

Transaction Solutions International Limited

ABN 98 057 335 672

Appendix 4D – 30 September 2013 Half-Year Report

1. Reporting Period

The current reporting period is the period ended 30 September 2013 and the previous corresponding period is for the period ended 30 September 2012.

2. Results for Announcement to the Market.

	30 Sep' 2013	30 Sep' 2012	% Change
	\$	\$	
2.1 Revenue from ordinary activities (excluding interest income)	30,450	-	n/a
2.2 Profit/(loss) from continuing operations after tax attributable to members.	(655,257)	(561,086)	16.78
2.3 Net profit/(loss) for the period attributable to members.	(655,257)	(561,086)	16.78
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report – Financial Report for the Half-Year Ended 30 September 2013.		

3. Net Tangible Assets per Security

	30 Sep'2013	30 Sep' 2012
	Cents	Cents
Net tangible assets per security	0.46	0.51

4. Details of Dividend and Distribution Payments

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

5. Dividend Reinvestment Plans

There are no dividend or distribution reinvestment plans in operation.

6. Associates and Joint Venture Entities

In August 2013 Transaction Solutions International (India) Pvt Limited ceased to be a wholly-owned subsidiary of the Company.

Refer to note 4: "Discontinued operations" in the notes to the financial statements in the Half-year report for details of the transaction.

7. Foreign Entities

The Group includes the following overseas entities:

Transaction Solutions International Ltd (United Kingdom)

8. Audit Dispute or Qualification

None.



TSI

TRANSACTION SOLUTIONS INTERNATIONAL



SHAPING SECURE PAYMENTS

**Interim Financial Report
for the Half Year Ended
30 September 2013**

CORPORATE DIRECTORY

Directors

Paul Boyatzis – Chairman
Gary Foster – Managing Director
Yew Seng Kwa – Executive Director
James Carroll – Non-Executive Director

Secretary

Phillip MacLeod

Registered and Principal Office

41-47 Colin Street
West Perth WA 6005

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Share Registry

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Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Australia

Telephone: 1300 557 010

International: +61 8 9323 2000

Facsimile: +61 8 9323 2033

Solicitors

Fairweather Corporate, Lawyers
595 Stirling Highway
Cottesloe WA 6011

Auditor

Deloitte Touche Tohmatsu
Woodside Plaza, Level 14
240 St Georges Terrace
Perth WA 6000

Bankers

Australia and New Zealand Banking Group Limited

Stock Exchange Listing

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

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TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors of Transaction Solutions International Limited present their report on Transaction Solutions International Limited ("TSI" or "the Company") and its' subsidiaries ("the Group") for the half-year ended 30 September 2013.

DIRECTORS

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

Mr Paul Boyatzis
Mr Gary Foster
Mr Yew Seng Kwa
Mr James Carroll
Mr Simon Cato (resigned 30 August 2013)

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

REVIEW AND RESULTS OF OPERATIONS

Operating Results

The Group's principal activity during the period, through its interest in Transaction Solutions International (India) Private Limited ("TSI India"), was to continue its business of building recurring revenue through the deployment of ATMs on behalf of major banks in India. In addition, TSI India has contracts to service the financial payments sector through automation of bill payment processes in a market that is migrating from paper based to electronic transactions.

On 6 August 2013 the Group completed the divestment of a controlling interest in TSI India. Full details of the divestment are disclosed in note 4 "Discontinued operations" in the notes to the financial statements.

The Group recorded a loss from continuing operations for the half-year ended 30 September 2013 of \$655,257 (2012: loss of \$561,086).

The Group recorded a loss from discontinued operations for the half-year ended 30 September 2013 of \$6,511,439 (2012: loss of \$7,231,517). The loss from discontinued operations comprises a loss of \$65,219 on divestment of a controlling interest in TSI India which occurred on 6 August 2013 and an operating loss for TSI India of \$230,146. On deconsolidation of TSI India from the Group an amount of \$6,216,074 from prior year's foreign currency translation adjustments was transferred from the foreign currency translation reserve to profit or loss.

Review of Operations

During the reporting period TSI India continued to focus on building its core business in India with the assistance of the TSI management team in Australia. The business model is based on the provision and management of automated teller machines and bill payment solutions to major Indian banks and utility companies. TSI India receives a fee per transaction directly from the banks and utility companies for which it deploys the solutions.

In April 2013, the Company finalised an agreement with a significant Indian Investment group, CX Partners. To complete its obligations to the \$22 million transaction, the Company was required to complete a series of conditions precedent to the agreement, which involved all of the Group entities across multiple jurisdictions. Significant management time was required to ensure an expedient settlement process and in August 2013, the Company announced that all conditions had been satisfied and that settlement of funds had been received in settlement from CX Partners.

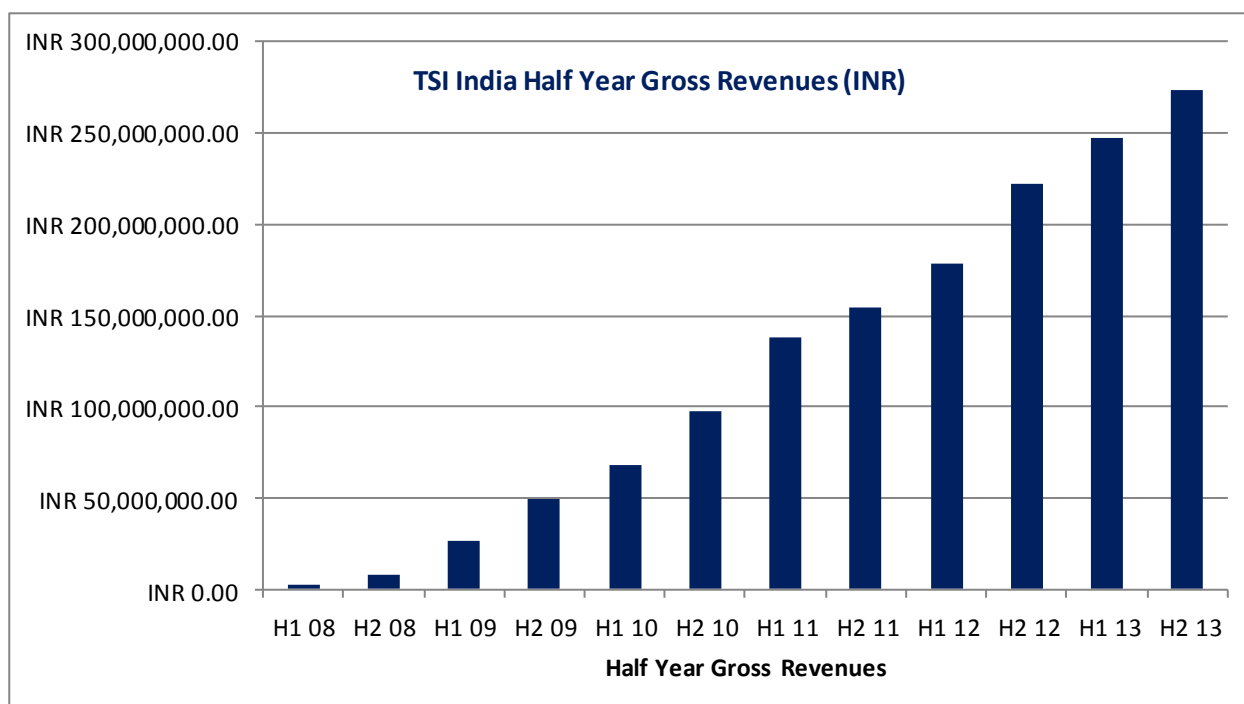
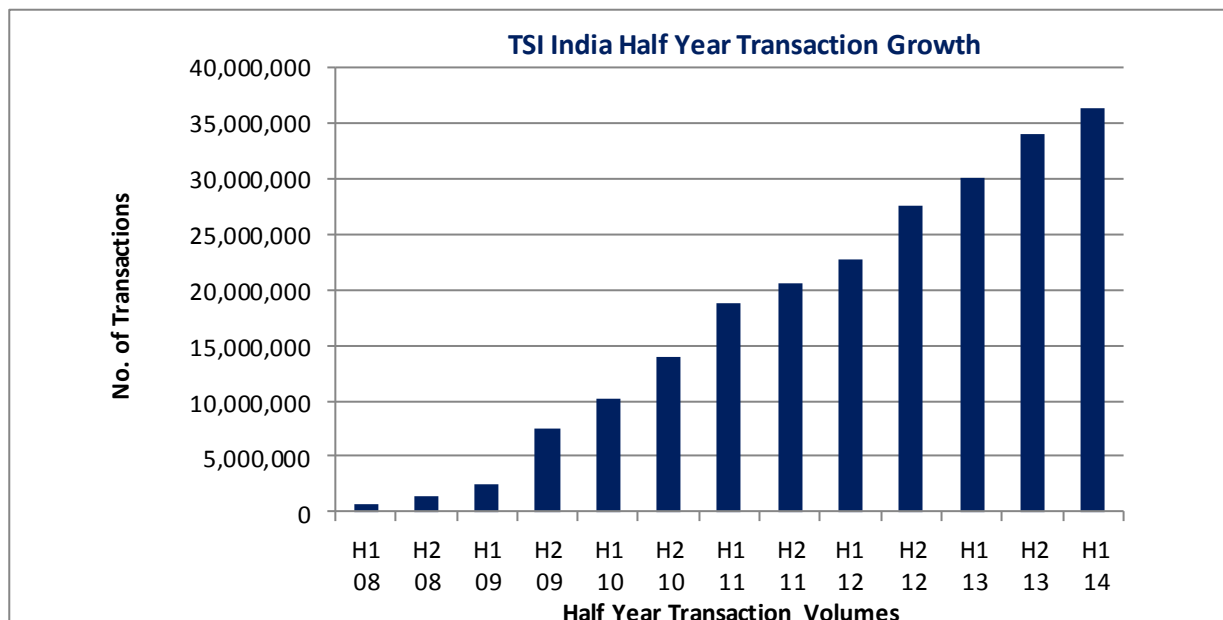
Despite the amount of time required to secure funding for future development, TSI India continued to grow its transactions and revenues throughout the last six months, as indicated below. Transaction volumes increased 6.3% for the six month period, whilst revenues increased 4.23%

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Review of Operations (continued)



India's economy, similar to many developing countries, continued its monetary policy tightening which, along with consistent inflationary pressures, is impacting economic growth. This does provide some challenges for all businesses in India including TSI India and as such, we are focussed on improving overall margins in the business which has been under some pressure. However, management has been proactive in addressing these areas by implementing initiatives to combat some of these external pressures, such as seeking price reviews with banks and discussions revolving around shifting some costs currently incurred by TSI India back to the banks.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Review of Operations (continued)

Whilst TSI India continues to focus on addressing its current network of ATMs, it has positioned itself very well for growth. As a result of the CX Partners deal TSI India now has access to increased capital of approximately \$13.5 million (tranche 1) with approximately \$7.5 million (tranche 2) in further funding to follow within 18 months of tranche 1.

As such, TSI India has aligned part of its strategy to the Reserve Bank of India policy of “banking for the masses” – a series of announcements and policies set by the Reserve Bank of India to bring in another approximate 700 million people in to the banking system. This desired approach means that banks and institutions will be required to expand its bank branch networks and ATM bases to be able to handle larger customer bases.

Current discussions on future opportunities

Along with the country's policy for mass banking, TSI sees a large opportunity to satiate the potential requirement for Indian banks and utility companies to be able to access established and leading edge technologies to assist in handling the next wave of customer growth.

Therefore the Company is reviewing opportunities to leverage off its existing customer base and strong reputation for providing exemplary service and is currently in discussions with western companies that provide e-transaction based solutions, such as mobile and online payments, payment gateways and other I.T. based B2B, B2C solutions.

TSI is looking to research and potentially secure these appropriate western technologies for its current network of Indian bank and utility clients as a second strategy to increase shareholder value. The Company estimates that with its current Indian relationships, there is a potential to initially address over 120 million people, and expand beyond this initial base.

Over the next 6 months, the Company expects that, given the significant cash resources of TSI India, together with the Reserve Bank of India's requirement for bank growth, TSI India is in an enviable position to expediently expand its ATM network. This, coupled with plans for seeking appropriate payment technologies so as to leverage its existing Indian financial networks, we expect to see a sound building of investment value for the Company.

Business Strategies and Prospects

The Company will continue to manage its minority interest in TSI India and seek other investment opportunities with the objective of maximising shareholder value.

Corporate and Financial Position

At 30 September 2013, the Group had cash reserves and current receivables of \$3,338,845 (2012: \$3,748,728).

SUBSEQUENT EVENTS AFTER BALANCE DATE

There have been no material events to report subsequent to the balance date.

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 5 of this financial report.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to be 'Gary P Foster', with a long horizontal stroke extending to the right.

Gary P Foster
Managing Director

Perth, 29 November 2013

The Board of Directors
Transaction Solutions International Limited
47 Colin Street
West Perth WA 6005

29 November 2013

Dear Board Members

Transaction Solutions International Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Transaction Solutions International Limited

As lead audit partner for the audit of the financial statements of Transaction Solutions International Limited for the half year ended 30 September 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

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) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at the 30 September 2013 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Gary P Foster
Managing Director

Perth, 29 November 2013

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

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

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013

	Note	Half Year ended 30 Sep 2013 \$	Half Year ended 30 Sep 2012 \$
Continuing operations			
Revenue			
Finance income		50,730	80,088
Other income		30,450	-
		81,179	80,088
Depreciation and amortisation expenses		(2,189)	(1,001)
Share based payment expenses		(32,705)	(36,789)
Employee benefits expenses		(373,153)	(367,250)
Other expenses		(328,390)	(236,014)
Loss before tax		(655,257)	(561,086)
Income tax benefit		-	-
Net loss for the period		(655,257)	(561,086)
Discontinued operations			
Loss from discontinued operations	4	(6,511,439)	(7,231,517)
Loss for the period		(7,166,696)	(7,792,603)
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency movement in translation of foreign operations		285,413	(394,955)
Movement in fair value of available for sale financial assets		(296,894)	-
Accumulated losses in foreign currency translation reserve transferred to profit or loss on disposal of subsidiary		6,216,074	-
Other comprehensive income/(loss) for the period		6,204,593	(394,955)
Total comprehensive loss for the period attributable to members		(962,103)	(8,187,558)
Loss per share			
From continuing and discontinued operations			
Basic loss per share (cents per share)		(0.40)	(0.44)
Diluted loss per share (cents per share)		(0.40)	(0.44)
From continuing operations			
Basic loss per share (cents per share)		(0.04)	(0.03)
Diluted loss per share (cents per share)		(0.04)	(0.03)

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 2013

		30 Sep 2013	31 Mar 2013
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalent		3,280,706	3,125,771
Trade and other receivables		58,139	84,866
Other assets		49,319	8,071
Assets classified as held for sale	4	-	8,679,175
Total Current Assets		3,388,164	11,897,883
Non-current Assets			
Available for sale financial assets	6	5,007,244	-
Property, plant and equipment		7,918	10,107
Total Non-current Assets		5,015,162	10,107
TOTAL ASSETS		8,403,326	11,907,990
LIABILITIES			
Current Liabilities			
Trade and other payables		126,806	254,488
Liabilities associated with assets classified as held for sale		-	2,447,584
Total Current Liabilities		126,806	2,702,072
TOTAL LIABILITIES		126,806	2,702,072
NET ASSETS		8,276,520	9,205,918
EQUITY			
Contributed equity	7	32,185,790	32,185,790
Reserves	8	49,447	(6,187,851)
Accumulated losses		(23,958,717)	(16,792,021)
TOTAL EQUITY		8,276,520	9,205,918

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 2013

	Note	Half Year ended 30 Sep 2013 \$	Half Year ended 30 Sep 2012 \$
Cash flows from operating activities			
Receipt from customers		2,971,970	4,144,225
Payment to suppliers and employees		(4,531,867)	(4,015,480)
Interest received		74,330	181,421
Interest paid		-	(1,597)
Income tax received		952,670	-
Net cash generated by/(used in) operating activities		(532,896)	308,569
Cash flows from investing activities			
Cash outflow on loss of control of controlled entity			-
Acquisition of property, plant and equipment (Placement of) / receipts from fixed deposits		(433,698) (327,244)	(1,826,746) (576,872)
Proceeds from sale of non-current assets		-	729,773
Proceeds from sale of TSI India	4	12,148,968	-
Acquisition of CCDs in TSI India	4	(11,332,729)	-
Net cash generated by/(used in) investing activities		55,296	(1,673,845)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Cost of share issue		-	-
Net cash generated by financing activities		-	-
Net increase/(decrease) during the period		(477,600)	(1,365,276)
Cash and cash equivalents at the beginning of the period		3,758,306	6,383,560
Effect of exchange rate movements		-	133,594
Cash and cash equivalents at the end of period		3,280,706	5,151,878

	Note	30 Sep 13 \$	31 Mar 2013 \$
Cash and cash equivalents comprise:			
Continuing operations		3,280,706	3,125,771
Discontinued operations		-	632,535
		3,280,706	3,758,306

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 2013

	Contributed equity	Foreign currency translation reserve	Available for sale financial assets reserve	Merger reserve	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$		\$	\$	\$	\$
Balance at 1 April 2012	32,185,790	(5,755,771)	-	24,828	347,710	(7,956,603)	18,845,954
Total comprehensive income/(expense) for the period:							
Net loss for the period	-	-	-	-	-	(7,792,603)	(7,792,603)
Total other comprehensive income/(expense)	-	(394,955)	-	-	-	-	(394,955)
Total comprehensive income/(expense) for the period	-	(394,955)	-	-	-	(7,792,603)	(8,187,558)
Transactions with equity holders, recorded directly in equity							
Share based payment	-	-	-	-	36,789	-	36,789
Total transactions with equity holders	-	-	-	-	36,789	-	36,789
Balance at 30 September 2012	32,185,790	(6,150,726)	-	24,828	384,499	(15,749,206)	10,695,185
Balance at 1 April 2013	32,185,790	(6,634,414)	-	24,828	421,735	(16,792,021)	9,205,918
Total comprehensive income/(expense) for the period:							
Net loss for the period	-	-	-	-	-	(7,166,696)	(7,166,696)
Total other comprehensive income/(expense)	-	6,501,487	(296,894)	-	-	-	6,204,593
Total comprehensive income/(expense) for the period	-	6,501,487	(296,894)	-	-	(7,166,696)	(962,103)
Transactions with equity holders, recorded directly in equity							
Share based payment	-	-	-	-	32,705	-	32,705
Total transactions with equity holders	-	-	-	-	32,705	-	32,705
Balance at 30 September 2013	32,185,790	(132,927)	(296,894)	24,828	454,440	(23,958,717)	8,276,520

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 FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013

1. REPORTING ENTITY

Transaction Solutions International Limited, ("TSI", the "Company") is a company domiciled in Australia. The interim financial report of the Group comprising Transaction Solutions International (UK) Ltd, a company incorporated in the United Kingdom and its subsidiaries including the Company as at and for the six months ended 30 September 2013.

The annual financial report of the Company for the year ended 31 March 2013 is available upon request from the Company's registered office.

2. ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

The interim financial report was approved by the Board of Directors on 28 November 2013.

Assets classified as held for sale and discontinued operations

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.

The financial performance of the discontinued operations (including the comparatives) are presented separately in the profit or loss statement as a single line item.

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. At each reporting date, the AFS financial assets are measured at their fair value. After initial recognition AFS financial assets are measured at fair value with gains or losses 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.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

3. COMPONENTS OF THE GROUP

The condensed consolidated financial statements represent the financial position of Transaction Solutions International Limited, and the entities it controlled at 30 September 2013 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:

	Incorporation	Extent of control		
		30 Sep 2013	31 Mar 2013	30 Sep 2012
Accounting parent				
Transaction Solutions International Limited ("TSI UK Ltd")	United Kingdom	-	-	-
Controlled entities				
Transaction Solutions International Limited ("TSI Limited")	Australia	100%	100%	100%
Transaction Solutions International (India) Private Limited ("TSI India")	India	-	100%	100%
Transaction Solutions International Pty Ltd	Australia	100%	100%	100%
Transaction Solutions International (Mauritius) Pty Limited ("TSI Mauritius")	Mauritius	100%	-	-

4. DISCONTINUED OPERATIONS

a) Divestment of Transaction Solutions International (India) Private Limited ("TSI India")

On 3 December 2012, the Company announced that a letter of intent had been signed with CX Partners Fund 1 Limited ("CX Partners") (a private equity firm in India) to dispose of majority stake in TSI India. Subsequently, on 21 May 2013 shareholders of the Company approved to divest a majority interest in its subsidiary, TSI India to CX Partners through its related entities, Urania Private Limited ("Urania") and the AAJV Investment Trust ("AAJV"). Under the terms of the transaction the CX Partners (through its related entities) agreed to invest a total amount of Rs.1,217 million (approx. \$22 million¹) in TSI India. The investment is to be made in two tranches. The key terms of the share sale agreement are:

- Tranche 1 – CX Partners would invest Rs.805 million (\$14.64 million) by paying TSI Limited Rs.680 million (\$12.36 million) for sale of TSI India shares and subscription of new shares for Rs.125 million (\$2.28 million) in TSI India. Tranche 1 was completed on or around 6 August 2013;
- Tranche 2 – within 18 months' time after completion of tranche 1, CX Partners would invest a further amount of Rs.412 million (\$7.5 million) to subscribe for new shares in TSI India;
- Investment in Compulsory Convertible Debentures (CCDs) – Of the Rs.680 million arising from the sale of TSI India shares, TSI Limited shall subscribe to CCDs in TSI India for a cash consideration of Rs.625 million (\$11.36 million). This was completed on or around 6 August 2013.
- The CCDs shall convert to -
 - (a) 25,785,488 shares of TSI India upon completion of tranche 2 investments by CX Partners; or

¹ Translated at an approximate rate of Rs.55/AUD

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

(b) 30,358,826 shares of TSI India if CX Partners does not undertake the investment commitment under tranche 2 within the 18 months period after Tranche 1 investment.

The terms of CCDs have been drafted such that if event (a) occurs, then TSI Limited shall hold ultimately hold 24.89% of TSI India, and if event (b) occurs, then TSI Limited shall ultimately hold 32.35% of TSI India;

From 6 August 2013 and up to 30 September 2013, TSI Limited holds 11.22% ordinary shares in TSI India. Accordingly, the financial performance, cash flows and movement in equity of TSI India has been consolidated in the financial statement of TSI Limited's Group financial statements up to 6 August 2013.

b) Analysis of loss from discontinued operations

	Half-year ended 31 Mar 2013 \$	Half-year ended 31 Mar 2012 \$
Revenue from services	3,378,247	4,337,956
Finance income	23,600	101,333
Other income	29,481	44,609
	3,431,328	4,483,898
Cost of sales	(2,933,304)	(3,782,569)
Employee benefits expenses	(255,360)	(324,862)
Depreciation and amortisation expenses	(305,901)	(698,773)
Impairment of fixed assets	-	(6,597,782)
Other expenses	(166,909)	(311,249)
Loss on disposal of subsidiary	(65,219)	-
Accumulated losses on foreign currency translation reserve transferred to profit or loss on disposal of subsidiary	(6,216,074)	-
Loss before tax	(6,511,439)	(7,231,517)
Income tax benefit	-	-
Loss from discontinued operations for the period	(6,511,439)	(7,231,517)

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

c) Assets classified as held for sale

	31 Mar 2013 \$
Cash and cash equivalent	632,535
Trade receivables	1,051,610
Other receivables	750,034
Current tax assets	1,350,979
Loans and receivables	1,243,345
Property, plant and equipment	3,650,671
Assets classified as held for sale	8,679,174
Trade and other payables	2,312,097
Provisions	135,486
Liabilities associated with disposal group	2,447,583
Net assets of TSI India	6,231,591

d) Loss on disposal of subsidiary

	30 Sep 2013 \$
Net cash consideration received on sale of subsidiary	816,239
Fair value of investments in TSI India at disposal date	5,304,138
	6,120,377
Carrying amount of net assets in TSI India at disposal date	(6,185,595)
Loss on disposal of subsidiary	(65,219)

5. SEGMENT REPORTING

a) Operating segments

Information reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance focuses on the business in India. The Group's reportable segment under AASB 8 comprise as follows:

- TSI India – installation and management of ATMs and bill payment machines for banks and utilities in India. The operations of TSI India were discontinued during the current year (Refer note 4 – Discontinued operations)
- Segment comprising of TSI Limited, TSI (UK) Limited, TSI Investments (Mauritius) Pty Ltd and TSI (Australia) Pty Ltd to manage the corporate affairs of the group.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

b) Segment results

	1 Apr 2013 to 30 Sep 2013			1 Apr 2012 to 30 Sep 2012		
	TSI India \$	Other \$	Total \$	TSI India \$	Other \$	Total \$
Revenue						
Revenue from services	3,378,247	-	3,378,247	4,337,956	-	4,337,956
Finance income	23,600	50,730	74,329	101,333	80,088	181,421
Other income	29,481	30,450	59,931	44,609	-	44,609
	3,431,327	81,179	3,512,507	4,483,898	80,088	4,563,986
Cost of sales	(2,933,304)	-	(2,933,304)	(3,782,569)	-	(3,782,569)
Depreciation and amortisation	(305,901)	(2,189)	(308,091)	(698,773)	(1,001)	(699,774)
Impairment of fixed assets	-	-	-	(6,597,782)	-	(6,597,782)
Accumulated foreign currency translation loss	(6,216,074)	-	(6,216,074)	-	-	-
Loss on disposal of subsidiary	(65,219)	-	(65,219)	-	-	-
Other expenses	(422,268)	(734,248)	(1,156,516)	(636,291)	(640,173)	(1,276,464)
Loss before tax	(6,511,439)	(655,257)	(7,166,696)	(7,231,517)	(561,086)	(7,792,603)

c) Segment assets and liabilities

	30 Sep 2013			31 Mar 2013		
	TSI India \$	Other \$	Total \$	TSI India \$	Other \$	Total \$
Assets						
Cash and cash equivalent	-	3,280,706	3,280,706	632,535	3,125,771	3,758,306
Trade receivables	-	-	-	1,051,610	-	1,051,610
Other receivables	-	58,139	58,139	750,034	84,866	834,900
Current tax assets	-	-	-	1,350,979	-	1,350,979
Other assets	-	49,319	49,319	-	8,071	8,071
Available for sale financial assets	-	5,007,244	5,007,244	-	-	-
Loans and receivables	-	-	-	1,243,345	-	1,243,345
Property, plant and equipment	-	7,918	7,918	3,650,671	10,107	3,660,778
	-	8,403,326	8,403,326	8,679,174	3,228,815	11,907,989
Liabilities						
Trade and other payables	-	126,806	126,806	2,312,097	254,488	2,566,585
Provisions	-	-	-	135,486	-	135,486
	-	126,806	126,806	2,447,583	254,488	2,702,071

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

6. AVAILABLE FOR SALE FINANCIAL ASSETS

	30 Sep 2013 \$	31 Mar 2013 \$
11.22% shareholding in TSI India	2,257,183	-
Compulsorily convertible debentures in TSI India convertible to a 13.67% shareholding in TSI India	2,750,061	-
	<u>5,007,244</u>	<u>-</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 directors have assessed the fair value at reporting date by applying the following inputs:

- an implied fair value of TSI India (prior to equity injection by CX Partners and TSI) of approximately \$7million (INR385 million²) arising from the agreement for the sale of shares by the Group to CX Partners on 10 April 2013;
- an increase of \$13.6 million (INR750 million) in the net assets of TSI India arising from equity subscribed by CX Partners and the Group as part of tranche 1 of the share sale agreement;
- an expected increase of \$7.5 million (INR412 million) in the net assets of TSI India within 18 months on account of tranche 2 of the share sale agreement. This has been discounted back to its present value by applying a discount rate of 15%;
- the application of a minority discount at 20% as the Group does not hold a controlling interest in TSI India; and
- no value has been assigned to the probability of CX Partners defaulting on its obligations under tranche 2 of the share sale agreement which could potentially increase the Group's shareholding in TSI India to 32.35%.

Terms of Compulsory convertible debentures (CCD's):

The CCDs shall convert to -

- 25,785,488 shares of TSI India upon completion of tranche 2 investments by CX Partners; or
- 30,358,826 shares of TSI India if CX Partners does not undertake the investment commitment under tranche 2 within the 18 months period after Tranche 1 investment.

The terms of CCDs have been drafted such that if event (a) occurs, then TSI Limited shall hold ultimately hold 24.89% of TSI India, and if event (b) occurs, then TSI Limited shall ultimately hold 32.35% of TSI India;

- The CCDs are non-interest bearing;
- The CCDs cannot be transferred outside of the TSI Limited's controlled entities; and
- The terms of the share sale agreement prohibit distribution of dividends or capital return till the time occurrence of event (a) or (b).

² Translated at an approximate rate of Rs.55/AUD

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

7. CONTRIBUTED EQUITY

Movement in share capital:

	\$
Balance at 1 April 2012	32,185,790
Balance at 30 September 2012	32,185,790
Balance at 1 April 2013	32,185,790
Balance at 30 September 2013	32,185,790

Movement in equity shares:

	No.
Shares in TSI Limited at 1 April 2012	1,780,063,679
Shares in TSI Limited at 30 September 2012	1,780,063,679
Shares in TSI Limited at 1 April 2013	1,780,063,679
Shares in TSI Limited at 30 September 2013	1,780,063,679

Outstanding options at 30 September 2013:

	No.	Expiry date	Exercise price (\$)
Director options	10,000,000	14/08/2014	0.021

8. RESERVES

	30 Sep 13 \$	30 Sep 12 \$
Foreign currency translation reserve ("FCTR")	(132,927)	(6,150,726)
Available for sale financial assets reserve ("AFS reserve")	(296,894)	-
Merger reserve	24,828	24,828
Share based payment reserve	454,440	384,499
	49,447	(5,741,399)

- FCTR arises on account of the application of various exchange rates for translation of net assets of foreign operation and their equity items.
- AFS reserve arises on account of movement of exchange rates for translation of available for sale financial assets at fair value.
- Merger reserve arises on account of restructuring of the group and transaction with the equity holders. This balance is not available for distribution of dividends.
- Share based payment reserve represents the fair value of the options granted and expensed by 30 September 2013.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (CONTINUED)

9. SHARE BASED PAYMENTS

During the half-year ended 30 September 2013, there were no options granted to acquire shares in the Company (2012: none).

An amount of \$32,075 has been recognised as an expense during the current period (2012: \$36,789). The expense relates to options already issued but which vested during the current period.

10. RELATED PARTIES

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

11. DIVIDENDS PAID OR PROVIDED FOR

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

12. SUBSEQUENT EVENTS AFTER BALANCE DATE

There have been no material events to report subsequent to the balance date.

13. CONTINGENCIES

The Group has no contingencies at the balance date.

14. COMMITMENTS

The Group has no commitments at the balance date.

15. EXCHANGE RATES

The following exchange rates have been used in the financial report:

	Period ended 30 Sep 2013	Period ended 31 March 2013	Period ended 30 Sep 2012
	\$	\$	\$
Spot rate			
US Dollars (USD)	0.93	n/a	n/a
Indian Rupees (INR)	58.42	56.73	55.12
British Pounds (GBP)	0.58	0.69	0.64
Average rate			
US Dollars (USD)	0.95	n/a	n/a
Indian Rupees (INR)	56.16	56.14	56.03
British Pounds (GBP)	0.62	0.65	0.65

Independent Auditor's Report to the Members of Transaction Solutions International Limited

We have reviewed the accompanying half-year financial report of Transaction Solutions International Limited, which comprises the condensed statement of financial position as at 30 September 2013, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 18.

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 internal 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 half-year 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 2013 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 Transaction Solutions International Limited, 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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Transaction Solutions International Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 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 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants
Perth, 29 November 2013