Transaction Solutions International Limited

ABN 98 057 335 672

Appendix 4E - Preliminary Final Report

1. The current reporting period is for the 12 months ended 31 March 2016 and the previous period is for the 12 months period ended 31 March 2015.

2. Results for announcement to the market.

	1 April 2015 to 31 March 2016	**1 April 2014 to 31 March 2015**	**% Change**
	$	$	
2.1 Revenue from ordinary activities.	125,127	290,929	(57%)
2.2 Profit (loss) from ordinary activities after tax attributable to members.	(993,967)	(808,001)	23%
2.3 Net profit (loss) for the year attributable to members.	3,091,142	(341,880)	1,004%
2.4 Amount per security and franked amount per security of final and interim dividend.	No dividends have been paid or provided for during the year		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	2.3 Net profit for the year attributable to members includes a gain in fair value of the Groups investment in TSI India of $4,105,147. Refer to note 12 for further details.		

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

	Notes	Year ended 31 March 2016 $	Year ended 31 March 2015 $
Continuing operations			
Finance income		49,585	44,351
Other income		75,542	246,578
		125,127	**290,929**
Employee benefits expense		(493,408)	(547,684)
Depreciation and amortisation expense		(2,420)	(4,156)
Share-based payment expense		(128,979)	-
Other expenses		(494,287)	(547,090)
Loss before tax		(993,967)	(808,001)
Income tax expense		-	-
Loss for the year from continuing operations		**(993,967)**	**(808,001)**
Other comprehensive income/(expense), net of income tax – items that may subsequently be reclassified to profit or loss			
Foreign currency movement in translation of foreign operations		4,790	115,193
Movement in fair value of available for sale assets	12	4,105,147	350,928
Merger reserve transferred from accumulated losses		(24,828)	-
Total comprehensive gain/(loss) for the year attributable to members		**3,091,142**	**(341,880)**
Loss per share		**Cents**	**Cents**
From continuing operations			
Basic loss per share		(0.06)	(0.05)
Diluted loss per share		(0.06)	(0.05)

4. Consolidated statement of financial position

	Notes	31 March 2016 $	31 March 2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent		1,883,929	2,120,345
Trade and other receivables		41,566	168,211
Other assets		4,584	5,683
TOTAL CURRENT ASSETS		**1,930,079**	**2,294,239**
NON-CURRENT ASSETS			
Available for sale financial assets	12	9,750,000	5,644,853
Property, plant and equipment		2,383	4,803
TOTAL NON-CURRENT ASSETS		**9,752,383**	**5,649,656**
TOTAL ASSETS		**11,682,462**	**7,943,895**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		125,197	75,171
TOTAL CURRENT LIABILITIES		**125,197**	**75,171**
TOTAL LIABILITIES		**125,197**	**75,171**
NET ASSETS		**11,557,265**	**7,868,724**
EQUITY			
Contributed equity		32,654,210	32,185,790
Reserves		9,094,841	360,753
Accumulated losses	10	(25,671,786)	(24,677,819)
TOTAL EQUITY		**11,557,265**	**7,868,724**

5. Consolidated statement of cash flows

	Notes	Year ended 31 March 2016 $	Year ended 31 March 2015 $
Cash flows from operating activities			
Receipt from customers		193,668	161,437
Payment to suppliers and employees		(927,109)	(1,096,590)
Interest received		30,214	45,625
Net cash used in operating activities		**(703,227)**	**(889,528)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		-	(2,180)
Net cash used in investing activities		**-**	**(2,180)**
Cash flows from financing activities			
Proceeds from the issue of shares		500,000	-
Share issue costs		(31,580)	-
Net cash provided by financing activities		**468,420**	**-**
Net decrease in cash held		**(234,807)**	**(891,708)**
Cash at the beginning of the year		**2,120,345**	**2,896,860**
Effect of exchange rates on cash balances		(1,609)	115,193
Cash at the end of the year		**1,883,929**	**2,120,345**

Consolidated statement of cash flows includes continuing and discontinued operations.

6. Consolidated statement of changes in equity

	Contributed equity $	Share based payment reserve $	Foreign currency translation reserve $	Investments revaluation reserve $	Merger reserve $	Accumulated losses $	Total equity $
Balance at 1 April 2014	**32,185,790**	**454,440**	**(119,983)**	**(10,213)**	**24,828**	**(24,324,258)**	**8,210,604**
Net loss for the year	-	-	-	-	-	(808,001)	(808,001)
Other comprehensive income for the year	-	-	115,193	350,928	-	-	466,101
Total comprehensive income for the year	-	-	115,193	350,928	-	(808,001)	341,878
Share based payments	-	(454,440)	-	-	-	454,440	-
Total transaction with equity holders	-	(454,440)	-	-	-	454,440	-
Balance at 31 March 2015	**32,185,790**	**-**	**(4,790)**	**340,715**	**24,828**	**(24,677,819)**	**7,868,724**
Net loss for the year	-	-	-	-	-	(993,967)	(993,967)
Other comprehensive income for the year	-	-	4,790	4,105,147	(24,828)	-	4,085,109
Total comprehensive income for the year	-	-	4,790	4,105,147	(24,828)	(993,967)	3,091,142
Issue of shares	500,000	-	-	-	-	-	500,000
Share issue cost	(31,580)	-	-	-	-	-	(31,580)
Share based payment	-	128,979	-	-	-	-	128,979
Total transaction with equity holders	468,420	128,979	-	-	-	-	597,399
Balance at 31 March 2016	**32,654,210**	**128,979**	**-**	**4,445,862**	**-**	**(25,671,786)**	**11,557,265**

7. Significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Transaction Solutions International Limited and its controlled entities at each date of the statement of financial position; and during the financial year ending at each reporting date. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to derive benefits from those activities.

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 cease to be consolidated from the date on which control is transferred out of the Group.

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 accounting parent has control.

b) Revenue

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

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.

c) 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.

d) 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.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight lines basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

e) Income tax

Current tax

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

Deferred tax

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

f) Other taxes

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

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

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

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

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

g) 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").

h) Financial instruments

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

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

i) Share-based payments

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

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

j) 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.

k) Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

8. Dividend payments

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

9. Dividend reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

10. Accumulated losses

	31 March 2016 $	31 March 2015 $
Accumulated losses		
Balance at beginning of year	24,677,819	24,324,258
Expiry of options	-	(454,440)
Loss for the year	993,967	808,001
Balance at end of the year	**25,671,786**	**24,677,819**

11. Net tangible assets per security

	31 Mar 2016 Cents	31 Mar 2015 Cents
Net tangible assets per security	0.87	0.44

12. Available for sale financial assets

	31 Mar 2016 $	31 Mar 2015 $
11.22% shareholding in TSI India	4,395,139	2,544,606
Compulsorily convertible debentures in TSI India converted to a 13.67% shareholding in TSI India	5,354,861	3,100,247
	9,750,000	**5,644,853**

During the year the compulsorily convertible debentures in TSI India were converted to a 13.67% shareholding in TSI India

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 investments at balance date.

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

- Discounted Cash Flows (DCF) method for valuation of the TSI India existing ATM business;

- Discounted Cash Flows method for valuation of the Mphasis contract: and

- Cost approach for measurement of other assets and liabilities (such as financial assets and liabilities at balance date).

The DCF method estimates the fair value of the business by discounting the future cash flows arising from the existing business of TSI India and the Mphasis contract recently entered into by 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 5 years have been applied;

- At balance date, TSI India's existing ATM networks comprise of 2,052 machines installed for three major Indian banks. Over the forecast period an additional 1,250 ATMs are expected to be installed across all three banks and the DCF is adjusted for this expected increase.

- TSI India's revenue is primarily generated in the form of fee per ATM transaction. This fee varies among the banks and also the location of the ATM machines. A range based on historical averages has been applied.

- The transaction volumes per ATM machines have historically ranged from 3,000 to 5,000 on a monthly basis. The DCF valuation model has been based on a reasonable estimate of 4,000 transactions per month.

- Transaction volumes at ATM sites have been assumed to increase 8% year on year over the forecast period;

- Operating cost assumptions regarding the fixed costs and direct and indirect site expenses have been based on historical expenses of FY2015 and FY2016.

- The terminal value of the ATMs at the end of 5 years are computed based on no growth into perpetuity

The key assumptions of the Mphasis contract are;

- 8,123 ATMs are currently active in the financial year 2017 and are expected to remain active in the financial years 2018 to 2021

- ATM revenue is earned on a standard fee per transaction basis, similar to that of the existing ATM business revenue.

- An average 157 transactions per day per ATM has been forecast for the financial year ended 31 March 2017. This is consistent with the assumptions used for the existing ATM business.

- Growth estimate of 8% year on year between the financial years 2018 and 2021.

- TSI India will be liable for all operating and maintenance costs associated directly with the operating of the ATMs. Operating costs have been categorised as direct, indirect and other. Site rental and electricity expenses are projected to increase by 5% and 3%

annually, respectively. The remaining direct fixed expenses are inflation indexed at 5.18% per annum based on India's inflation rate over the past year. As a result of forecast increase in revenue variable expenses have been assumed to increase by 8% per annum.

- There are no capital expenditure costs and no terminal value has been determined for the contract

In addition:

- A discount rate of 15.00% has been applied based on the cost of equity. This discount rate has been applied having regard to Indian Government's 10 year bond yield at 7.47%, an equity beta of 0.93 to 1.07 and an equity market risk premium of 7.00%.

- The inflation rate has been assumed at 5.18% based on recent historical economic data from the Reserve Bank of India.

During the year CX Partners completed tranche 2 of their investment resulting in the CCDs conversion to 25,785,488 shares in TSI India. The Group retains a 24.89% shareholding.

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.

13. Joint venture

Not applicable.

14. Foreign Entities – Controlled entities, TSI Investments (Mauritius) Pty Limited

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

15. Commentary on Results

The Group's principal activity during the year was to hold a minority investment in TSI India and seek other business opportunities with the objective of enhancing shareholder value.

The Group recorded an after tax loss for the year of $993,967 (2015: $808,001). The loss is attributable to costs associated with business development activities and other costs associated with the operation of a publicly listed company in Australia.

At the end of the year the overseas assets of the Group are converted to Australian dollars at the prevailing rates of exchange. For accounting purposes a foreign currency translation reserve credit adjustment of $4,790 (2015: credit adjustment of $115,193) was recognised against those assets as a result of movement in those exchange rates during the year.

At the end of the year the carrying value of the Groups investment in TSI India is reviewed and translated to Australian dollars at the spot rate of exchange and any movement over the year is taken to the AFS asset reserve. The movement for the year was credit $4,105,147 (2015: credit movement of $350,928)

Other than holding its investment in TSI India the Company is continuing to look for and review other investment opportunities which may enhance shareholder value.

16. Events subsequent to the Balance date

On 1 April 2016 an agreement between TSI India, in which the Company holds a 24.89% equity investment, and an IT company based in India came into effect resulting in the number of ATMs under the ownership/management of TSI India increasing from 2,052 to over 13,000.

Under the agreement TSI India will operate from two managed services and support delivery centres providing capacity for the management of up to 50,000 plus ATMs. Additionally, the managed services platform will assist in allowing for growth in e-payment and m-payment services enhancing the customer experience across its network. The managed services platform also allows TSI India to substantially increase its product offerings and expand into the area of fin-tech innovation, such as digital payments, financial inclusion and the remittance markets.

Other than the above 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.

17. Progress of Audit / Review

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

18. Audit Dispute or Qualification

None.