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 2019 and the previous period is for the 12 months period ended 31 March 2018.

2. Results for announcement to the market.

	1 April 2018 to 31 March 2019	1 April 2017 to 31 March 2018	% Change
	$	$	
2.1 Revenue from ordinary activities.	5,821,625	2,366,121	Up 146%
2.2 Profit (loss) from ordinary activities after tax attributable to members.	47,540	(586,597)	Up 108%
2.3 Net profit (loss) for the year attributable to members.	43,811	5,003,022	Down 99%
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.	Refer to the financial statements and the notes that follow in this report.		

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

	Notes	Year ended 31 March 2019 $	Year ended 31 March 2018 $
Continuing operations			
Revenue from contracts with customers		5,801,569	2,323,431
Finance income		20,056	33,190
Other income		-	9,500
Revenue		**5,821,625**	**2,366,121**
Cost of Sales		(802,441)	(2,840)
Gross profit		**5,019,184**	**2,363,281**
Employee benefits expense		(3,592,834)	(1,889,090)
Research & Development		(75,000)	-
Business Acquisition costs		(118,706)	(51,247)
Due diligence		(41,864)	(125,596)
Depreciation and amortisation expenses		(15,794)	(5,606)
Finance costs		(99,745)	(28,953)
Share-based payment expense		(90,000)	-
Other expenses		(937,701)	(849,386)
Profit/(loss) before tax		**47,540**	**(586,597)**
Income tax expense		-	-
Profit/(loss) for the year from continuing operations		**47,540**	**(586,597)**
Other comprehensive income (net of tax) – items that may subsequently be reclassified to profit or loss			
Foreign currency movement in translation of foreign operations		(3,729)	(381)
Movement in fair value of available for sale assets	13	-	5,590,000
Total comprehensive gain/(loss) for the year attributable to members		**43,811**	**5,003,022**
Profit/(Loss) per share		**Cents**	**Cents**
From continuing operations			
Basic profit/(loss) per share		0.002	(0.030)
Diluted profit/(loss) per share		0.002	(0.030)

4. Consolidated statement of financial position

	Notes	31 March 2019 $	31 March 2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent		2,410,544	1,490,028
Trade and other receivables		1,495,133	946,322
Other assets		69,320	26,486
TOTAL CURRENT ASSETS		**3,974,997**	**2,462,836**
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income (FVOCI)	13	15,340,000	15,340,000
Plant and equipment		86,671	35,155
Goodwill	14	9,851,862	3,163,057
TOTAL NON-CURRENT ASSETS		**25,278,533**	**18,538,212**
TOTAL ASSETS		**29,253,530**	**21,001,048**
LIABILITIES			
CURRENT LIABILITIES			
Payable to Cloudten Vendors		5,403,378	-
Trade and other payables		839,455	337,837
Provisions		480,504	250,339
Convertible note		746,917	-
TOTAL CURRENT LIABILITIES		**7,470,254**	**588,176**
NON-CURRENT LIABILITIES			
Convertible note		-	647,223
TOTAL NON-CURRENT LIABILITIES		**-**	**647,223**
TOTAL LIABILITIES		**7,470,254**	**1,235,399**
NET ASSETS		**21,783,276**	**19,765,649**
EQUITY			
Contributed equity		38,497,647	36,643,831
Reserves		10,224,102	10,683,071
Accumulated losses	11	(26,938,473)	(27,561,253)
TOTAL EQUITY		**21,783,276**	**19,765,649**

5. Consolidated statement of cash flows

	Notes	Year ended 31 March 2019 $	Year ended 31 March 2018 $
Cash flows from operating activities			
Receipt from customers		6,108,308	2,054,877
Payments to employees		(3,498,700)	(1,864,654)
Payment to suppliers		(1,709,614)	(968,248)
Payments for research & development		(67,000)	-
Income taxes paid		(167,996)	(48,507)
Interest received		20,005	39,580
Net cash received/(used) in operating activities		**685,003**	**(786,952)**
Cash flows from investing activities			
Net cash outflow on acquisition of business		(1,576,544)	(1,427,105)
Acquisition of property, plant and equipment		(33,991)	(24,758)
Net cash received/(used) in investing activities		**(1,610,535)**	**(1,451,863)**
Cash flows from financing activities			
Proceeds from convertible notes		-	670,000
Proceeds from the issue of shares		2,024,750	530,000
Share issue costs		(172,734)	(8,422)
Net cash provided by financing activities		**1,852,016**	**1,191,578**
Net increase/(decrease) in cash held		**926,484**	**(1,047,237)**
Cash at the beginning of the year		**1,490,028**	**2,537,646**
Effect of exchange rates on cash balances		(5,968)	(381)
Cash at the end of the year		**2,410,544**	**1,490,028**

Consolidated statement of cash flows includes continuing and discontinued operations.

6. Consolidated statement of changes in equity

	Contributed equity	Convertible note reserve	Share based payment reserve	Foreign currency translation reserve	Financial asset reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance at 1 April 2017	**34,179,407**	**-**	**575,240**	**5,620**	**4,445,862**	**(26,974,656)**	**12,231,473**
Net loss for the year	-	-	-	-	-	(586,597)	(586,597)
Other comprehensive income for the year	-	-	-	(381)	5,590,000	-	5,589,619
Total comprehensive income for the year	**-**	**-**	**-**	**(381)**	**5,590,000**	**(586,597)**	**5,003,022**
Convertible note reserve	-	51,730	-	-	-	-	51,730
Issue of shares	2,519,646	-	-	-	-	-	2,519,646
Share issue costs	(55,222)	-	-	-	-	-	(55,222)
Share based payments	-	-	15,000	-	-	-	15,000
Balance at 31 March 2018	**36,643,831**	**51,730**	**590,240**	**5,239**	**10,035,862**	**(27,561,253)**	**19,765,649**
Net loss for the year	-	-	-	-	-	47,540	47,540
Other comprehensive income for the year	-	-	-	(3,729)	-	-	(3,729)
Total comprehensive income for the year	**-**	**-**	**-**	**(3,729)**	**-**	**47,540**	**43,811**
Issue of shares	2,024,750	-	-	-	-	-	2,024,750
Share issue costs	(170,934)	-	30,000	-	-	-	(140,934)
Share based payments	-	-	90,000	-	-	-	90,000
Expired options transferred to accumulated losses	-	-	(575,240)	-	-	575,240	-
Balance at 31 March 2019	**38,497,647**	**51,730**	**135,000**	**1,510**	**10,035,862**	**(26,938,473)**	**21,783,276**

7. Significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Transaction Solutions International Limited (TSN) and its controlled entities. The Group has control when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and ceases when the Company loses control of the subsidiary. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent has control.

Accounting for subsidiaries in parent financial statements

The investments in subsidiaries are measured at costs less any accumulated impairment.

b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, with limited exceptions. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If that amount is less than the fair value of the net identifiable assets, the difference is recognised directly in the profit and loss as a bargain purchase

c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note b above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

d) Revenue

Revenue is assessed using the five-step method for recognising revenue from contracts with customers. The five-step method involves consideration of the following:

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

Revenue from contracts with customers

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

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.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) Financial assets at fair value through other comprehensive income (FVOCI)

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

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

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. Presentation of the Financial Statements

The presentation of the Revenue section of the consolidated statement of profit or loss and other comprehensive income has changed to display Revenue less Cost of Sales resulting in Gross Profit. License sales are included in Revenue as compared to net margins as previously reported, but License costs are now included in Cost of Sales along with Contractor fees re-billed to clients.

The presentation of the Cash flows from operating activities has changed. Receipts from customers includes receipts from License sales and Payments to suppliers includes License costs rather than netting them in receipts from customers.

Revenue, Receipts from customers and Payments to suppliers for year ending 31 March 2018 have been restated to reflect the presentation change.

11. Accumulated losses

	31 March 2019 $	31 March 2018 $
Accumulated losses		
Balance at beginning of year	27,561,253	26,974,656
Profit for the year	(47,540)	586,597
Expired options transferred to accumulated losses	(575,240)	-
Balance at end of the year	**26,938,473**	**27,561,253**

12. Net tangible assets per security

	31 Mar 2019 Cents	31 Mar 2018 Cents
Net tangible assets per security	0.49	0.51

13. Financial assets at fair value through other comprehensive income (FVOCI)

	31 Mar 2019 $	31 Mar 2018 $
24.89% shareholding in TSI India opening balance	15,340,000	15,340,000
Movement in fair value of shareholding in TSI India	-	-
	15,340,000	**15,340,000**

The fair value of investments in TSI India has not been finalised at the time of this report. It will be disclosed in the annual report when released.

14. Goodwill

TSN acquired 100% of Decipher Works Pty Ltd, a cyber security specialist located in Sydney, NSW on 23 August 2017 for $5.1 million resulting in goodwill of $3.2 million.

TSN acquired 100% of Cloudten Industries Pty Ltd, cloud and cloud security business located in Sydney, NSW on 1 February 2018 for $8.6 million resulting in goodwill of $6.7 million.

More detailed information will be provided in the annual report.

15. Joint venture

Not applicable.

16. 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).

17. Commentary on Results

The Group's principal activity during the year was the operation of Decipher Works Pty Ltd, a cyber security specialist and 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 profit for the year of $47,540 (2018 loss: $586,597). The profit is mainly attributable to increased revenue from both Decipher Works and Cloudten offset with normal operating activities and business acquisition and due diligence costs.

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 $3,729 (2018: credit adjustment of $381) 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 Financial asset reserve. The movement for the year has not yet been determined (2018: $5,590,000)

The Company is continuing to look for and review other investment opportunities which may enhance shareholder value.

18. Events subsequent to the Balance date

Subsequent to the balance date a valuation of TSI India is currently underway. Once agreed by the auditors and the board of directors, the results will be updated and disclosed in the annual report when released.

No other 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.

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.