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 2014 and the previous period is for the 12 months period ended 31 March 2013.

2. Results for announcement to the market.

	1 April 2013 to 31 March 2014	**1 April 2012 to 31 March 2013**	**% Change**
	$	$	
2.1 Revenue from ordinary activities.	215,613	165,138	30.57%
2.2 Profit (loss) from ordinary activities after tax attributable to members.	(1,020,798)	(1,282,779)	20.42%
2.3 Net profit (loss) for the year attributable to members.	(7,532,237)	(8,835,418)	14.75%
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 loss for the year attributable to members includes a loss from discontinued operations of $6,511,439 (2013: $7,552,639). Refer to note 14 – Discontinued operations for further details.		

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

	Notes	Year ended 31 March 2014 $	Year ended 31 March 2013 $
Continuing operations			
Finance income		81,785	128,306
Other income		133,828	36,833
		215,613	**165,138**
Employee benefits expense		(663,494)	(740,711)
Depreciation and amortisation expense		(4,250)	(2,938)
Share-based payment expense		(32,705)	(62,022)
Other expenses		(535,962)	(642,246)
Loss before tax		(1,020,798)	(1,282,779)
Income tax expense		-	-
Loss for the year from continuing operations		**(1,020,798)**	**(1,282,779)**
Loss for the year from discontinued operations	14	(6,511,439)	(7,552,639)
Loss for the year		(7,532,237)	(8,835,418)
Other comprehensive expense, net of income tax			
Foreign currency movement in translation of foreign operations		432,190	(866,640)
Movement in fair value of available for sale assets		(144,048)	-
Accumulated losses in foreign currency translation reserve transferred to profit or loss on disposal of subsidiary	14	6,216,075	-
Total comprehensive loss attributable to members		**(1,028,020)**	**(9,702,058)**
Loss per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic loss per share		(0.42)	(0.50)
Diluted loss per share		(0.42)	(0.50)
From continuing operations			
Basic loss per share		(0.06)	(0.07)
Diluted loss per share		(0.06)	(0.07)

4. Consolidated statement of financial position

	Notes	31 March 2014 $	31 March 2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent		2,896,860	3,125,771
Trade and other receivables		83,805	84,866
Other assets		8,717	8,071
		2,989,892	3,218,708
Assets classified as held for sale	15	-	8,679,175
TOTAL CURRENT ASSETS		**2,989,382**	**11,897,883**
NON-CURRENT ASSETS			
Available for sale financial assets	13	5,293,925	-
Property, plant and equipment		6,779	10,107
TOTAL NON-CURRENT ASSETS		**5,300,704**	**10,107**
TOTAL ASSETS		**8,290,086**	**11,907,990**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		79,482	254,488
Liabilities associated with assets classified as held for sale	15	-	2,447,584
TOTAL CURRENT LIABILITIES		**79,482**	**2,702,072**
TOTAL LIABILITIES		**79,482**	**2,702,072**
NET ASSETS		**8,210,604**	**9,205,918**
EQUITY			
Contributed equity		32,185,790	32,185,790
Reserves		349,072	(6,187,851)
Accumulated losses	11	(24,324,258)	(16,792,021)
TOTAL EQUITY		**8,210,604**	**9,205,918**

5. Consolidated statement of cash flows

	Notes	Year ended 31 March 2014 $	Year ended 31 March 2013 $
Cash flows from operating activities			
Receipt from customers		3,105,798	9,189,504
Payment to suppliers and employees		(5,092,619)	(9,376,700)
Interest received		105,384	267,464
Income tax received/(paid)		952,670	(484,777)
Net cash used in operating activities		**(928,767)**	**(404,509)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(434,620)	(3,069,089)
Proceeds from sale of non-current assets		-	785,502
Placement of fixed deposits		(327,244)	88,336
Proceeds from sale of TSI India		12,148,968	-
Acquisition of CCDs in TSI India		(11,332,729)	-
Net cash provided by/(used in) investing activities		**54,375**	**(2,195,251)**
Net decrease in cash held		**(874,392)**	**(2,599,760)**
Cash at the beginning of the year		**3,758,306**	**6,383,560**
Effect of exchange rates on cash balances		12,946	(25,494)
Cash at the end of the year		**2,896,860**	**3,758,306**

Consolidated statement of cash flows includes continuing and discontinued operations.

Refer to Note 14 for details of cash flows from 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 2012	**32,185,790**	**359,713**	**(5,767,774)**	**-**	**24,828**	**(7,956,603)**	**18,845,954**
Net loss for the year	-	-	-	-	-	(8,835,418)	(8,835,418)
Other comprehensive loss for the year	-	-	(866,640)	-	-	-	(866,640)
Total comprehensive loss for the year	-	-	(866,640)	-	-	(8,835,418)	(9,702,058)
Share-based payments	-	62,022	-	-	-	-	62,022
Total transaction with equity holders	-	62,022	-	-	-	-	62,022
Balance at 31 March 2013	**32,185,790**	**421,735**	**(6,634,414)**	**-**	**24,828**	**(16,792,021)**	**9,205,918**
Net loss for the year	-	-	-	-	-	(7,532,237)	(7,532,237)
Other comprehensive loss for the year	-	-	6,648,265	(144,048)	-	-	6,504,217
Total comprehensive loss for the year	-	-	6,648,265	(144,048)	-	(7,532,237)	(1,028,020)
Share-based payments	-	32,705	-	-	-	-	32,705
Total transaction with equity holders	-	32,705	-	-	-	-	32,705
Balance at 31 March 2014	**32,185,790**	**454,440**	**13,851**	**(144,048)**	**24,828**	**(24,324,258)**	**8,210,604**

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) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When the Group transacts with an associate, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

When equity accounting is applied to investments previously accounted for as available for sale, the fair value of the original investment at the date of re-categorisation is the deemed cost of the investment in the associate. Previous revaluation gains or losses recognised in other comprehensive income are not reclassified to profit or loss.

l) 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. Change in accounting policy for property, plant and equipment

During the prior financial year, the directors considered the transaction noted in note 14 as an indicator of impairment in the carrying amount of property, plant and equipment in TSI India. This resulted in a write down of the carrying amount of TSI India and the impairment loss has been recognised against property, plant and equipment.

The recoverable amount was assessed based on the director's estimate of the fair value less costs to sell. This estimate was primarily based on the implied value of TSI India per the preliminary negotiations undertaken with CX Partners in November 2012.

The net position of property, plant and equipment (including both continuing and discontinued operations) at the reporting date are:

Property, plant and equipment

	31 Mar 2014 $	31 Mar 2013 $
Assets		
Property, plant and equipment at cost	25,164	14,498,287
Less: accumulated depreciation	(18,385)	(4,239,727)
Less: impairment loss	-	(6,597,782)
	6,779	**3,660,778**

Subsequent to classification of TSI India as discontinued operations, the impairment loss was included in loss from discontinued operations (refer to note 14).

9. Dividend payments

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

10. Dividend reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

11. Accumulated losses

	31 March 2014 $	31 March 2013 $
Accumulated losses		
Balance at beginning of year	16,792,021	7,956,603
Loss for the year	7,532,237	8,835,418
Balance at end of the year	**24,324,258**	**16,792,021**

12. Net tangible assets per security

	31 March 2014	31 March 2013
	Cents	Cents
Net tangible assets per security	0.46	0.52

13. Available for sale financial assets

	31 Mar 2014 $	31 Mar 2013 $
11.22% shareholding in TSI India	2,386,414	-
Compulsorily convertible debentures in TSI India convertible to a 21.13% shareholding in TSI India	2,907,511	-
	5,293,925	**-**

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 independent expert 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 ongoing business; 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 business of TSI India. The application of DCF method requires the directors to make significant assumptions regarding the various inputs. The key assumptions 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 1,324 machines installed for three major Indian banks. An additional 560 ATMs are expected to be installed for these three banks and accordingly 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. The directors have applied a range based on historical averages.
- The transaction volumes per ATM machines have historically ranged from 4,000 to 4,800 on a monthly basis. The DCF valuation model has been based on a reasonable estimate of 4,600 transactions per month. This transaction volume has been adjusted for newly deployed ATMs which would require approximately six months to achieve optimal transaction volumes. The transaction volume for one particular bank with 136 ATMs have been guaranteed at minimum 7,000 transactions per month and the DCF model has been adjusted accordingly;
- The directors have not made any assumptions regarding growth in transaction volumes at ATM sites;
- Operating cost assumptions regarding the fixed costs and direct and indirect site expenses have been based on historical expenses of FY2013 and FY2014;

- The capital expenditure on acquisition and installation of 560 new ATMs have been assessed based on the historical costs. Additional capital expenditure for upgrade of the software has been made;

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

- A discount rate of 13.5% 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 8.80%, an equity beta of 0.80 to 1.20 and an equity risk premium ranging from 3.5% to 5.0%.

- The inflation rate has been assumed at 9% based on recent historical economic data from Reserve Bank of India.

Sensitivity of the DCF method

The sensitivities of the DCF method to changes in certain key assumptions are noted below:

- A 10% increase in the ATM transaction volume would increase the investment value by $12 million and a 10% decrease would reduce the investment value to nil;

- A 2% decline in inflation rate would increase the investment value by $1.17 million and a 2% increase in inflation rate would decrease the investment value by $1.23 million

- A 2% decline in discount rate would increase the investment value by $0.15 million and a 2% increase in discount rate would decrease the investment value by $0.11 million.

Terms of Compulsory convertible debentures (CCD's):

- The CCDs shall convert to -

  (a) 25,785,488 shares of TSI India upon completion of Tranche 2 investments by CX Partners; or

  (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;

- 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).

14. Discontinued operations

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

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 million[1]) 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
  (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 31 March 2014, TSI Limited held 11.22% ordinary shares in TSI India. Accordingly, the financial performance, cash flows and movement in equity of TSI India have been consolidated in the financial statements of TSI Limited's Group financial statements up to 6 August 2013.

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

b) Analysis of loss from discontinued operations

	Period ended 6 August 2013 $	Year ended 31 March 2013 $
Revenue	3,431,328	9,302,105
Cost of sales	(2,933,304)	(7,691,855)
Accumulated losses in foreign currency translation reserve transferred to profit or loss on disposal of subsidiary	(6,216,075)	-
Loss on disposal of subsidiary	(65,219)	-
Loss on revaluation of property, plant and equipment	-	(6,597,782)
Other expenses	(728,169)	(2,565,107)
Loss before tax	(6,511,439)	(7,552,639)
Income tax expense		-
Loss for the year from discontinued operations (attributable to members of the Company)	**(6,511,439)**	**(7,552,639)**

c) Analysis of cash flows from discontinued operations

	Period ended 6 August 2013 $	Year ended 31 March 2013 $
Net cash inflows from operating activities	1,449,414	870,478
Net cash outflows from investing activities	(1,188,048)	(2,285,837)
Net cash inflows/(outflows)	**261,366**	**(1,415,359)**

d) Loss on disposal of subsidiary

	6 August 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)**

15. Assets classified as held for sale

As disclosed in note 14 on 21 May 2013 shareholders of the Company approved to divest a majority interest in its subsidiary, TSI India. The major classes of assets and liabilities of the business at the end of the prior reporting period were as follows:

	31 March 2013 $
Cash and cash equivalent	632,535
Trade and other receivables	3,044,990
Current tax assets	1,350,979
Property, plant and equipment	3,650,671
Assets of TSI India classified as held for sale	**8,679,175**
Trade and other payables	2,312,097
Provisions	135,487
Liabilities of TSI India classified as held for sale	**2,447,584**
Net assets of TSI India classified as held for sale	**6,231,591**
Foreign currency translation reserve held directly in equity	**(6,634,414)**

16. Joint venture

Not applicable.

17. Foreign Entities – Controlled entities, TSI Investments (Mauritius) Pty Limited and TSI Limited, United Kingdom

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

18. Commentary on Results

During the year the Group divested its controlling interest in TSI India. The Group's principal activity during the year was to hold its 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 $7,532,237 (2013: $8,835,418). Total loss from discontinued operations for the year amounted to $6,511,439 (2013: loss of $7,552,639). The balance of 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 $432,190 (2013: debit adjustment of $866,640) was recognised against those assets as a result of movement in those exchange rates during the year.

On the disposal of TSI India accumulated losses amounting to $6,216,075 which were held in the foreign currency translation reserve were transferred to profit or loss.

As detailed in note 14, on 21 May 2013 shareholders of the Company approved to divest a majority interest in its subsidiary, TSI India. Under the terms of the transaction the investors have agreed to invest a total amount of Rs 1,217 million (approx. AUD$21 million) in TSI India. The investment is to be made in two tranches.

Under the Tranche 1 investment, the investors must invest Rs 805 million within 30 days after satisfaction of various conditions precedent and the issue of a first closing notice by the investors. The conditions precedent must be satisfied or waived within 60 days of the execution of the sale agreement executed on 15 April 2013, unless extended by agreement between the parties. Tranche 1 was completed on or around 6 August 2013.

Under the Tranche 2 investment, the investors must subscribe for further shares in TSI India for Rs 412 million. This investment must be made within 18 months of the Tranche 1 investment at the option of the investors or upon the arising of a future funding requirement of TSI India as determined by its Board. The obligation of the investors to subscribe for the additional shares is also subject to various conditions precedent.

Upon completion of the investment, the investors will hold a 75.11% interest in TSI India and the Company will retain the balance of 24.89%

In the event that the investors fail to pay the Tranche 2 investment amount when required to do so under the Agreement the investors will hold a 67.65% interest in TSI India and the Company will retain the balance of 32.35%

19. Progress of Audit / Review

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

20. Audit Dispute or Qualification

None.