

# Transaction Solutions International Limited

ABN 98 057 335 672

## Appendix 4D – 30 September 2016 Half-Year Report

### 1. Results for Announcement to the Market.

	30 Sep' 2016	30 Sep' 2015	% Change
	\$	\$	
2.1 Revenue from ordinary activities (excluding interest income)	20,425	160,487	(87.27%)
2.2 Profit/(loss) from continuing operations after tax attributable to members.	(811,622)	(56,726)	(1,431%)
2.3 Net profit/(loss) for the period attributable to members.	(811,622)	(56,726)	(1,431%)
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 2016.		

### 2. Net Tangible Assets per Security

	30 Sep'2016	30 Sep' 2015
	Cents	Cents
Net tangible assets per security	0.65	0.44

**3. Details of Dividend and Distribution Payments**

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

**4. Dividend Reinvestment Plans**

There are no dividend or distribution reinvestment plans in operation.

**5. Associates and Joint Venture Entities**

Not applicable

**6. Foreign Entities**

The Group includes the following overseas entity:

TSI Investments (Mauritius) Pty Ltd (Mauritius)

**7. Audit Dispute or Qualification**

None.



TRANSACTION SOLUTIONS INTERNATIONAL

SHAPING SECURE PAYMENTS

**Interim Financial Report  
for the Half Year Ended  
30 September 2016**

## CORPORATE DIRECTORY

### Directors

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

### Secretary

Phillip MacLeod

### Registered and Principal Office

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West Perth WA 6005

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### Share Registry

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172 St Georges Terrace  
Perth WA 6000  
Australia

Telephone: 1300 787 272

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Facsimile: +61 8 9323 2033

### Solicitors

Fairweather Corporate Lawyers  
595 Stirling Highway  
Cottesloe WA 6011

### Auditor

Bentleys (WA) Pty Ltd  
London House Level 3  
216 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 2016.

### 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

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

### RESULTS AND REVIEW OF OPERATIONS

#### Operating Results

The Group's principal activity during the period was to hold an interest in Transaction Solutions International (India) Private Limited ("TSI India"), whose business is 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.

The Group recorded a loss from continuing operations for the half-year ended 30 September 2016 of \$811,622 (2015: loss of \$304,999).

No gain in the fair value of available-for-sale assets was recorded by the Group during the half-year. (2015: gain of \$268,311)

#### Review of Operations

##### *AFS Investment in TSI India – 24.89% equity interest*

The Group holds a 24.89% equity interest in Transaction Solutions International (India) Private Limited ("TSI India"). During the last 6 months of operations TSI India continued to focus on aggressively building its core business in India, being the deployment of automated teller machines ("ATMs") for large Indian banks, operating its new acquisition of a managed services platform and began the process of delivering its own in house Intellectual Property for e-surveillance and power management. The business model is based on the provision and management of approximately 15,000 ATMs and bill payment solutions to major Indian banks and utility companies in exchange for a fee per transaction or a cost plus financial model, paid directly by the banks and utility companies, with 80% weighting towards the recurring revenue, fee per transaction.

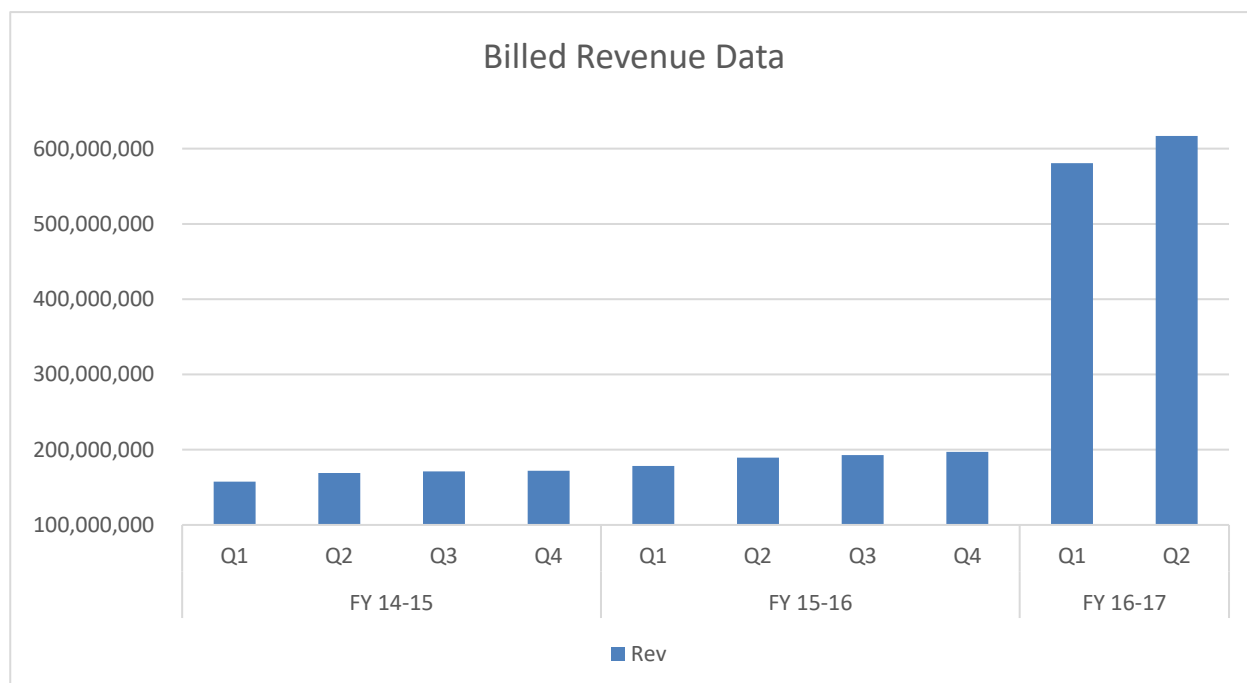
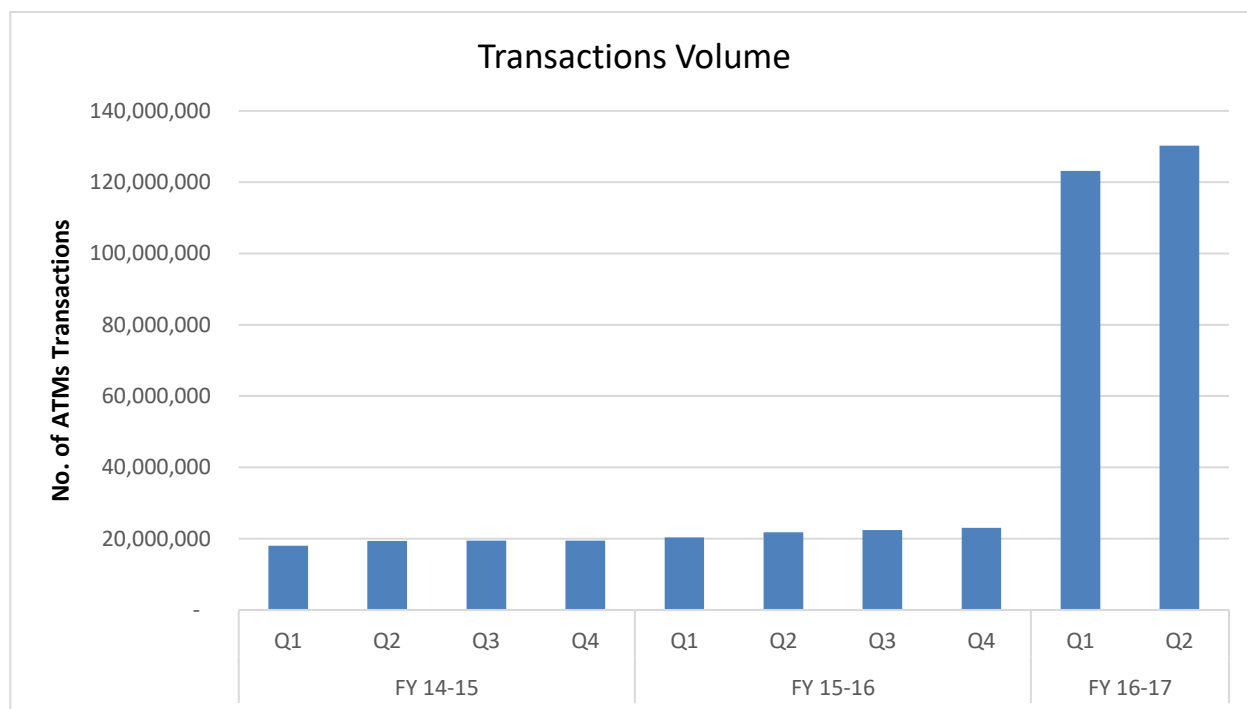
TSI India's increased size in operations from 2,000+ ATMs to ~15,000 ATMs in Q1/17 has continued to be a catalyst for strong transaction volume and revenue growth. Mohnish Kumar, TSI India's CEO, said the *"Transaction trends in Q2/17 are very encouraging and gives a promising outlook for the coming quarters. Q2/17 is typically a relatively weak quarter compared with the current quarter, given many festivals in India fall within Q3. Below reflects historical transaction volumes and the corresponding revenues. Source: TSI India Management*

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

#### Review of Operations (continued)



# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

#### Review of Operations (continued)

The TSI India team has successfully progressed new initiatives to leverage the newly acquired managed services platform's scale and capabilities. Some of the key initiatives are a:

- a) unified operations for existing ATM business units. TSI India has benefited from the implementation of a unified Human Resource and operations department; and
- b) unified sales team across all product offerings to increase cross selling potential; the team has seen tangible benefits of this introduction wherein a client (HDFC) has been successfully pursued for relocation of sites and upward revision of transaction rates.

TSI India is well positioned for continued growth in the industry with active business pipelines of both organic and inorganic opportunities subject to fundraising. Besides the organic opportunity to deploy approximately 2,000 additional ATMs, TSI India has formally initiated discussions to deploy 8,000+ ATMs of public sector banks on management rights or buy-out basis. TSI India has created a unique business model of ATM outsourcing with the recent deals covering 11,000+ ATMs.

TSI India believes a shift in market dynamics are also to thank for continuing growth in transaction volumes and revenues. TSI India is pleased to be in a position where it can grow and benefit from this shift in market dynamics.

In a report from the specialist ATM research and consulting firm, Retail Banking Research ("RBR"), the value of cash withdrawals from ATMs in eleven major Asia-Pacific markets have increased by 50% since 2011. India has experienced increased cash withdrawals of more than 15% in 2015 alone. Furthermore, the highest growth in number of customer visits per ATM was experienced in the Indian sub-continent according to *ATM Hardware, Software and Services 2016*, a report by RBR.

#### SUMMARY

Overall, the opinion of the Indian management team is that the macro economics are favouring its business for example, the financial inclusion agenda of the government like Jan Dhan Scheme, Direct Subsidy Transfer and now the scrapping of old high denomination notes.

Despite the increasing penetration of online and mobile payment, cash in circulation in the Indian economy has continued to grow. Indian currency in circulation has grown at ~12% CAGR as advised by the RBI.

TSI India is focused on growing further business revenue lines in areas such as e-surveillance whilst concurrently taking advantage of ATM market opportunities that meet the financial requirements of the business so as to ensure that the business mix remains healthy, diversified and continues to grow revenues.

Costs are always under review and certain cost optimization initiatives have been implemented to improve margins.

The TSI India business is cash flow positive and transactions and revenues continue to see increased growth.

#### 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 2016, the Group had cash balances of \$2,915,553 and available-for-sale financial assets – an investment in TSI India valued at \$9,750,000.

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the balance date the Company (TSN) has entered into an exclusive option agreement to acquire the remaining 75.11% stake of TSI India from CX Partners for a cash consideration of INR 2.44 billion (approx. AUD\$47.9 million).

TSN has an exclusive option period to 14 February 2017 during which it will complete due diligence on TSI India and consider debt/equity options to fund the proposed acquisition.

In order for the option to be exercised the Company will first be required to undertake finance and/or equity funding and obtain shareholder approval.



# 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 6 of this financial report.

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

A handwritten signature in blue ink, appearing to read 'G. Foster', is positioned above the printed name and title of the Managing Director.

**Gary P Foster**  
**Managing Director**

Perth, 29 November 2016

**Bentleys Audit & Corporate  
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To the Board of Directors

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

As lead audit director for the review of the financial statements of Transaction Solutions International Limited for the half year ended 30 September 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



**BENTLEYS**  
**Chartered Accountants**



**CHRIS NICOLOFF CA**  
**Director**

Dated at Perth this 29<sup>th</sup> day of November 2016

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## DIRECTORS' DECLARATION

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

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 September 2016 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Board



**Gary P Foster**  
Managing Director

Perth, 29 November 2016

**TRANSACTION SOLUTIONS INTERNATIONAL LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

	Note	Half Year ended 30 Sep 2016 \$	Half Year ended 30 Sep 2015 \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Finance income		27,343	16,988
Other income		20,425	160,487
		<b>47,768</b>	<b>177,475</b>
Depreciation expenses		(729)	(1,914)
Employee benefits expenses		(201,726)	(278,407)
Share-based payment expense		(392,668)	-
Other expenses		(264,267)	(202,153)
<b>Loss before tax</b>		<b>(811,622)</b>	<b>(304,999)</b>
Income tax		-	-
<b>Loss for the period</b>		<b>(811,622)</b>	<b>(304,999)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency movement in translation of foreign operations		-	4,790
Movement in fair value of available for sale financial assets		-	268,311
<i>Items that may not be subsequently reclassified to profit or loss:</i>			
Merger reserve transferred to accumulated losses		-	(24,828)
<b>Other comprehensive income/(loss) for the period</b>		-	248,273
<b>Total comprehensive loss for the period attributable to members</b>		<b>(811,622)</b>	<b>(56,726)</b>
<b>Loss per share</b>			
Basic loss per share (cents per share)		(0.04)	(0.02)
Diluted loss per share (cents per share)		(0.04)	(0.02)

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 2016

		30 Sep 2016	31 Mar 2016
	Note	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,915,553	1,883,929
Trade and other receivables		61,145	41,566
Other assets		50,174	4,584
<b>Total Current Assets</b>		<b>3,026,872</b>	<b>1,930,079</b>
<b>Non-current Assets</b>			
Available for sale financial assets	5	9,750,000	9,750,000
Property, plant and equipment		1,654	2,383
<b>Total Non-current Assets</b>		<b>9,751,654</b>	<b>9,752,383</b>
<b>TOTAL ASSETS</b>		<b>12,778,526</b>	<b>11,682,462</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		(61,425)	(125,197)
<b>Total Current Liabilities</b>		<b>(61,425)</b>	<b>(125,197)</b>
<b>TOTAL LIABILITIES</b>		<b>(61,425)</b>	<b>(125,197)</b>
<b>NET ASSETS</b>		<b>12,717,101</b>	<b>11,557,265</b>
<b>EQUITY</b>			
Contributed equity	6	34,179,407	32,654,210
Reserves	7	5,021,102	4,574,841
Accumulated losses		(26,483,408)	(25,671,786)
<b>TOTAL EQUITY</b>		<b>12,717,101</b>	<b>11,557,265</b>

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

**TRANSACTION SOLUTIONS INTERNATIONAL LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

	Note	Half Year ended 30 Sep 2016 \$	Half Year ended 30 Sep 2015 \$
<b>Cash flows from operating activities</b>			
Receipt from customers		20,425	171,551
Payments to staff		(201,726)	(278,407)
Payments to suppliers		(388,788)	(206,576)
Interest received		22,964	16,988
<b>Net cash used in operating activities</b>		<b>(547,125)</b>	<b>(296,444)</b>
<b>Cash flows from investing activities</b>			
<b>Net cash generated by investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		1,700,000	-
Share issue costs		(121,210)	-
<b>Net cash generated by financing activities</b>		<b>1,578,790</b>	<b>-</b>
<b>Net increase/(decrease) during the period</b>		<b>1,031,665</b>	<b>(296,444)</b>
Cash and cash equivalents at the beginning of the period		1,883,929	2,120,345
Effect of exchange rate movements		(41)	46,811
<b>Cash and cash equivalents at the end of the period</b>		<b>2,915,553</b>	<b>1,870,712</b>

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

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

	Contributed equity	Foreign currency translation reserve	AFS reserve	Merger reserve	Share-based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 April 2015</b>	<b>32,185,790</b>	<b>(4,790)</b>	<b>340,715</b>	<b>24,828</b>	<b>-</b>	<b>(24,677,819)</b>	<b>7,868,724</b>
<b>Total comprehensive income/(expense) for the period:</b>							
Net loss for the period	-	-	-	-	-	(304,999)	(304,999)
Total other comprehensive income/(expense)	-	4,790	268,311	(24,828)	-	-	248,273
Total comprehensive income/(expense) for the period	-	4,790	268,311	(24,828)	-	(304,999)	(56,726)
Total transactions with equity holders							
<b>Balance at 30 September 2015</b>	<b>32,185,790</b>	<b>-</b>	<b>609,026</b>	<b>-</b>	<b>-</b>	<b>(24,982,818)</b>	<b>7,811,998</b>
<b>Balance at 1 April 2016</b>	<b>32,654,210</b>	<b>-</b>	<b>4,445,862</b>	<b>-</b>	<b>128,979</b>	<b>(25,671,786)</b>	<b>11,557,265</b>
<b>Total comprehensive income/(expense) for the period:</b>							
Net loss for the period	-	-	-	-	-	(811,622)	(811,622)
Total other comprehensive income/(expense)	-	-	-	-	-	-	-
Total comprehensive income/(expense) for the period	-	-	-	-	-	(811,622)	(811,622)
<b>Transactions with equity holders, recorded directly in equity</b>							
Issue of shares for cash	1,700,000	-	-	-	-	-	1,700,000
Issue costs	(174,803)	-	-	-	-	-	(174,803)
Share-based payment	-	-	-	-	446,261	-	446,261
Total transactions with equity holders	1,525,197	-	-	-	446,261	-	1,971,458
<b>Balance at 30 September 2016</b>	<b>34,179,407</b>	<b>-</b>	<b>4,445,862</b>	<b>-</b>	<b>575,240</b>	<b>(26,483,408)</b>	<b>12,717,101</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

**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 Ltd and its subsidiaries as at and for the six months ended 30 September 2016.

The annual financial report of the Company for the year ended 31 March 2016 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 accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 31 March 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial report was approved by the Board of Directors on 29th November 2016.

**New or revised standards and interpretations that are first effective in the current reporting period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

The adoption of the above standard has not had a material impact on this half year financial report.



# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (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 2016 and their financial performance, cash flows and changes in equity for the half year ended on that date.

The consolidated entity comprises the following entities:

				Extent of control			
				Incorporation	30 Sep 2016	31 Mar 2016	30 Sep 2015
<b>Accounting parent</b>							
Transaction Solutions International Limited ("TSI Limited")			Australia				
<b>Controlled entities</b>							
Transaction Solutions International Pty Ltd			Australia		100%	100%	100%
TSI Investments (Mauritius) Pty Ltd ("TSI Mauritius")			Mauritius		100%	100%	100%

### 4. SEGMENT REPORTING

The Group operates in only one segment, being holder of a minority interest in TSI India.

### 5. AVAILABLE FOR SALE FINANCIAL ASSETS

#### 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 obtained an independent expert's valuation report to measure the fair value of the investments at 31 March 2016.

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

- Discounted Cash Flows (DCF) method for valuation of the TSI India existing ATM business;
- Discounted Cash Flows method for valuation of the Mphasis contract: and
- Cost approach for measurement of other assets and liabilities (such as financial assets and liabilities at balance date).

The DCF method estimated the fair value of the business by discounting the future cash flows arising from the existing business of TSI India and the Mphasis contract entered into by TSI India. The application of DCF method required significant assumptions to be made regarding the various inputs. The key assumptions of the existing business were:

- The future cash flows for the period of 5 years have been applied;
- At 31 March 2016, TSI India's existing ATM networks comprised 2,052 machines installed for three major Indian banks. Over the forecast period an additional 1,250 ATMs are expected to be installed across all three banks and the DCF is adjusted for this expected increase.

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (CONTINUED)

### 5. AVAILABLE FOR SALE FINANCIAL ASSETS (CONTINUED)

- TSI India's revenue is primarily generated in the form of fee per ATM transaction. This fee varies among the banks and also the location of the ATM machines. A range based on historical averages has been applied.
- The transaction volumes per ATM machines have historically ranged from 3,000 to 5,000 on a monthly basis. The DCF valuation model has been based on a reasonable estimate of 4,000 transactions per month.
- Transaction volumes at ATM sites have been assumed to increase 8% year on year over the forecast period;
- Operating cost assumptions regarding the fixed costs and direct and indirect site expenses have been based on historical expenses of FY2015 and FY2016.
- The terminal value of the ATMs at the end of 5 years are computed based on no growth into perpetuity

The key assumptions of the Mphasis contract are;

- 8,123 ATMs are currently active in the financial year 2017 and are expected to remain active in the financial years 2018 to 2021
- ATM revenue is earned on a standard fee per transaction basis, similar to that of the existing ATM business revenue.
- An average 157 transactions per day per ATM has been forecast for the financial year ended 31 March 2017. This is consistent with the assumptions used for the existing ATM business.
- Growth estimate of 8% year on year between financial years 2018 and 2021.
- TSI India will be liable for all operating and maintenance costs associated directly with the operating of the ATMs. Operating costs have been categorised as direct, indirect and other. Site rental and electricity expenses are projected to increase by 5% and 3% annually, respectively. The remaining direct fixed expenses are inflation indexed at 5.18% per annum based on India's inflation rate over the past year.
- There are no capital expenditure costs and no terminal value has been determined for the contract

In addition:

- A discount rate of 15.00% has been applied based on the cost of equity. This discount rate has been applied having regard to Indian Government's 10 year bond yield at 7.47%, an equity beta of 0.93 to 1.07 and an equity risk premium of 7.00%.
- The inflation rate has been assumed at 5.18% based on recent historical economic data from the Reserve Bank of India.

The valuation of the Company's investment in TSI India is predominantly based on prospective financial information. Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of managements actions in implementing the plans on which the forecasts are based. Accordingly actual results may vary materially from the forecast.

#### Reconciliation of movement in 'Level 3' financial instruments

	30 Sep 2016 \$	31 Mar 2016 \$
Balance at the beginning of the period	9,750,000	5,644,853
Movement in fair value of financial instruments	-	4,105,147
	<b>9,750,000</b>	<b>9,750,000</b>

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (CONTINUED)

### 5. AVAILABLE FOR SALE FINANCIAL ASSETS (CONTINUED)

The Directors have relied upon the 31 March 2016 independent expert valuation report to assess the carrying value at 30 September 2016. The Directors are of the opinion there has been no material change to the investment in the 6 month period and that all assumptions in the valuation remain valid. The Directors have resolved to leave the carrying value unchanged.

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

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

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

*Interchange of Managerial personnel:* Other than the involvement of Managing Director, Gary Foster on the Board of the investee there has been no interchange of managerial personnel between TSI and the investee.

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

### 6. CONTRIBUTED EQUITY

	30 Sep 2016 \$	31 Mar 2016 \$
<i>Issued and paid up capital</i>		
Ordinary shares	34,179,407	32,654,210
	<b>34,179,407</b>	<b>32,654,210</b>
	No.	\$
<i>Movement in ordinary shares:</i>		
Opening balance	1,780,063,679	32,185,790
Balance at 30 September 2015	<b>1,780,063,679</b>	<b>32,185,790</b>
Opening balance	1,838,886,208	32,654,210
Issue of shares for cash	106,250,000	1,700,000
Share issue costs		(174,803)
Balance at 30 September 2016	<b>1,945,136,208</b>	<b>34,179,407</b>

# TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (CONTINUED)

### 6. CONTRIBUTED EQUITY (CONTINUED)

	No.	\$
<i>Movement in unlisted options over ordinary shares:</i>		
Opening balance	-	-
Balance at 30 September 2015	-	-
Opening balance	30,000,000	128,979
Vesting of options	-	392,668
Issue of broker's options	7,500,000	53,593
Issue of investor options	53,125,004	-
Balance at 30 September 2016	<b>90,625,004</b>	<b>575,240</b>

### 7. RESERVES

	30 Sep 2016 \$	31 Mar 2016 \$
AFS reserve ("AFS")	4,445,862	4,445,862
Share based payment reserve	575,240	128,979
	<b>5,021,102</b>	<b>4,574,841</b>

- The AFS reserve represents the cumulative gains and losses including foreign currency gains or losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or determined to be impaired.
- The share based payment reserve relates to share options granted by the Company to its employees.

### 8. RELATED PARTIES

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

### 9. DIVIDENDS PAID OR PROVIDED FOR

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

## TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (CONTINUED)

#### 10. SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the balance date the Company (TSN) has entered into an exclusive option agreement to acquire the remaining 75.11% stake of TSI India from CX Partners for a cash consideration of INR 2.44 billion (approx. AUD\$47.9 million).

TSN has an exclusive option period to 14 February 2017 during which it will complete due diligence on TSI India and consider debt/equity options to fund the proposed acquisition.

In order for the option to be exercised the Company will first be required to undertake finance and/or equity funding and obtain shareholder approval.

#### 11. CONTINGENCIES

The Group has no contingencies at the balance date.

#### 12. COMMITMENTS

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

	30 Sep 2016 \$	30 Sep 2015 \$
Payable within 1 year	36,716	30,967
Between 1 and 5 years	-	-
<b>Total</b>	<b>36,716</b>	<b>30,967</b>

The Group has an agreement for the provision of corporate advisory services. The existing commitments in relation to those services at reporting dates were:

	30 Sep 2016 \$	30 Sep 2015 \$
Payable within 1 year	49,000	-
Between 1 and 5 years	-	-
<b>Total</b>	<b>49,000</b>	<b>-</b>

## Independent Auditor's Review Report

### To the Members of Transaction Solutions International Limited

We have reviewed the accompanying half-year financial report of Transaction Solutions International Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 30 September 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

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

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

# Independent Auditor's Review Report

To the Members of Transaction Solutions International Limited (Continued)



## Independence

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

## Conclusion

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

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2016 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**BENTLEYS**  
Chartered Accountants

**CHRIS NICOLOFF CA**  
Director

Dated at Perth this 29<sup>th</sup> day of November 2016