

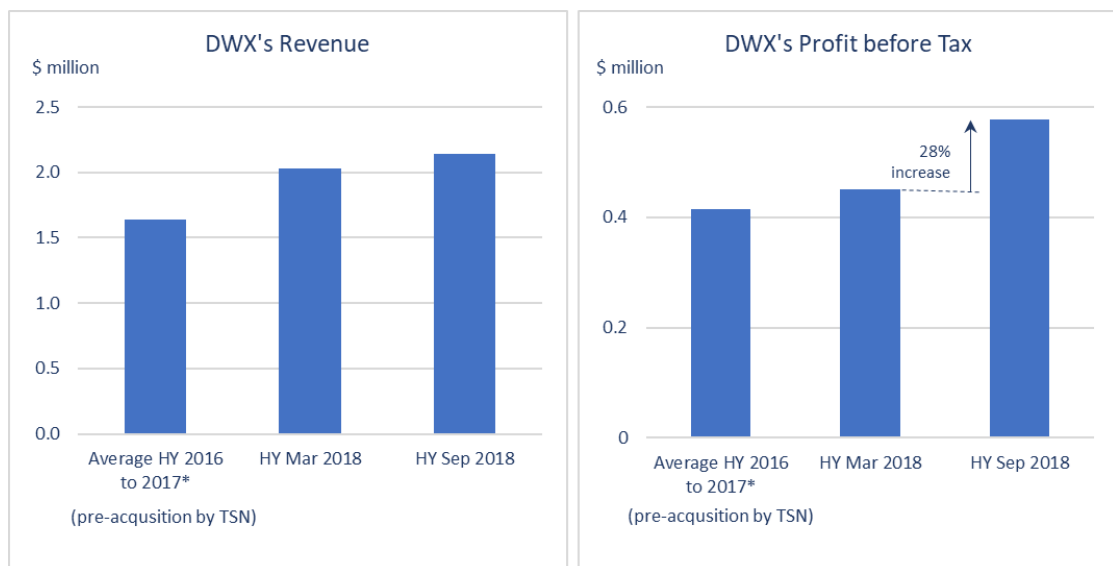
30 November 2018

## Release of Interim Financial Report for Half Year Ended 30 September 2018

The Board of Transaction Solutions International Ltd ("TSN" or "the Company") is pleased to release the Company's Interim Financial Report for Half Year Ended 30 September 2018 (HY Sep 2018).

Key highlights:

- TSN delivers first ever profit before tax of \$71k in HY Sep 2018
- This is an improvement compared to the \$79k net loss recorded in the half year ended 31 March 2018 (HY Mar 2018).
- The profit is primarily due to:
  - 1) Increased profit contribution by Decipher Works (DWX):  
DWX's profit increased to \$351k in quarter ended Sep 2018 from \$226k in the preceding quarter, resulting in a total profit contribution of \$577k for HY Sep 2018, an increase by 28% from HY Mar 2018.



Note: Average half year results between July 2016 and Sep 2017 was used to smooth out fluctuations in revenue and costs, prior to the adoption of the Australian Accounting Standards.

- 2) Lower corporate costs:  
TSN has also reduced its corporate costs by 5.5% to \$510k in HY Sep 2018.

### For more information:

Jeffrey Lai  
Managing Director  
E: [jlai@tsiplc.com.au](mailto:jlai@tsiplc.com.au)



TRANSACTION SOLUTIONS INTERNATIONAL

SHAPING SECURE PAYMENTS

**Interim Financial Report  
for the Half Year Ended  
30 September 2018**

## CORPORATE DIRECTORY

### Directors

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

### Registered Office

108 Forrest Street  
Cottesloe WA 6011

### Principal Office

8-12 Market Street  
Fremantle WA 6160

Telephone: +61 8 9430 5033

### Share Registry

Advanced Share Registry  
110 Stirling Highway  
Nedlands WA 6009  
Australia

Telephone: 1300 113 258  
International: +61 8 9389 8033

### Secretary

Phillip MacLeod

### Auditor

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

### Stock Exchange Listing

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

---

## CONTENTS

	Page
Directors' report	1
Auditor's independence declaration	4
Directors' declaration	5
Condensed consolidated statement of profit or loss and other comprehensive income	6
Condensed consolidated statement of financial position	7
Condensed consolidated statement of cash flows	8
Condensed consolidated statement of changes in equity	9
Notes to the condensed consolidated financial statements	10
Auditor's review report	21

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT

The Directors of Transaction Solutions International Limited present their report on Transaction Solutions International Limited ("TSN" or "the Company") and its' subsidiaries ("the Group") for the half-year ended 30 September 2018 ("HY Sep 2018").

### DIRECTORS

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

Mr Gary Foster  
Mr Jeffrey Lai  
Mr Gernot Abl  
Mr Howard Digby (appointed 12 November 2018)

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

### RESULTS AND REVIEW OF OPERATIONS

#### Operating Results

TSN continues to show positive results since the acquisition of Decipher Works Pty Ltd ("DWX") in August 2017. The Group recorded a profit from continuing operations for HY Sep 2018 of \$70,865 (HY Sep 2017: loss of \$507,566). This is the first time in the history of the Company they have reported a profit.

The principal activities of the Group during HY Sep 2018 were related to DWX's cyber security consulting and managed service business, primarily in identity and access management, to financial institutions and large corporations. Their loyal client base provided repeat and recurring revenue stream to the business.

The Group continued to hold its 24.89% non-controlling interest in Transaction Solutions International (India) Private Limited ("TSI India"), whose business continues to build recurring revenue through the deployment of ATMs on behalf of major banks in India and servicing the financial payments sector through automation of bill payment processes in a market migrating from paper to electronic transactions.

#### Review of Operations

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

For HY Sep 2018, revenue is \$2.1 million, a 5% increase over the previous six-month period to 31 March 2018 ("HY Mar 2018"). Profit before tax is \$0.6 million, a 28% increase over HY Mar 2018. This is largely attributed to DWX's loyal customer base and confidence in DWX's experience and expertise in the industry. DWX's employee's and their dedication are also recognised for their contribution.

DWX is currently pursuing various initiatives to organically expand its business. Most significantly, it has committed to a R&D program for the next 12 months, to develop proprietary intellectual property and technologies to complement its existing service offering and create new scalable, recurring revenue stream.

In addition, TSN continues to pursue acquisition opportunities to grow its business. TSN applies the following qualifying criteria in evaluating and negotiating on acquisition opportunities:

- Strong business fundamentals, with solid customer base, proven revenue, and healthy profit margins;
- Attractive market/industry with future growth potential;
- Earnings and value accretive to existing shareholders; and
- Deal structure to ensure continued commitment to grow the business.

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### *Investment in TSI India – 25% equity interest*

For the half-year ending 30 September 2018 revenue from operations has increased by 1.5% when compared to the same six-month period ending 30 September 2017, due primarily to increase in transaction volume. TSI India has also continued to optimise its cost efficiencies throughout the ATM network. As a result, it achieved positive EBITDA in HY Sep 2018.

During the last 6 months of operations, TSI India continued to focus on improving efficiencies in the ATM business and expanding both E-surveillance business and the payment solutions such as Bharat Bill Payment System (BBPS) and their home-grown payment processing platform, I-pay. TSI India was the first company in India to offer Kiosk based Physical Touch Point for BBPS.

In addition to I-pay, TSI India continues to explore new technologies to complement their ATM business and drive sustained growth in revenue and EBITDA, which would enhance the enterprise value of TSI India.

Lastly, TSI India is also actively exploring options that would increase its value for its shareholders.

### Financial Position

Cash balances as at 30 September 2018 totalled \$1,754,634. Net assets were \$19,831,292, which primarily consisted of the investment in TSI India valued at \$15,340,000 and Goodwill for Decipher Works Pty Ltd, amounting to \$3,163,057.

### SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the balance date the Company appointed Mr. Howard Digby as an independent Non-Executive Director effective 12 November 2018. No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Group.

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### AUDITOR'S INDEPENDENCE DECLARATION

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

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

A handwritten signature in blue ink, appearing to read 'Jeffrey Lai', followed by a colon.

**Jeffrey Lai**  
Director

Perth, 30 November 2018

**Bentleys Audit & Corporate  
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

[bentleys.com.au](http://bentleys.com.au)

To the Board of Directors

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

As lead audit partner for the review of the financial statements of Transaction Solutions International Limited for the half year ended 30 September 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**CHRIS NICOLOFF CA**  
**Partner**

Dated at Perth this 30<sup>th</sup> day of November 2018

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' DECLARATION

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

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 September 2018 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Board



**Jeffrey Lai**  
Director

Perth, 30 November 2018



**TRANSACTION SOLUTIONS INTERNATIONAL LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018

	Note	Half Year ended 30 Sep 2018 \$	Half Year ended 30 Sep 2017 \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Rendering of services		2,046,010	304,010
Finance income		4,728	21,793
Other income		96,339	-
		<b>2,147,077</b>	<b>325,803</b>
<b>Expenses</b>			
Employee benefits expenses		(1,576,450)	(378,270)
Business acquisition costs		-	(46,129)
Due diligence		-	(107,605)
Depreciation expenses		(6,236)	(2,163)
Finance costs		(49,983)	-
Foreign currency gains/(losses)		-	(325)
Share-based payment expense		-	-
Other expenses		(443,543)	(298,877)
<b>Profit/(Loss) before tax</b>		<b>70,865</b>	<b>(507,566)</b>
Income tax		-	-
<b>Profit/(Loss) for the period</b>		<b>70,865</b>	<b>(507,566)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency movement in translation of foreign operations		(1,193)	(498)
<b>Other comprehensive income/(loss) for the period</b>		<b>(1,193)</b>	<b>(498)</b>
<b>Total comprehensive income/(loss) for the period attributable to members</b>		<b>69,672</b>	<b>(508,064)</b>
<b>Earnings/(Loss) per share</b>			
Basic earnings/(loss) per share (cents per share)		0.003	(0.030)
Diluted earnings/(loss) per share (cents per share)		0.003	(0.030)

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

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 SEPTEMBER 2018

		30 Sep 2018	31 Mar 2018
	Note	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,754,634	1,490,028
Trade and other receivables	5	777,762	946,322
Prepayments		304,356	26,486
<b>Total Current Assets</b>		<b>2,836,752</b>	<b>2,462,836</b>
<b>Non-current Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	6	15,340,000	15,340,000
Plant & equipment		39,669	35,155
Goodwill	7	3,163,057	3,163,057
<b>Total Non-current Assets</b>		<b>18,542,726</b>	<b>18,538,212</b>
<b>TOTAL ASSETS</b>		<b>21,379,478</b>	<b>21,001,048</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	569,376	337,837
Provisions		281,604	250,339
<b>Total Current Liabilities</b>		<b>850,980</b>	<b>588,176</b>
<b>Non-Current Liabilities</b>			
Convertible note		697,206	647,223
<b>Total Non-Current Liabilities</b>		<b>697,206</b>	<b>647,223</b>
<b>TOTAL LIABILITIES</b>		<b>1,548,186</b>	<b>1,235,399</b>
<b>NET ASSETS</b>		<b>19,831,292</b>	<b>19,765,649</b>
<b>EQUITY</b>			
Contributed equity	9	36,639,802	36,643,831
Reserves	10	10,681,878	10,683,071
Accumulated losses		(27,490,388)	(27,561,253)
<b>TOTAL EQUITY</b>		<b>19,831,292</b>	<b>19,765,649</b>

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

**TRANSACTION SOLUTIONS INTERNATIONAL LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018

	Note	Half Year ended 30 Sep 2018 \$	Half Year ended 30 Sep 2017 \$
<b>Cash flows from operating activities</b>			
Receipt from customers		2,311,878	315,832
Payments to employees		(1,545,230)	(376,032)
Payments to suppliers		(455,860)	(489,103)
Income taxes paid		-	(104,225)
Interest received		1,590	25,095
<b>Net cash inflow/(outflow) from operating activities</b>		<b>312,378</b>	<b>(628,433)</b>
<b>Cash flows from investing activities</b>			
Net cash inflow on acquisition of business		-	775,496
Payment for plant & equipment		(10,750)	(1,933)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(10,750)</b>	<b>773,563</b>
<b>Cash flows from financing activities</b>			
Share issue costs		(35,829)	(8,422)
<b>Net cash outflow from financing activities</b>		<b>(35,829)</b>	<b>(8,422)</b>
<b>Net increase during the period</b>		<b>265,799</b>	<b>136,708</b>
Cash and cash equivalents at the beginning of the period		1,490,028	2,537,646
Effect of exchange rate movements on foreign currencies		(1,193)	(1,047)
<b>Cash and cash equivalents at the end of the period</b>		<b>1,754,634</b>	<b>2,673,307</b>

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

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018

	Contributed equity	Convertible note reserve	Foreign currency translation reserve	FVOCI reserve	Share- based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 April 2017</b>	<b>34,179,407</b>	<b>-</b>	<b>5,620</b>	<b>4,445,862</b>	<b>575,240</b>	<b>(26,974,656)</b>	<b>12,231,473</b>
<b>Total comprehensive income/(expense) for the period:</b>							
Net profit/(loss) for the period	-	-	-	-	-	(507,566)	(507,566)
Total other comprehensive income/(expense)	-	-	(498)	-	-	-	(498)
Total comprehensive income/(expense) for the period	-	-	(498)	-	-	(507,566)	(508,064)
<b>Transactions with equity holders, recorded directly in equity</b>							
Issue of shares for acquisition of business	1,989,646	-	-	-	-	-	1,989,646
Issue costs	(8,422)	-	-	-	-	-	(8,422)
Total transactions with equity holders	1,981,224	-	-	-	-	-	1,981,224
<b>Balance at 30 September 2017</b>	<b>36,160,631</b>	<b>-</b>	<b>5,122</b>	<b>4,445,862</b>	<b>575,240</b>	<b>(27,482,222)</b>	<b>13,704,633</b>
<b>Balance at 1 April 2018</b>	<b>36,643,831</b>	<b>51,730</b>	<b>5,239</b>	<b>10,035,862</b>	<b>590,240</b>	<b>(27,561,253)</b>	<b>19,765,649</b>
<b>Total comprehensive income/(expense) for the period:</b>							
Net profit/(loss) for the period	-	-	-	-	-	70,865	70,865
Total other comprehensive income/(expense)	-	-	(1,193)	-	-	-	(1,193)
Total comprehensive income/(expense) for the period	-	-	(1,193)	-	-	70,865	69,672
<b>Transactions with equity holders, recorded directly in equity</b>							
Issue of shares for acquisition of business	-	-	-	-	-	-	-
Issue costs	(4,029)	-	-	-	-	-	(4,029)
Total transactions with equity holders	(4,029)	-	-	-	-	-	(4,029)
<b>Balance at 30 September 2018</b>	<b>36,639,802</b>	<b>51,730</b>	<b>4,046</b>	<b>10,035,862</b>	<b>590,240</b>	<b>(27,490,388)</b>	<b>19,831,292</b>

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

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018

### 1. REPORTING ENTITY

Transaction Solutions International Limited, ("TSN", the "Company") is a company domiciled in Australia. The interim financial report of the Group comprising Transaction Solutions International Ltd and its subsidiaries as at and for the six months ended 30 September 2018.

The annual financial report of the Company for the year ended 31 March 2018 is available upon request from the Company's registered office.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended September 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 31 March 2018 and any public announcements made by TSN during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

#### New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies as a result of adopting the following standards:

- AASB 9 *Financial Instruments*, and
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed in this note 2 below. The other standards did not have any impact on the group's accounting policies.

#### AASB 9 *Financial Instruments* – impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 *Financial Instruments* from 1 April 2018 resulted in changes in accounting policies.

The group has reclassified investments from available for sale financial assets of \$15.34 million to financial assets at fair value through other comprehensive income (FVOCI) and this was also reclassified in equity from the available for sale reserve of \$10,035,862 to FVOCI reserve. The result of this reclassification had no impact to retained earnings.

#### AASB 9 *Financial Instruments* - Accounting policy

##### 1. Classification

The Group classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss); and

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

#### 2. *Measurement*

*Financial assets measured at fair value through other comprehensive income*

##### Equity instruments

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 "Business Combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

*Financial assets measure at amortised cost*

##### Debt instruments

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in note (3) Impairment of financial assets.

#### 3. *Impairment*

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

No ECL is recognised on equity investments.

#### **AASB 15 Revenue from Contracts with Customers – impact of adoption**

The Group has adopted AASB 15 *Revenue from Contracts with Customers* which resulted in changes in accounting policies relating to the recognition of revenue.

Following a detailed review of the Group's contracts, Management concluded that the implementation of AASB 15 has no material impact on the method in which the Group recognises revenue. Therefore, there is no requirement to restate revenue reported in prior periods. Accounting policies have been amended to

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

ensure that the five-step method, as defined in AASB 15, is applied consistently to the revenue recognition processes across the Group.

### *AASB 15 Revenue from Contracts with Customers - Accounting policy*

To assess the impact of AASB 15 on the Group, the five-step method was applied to each contract to assess the impact on revenue recognition.

The five-step method for recognising revenue from contracts with customers involves consideration of the following:

1. Identifying the contract with the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to distinct performance obligations
5. Recognising revenue

In terms of impact to the presentation of the consolidated interim financial statements, AASB 15 requires the disaggregation of revenue to provide clear and meaningful information. For the Group, management concluded that presentation of revenue in terms of the method of revenue recognition was most appropriate. Therefore, revenue is disaggregated in the Segment Reporting (Note 4) as amounts recognised at a point in time and over time.

### *IT Services*

IT services provide management, architecture, design, implementation, deployment, managed services support under fixed-price and variable price contracts and sells software licenses. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from the sale of software licenses is recognised at a point in time when the sale occurs or over the license period, usually 12 months.

The group has fixed and variable priced contracts. Fixed price contracts are either a fixed monthly amount over a longer term or a fixed contract amount over a shorter term.

For fixed price, fixed monthly, longer term contracts, revenue is recognised at the fixed monthly amount at the end of each month. These contracts also have additional clauses that specify time spent above a limited number of hours for a specific activity and is recognised as revenue in that month based on the hours over the limit multiplied by the daily rate per the contract.

For fixed price, shorter term contracts, revenue is recognised on the actual service provided or milestones met to the end of the reporting period as a proportion of the total services to be provided or milestones expected.

For variable price contracts, revenue is recognised on the actual service provided to the end of the reporting period based on the actual labour hours spent multiplied by the daily rate per the contract.

Software licenses are purchased from a supplier/partner and then invoiced to the customer. Once the software license is paid to the supplier/partner, the supplier/partner provides us with the license keys and we deploy the software on to the customers infrastructure. After the software is deployed, we may or may not provide managed services support.

Software licenses are usually for a period of one year and are invoiced to us by the supplier/partner annually. The customers are invoiced either at a single point in time or over a period of time resulting in net revenue being recognised at a point in time or over a period of time.

Licenses that are bundled with other services, management has determined that the performance obligation is satisfied over a period of time.

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### *Contract Costs*

Contract costs consist of personnel time and materials consumed and are expensed as they occur.

#### *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.

### 3. COMPONENTS OF THE GROUP

The condensed consolidated financial statements represent the financial position of Transaction Solutions International Limited, and the entities it controlled at 30 September 2018 and their financial performance, cash flows and changes in equity for the half year ended on that date.

The consolidated entity comprises the following entities:

		Extent of control		
	Incorporation	30 Sep 2018	31 Mar 2018	30 Sep 2017
<b>Accounting parent</b>				
Transaction Solutions International Limited ("TSI Limited")	Australia			
<b>Controlled entities</b>				
Decipher Works Pty Ltd	Australia	100%	100%	100%
Transaction Solutions International Pty Ltd	Australia	100%	100%	100%
TSI Investments (Mauritius) Pty Ltd ("TSI Mauritius")	Mauritius	100%	100%	100%



# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 4. SEGMENT REPORTING

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

Revenue from external customers comes from IT services and the sale of software licenses related to cyber security identity and access management (IAM) solutions.

<b>30 Sep 2018</b>	<b>TSI India</b>	<b>IT Services</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue from external customers</b>	-	<b>2,142,349</b>	-	<b>2,142,349</b>
Operating expenses	-	(1,560,915)	-	(1,560,915)
Corporate expenses	-	-	(459,078)	(459,078)
Foreign currency gains/(losses)	-	-	-	-
<b>EBITDA*</b>	-	<b>581,434</b>	<b>(459,078)</b>	<b>122,356</b>

<b>30 Sep 2017</b>	<b>TSI India</b>	<b>IT Services</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue from external customers</b>	-	<b>304,010</b>	-	<b>304,010</b>
Operating expenses	-	(227,333)	-	(227,333)
Corporate expenses	-	-	(449,815)	(449,815)
Foreign currency gains/(losses)	-	(335)	10	(325)
<b>EBITDA*</b>	-	<b>76,342</b>	<b>(449,805)</b>	<b>(373,463)</b>

\*EBITDA is defined as earnings before net finance costs, income tax, depreciation and amortisation, acquisition costs, capital gains/losses and equity accounted results from associate companies.

A reconciliation of EBITDA to operating profit before tax for the period is as follows:

	<b>30 Sep 2018</b>	<b>30 Sep 2017</b>
<b>EBITDA</b>	<b>122,356</b>	<b>(373,463)</b>
Depreciation & Amortisation	(6,236)	(2,163)
<b>EBIT</b>	<b>116,120</b>	<b>(375,626)</b>
Finance income	4,728	21,793
Finance expense	(49,983)	-
Acquisition costs	-	(153,733)
<b>Profit/(Loss) before tax</b>	<b>70,865</b>	<b>(507,566)</b>

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

### 4. SEGMENT REPORTING (CONTINUED)

30 Sep 2018	TSI India	IT Services	Corporate	Total
<b>Segment assets</b>				
Cash and term deposits	-	477,285	1,277,349	1,754,634
Trade and other receivables	-	760,324	17,438	777,762
Prepayments	-	251,098	53,258	304,356
FVOCI	15,340,000	-	-	15,340,000
Plant & equipment	-	37,243	2,426	39,669
Goodwill	-	3,163,057	-	3,163,057
<b>Total segment assets</b>	<b>15,340,000</b>	<b>4,689,007</b>	<b>1,350,471</b>	<b>21,379,478</b>
<b>Segment liabilities</b>				
Trade and other payables	-	465,322	104,054	569,376
Provisions	-	257,923	23,681	281,604
Convertible note	-	-	697,206	697,206
<b>Total segment liabilities</b>	<b>-</b>	<b>723,245</b>	<b>824,941</b>	<b>1,548,186</b>
<b>NET SEGMENT ASSETS</b>	<b>15,340,000</b>	<b>3,965,762</b>	<b>525,530</b>	<b>19,831,292</b>

31 Mar 2018	TSI India	IT Services	Corporate	Total
<b>Segment assets</b>				
Cash and term deposits	-	470,861	1,019,167	1,490,028
Trade and other receivables	-	931,627	14,695	946,322
Prepayments	-	19,065	7,421	26,486
FVOCI	15,340,000	-	-	15,340,000
Plant & equipment	-	31,519	3,636	35,155
Goodwill	-	3,163,057	-	3,163,057
<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	-	203,985	133,852	337,837
Provisions	-	238,703	11,636	250,339
Convertible note	-	-	647,223	647,223
<b>Total segment liabilities</b>	<b>-</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>

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### 5. TRADE AND OTHER RECEIVABLES

	30 Sep 2018	31 Mar 2018
	\$	\$
Trade receivables	595,397	738,944
Work in progress	116,540	144,710
Security deposits	24,840	24,840
Other receivables	40,985	37,828
	<b>777,762</b>	<b>946,322</b>

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.

#### 6. FVOCI

##### Fair value methodology

*TSI India Pvt Limited (TSI India)*

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

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

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

The directors obtained an independent expert's valuation report to measure the fair value of the investments at 31 March 2018. the fair value measurement model was 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 estimated the fair value of the business by discounting the future cash flows arising from the business of TSI India. The application of the DCF method required significant assumptions to be made regarding the various inputs. The key assumptions of the existing business were:
- The future cash flows for the period of 4.5 years have been applied;
- At 31 March 2018, TSI India's existing ATM networks comprised 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)**

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 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.

The Directors have relied upon the 31 March 2018 independent expert valuation report to assess the carrying value at 30 September 2018. The Directors are of the opinion there has been no material change to the investment in the 6-month period and that all assumptions in the valuation remain valid. The Directors have resolved to leave the carrying value unchanged.

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

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

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

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

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

## **7. GOODWILL**

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

Details of this business combination were disclosed in note 11 of the group's annual financial statements for the year ended 31 March 2018.

### **Fair value methodology**

The recoverable amount of the goodwill has been determined using the 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 ~\$1.1 million per year 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 and contracts that are in place and known opportunities in the pipeline.

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 (\$487,193)/\$596,734 and would not result in an impairment.

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

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.

#### 8. TRADE AND OTHER PAYABLES

	30 Sep 2018	31 Mar 2018
	\$	\$
Trade payables	224,292	256,573
Unearned income	260,865	-
Employee entitlements	84,219	81,264
	<b>569,376</b>	<b>337,837</b>

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

#### 9. CONTRIBUTED EQUITY

	30 Sep 2018	31 Mar 2018
	\$	\$
<i>Issued and paid up capital</i>		
Ordinary shares	36,639,802	36,643,831
	<b>36,639,802</b>	<b>36,643,831</b>

##### *Movement in ordinary shares:*

	No.	\$
Opening balance at 01 April 2017	1,945,136,208	34,179,407
Issue of shares for cash	180,876,934	1,989,646
Share issue costs		(8,422)
Balance at 30 September 2017	<b>2,126,013,142</b>	<b>36,160,631</b>
Opening balance at 01 April 2018	2,126,013,142	36,643,831
Issue of shares for cash	48,181,818	-
Share issue costs	-	(4,029)
Balance at 30 September 2018	<b>2,174,194,960</b>	<b>36,639,802</b>

##### *Movement in unlisted options over ordinary shares:*

	No.	\$
Opening balance at 01 April 2017	90,625,004	575,240
Balance at 30 September 2017	<b>90,625,004</b>	<b>575,240</b>
Opening balance at 01 April 2018	60,625,004	590,240
Issue of broker's options	5,000,000	-
Issue of investor options	48,181,818	-
Issue of employee options	30,375,000	-

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

Expired	(60,625,004)	-
Balance at 30 September 2018	<b>83,556,818</b>	<b>590,240</b>

#### 10. RESERVES

	30 Sep 2018 \$	31 Mar 2018 \$
Financial assets at fair value through other comprehensive income reserve ("FVOCI")	10,035,862	10,035,862
Share based payment reserve ("SBP")	590,240	590,240
Convertible note reserve	51,730	51,730
Foreign currency translation reserve (FCTR)	4,046	5,239
	<b>10,681,878</b>	<b>10,683,071</b>

- The FVOCI reserve represents the cumulative gains and losses including foreign currency gains or losses arising on the revaluation of available for sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or determined to be impaired.
- The SBP reserve relates to share options granted by the Company to its employees and brokers.
- Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (ie. Australian dollars) are recognised directly in other comprehensive income and accumulated in the FCTR.
- The convertible note reserve is the difference between the convertible note value of \$670k and the present value calculated using a 15% discount rate of \$618,270.

#### 11. RELATED PARTIES

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

#### 12. DIVIDENDS PAID OR PROVIDED FOR

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

#### 13. SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the balance date the company appointed Mr. Howard Digby as an independent Non-Executive Director effective 12 November 2018. No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the Group.

#### 14. CONTINGENCIES

The Group has no contingencies at the balance date.

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018 (CONTINUED)

#### 15. COMMITMENTS

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

	30 Sep 2018 \$	30 Sep 2017 \$
Payable within 1 year	103,891	109,200
Between 1 and 5 years	11,891	94,350
<b>Total</b>	<b>115,782</b>	<b>203,550</b>

## Independent Auditor's Review Report

### To the Members of Transaction Solutions International Limited

We have reviewed the accompanying half-year financial report of Transaction Solutions International Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 30 September 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

### Directors Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



# Independent Auditor's Review Report

To the Members of Transaction Solutions International Limited (Continued)

---



## Independence

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

## Conclusion

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2018 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**BENTLEYS**  
Chartered Accountants

**CHRIS NICOLOFF CA**  
Partner

Dated at Perth this 30<sup>th</sup> day of November 2018