (2017: Nil)

### Other balances and transactions with Key Management Personnel

The Group offered convertible notes to KMP and employees (see note 14) and did not engage in any other transactions with the KMPs, other than in their capacity as shareholders of the Group.

## 20. Commitments

### Capital commitments:

At 31 March 2018, the Group had no capital commitments.

### Operating lease 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:

	31 Mar 2018	31 Mar 2017
	\$	\$
Payable within 1 year	94,712	31,680
Between 1 and 5 years	59,194	2,640
Beyond 5 years	-	-
<b>Total</b>	<b>153,906</b>	<b>34,320</b>

## 21. Contingent assets and liabilities

At 31 March 2018 there are no contingent assets or liabilities within the Group.

## 22. Events after balance sheet date

Subsequent to the balance date no 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.

## 23. Parent entity information

The following detailed information is related to the parent entity, TSI Limited at 31 March 2018. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	31 Mar 18	31 Mar 17
	\$	\$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	1,032,356	2,539,111
Non-current assets	14,745,200	7,905,220
<b>Total assets</b>	<b>15,777,556</b>	<b>10,444,331</b>
<b>Liabilities</b>		
Current liabilities	286,329	251,469
Non-current liabilities	2,096,589	-
<b>Total liabilities</b>	<b>2,382,918</b>	<b>251,469</b>
<b>Net assets</b>	<b>13,394,638</b>	<b>10,192,863</b>
<b>Equity</b>		
Contributed equity	36,643,831	34,179,407
Reserves	4,390,041	2,579,361
Accumulated losses	(27,639,234)	(26,565,905)
<b>Total equity</b>	<b>13,394,638</b>	<b>10,192,863</b>
<b>Financial Performance</b>		
Profit/(Loss) for the year	(1,073,329)	2,797,844
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>(1,073,329)</b>	<b>2,797,844</b>

No guarantees have been entered into by TSI Limited in relation to the debts of its subsidiaries.

TSI Limited had no commitments to purchase property, plant and equipment or contingent liabilities at year end.

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(WA) Pty Ltd**

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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 audit of the financial statements of Transaction Solutions International Limited for the financial year ended 31 March 2018, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**CHRIS NICOLOFF CA**  
**Director**

Dated at Perth this 22<sup>nd</sup> day of June 2018

## Independent Auditor's Report

### To the Members of Transaction Solutions International Limited

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of Transaction Solutions International Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2018 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(d).

##### Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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# Independent Auditor's Report

To the Members of Transaction Solutions International Limited (Continued)



## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Available for Sale Financial Assets - \$15,340,000</b></p> <p>Refer to Note 9 – Available for sale financial assets</p> <p>We focused on this area and deemed it a key audit matter due to the size of the balance and the inherent judgement involved in determining the fair value of financial instruments with significant unobservable inputs.</p> <p>As at 31 March 2018 the available-for-sale financial assets were valued at \$15,340,000 (2017: \$9,750,000).</p> <p>The available for sale financial assets are “level 3” financial instruments in accordance with the classification under Australian Accounting Standards where values are derived from significant unobservable inputs.</p> <p>The valuation therefore requires a higher degree of judgement.</p> <p>The available for sale financial asset relates to the 24.89% equity interest in Transaction Solutions International (India) Private Limited.</p>	<p>In assessing this key audit matter we involved valuation specialists.</p> <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>➤ Agreeing the existence and number of shares held of available-for-sale security balances at 31 March 2018 to share certificates.</li> <li>➤ Obtaining the independent expert's valuation of available for sale financial assets.</li> <li>➤ We evaluated the methodology for determining the recoverable amount of the investment in Transaction Solutions International (India) Private Limited by comparing the model with generally accepted valuation methodology and accounting standard requirements.</li> <li>➤ We checked the mathematical accuracy of the model and recalculated the recoverable amount.</li> <li>➤ We performed sensitivity analysis on key assumptions such as the discount rate to identify the assumptions relative to the risk of impairment and focus our audit effort thereon.</li> <li>➤ We challenged the key assumptions in the model by: <ul style="list-style-type: none"> <li>➤ Assessing estimated future transactions against existing contractual arrangements and industry trends.</li> <li>➤ Corroborating inputs of the discount rate calculated to external market data.</li> </ul> </li> </ul>

# Independent Auditor's Report

To the Members of Transaction Solutions International Limited (Continued)



Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for Business Combination</b></p> <p>The acquisition of Decipher Works Pty Ltd as disclosed in note 11 of the consolidated financial statements is a key audit matter due to the size of the acquisition (purchase consideration of \$5.096 million) and complexities inherent in a business acquisition. Management has completed a process to allocate the purchase consideration to tangible assets and goodwill. This process involved estimation and judgement of future performance of the business and discount rates applied to future cash flows forecasted.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> <li>➤ Reviewing the acquisition agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management;</li> <li>➤ Assessing the deemed consideration with the terms of the acquisition agreement;</li> <li>➤ Reviewing acquisition date balance sheet to acquisition agreement and underlying supporting documentation;</li> <li>➤ Assessed the fair value of assets and liabilities acquired to the fair value assessment conducted by management;</li> <li>➤ We assessed the appropriateness of the disclosures included in Notes 2(b) and 11 to the financial report.</li> </ul>
<p><b>Accounting for Convertible Notes</b></p> <p>As disclosed in note 14 to the financial statements, the Company has an amount of outstanding convertible note as at 31 March 2018 of \$647,223.</p> <p>Convertible notes are considered to be a key audit matter due to the complexities involved in the recognition and measurement of these instruments.</p>	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none"> <li>➤ Verifying amounts, interest rate and maturity date to the debt agreement and examined terms and conditions of the notes;</li> <li>➤ Assessing the accuracy of historical financial information, examined the mathematical accuracy of calculations, evaluated the valuation technique applied and approach used and evaluated the assumptions used to calculate the discount rate; and,</li> <li>➤ Assessing the adequacy of the disclosures included in Note 14 to the financial statements.</li> </ul>

# Independent Auditor's Report

To the Members of Transaction Solutions International Limited (Continued)



## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 March 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(d), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report

To the Members of Transaction Solutions International Limited (Continued)



- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 March 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



## Independent Auditor's Report

To the Members of Transaction Solutions International Limited *(Continued)*

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### Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 31 March 2018, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads "Bentleys".

**BENTLEYS**  
Chartered Accountants

A handwritten signature in blue ink that reads "Chris Nicoloff".

**CHRIS NICOLOFF CA**  
Director

Dated at Perth this 22<sup>nd</sup> day of June 2018

## CORPORATE GOVERNANCE STATEMENT

Transaction Solutions International Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

### Corporate Governance Compliance

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, have been in place for financial year ended 31 March 2018. The Company has considered the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

### Disclosure of Corporate Governance Practices

#### Summary Statement

	ASX Principles and Recommendations	"If not, why not"
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3	✓	
Recommendation 1.4	✓	
Recommendation 1.5		✓
Recommendation 1.6	✓	
Recommendation 1.7	✓	
Recommendation 2.1		✓
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5		✓
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 4.1		✓
Recommendation 4.2	✓	
Recommendation 4.3	✓	
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 6.2		✓
Recommendation 6.3	✓	
Recommendation 6.4	✓	
Recommendation 7.1		✓
Recommendation 7.2	✓	
Recommendation 7.3		✓
Recommendation 7.4	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3		✓

## Disclosure – Principles & Recommendations

### Principle 1 – Lay solid foundations for management and oversight

*“Companies should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.”*

#### Recommendation 1.1:

A listed entity should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the board and those delegated to management.

#### Disclosure:

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director or CEO is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and/or CEO and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary and Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as required.

The Managing Director and/or CEO and senior executives are delegated the authority to ensure the effective day-to-day management of the business and the Board monitors the exercise of these powers. The Managing Director and/or CEO and senior executives are required to report regularly to the Board on the performance of the Business.

Some Board functions may be handled through Board Committees. These committees are appointed when the size and scale of operations requires. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

#### Recommendation 1.2:

A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

**Disclosure:**

The Company undertakes checks on any person who is considered as a director. These checks may include character, experience, education and financial history and background. Two Directors were appointed to the Board during the year. The Board undertook what it considered to be appropriate checks prior to the appointment of both new Directors.

A profile of each Director is included in the Annual Report and in any notice of meeting where the Director is standing for election or re-election.

**Recommendation 1.3:**

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

**Disclosure:**

The Company has a written agreement with each Director and senior executive which sets out the terms of their appointment. Any material variations to agreements with Directors are disclosed to the ASX.

**Recommendation 1.4:**

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

**Disclosure:**

The Company Secretary is accountable to the Board through the Chair and has a direct line of communication with the Chairman and all Directors. The Company Secretary is responsible for supporting the proper functioning of the Board and its committees where applicable. The role includes, but is not limited to:

- Monitoring the extent that the Board policies and procedures are followed;
- Coordinating the timely completion and despatch of Board and committee agendas and briefing material;
- Advising the Board and committees (where applicable) on governance matters;
- Ensuring the business at Board and shareholder meetings is accurately reflected in the minutes; and
- Assisting with the induction of Directors.

**Recommendation 1.5:**

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them; and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes).

**Disclosure:**

The Board recognises the benefits of having an appropriate blend of diversity on the Board and in all areas of the Group's business and adopted a diversity policy during the year which outlines the Company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees to enhance Company performance. The diversity policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The diversity policy outlines the process by which the Board may set measurable objectives to achieve the aims of its diversity policy, with particular focus on gender diversity within the Company. The Board has not, at this point, established formal measurable objectives for achieving gender diversity. The employees and officers of the Company currently represent a range of ethnicity, cultural background and experience.

Gender diversity table:

	Number of Women	Number of Men
Board	-	3
Senior executive	1	2
Whole organisation	4	18

#### Recommendation 1.6:

A listed entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

#### Disclosure:

The Chairman is responsible for evaluation of the Board and committees as and when considered appropriate. The review is based on the goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance.

No formal review was undertaken during the reporting period. Evaluation of the Board is currently carried out on a continuing and informal basis. A formal process will be put in place when the Board considers it is justified by the level of the Company's operations.

#### Recommendation 1.7:

A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

#### Disclosure:

The Board is responsible for the evaluation of senior executives. No formal periodic review of senior executives was undertaken during the reporting period with evaluation of management carried out on continuing basis by the Chairman. All directors and senior executives report to the Board as to their area of responsibility at each Board meeting, if required.

### Principle 2 – Structure the board to add value

*"A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively."*

#### Recommendation 2.1:

The board of a listed entity should have a nomination committee which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director and disclose:
  - (a) the charter of the committee;
  - (b) the members of the committee; and
  - (c) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

#### Disclosure:

A nomination committee has not been established. The current size and composition of the Board does not allow for a suitably constituted nomination committee and the committee is not warranted given the level of operations of the Company. The role and processes of a nomination committee has been assumed by the full Board. When circumstance require, the Board considers the necessary skills, knowledge and experience of the Board and management and seeks to fill any gaps in these areas as appropriate.

### Recommendation 2.2:

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

#### Disclosure:

The Board has identified that the appropriate mix of skills and diversity required of its members to operate effectively and efficiently is achieved by personnel having substantial skills and experience in international business and finance, banking and ATM service provision, operational management, corporate governance, payments and general technology development and implementation, listed company and equity markets as well as time availability. The current Board composition adequately addresses these areas. If and when there is a change in the Company's business and/or level of operations, the Board will reconsider the skills matrix and ensure the Board has members with the appropriate skills and experience. A profile of each Director setting out their skills, experience and expertise is set out in the Directors Report of the 2018 Annual Report.

### Recommendation 2.3:

A listed entity should disclose the names of the directors considered by the board to be independent and the length of service of each director.

#### Disclosure:

The Company currently has the following Board members:

- Mr Gary Foster                      Non-Executive Chairman      Appointed 25/02/10, Managing Director until 31/03/17
- Mr Jeffrey Lai                      Managing Director              Appointed 30/06/17, CEO from 20/03/17
- Mr Gernot Abl                      Non-Executive Director        Appointed 30/06/17

The Board has assessed the independence status of the directors in terms of the ASX Corporate Governance Council's discussion of independent status and has determined that during the reporting period, Mr Gernot Abl was an independent director.

### Recommendation 2.4:

A majority of the board of a listed entity should be independent directors.

#### Disclosure:

The Company does not have a majority of independent directors.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

### Recommendation 2.5:

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

#### Disclosure:

The Company's Chairman during the reporting period, Mr Gary Foster, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However, the Board believes that the Chairman is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

The role of the Chairman and the CEO are not exercised by the same person.

### Recommendation 2.6:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

#### Disclosure:

A new director is inducted into the Company's policies and processes on engagement. The Company does not have a formal policy or program for professional development of Directors. Directors are expected to maintain and develop their skills and knowledge needed to perform their role effectively. The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

### Principle 3 – Promote ethical and responsible decision-making

*"A listed entity should act ethical and responsibly."*

#### Recommendation 3.1:

A listed entity should have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.

#### Disclosure:

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the Company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the Company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;

- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

## **Principle 4 – Safeguard integrity in financial reporting**

*“A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting”*

### **Recommendation 4.1**

The board of a listed entity should have an audit committee which:

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- (2) is chaired by an independent director, who is not the chair of the board, and disclose:
  - (a) the charter of the committee;
  - (b) the relevant qualifications and experience of the members of the committee; and
  - (c) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

### **Disclosure:**

An Audit Committee has not been established and the role of the Audit Committee has been assumed by the full Board.

The composition of the Board does not currently allow for a properly constituted committee in accordance with the recommendations. When the establishment of a separate Audit Committee is considered justified an appropriate Charter will be adopted.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

### **Recommendation 4.2:**

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **Disclosure:**

The Board requires and has received an appropriate declaration from those people assuming the roles of CEO and CFO before it approves the Company's financial statements for each financial period.

### **Recommendation 4.3:**

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

### **Disclosure:**

The Company's external auditor is invited to and attends the Annual General Meeting. The auditor's presence is made known to the shareholders during the meeting and shareholders are provided with an opportunity to address questions to the auditor.



## Principle 5 – Make timely and balanced disclosure

*“A listed entity should make timely and balanced disclosure of all material matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.”*

### Recommendation 5.1:

A listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.

#### Disclosure:

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy. The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market. The Policy is disclosed on the ASX and Company websites.

## Principle 6 – Respect the rights of shareholders

*“A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.”*

### Recommendation 6.1:

A listed entity should provide information about itself and its governance to investors via its website.

#### Disclosure:

The Company's website ([www.tsnltd.com.au](http://www.tsnltd.com.au)) provides information on the Company including its history business strategy, principles and values and contact details. The Corporate Governance page provides access to the Corporate Governance Statement and Constitution of the Company. ASX announcements and Company reports can be accessed from the website.

### Recommendation 6.2:

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

#### Disclosure:

The Company has not established a formal investor relations program. The Company does actively communicate with its Shareholders in order to identify their expectations and promotes Shareholder involvement in the Company.

### Recommendation 6.3:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

#### Disclosure:

The Company has a Shareholder Communications Policy to ensure a regular and timely release of information about the Company to shareholders. Shareholders are encouraged to attend and participate in general meetings.

### Recommendation 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

#### Disclosure:

Shareholders are able to make contact with and receive communications from both the Company and its share registry.

## Principle 7 – Recognise and manage risk

*“A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.”*

### Recommendation 7.1:

The board of a listed entity should have a committee or committees to oversee risk, each of which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director, and disclose:
  - (a) the charter of the committee;
  - (b) the members of the committee; and
  - (c) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a risk committee or committees that satisfy above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

### Disclosure:

The Company does not have a risk management committee with that role undertaken by the Board. The Company has policies and procedures in place which are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

### Recommendation 7.2:

The board or a committee of the board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.

### Disclosure:

Strategic and operational risks are reviewed at each meeting of the Board. As part of regular reporting procedure, management report to the Board confirming that those risks are being managed effectively.

### Recommendation 7.3:

A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

### Disclosure:

No internal audit function exists. As at the date of this report all functions, roles and responsibilities with regard to risk oversight and management and internal control are undertaken by Management and reviewed by the Board.

### Recommendation 7.4:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

### Disclosure:

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Company's approach to creating long-term shareholder value. The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the cybersecurity industry and investments in India, the Company does not currently have material exposure to environmental and social sustainability risks

## Principle 8 – Remunerate fairly and responsibly

*“A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.”*

### Recommendation 8.1:

The board of a listed entity should have a remuneration committee which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director, and disclose:
  - (3) the charter of the committee;
  - (4) the members of the committee; and
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

### Disclosure:

A Remuneration Committee has not been established. The role of the Remuneration Committee has been assumed by the full Board. When the establishment of a separate Remuneration Committee is considered to be justified the Committee will comply with these recommendations and an appropriate Charter will be adopted.

### Recommendation 8.2:

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

### Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. There are no agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation).

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed periodically to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares options granted at the discretion of the Board and subject to obtaining the relevant approvals.

### Recommendation 8.3:

A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.

### Disclosure:

The Company has not established a policy on this matter. The Company's current option plan only provides for the issue of unlisted options to eligible participants.

KMP are required to comply with the Company's Securities Trading Policy.

## ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 6 July 2018.

### 1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed are:

		Ordinary shares	
		Number	Percentage
1	Bretnall Custodians Pty Ltd	175,990,064	8.09
2	Westedge Investments Pty Ltd	111,482,500	5.13
3	Ilwella Pty Ltd	93,250,000	4.29
4	Athraustos Pty Ltd	90,438,467	4.16
5	SLH Enterprises Pty Ltd	90,438,467	4.16
6	TW Consulting Co Ltd	90,000,000	4.14
7	Whitechurch Developments Pty Ltd	37,100,000	1.71
8	Martin Paul Wilson & Gail Ann Wilson	37,088,795	1.71
9	Amber Lorraine Hansen	29,000,000	1.33
10	Martin Paul Wilson	23,597,702	1.09
11	J H Funky Investments Pty Ltd	22,000,000	1.01
12	Kiril Ruvinsky	21,600,000	0.99
13	Castle Property Developments Pty Ltd	21,399,382	0.98
14	Techforce Personnel Pty Ltd	20,000,000	0.92
15	Cherryl Brayshaw & Belinda Brayshaw	19,779,337	0.91
16	HM Fund Pty Ltd	16,500,000	0.76
17	ACN 125 779 008 Pty Ltd	15,750,000	0.72
18	Stephen Colbeck	15,000,000	0.69
19	Roderick Stuart Howe & Julia Mary Howe	15,000,000	0.69
20	John-Paul Lisica & Helen Lisica & Mark Lisica	14,500,000	0.67
		<b>959,914,714</b>	<b>44.15</b>

### 2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of security holders by size of holding:

		Ordinary shares	
		Number of Shareholders	Number of Shares
1	- 1,000	60	7,666
1,001	- 5,000	36	102,323
5,001	- 10,000	62	567,404
10,001	- 100,000	750	41,400,628
100,001	and over	1,089	2,132,116,939
		<b>1,997</b>	<b>2,174,194,960</b>
The number of shareholders holding less than a marketable parcel of shares are:		<b>632</b>	<b>17,431,942</b>

		Options Expiring 03/04/2020 Exercisable at 1.7 Cents		Options Expiring 03/04/2020 Exercisable at 2 Cents	
		Number of Holders	Number of Options	Number of Holders	Number of Options
1	- 1,000	-	-	-	-
1,001	- 5,000	-	-	-	-
5,001	- 10,000	-	-	-	-
10,001	- 100,000	-	-	-	-
100,001	and over	9	48,181,818	2	5,000,000
		<b>9</b>	<b>48,181,818</b>	<b>2</b>	<b>5,000,000</b>

### 3. VOTING RIGHTS

See Note 15 of the Notes to the Financial Statements.

### 4. SUBSTANTIAL SHAREHOLDERS

As at 5 July 2018, Substantial Shareholder notices have been received from the following:

	Number of Shares
Bretnall Custodians Pty Ltd	175,990,064
Jane Boyatzis	122,482,581

### 5. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

Unlisted Options (2 Cents Exercise Price on or before 3 April 2020)	
Urban Alcorp Pty Ltd	3,750,000
Jody Rybarczyk	1,250,000
<b>TOTAL</b>	<b>5,000,000</b>

### 6. ON-MARKET BUY BACK

There is currently no on-market buy-back program for any of Transaction Solutions International Limited's listed securities.

### 7. RESTRICTED SECURITIES

The Company has 180,876,934 ordinary shares on issue that are subject to voluntary escrow until 23 August 2019.

