TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ABN 98 057 335 672

NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT

For a general meeting of Shareholders to be held
on 21 May 2013 at 9.00am (Western Standard Time) at
The Celtic Club, 48 Ord Street, West Perth, Western Australia

This is an important document. Please read it carefully.

if you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

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TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

A general meeting of Transaction Solutions International Limited will be held at:

The Celtic Club	Commencing
48 Ord Street	at 9.00am (Western Standard Time)
West Perth, Western Australia, 6005	on 21 May 2013

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 9.00am (Western Standard Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either send the proxy form by:

- hand to the Company's office at Ground Floor, 47 Colin Street, West Perth;
- post to PO Box 233, West Perth 6872; or
- fax to fax number +61 8 9226 2237,

so that it is received not later than 9.00am (Western Standard Time) on 19 May 2013.

Your proxy form is enclosed.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ABN 98 057 335 672

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of Transaction Solutions International Limited will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 21 May 2013 at 9.00am (Western Standard Time) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolution set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

SPECIAL BUSINESS

Resolution 1 – Approval to divest a majority interest in Transaction Solutions International (India) Private Limited

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

> *"Approval is given for the Company to divest a majority interest in its subsidiary entity, Transaction Solutions International (India) Private Limited on the terms and conditions set out in the Explanatory Statement accompanying this Notice.*"

Short Explanation: The Indian ATM business carried on by the Company's subsidiary, Transaction Solutions International (India) Private Limited, is the main business of the Company. The Company proposes to divest a majority interest in this business to a private equity firm in India in return for a significant capital investment. Shareholder approval is a condition precedent to the transaction.

Despite there being no requirement to do so, the Board has engaged BDO Corporate Finance (WA) Pty Ltd to prepare an Independent Expert Report to assist Shareholders. The Independent Expert Report which is Annexure 1 to the Notice concludes that the sale of the TSI Shares to the Investors is fair and reasonable and that the Transaction as a whole (which is the subject of the Resolution) is not fair but reasonable to Shareholders.

By order of the Board

Phillip MacLeod
Company Secretary

Dated: 16 April 2013

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 19 May 2013 at 9.00am (Western Standard Time).

4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ABN 98 057 335 672

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Board has engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert report to provide an opinion on whether the Transaction is fair and reasonable to Shareholders. The Independent Expert Report is attached to the Explanatory Statement. It concludes that the Transaction as a whole is not fair but reasonable to Shareholders.

The Directors recommend that Shareholders read this Explanatory Statement and the Independent Expert Report in full before making any decision in relation to the Resolutions.

RESOLUTION 1 – APPROVAL TO DIVEST A MAJORITY INTEREST IN TRANSACTION SOLUTIONS INTERNATIONAL (INDIA) PRIVATE LIMITED

1. BACKGROUND

On 3 December 2012, the Company announced a transaction with CX, a private equity firm based in India whereby the Company is to divest a majority interest in its operating subsidiary, TSI India.

TSI India is a private limited company incorporated in India and is engaged in the business of providing automated teller machines (ATMs), related management services, providing payment solutions and other related customer services for financial institutions, banks, government agencies and authorities in India.

Shares in TSI India are held by the Company and by its wholly owned subsidiaries, Transaction Solutions International (Australia) Pty Ltd and Transaction Solutions International Limited (UK) (together the "**Group**").

On 15 April 2013 the Company announced TSI India and the Group entered into an Investment Agreement with Urania (a wholly owned subsidiary of CX) and AAJV, a private trust established in India, (together the "**Investors**"). Under the Agreement, the Investors have agreed to invest a total amount of Rs. 1,217 million (approx. A$21.59 million) in TSI India. The investment is to be made in two tranches as follows:

(a) **Tranche 1 Investment** – the Investors to invest Rs. 805 million (approx. A$14.28 million) by purchasing existing TSI Shares from the Group for Rs. 680 million and by subscribing for new TSI Shares for Rs. 125 million; and

(b) **Tranche 2 Investment** – the Investors to invest a further Rs. 412 million (approx. A$7.31 million) by subscribing for new TSI Shares.

Upon completion of the investment, the Investors will hold a 75.11% interest in TSI India and the Group will retain the remaining 24.89%. The objective of the Company and the Investors is to develop and expand the business operations of TSI India with a view to building the ATM business. The Company has established TSI India as a highly reputable and professional company in the ATM and e-transaction sector in India. It currently owns and operates ATMs in India. CX specialises in growth equity investments. It has extensive knowledge of the Indian banking market and a good reputation in India. The combination of the significant cash

investment by the Investors and the strategic benefits of working with CX's business network is expected to enhance TSI India's ability to seize new business opportunities and realise substantial growth.

The investment under the Agreement is subject to a number of conditions precedent. One of the conditions to the Tranche 1 Investment is that Shareholders approve the Transaction contemplated by the Agreement. Resolution 1 seeks Shareholder approval to the Transaction. If Resolution 1 is not passed then the Tranche 1 Investment will not be made and the Transaction will not proceed.

The material terms of the Agreement is summarised below.

2. SUMMARY OF THE AGREEMENT

The Agreement sets out the agreement and relationship between the parties and their rights and obligations in relation to the investment by the Investors in TSI India.

2.1 Tranche 1 Investment

At the First Closing the Investors must invest Rs. 805 million in return for 92.5 million shares in TSI India as follows:

- The Investors will purchase a total of 80 million TSI Shares from the Group for Rs. 680 million (purchase shares); and
- The Investors will subscribe to, and TSI India will issue, a total of 12.5 million TSI Shares for Rs. 125 million (subscription shares).

On completion of the First Closing, the Company will retain cash of Rs. 55 million (approximately A$976,000).

The obligations of the Investors to subscribe for, and purchase, TSI Shares under the Tranche 1 Investment on the First Closing is conditional on various conditions precedent being satisfied (see paragraph 2.3 below). The First Closing must occur within 30 business days after satisfaction of the conditions precedent and the issuing of a first closing notice by the Investors.

On receipt of the Tranche 1 Investment amount from the sale of TSI Shares (Rs. 680 million), the Group must use part of those funds to subscribe for 7,812,500 compulsorily convertible debentures ("**CCDs**") in TSI India for a total consideration of Rs. 625 million. The Group may retain the balance of the funds (Rs. 55 million) to use for its own purposes. The CCDs convert into TSI Shares when the Tranche 2 Investment is made and otherwise in accordance with their terms. A summary of the terms of the CCDs is set out at paragraph 2.4 below.

The Group will hold an 11.22% interest in TSI India (28.83% on a fully diluted basis) on completion of the First Closing. The capital structure of TSI India at the First Closing is shown in Schedule A.

The Agreement prohibits TSI India from declaring dividends, issuing securities or otherwise taking any action that will dilute the voting interests of the Group until the CCDs have converted (except as otherwise agreed between the parties). The purpose of this restriction is to protect the minority interest of the Group in TSI India until the Tranche 2 Investment has been made and the CCD's are converted.

2.2 **Tranche 2 Investment**

At the Second Closing, the Investors must subscribe to a further 20.6 million TSI Shares for Rs. 412 million. The Tranche 2 Investment must be made within 18 months of the Tranche 1 Investment at the option of Urania or upon the arising of a future funding requirement of TSI as determined by the TSI board. The obligation of the Investors to subscribe for the TSI Shares under the Tranche 2 Investment is conditional on conditions precedent (see paragraph 2.3 below).

The CCDs held by the Group convert into 25,785,488 TSI Shares on the Second Closing once the Tranche 2 Investment has been made.

The Group will hold a 24.89% interest in TSI India on completion of the Second Closing. The capital structure of TSI India at the Second Closing Date is shown in Schedule A.

In the event that the Investors fail to pay the Tranche 2 Investment amount when required to do so under the Agreement, then the CCDs will automatically convert (see paragraph 2.4 below).

2.3 **Conditions precedent**

(a) *First Closing*

There are a number of conditions precedent to the First Closing. The conditions must be satisfied or waived within 60 days of the execution of the Agreement (unless extended by agreement between the parties). The conditions precedent include:

- TSI India and Group approvals to implement the Agreement and to obligations under the Agreement.
- No breach of the Agreement or warranties given under the Agreement.
- No event giving rise to a material adverse effect or litigation affecting TSI India.
- Books and corporate records of TSI India are up to date and specified information is provided to the Investors.
- Confirmation of banking arrangements to give effect to the investment by the Investors.
- Tax and legal opinion is received by the Investors.
- TSI India securing contracts for the installation of a minimum of 500 ATMs by 31 March 2013 (or other date agreed between the parties) to deliver an agreed internal rate of return.*
- The Shareholders of the Company approving the transaction contemplated by the Agreement.
- Execution of employment agreements with key employees (which include the chief executive officer, managing director, chief technology officer, chief financial officer) of TSI India.
- The Group establishing an entity in Mauritius (to hold the CCDs) and such entity executing a deed of adherence to comply with the Agreement.

If the any of the conditions precedent to the First Closing are not satisfied or waived on or before the cut-off date, the Agreement terminates and the Tranche 1 Investment will not be made.

*The Investors have indicated to the Company that they intend to waive this condition.

(b) *Second Closing*

The obligation of the Investors to pay the Tranche 2 Investment amount at the Second Closing is conditional on the Investors being satisfied that there has been no breach of the Agreement or any agreement entered into in connection with the Agreement up until the date of the Second Closing and various fundamental warranties relating to authorisation, shareholding and solvency continuing to be true and correct on the date of Second Closing.

If a condition precedent to the Second Closing is not satisfied then the Investors are not required to invest the Tranche 2 Investment.

2.4 Terms of the CCDs

The CCDs are compulsorily convertible debentures of TSI India with the following characteristics:

(a) *Interest*

- The CCDs are not entitled to any interest.

(b) *Conversion*

- The CCDs convert to 25,785,488 TSI Shares on the Second Closing (once the Tranche 2 Investment is made) or such other time as specified in the Agreement.
- In the event that the Investors do not invest the Tranche 2 Investment within 18 months of the First Closing (unless extended by the parties), then provided that the conditions precedent to the Second Closing are satisfied, the CCDs automatically convert to TSI Shares so that the Investor's interest in TSI India is diluted to 67.65%.
- In the event of any change in control of TSI India before conversion of the CCDs, the CCDs automatically convert to TSI Shares so that the Investor's interest in TSI India is diluted to 67.65%. In this event, the Investors may accelerate the Tranche 2 Investment at their discretion.

(c) *Transfer*

- The CCDs are not transferable and cannot be encumbered by the Group except as permitted under the Agreement.

2.5 Ongoing management of TSI India

(a) *TSI board restructure*

After the First Closing, the board of TSI India will be restructured so that it consists of seven (7) directors - four (4) non-retiring directors nominated by the Investors, one (1) director nominated by the Group, the chief executive officer of TSI India, and one (1) independent director (appointed by mutual agreement). No person other than the nominating party has the power or right to remove or replace such directors.

In addition, the Investors and the Group each have the right to nominate a person as a non-voting observer to the TSI India board.

In the event that the Investors do not invest the Tranche 2 Investment amount as required under the Agreement, one (1) of the Investor Directors will immediately cease to be a director and will

be removed from the TSI India board. An additional independent director will then be appointed by mutual agreement so that the board will remain seven (7) directors.

The quorum for a meeting of the board is two (2) directors comprising of at least one (1) Investor director and one (1) Group director.

A number of significant matters have been reserved as matters for the board of TSI India. None of these matters can be decided upon or implemented by the management of TSI India or voted upon at a shareholder meeting unless the matter has first been approved by the board. These matters include acquisitions, making guarantees or loans and changes to the capital of the TSI India.

Further, while the Group holds at least 5% of TSI Shares, a number of matters have been reserved as requiring the affirmative vote of the representative of the Group in any shareholder meeting or at the board meeting. These matters include changes to the rights for shares, any selective buyback of shares which is not offered to all shareholders, adopting an equity option plan for employees, voluntary dissolution, winding up or liquidation of TSI India, amendment to the articles or reconstitution of the board for removal or change of the Group directors and related party transactions.

(b) *Management*

The day-to-day business operations of TSI India will continue to be carried out by the existing key employees of TSI India. The current chief executive officer of TSI India, Mr Mohnish Kumar, will be retained and will be on the TSI India board.

The Company will provide the services of its Managing Director, Gary Foster, to TSI India on a consultancy basis for the next 3 years. Mr Foster will be engaged to provide operational and management support to TSI India continue to develop the ATM business in India.

(c) *Plans for TSI India*

The proceeds from the transaction will be used to fund capital expenditure, working capital and other corporate purposes of TSI India. The objective of the Investors is to build the business of TSI India and seek a strategic sale of their investment. In the absence of a strategic sale, the Agreement requires TSI India, at the request of the Investors, to seek a listing on an Indian or overseas securities exchange.

2.6 **Other matters**

(a) *Information and access rights*

During the period between the signing of the Agreement and the First Closing, TSI India must carry on business in the ordinary course and not commence any new line of business or make any material corporate changes. The Investors are entitled to be involved in all matters concerning the running of the TSI India and to obtain any information that is reasonably requested (subject to confidentiality obligations).

After the First Closing, TSI India must provide periodic financial and operational information to the Investors and the Group.

(b) *Pre-emptive rights*

In the event that TSI India proposes to issue new securities, then the Group and the Investors have pre-emptive rights to maintain their proportionate interest in TSI India.

(c) *The Group cannot sell its interest in TSI India without the Investors' consent*

The Group cannot sell, encumber or otherwise dispose of its equity interest in TSI India without the prior written consent of the Investors (which cannot be unreasonably withheld). The Group has agreed to a 3 year lock in period during which the Group shall not seek any buyers for its securities (unless mutually agreed with the Investors).

(d) *The Investors can sell its interest in TSI India*

The Investors are entitled to sell, encumber or otherwise dispose of its interest in TSI India to a third party without the consent or approval of the Group.

(e) *Right of first offer*

Any transfer of securities by the Investors and/or the Group is subject to a right of first offer and tag along rights being provided to the other Investors/Group as relevant. In the event of any sale of TSI Shares by the Investor, the Group has 'tag-along' rights. That is, the Group has a right to sell their TSI Shares pro-rata alongside the Investor on the same terms and conditions. In the event that the sale leads to a change in control of TSI India, then the Group has a right to sell 100% of its TSI shares.

The Investors have similar 'tag-along' rights in the event of a sale by the Group.

(f) *Strategic sale or listing*

The Investors have the right, at any time, to transfer or sell up to all of the Investor shares to a third party purchaser and to require the Group to offer 100% of TSI Shares held as the Investors may specify (subject to any legal or requirement approvals required). The TSI Shares will be sold on the same terms and conditions.

In the absence of a strategic sale, at the request of the Investors, the board of TSI India must endeavour to consummate a fully underwritten initial public offer no later than 30 August 2016 and have the TSI India securities listed on the Bombay Stock Exchange or the National Stock Exchange of India. If such a listing is not achieved by 30 August 2016, then the Investors may cause TSI India to list on an exchange in India or overseas according to the then prevailing law.

In the event that the Company disposes of its remaining TSI Shares (whether, for example, as part of a strategic sale, initial public offer or following the exercise of tag-along rights) then the Company may be required to obtain shareholder approval under ASX Listing Rules 11.2 (sale of main undertaking) and/or 11.4 (disposal of major asset) at the time of the disposal.

(g) *Profit share on sale of TSI Shares by the Investors*

If upon the sale by the Investors of all of the TSI Shares subscribed for under the Agreement, the Investors receive an internal rate of return of more than 25% (after the deduction of expenses and taxes), then the portion of returns as exceed the 25% internal rate of return must be divided between the Investors and the Group in the ratio of 80:20 respectively.

2.7 Term of the Agreement

The Agreement will continue in force as long as the Investors and the Group hold any TSI Shares. The Investors and the Group (as shareholders of TSI India) have the right at any time to mutually agree and terminate the agreement.

2.8 Transaction costs

Upon First Closing, TSI India is responsible for paying/reimbursing all costs associated with the transaction including all expenses of the Investors incurred in connection with the investment. In the event that the First Closing does not take place in the manner contemplated in the Agreement, the amount payable by TSI India is reduced to 50% of the Investors' transaction costs subject to a maximum of USD$50,000.

3. EFFECT OF THE TRANSACTION ON THE COMPANY

3.1 Capital structure

The capital structure of the Company will be unchanged. The Investor will not be issued with any securities in the Company. The capital structure of TSI India will change as shown in Schedule A.

3.2 Cash Balance

The cash held by the Company will increase by Rs 55 million (approx. A$976,000) following the sale of TSI Shares to the Investors.

3.3 Changes to Board

There will be no changes to the Board of Directors of the Company as a consequence of the Transaction with the Investors.

Mr Paul Boyatzis, the Chairman, will represent the Company as a director on the board of TSI India and Mr Gary Foster, Managing Director, will be engaged by TSI India as described in paragraph 2.5(b) above.

3.4 Corporate structure

The Company will hold a 24.89% interest in TSI India after the Tranche 1 and Tranche 2 Investment is made.

As such, TSI India will no longer be a subsidiary of the Company. The Company will not control the composition of the TSI India board of directors, cast or control the cast of more than 50% of the votes at a general meeting of TSI India or hold more than 50% of the TSI Shares on the close of the Tranche 1 Investment.

3.5 Future activities and direction

Whilst a shift in ownership will occur (24.89% owner rather than 100% owner), the primary activity of the Company will be unchanged; it will continue to install and operate ATM machines in India.

The Company will continue to develop the ATM business in India from an operational and management level. Gary Foster will continue to oversee the day-to-day operations to develop and grow the ATM business over the next three years and Paul Boyatzis will be a member of the board of TSI India and actively contribute to the strategic and operational direction of the business.

On completion of the First Closing (and the Tranche 1 Investment) the Company will address its future strategy and communicate this to Shareholders.

If Resolution 1 is not passed or the Transaction does not complete, the Company will continue to endeavour to source capital as required to further develop the TSI India business.

4. INDEPENDENT EXPERT REPORT

The Board has engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert report to provide an opinion whether the Transaction is fair and reasonable Shareholders. There is no legal requirement for an independent expert report as the Investors will not be gaining greater than a 20% interest in the Company and the Investor is not related to any entity in the Group.

The Independent Expert Report concludes that the sale of the TSI Shares to the Investors is fair and reasonable and that the Transaction as a whole (which is the subject of Resolution 1) is not fair but reasonable to Shareholders of the Company. A copy of the Independent Expert Report is provided to all Shareholders. It is attached as Annexure 1 to the Explanatory Statement.

5. DIRECTORS RECOMMENDATION

The Directors are unanimously of the opinion that the Transaction is in the best interests of the Company and its Shareholders and recommend that Shareholders vote in favour of Resolution 1. The Directors consider that the advantages outweigh the disadvantages. The Directors have taken into account the Independent Expert Report and the matters set out in sections 12 to 14 of that Report. In particular, the Transaction will result in a significant increase in the Company's cash balance so as to fund working capital and avoid a near term capital raising. CX's network and contacts in India is expected to provide the opportunity for further growth of TSI India.

To date the Company has been successful in driving the development of TSI India. TSI India has installed over 1,000 ATMs for major banks in India and has outperformed the Indian national average for ATM transaction growth by 2.25 times over the last 12 months.

However, the market dynamics in the ATM sector in India are undergoing change and market conditions have been challenging during the last 12 to 18 months. This is due to a number of factors including increased competition from large financial institutions, government intervention in relation to public bank ATM tenders, relatively high inflation around 7.5% and a temporary imbalance in ATM deployments versus debit card growth. As a consequence ATM transaction volume growth has been slower to previous periods.

TSI India's ability to continue to compete in this changing environment will be adversely impacted if limited funding restricts it from taking a longer term approach to value. On its own, TSI India is at risk of becoming insignificant in a market the size of India with competitors whom have links to readily available capital through relationships with banks.

The Directors have endeavoured to deal with this issue by creating access to funding from a partner that has strong relationships with Indian banks and institutions, which can assist TSI India with its growth opportunities.

CX is a significant Indian private equity fund, which specialises in growth equity investments in businesses with operations predominantly based in India. The partners of CX have extensive banking and institutional experience. AAJV is a private trust established in India involving parties that are associated with CX.

The Directors do not have a material personal interest in the outcome of Resolution 1 other than as Shareholders of the Company. Each of the Directors intend to vote their Shares in favour of the Resolution.

Based on the information available, including that contained in this Explanatory Statement, all of the Directors consider that the Transaction with the Investors on the terms set out in the Agreements is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 1.

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**A$**" means Australian dollars unless otherwise stated.

"**AAJV**" means Aprajita Jethy as a trustee of the AAJV Investment Trust a private trust established under the Indian Trusts Act 1882.

"**Agreement**" mean the Investment Agreement between TSI India, the Group and the Investors of April 2013.

"**Board**" means the Board of Directors of the Company.

"**CCD**" means a compulsorily convertible debenture issued by TSI India.

"**Chairman**" means the chairman of the Company.

"**Company**" means Transaction Solutions International Limited (ABN 98 057 335 672).

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**CX**" means CX Partners Fund 1 Limited a company incorporated under the laws of Mauritius.

"**Directors**" mean the directors of the Company from time to time.

"**First Closing**" the investment of the Tranche 1 Investment amount under the terms of the Agreement.

"**Group**" means the Company, Transaction Solutions International (Australia) Pty Ltd and Transaction Solutions International Limited (UK company), and any other subsidiary entity of the Company from time to time (except TSI India).

"**Independent Expert Report**" means the independent expert report dated 4 April 2013 prepared by BDO Corporate Finance (WA) Pty Ltd (ABN 27 124 031 045) and which is Annexure 1 to this Notice.

"**Investors**" means Urania and AAJV.

"**Listing Rules**" the listing rules of the Australian Securities Exchange.

"**Meeting**" means the meeting convened by this Notice.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to subscribe for a Share.

"**Resolution**" means the resolution referred to in the Notice.

"**Rs**" means Indian rupees unless otherwise stated.

"**Second Closing**" the investment of the Tranche 2 Investment amount under the terms of the Agreement.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" means a registered holder of Shares in the Company.

"**Tranche 1 Investment**" means the investment of a total of Rs 805 million by the Investors under the terms of the Agreement.

"**Tranche 2 Investment**" means the investment of a total of Rs 412 million by the Investors under the terms of the Agreement.

"**Transaction**" means the transaction to sell a majority interest in TSI India to the Investors.

"**TSI India**" means Transaction Solutions International (India) Private Limited, a company incorporated in India and which is a wholly owned subsidiary of the Company.

"**TSI Share**" means a fully paid ordinary share in the capital of TSI India.

"**Urania**" means Urania Private Limited, a wholly owned subsidiary of CX, being a company incorporated under the laws of Mauritius.

"**USD**" means US dollars unless otherwise stated.

"**WST**" or "**Western Standard Time**" means Western Standard Time, Perth, Western Australia.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ABN 98 057 335 672

SCHEDULE A – CAPITAL STRUCTURE OF TSI INDIA

Immediately before First Closing

	Number	%
TSI Shares		
Held by the Group[A]	91,687,404	100%

After First Closing (Tranche 1 Investment)

	Number	%(undiluted)	%(diluted)[B]
TSI Shares			
Held by the Group	11,687,404	11.22%	28.83%
Held by the Investors	92,500,000	88.78%	71.17%
Total	104,187,404	100%	
CCDs			
Held by the Group	7,812,500	100%	

After Second Closing (Tranche 2 Investment)

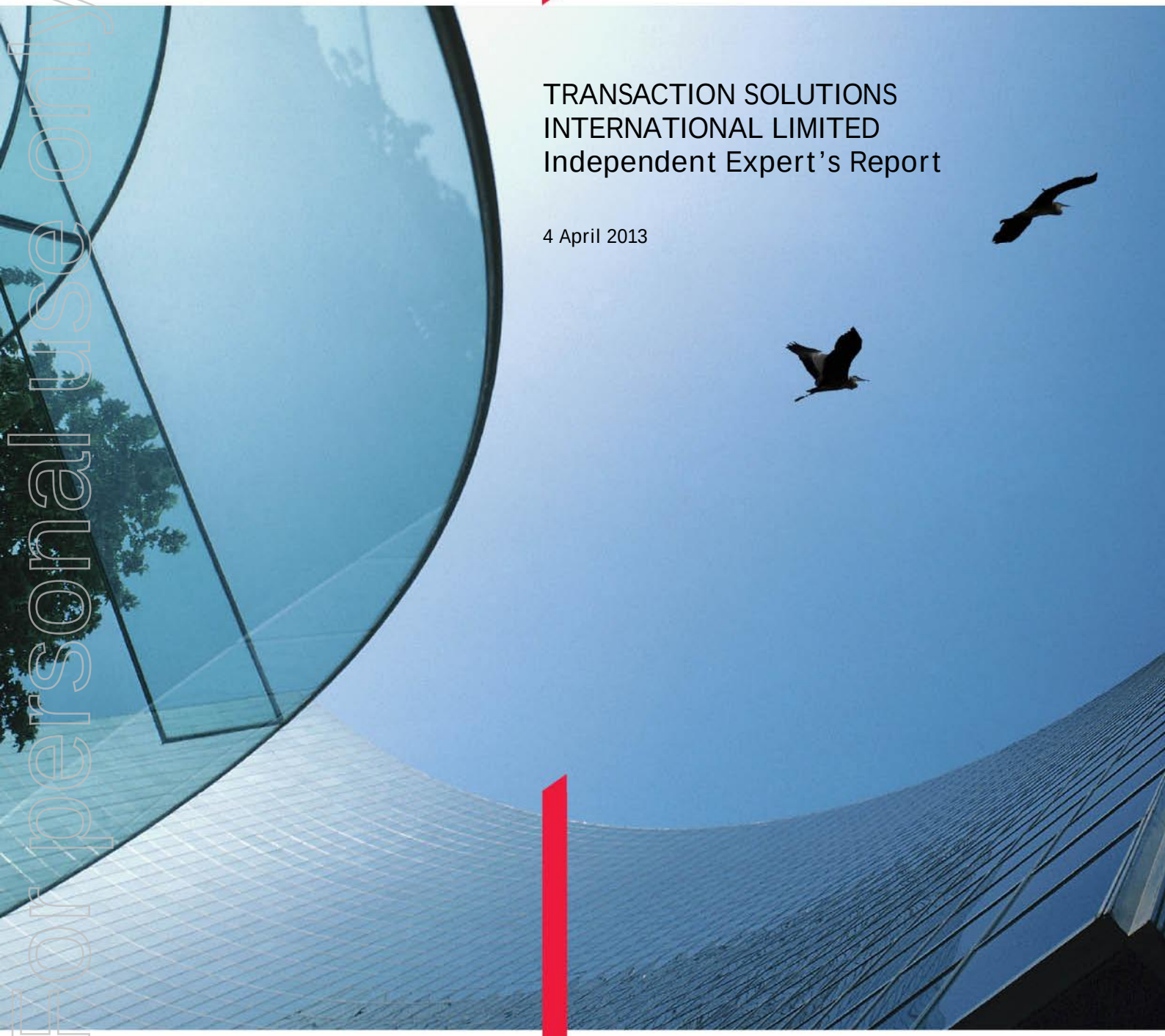
	Number	%
TSI Shares		
Held by the Group	37,472,892	24.89%
Held by the Investor	113,100,000	75.11%
Total	150,572,892	100%

Notes:

A. As at the date of this Notice, the Group holds both ordinary shares and preference shares in TSI India. It is a condition of the Transaction that the preference shares are converted to ordinary shares. This table assumes that the conversion has been completed.

B. The CCD's convert into 25,785,488 TSI shares on the Second Closing. Therefore on a fully diluted basis the Group will hold a 28.83% interest in TSI India at the First Closing. The terms of the CCDs are summarised in the Explanatory statement.

ANNEXURE 1 – INDEPENDENT EXPERT REPORT



TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
Independent Expert's Report

4 April 2013

BDO

Financial Services Guide

4 April 2013

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("we" or "us" or "ours" as appropriate) has been engaged by Transaction Solutions International Limited ("TSN") to provide an independent expert's report on CX Partners' proposal to acquire up to 75% of the issued capital of TSI India, a wholly owned subsidiary of TSN. You will be provided with a copy of our report as a retail client because you are a shareholder of TSN.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $40,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from TSN for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

BDO

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Australia

4 April 2013

The Directors
Transaction Solutions International Limited
41-47 Colin Street
West Perth WA 6000

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 3 December 2012, Transaction Solutions International Limited ("TSN") announced that it had secured an agreement with CX Partners for CX Partners to acquire a majority interest of the issued capital of Transaction Solutions International (India) Private Limited ("TSI India" or "the Company"), a wholly owned subsidiary of TSN.

We have considered the fairness of the proposed transaction in two parts:

- The divestment of a majority interest in TSI India for cash consideration of 8.5 rupees per share ("Share Sale"); and
- Subsequent steps through which CX Partners will obtain a 75% interest in TSI India through a combination of share issues, cash investments and subscription of 7,812,500 compulsorily convertible debentures ("CCD's") which will convert to 3.3 ordinary shares per CCD (together with the Share Sale referred to as "the Transaction").

2. Summary and Opinion

2.1 Purpose of the report

The directors of TSN have requested that BDO Corporate Finance (WA) Pty Ltd ("BDO") prepare an independent expert's report ("our Report") to express an opinion as to whether or not the Share Sale is fair and reasonable to non associated shareholders of TSN ("Shareholders") and whether the Transaction is fair and reasonable to Shareholders.

Although there is no legal requirement for an independent expert's report, as CX Partners will not be gaining a controlling interest in TSN and CX Partners is not related to TSN, the directors of TSN have requested that BDO prepare this report to provide an opinion on whether the Share Sale and the Transaction is fair and reasonable to Shareholders.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 ("RG 111"), 'Content of Expert's Reports' and Regulatory Guide 112 ("RG 112") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Share Sale and the Transaction as outlined in the body of this report. We have considered:

- For the Share Sale how the value of a share in TSI India (on a control basis) prior to the Share Sale compares to the cash consideration being offered by CX Partners;
- How the value of TSN's interest in TSI India (on a control basis) prior to the Transaction compares to the value of TSN's minority interest in TSI India following the Transaction;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

Share Sale

We have considered the terms of the Share Sale as outlined in the body of this report and have concluded that the Share Sale is fair and reasonable to Shareholders.

Transaction

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to Shareholders.

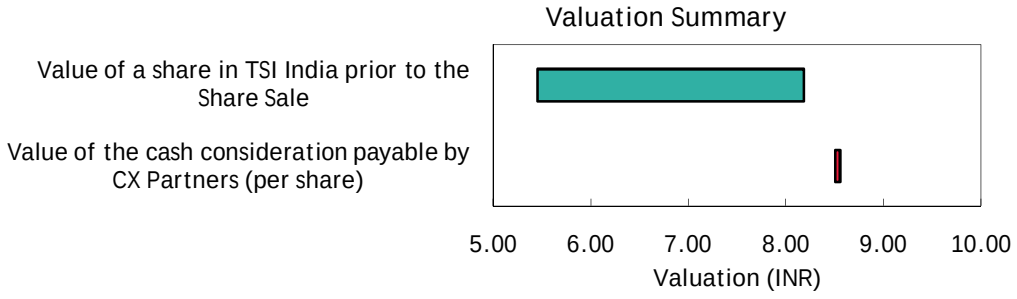
2.4 Fairness

Share Sale

In Section 12 we determined that the cash consideration to be received from CX Partners compares to the value of a TSI India share, as detailed below.

	Section	Low INR	Preferred INR	High INR
Value of a share in TSI India prior to the Share Sale (per share)	10.4	5.45	6.93	8.18
Value of the cash consideration payable by CX Partners (per share)	4	8.50	8.50	8.50

The above valuation ranges are graphically presented below:



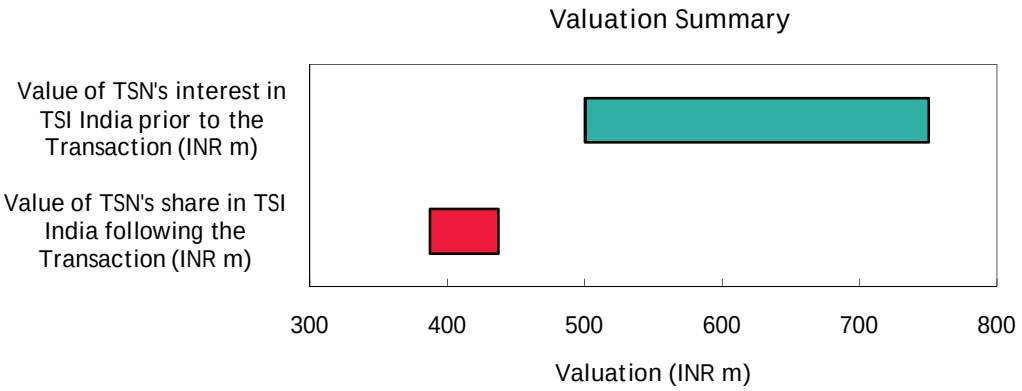
The above pricing indicates that, in the absence of any other relevant information, the Share Sale is fair for Shareholders.

Transaction

In Section 13 we determined that the value of TSN's interest in TSI India prior to the Transaction compares to the value of TSN's interest in TSI India following the Transaction, as detailed below.

	Section	Low INR'000	Preferred INR'000	High INR'000
Value of TSN's interest in TSI India prior to the Transaction (100%)	10.4	500,000	635,000	750,000
		25%	25%	25%
Value of 25% of TSI India		125,000	158,750	187,500
Cash consideration				
Subscription for new shares in TSI India	4	125,000	125,000	125,000
Subscription for new TSI India shares	4	412,000	412,000	412,000
Purchase of existing TSI India Shares	4	625,000	625,000	625,000
		1,162,000	1,162,000	1,162,000
		25%	25%	25%
Value of 25% of cash received by TSI India from CX Partners		290,500	290,500	290,500
Value of TSN's interest in TSI India following the Transaction on a control basis		415,500	449,250	478,000
Minority discount	11	20%	20%	20%
Value of TSN's interest in TSI India following the Transaction on a minority basis		332,400	359,400	382,400
Value of cash received by TSN from CX Partners	4	55,000	55,000	55,000
Total value of TSN's share in TSI India following the Transaction		387,400	414,400	437,400

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 14 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information, we believe that the Transaction is reasonable for Shareholders. We have not performed a separate analysis of the reasonableness of the Share Sale.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.3	Increase in TSN's cash balance to fund its working capital and avoid near term capital raisings	14.4	Reduction in the percentage of profits that will flow to TSN
14.3	The Transaction is conditional upon TSI India securing new contracts for 500 ATMs which would potentially add value to TSI India	14.4	Loss of control of TSI India
14.3	CX Partners' network and contacts in India is expected to provide the opportunity for further growth of TSI India.		

14.3	CX Partners' financial backing and credibility in India may allow TSI India to secure future ATM contacts
14.3	Shareholders will retain control of TSN

Other key matters we have considered include:

Section	Description
13.1	No alternate proposals available for TSN
13.2	Consequences of not approving the Transaction

3. Scope of the Report

3.1 Purpose of the Report

There is no requirement under ASX Listing Rules or Corporations Act Regulations for TSN to engage an independent expert in relation to the Share Sale or the Transaction.

Notwithstanding the above, TSN engaged BDO to prepare this report for provision to Shareholders to assist them in deciding whether to approve the Transaction.

3.2 Regulatory guidance

In determining whether the Share Sale and the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

We do not consider the Share Sale or the Transaction to be a control transaction as CX Partners will not gain control of TSN. As such, we have used RG 111 as a guide for our analysis but have considered the Share Sale and the Transaction as if they were not a control transaction for TSN. However, CX Partners will gain control of TSI India if the Transaction is approved and we have therefore valued TSI India as if it is a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in three parts:

- A comparison between the value of a share in TSI India and the cash consideration that is being offered by CX Partners (fairness – see Section 12 "Is the Share Sale fair?");
- A comparison between the value of TSN's interest in TSI India on a control basis prior to the Transaction and the value of TSN's minority interest in TSI India following the Transaction (fairness – see Section 13 "Is the Transaction fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 14 "Is the Transaction Reasonable?").

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ("APES 225").

A Valuation Engagement is defined by APES 225 as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 3 December 2012, TSN announced that it had secured an agreement with CX Partners to divest a majority interest in TSI India, a wholly owned subsidiary of TSN.

We have been engaged as an independent expert to comment on the fairness and reasonableness of the Share Sale as outlined above. We have also been engaged as an independent expert to comment on the fairness and reasonableness of the Transaction which includes the Share Sale as well as the subscription of CCD's and the cash investment. The Transaction comprises two tranches, which are set out below;

Tranche 1 (71%)

CX Partners will purchase 80 million TSI India Shares from TSN for 680 million rupees (8.5 rupees per share).

CX Partners and its associates will subscribe to and TSI India will issue a total of 12.5 million TSI Shares for 125 million rupees.

TSN will subscribe for 7,812,500 CCD's in TSI India at a price of 80 rupees per CCD. The CCDs will convert to 25,785,488 ordinary shares in TSI India. TSN will retain the balance of the funds (55 million rupees) to use for its own purposes.

On completion of Tranche 1, TSN will hold 29% of the issued capital of TSI India (including the CCDs) and CX Partners will hold 71% of the issued capital.

The board of TSI India will be restructured to comprise a total of 7 directors; the CEO of TSI India, one director appointed by TSN, up to 4 of directors who will be appointed by CX Partners and one independent director.

Tranche 2 (75%)

Within 18 months of the completion of Tranche 1, CX Partners is to invest a further 412 million rupees to receive a further 20.6 million shares in TSI India.

The CCDs owned by TSN will automatically convert into 25,785,488 ordinary shares immediately after the completion of Tranche 2.

On completion of Tranche 2, TSN will hold 24.89% of the issued capital of TSI India and CX Partners will hold 75.11% of the issued capital.

TSI India - capital structure following CX Partners purchasing 80 million existing shares	Number	%
TSN*	11,687,404	12.75%
CX Partners	80,000,000	87.25%
Total ordinary shares on issue post Share Sale	91,687,404	100.00%
TSN*	37,472,892	24.89%
CX Partners	113,100,000	75.11%
Total ordinary shares on completion	150,572,892	100.00%

*Transaction Solutions International (Australia) Pty Ltd, Transaction Solutions International Limited (UK), Transaction Solutions International Limited or any other company which holds securities of Transaction Solutions International (India) Private Limited.

Note that TSN's shareholding post the Share Sale includes the 4,606,752 preference shares that convert to ordinary shares

Effect of the Transaction on TSN

The primary business activities of TSN, the ATM business in India though operating through TSI India, will remain unchanged. However, the level of control that TSN has over TSI India will be reduced as CX Partners, holding 75% of the issued capital, will have control of TSI India following the Transaction.

TSI India will no longer be a wholly owned subsidiary of TSN.

TSN's share of profits from TSI India will decrease due to its reduced equity interest. However, CX Partners will share the profits of TSI India in a greater proportion than TSN's shareholding upon the achievement of a greater than 25% IRR on the original investment made by CX Partners in a ratio of 80:20 based on the sale of securities held by CX Partners.

CX Partners will have no equity interest in TSN or have any representation on the Board of TSN.

Following the Transaction, TSN will hold an approximate 25% interest in TSI India and A$4 million in cash.

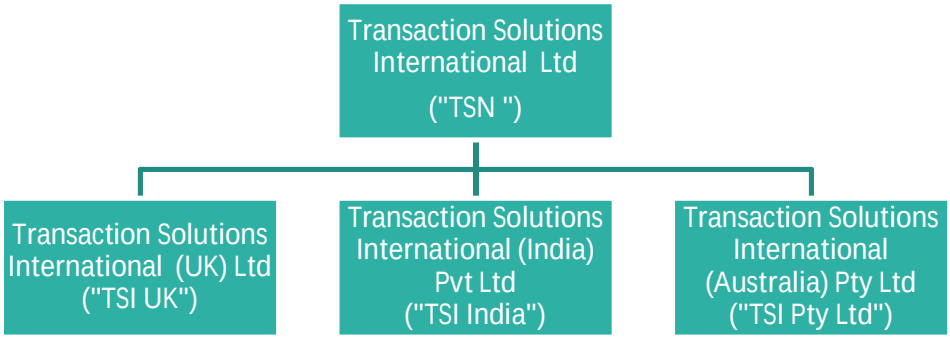
The cash investment from CX Partners in TSI India will allow for significant growth opportunities. CX Partners will bring to TSI India, a combination of its expertise of investing in the financial services sector in India, its business network in India, as well as a significant fund.

5. Profile of TSI India

5.1 History

TSN was listed on the ASX in August 2001. The corporate structure of TSN is shown below. TSN has three wholly owned subsidiaries; TSI UK, TSI India and TSI Pty Ltd. TSN's principal operations, the deployment of Automatic Teller Machines ("ATMs") in India, are run through TSI India.

In 2010, QED Occtech Ltd (now TSN), acquired TSI UK and its subsidiaries at the time, TSI India and TSI Pty Ltd.



The Company commenced its core operation in India in 2006. TSI India's principal activity is the installation and management of ATMs and bill payment machines for banks and utility companies in India. Since the deployment of the Company's first ATM in India in late 2006, the Company has placed over 970 ATMs for leading public and private sector banks in India.

TSI India's growth in India was made possible through a joint venture arrangement with Securitrans India Pvt Ltd ("Securitrans"). Securitrans is part of the A.P. Securitas Pvt Ltd Group and is involved in providing cash management services such as currency sorting and managing the cash replenishment.

TSI India purchases its ATMs from NCR Corporation Inc and Wincor Nixdorf AG and also works closely with Accel Transmatic Ltd and Opus Soft Software Solutions Inc to assist TSI India in growing its Indian business.

TSI India's business model is based on the establishment of a recurring revenue system generated through the deployment of ATMs and provision of electronic payment services. TSI India owns, manages and operates its financial hardware and systems, in return for a fee per transaction. TSI India has established agreements with major banks, utilities and corporates which form TSI India's customer base and from whom TSI India receives its revenues.

TSI India's main contracts are with Punjab National Bank ("PNB"), Tamilnad Mercantile Bank Ltd ("TMB") and HDFC Bank ("HDFC"). These contracts range between 5 and 9 year periods with an option to extend to be mutually agreed between TSI India and the respective bank.

TSI India is a capital intensive business which requires the Company to deploy more ATMs in order to capture the growth in the Indian banking sector's demand for electronic payment services. TSI India has successfully overcome barriers to entry in the sector, as reflected in its growth profile and the increasing demand for its ATM outsourced business.

On 7 March 2013, the directors of TSN announced that TSI India has signed a fourth, 9 year agreement with TMB. TMB has appointed TSI India to deploy, manage and operate an additional 200 ATMs, with the ability for up to 400 ATMs under the new agreement.

5.2 Historical Balance Sheet

TSI India	Reviewed as at 30-Sep-12 INR'000	Audited as at 30-Mar-12 INR'000	Audited as at 31-Mar-11 INR'000
CURRENT ASSETS			
Cash and cash equivalents	137,367	164,718	94,452
Trade and other receivables	74,119	63,265	40,043
Other current assets	66,018	72,329	58,626
TOTAL CURRENT ASSETS	277,504	300,312	193,121
NON CURRENT ASSETS			
Fixed assets	526,188	514,542	351,231
Intangible assets	2,188	2,750	2,346
Loans and advances	28,820	24,255	18,246
Bank deposits	20,340	20,493	34,930
TOTAL NON CURRENT ASSETS	577,536	562,040	406,753
TOTAL ASSETS	855,040	862,352	599,874
CURRENT LIABILITIES			
Trade and other payables	68,757	54,292	27,855
Provisions	20,536	13,125	1,456
Other current liabilities	12,848	6,641	7,895
TOTAL CURRENT LIABILITES	102,141	74,058	37,206
NON CURRENT LIABILITIES			
Provisions	4,228	4,228	1,584
Deferred tax liabilities	-	-	5,826
TOTAL NON CURRENT LIABILITIES	4,228	4,228	7,410
TOTAL LIABILITIES	106,369	78,286	44,616
NET ASSETS/(LIABILITIES)	748,671	784,066	555,258
EQUITY			
Contributed equity	916,874	916,874	678,830
Accumulated losses	(168,203)	(132,808)	(123,572)
TOTAL EQUITY	748,671	784,066	555,258

Source: Audited annual statements as at 31 March 2011 and 31 March 2012 and reviewed half year as at 30 September 2012.

5.3 Historical Statement of Comprehensive Income

TSI India	Reviewed for the half year ended 30-Sep-12 INR'000	Audited for the year ended 31-Mar-12 INR'000	Audited for the year ended 31-Mar-11 INR'000
Revenue from operations	242,290	400,602	293,419
Other income	8,152	13,735	5,056
Total revenue	250,442	414,337	298,475
Expenses			
Employee benefits expense	(18,145)	(35,719)	(33,596)
Finance costs	(82)	(434)	(657)
Depreciation and amortisation expense	(39,029)	(67,016)	(46,885)
Other expenses	(228,581)	(326,229)	(207,552)
Profit/(loss) before income tax expense	(35,395)	(15,061)	9,785
Income tax benefit/(expense)	-	5,826	59
Net profit/(loss) for the period	(35,395)	(9,235)	9,844

Source: Audited annual statements of the years ended 31 March 2011 and 31 March 2012 and reviewed half year ended 30 September 2012.

Commentary on Historical Financial Statements

Cash and cash equivalents are made of cash on hand balances, term deposits and long term security deposits. These security deposits totalled INR 38.99 million as at 30 September 2012 and INR 47.95 million as at 31 March 2012 and mature within a period of 3 to 12 months. Total cash and cash equivalents have increased from INR 94.45 million to INR 137.37 million between 31 March 2011 and 30 September 2012. This majority of this increase resulted from the issue of approximately 19.48 million ordinary shares and 4.61 million preference shares during the year ended 31 March 2012.

Other current assets relate to short term loans and advances such as prepayments and advances to suppliers and income tax amounts receivable.

The majority of the fixed assets balance of INR 526.19 million as at 30 September 2012 and INR 514.54 million as at 31 March 2012 relates to ATM machines which are depreciated at a rate of 10.34% per annum and furniture and fittings which are depreciated at a rate of 18.10% per annum. Intangible assets relate to kiosk software which is depreciated at a rate of 7.72% per annum and totals IND 2.19 million as at 30 September 2012.

Non-current bank deposits of INR 20.34 million as at 30 September 2012 and INR 20.49 million as at 31 March 2012 relate to security deposits. These deposits do not mature for a period of less than 12 months from the reporting date.

As at 30 September 2012 current provisions of INR 20.54 million relate to electricity expenses at sites while non-current provisions of INR 4.23 million relates to provisions for gratuity payments to employees. The Company has no defined Contribution Plan or benefits, however makes an estimated provision at the year end.

TSI India recorded a loss of INR 9.23 million for the year ended 31 March 2012 in comparison to a profit of INR 9.84 million for the year ended 31 March 2011. For the six month period ended 30 September 2012, TSI India has recorded a loss of INR 35.40 million.

The majority of other income relates to bank interest received on deposits held. Some minor profits on the sale of items of property were received during the half year ended 30 September 2012.

5.4 Capital Structure

The ordinary share structure of TSI India as at 21 March 2013 is outlined below:

Ordinary Shares on issue	Number	%
Transaction Solutions International (Australia) Pty Ltd	323,788	0.35%
Transaction Solutions International Limited (UK)	74,014,816	80.73%
Transaction Solutions International Limited	17,348,800	18.92%
Total ordinary shares on issue	91,687,404	100.00%

Source: Share registry information

We have been advised by TSN that 4,606,752 preference shares will convert to ordinary shares prior to the Transaction, therefore these are included in the total ordinary shares on issue in the above table.

6. Profile of CX Partners

CX Partners is an Indian private equity firm specialising in growth equity investments. CX Partners was established in August 2008 by Ajay Relan and is based in New Delhi, India.

The key management structure of CX Partners includes:

- Mr Ajay Relan – Founder & Managing Partner
- Mr Shishir Jain – Joint Managing Partner
- Mr Jayanta Kumar Basu – Partner
- Mr Vivek Chhachhi – Partner
- Mr Amit Bhatiani – Partner

The partners have over 50 years of combined direct experience investing in Indian and global companies such as KPIT Cummins, Matrix, Thyrocare, Sutures India and Nueclear.

CX Partners have a long and profitable record of investing in the financial services sector with prior investments in banks and brokerage houses. CX Partners current portfolio includes two banks; South Indian Bank and Karur Vysya Bank. CX Partners have an extensive knowledge of the Indian banking market and a good reputation in India.

CX Partners currently have significant available funds, which if deposited in a selected bank, will enable TSI India to establish new contracts for ATMs.

7. Economic analysis

India ranks second in the world in terms of population, with its human capital playing a significant role in its economic development. This is evidenced by the services sector being one of the major contributors to the Indian Gross Domestic Product ("GDP"). Other key contributors to GDP are its agricultural & industrial sectors. The current annual GDP growth rate in India is 6.5%. The industrial output growth as measured by the General Index of Industrial Production was 2.9% from September 2011 to September 2012. However a slowdown has occurred in the manufacturing and mining sectors over this period.

The weakening of emerging and advanced economies as well as a slowdown in domestic economic activity has negatively impacted India's trade performance. Subdued export performance in the second half of the 2012 financial year continued into the first quarter of 2013, with the value of exports falling 8.1% in the period from 1 April 2012 to 30 September 2012, compared with a 40.5% increase over the same period in 2011. Imports also declined in this period by 3.6% mainly as a result of a contraction in gold and silver imports, slow domestic economic activity and only a moderate growth in the imports of oil and petroleum products. As the decline in exports was greater than the decline in imports, the trade deficit increased to US$93 billion at 30 September 2012, which represents a 4.26% increase on the corresponding 2011 figure. The worsening of India's terms of trade has contributed to an increase in India's current account deficit ("CAD"). Despite there being a recovery in capital flows, the Reserve Bank of India ("RBI") considers the CAD to be well above comfort levels.

The inflation rate in India in the current financial year has hovered around 7.2%. According to the RBI Board minutes released in November 2012, a majority of external board members suggested that the RBI should reduce rates. They expressed the view that even though inflation is sticky, there are no demand pressures and there is a need to revive investments. The high inflation has also contributed to the depreciation of the Indian rupee against the US dollar. According to the RBI, liquidity conditions have eased during FY 2012-13 as a result of pre-emptive measures which include reduction in the Statutory Liquidity Ratio and Cash Reserve Ratio by the RBI. The RBI considers inflation to be sticky with there being no evidence to suggest excess demand conditions exist in any part of the economy.

The Indian stock market has been affected by the global economic turmoil resulting in underperformance of most of the stocks in various sectors. The Bombay Stock Exchange (BSE) Sensex & National Stock Exchange (NSE) Nifty Index levels are down compared to 2010. Foreign Institutional Investors ("FIIs") are a major participant in the Indian capital market. In 2012 overseas investors made a net investment of US$22.22 billion in the Indian capital market, representing the second highest inflow since 1992. In 2010, FIIs net inflow was US$29 billion however in 2011 FIIs withdrew US$358 million from the Indian market. According to research conducted by Morgan Stanley, in 2012 FIIs raised their aggregate holding in the top 75 companies of the country to a six year high level of 21.6%.

According to a survey by the United Nations Conference on Trade & Development India has emerged as the second most popular destination next to China in terms of Foreign Direct Investment ("FDI"). Recently the central government has introduced 51% FDI in retail multi brands, which will enable global supermarket chains such as Walmart to open up supermarkets in India. The decision to open this market segment to majority foreign control has triggered protests in some sections of the population but overall experts are of the opinion that the opening of the retail sector to majority foreign ownership will accelerate FDI inflows and create improvements in the supply chain.

8. Industry analysis - ATM Industry in India

The first ATM in India was introduced by the Hong Kong and Shanghai Banking Corporation ("HSBC") in 1987 followed by the Bank of India in 1988. ATMs are an integral part of banks' strategy to reach customers and create brand awareness.

Economic development and income growth especially in the urban areas of India have been the key drivers for the growth of the Indian ATM industry. All the major international ATM manufacturers such as GRG Banking, Diebold, Wincor Nixdorf and NCR Corporation have a presence in India.

According to the RBI, 40% of India's population out of a total population of 1.2 billion does not have access to banking facilities. Although the ATM penetration per million people has increased in India, it still has a long way to go to reach the levels in other emerging markets like Korea and China. At present there are 75-80 ATMs per 1 million people. In comparison, China has an ATM coverage of over 200 ATMs per 1 million people.

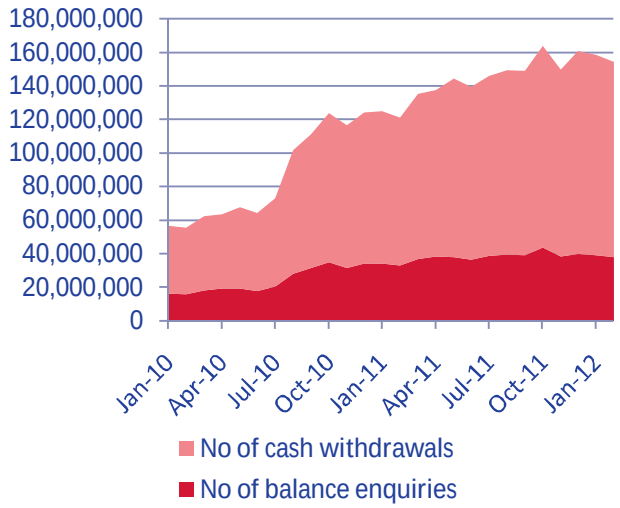
8.1 Growth in the Number of ATMs

According to the RBI, India had 101,646 ATMs at the end of September 2012. Public sector banks in India have more than 50,000 ATMs, with the rest belonging to private and foreign banks. The following graph shows the growth in the number of ATMs in India for the period January 2012 to September 2012.

Source: RBI Website

8.2 Growth in ATM Transactions

ATMs facilitate a variety of banking transactions for customers, however their main utility has been for cash withdrawal and balance enquiry. The following graph shows the increase in the number of ATM transactions in India.



Source: National Payments Corporation of India data

8.3 Market participants

The top five ATM service providers present in India are Infinet, Cashnet, Cashtree, Mitr and Bancs. Infinet is significantly larger than the other four providers.

8.4 Regulations/ Guidelines Governing the Indian ATM Industry

Initially only banks were permitted by the RBI to set up ATMs as extended delivery channels. Keeping in view the continuous growth in the number of ATMs, the RBI has recently reviewed its policy on ATMs. On 20 June 2012, the RBI decided to permit non-bank entities incorporated in India under the Companies Act 1956, to set up, own and operate ATMs in India with such operators called White Label ATMs. Non-bank entities would be permitted to set up WLAs in India, after obtaining authorisation from the RBI under the Payment and Settlement Systems Act 2007.

8.5 Outlook for the Indian ATM Industry

One of the primary trends in the ATM industry has been the outsourcing of ATM operations by banks to third party vendors, helping banks to focus on their core banking business. Thus the Indian ATM outsourcing market has evolved from being an installation only service to an end-to-end managed service. This industry is expected to grow further as more and more banks opt for this ATM deployment model. This segment has witnessed a growth of 30% over five years. ATMs in India are expected to grow at a compounded average growth rate of 25% between 2011 and 2015. ATMs now have a wider reach in rural and remote corners of the country. Industry estimates are that for about 50% of the ATMs, banks will outsource services such as site identification, deployment, installation, ownership and management to independent vendors in the next 4-5 years.

To ensure reduction in ATM transaction costs and distribution of ATMs in a more systematic way, the finance ministry of India has recently decided to outsource 63,000 new ATMs of Government owned banks to third party service providers under the Brown Label System. The Brown Label System is being considered as an alternative between bank-owned ATMs and White Label ATMs. In this system, the hardware as well as lease is under the ownership of the service provider, while connectivity and cash handling and management are the responsibility of the sponsor bank.

The Unique Identification Authority of India is working with the Indian Banks' Association to create a network of 1.4 million micro ATMs across India. Micro ATMs will facilitate handling small rural transactions. The micro ATMs will be deployed by banks and managed by the representatives appointed by the bank. These representatives will act as mini bank branches by accepting deposits, enabling withdrawals, fund transfer from accounts and providing statement of transactions. Over 60 banks in India have registered to be a part of this network.

According to Retail Banking Research the number of ATMs in India is anticipated to increase by 130,000 terminals and reach 205,000 ATMs by 2016. This increase in the number of ATMs is due to a rise in service contracts and an opportunity to expand into the ATM management services and outsourcing segment. The growing emphasis on rural banking and schemes like the National Rural Employment Guarantee Act will help in reducing the ATM penetration gap in urban and rural areas and spur growth for the ATM industry in India.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ("FME")
- Discounted cash flow ("DCF")
- Quoted market price basis ("QMP")
- Net asset value ("NAV")
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of TSI India's shares we have chosen to employ the discounted cash flow method and the net asset value method:

We have chosen these methodologies for the following reasons:

- TSN and TSI India have prepared cash flow forecasts for a five year and three month period to 31 March 2018. TSI India has been operating since 2006 and has historical information available on which to reasonably base forecasts. We therefore consider the DCF method to be appropriate;
- NAV represents the lowest value a vendor would accept for the business, we have selected this as a cross check forming a lower boundary of our valuation;
- TSI India has experienced a high rate of growth whilst also returning losses during this growth period. Accordingly, it is not suited to the use of FME;
- TSI India is an unlisted company and as such the quoted market price cannot be used.

Our assessment of TSN's position following the Transaction includes a 25% interest in TSI India plus the cash that TSN will receive from CX Partners. Our valuation does not include the potential upside of any forecast investment of CX Partners' cash investment in TSI India, as there is not a reasonable basis to forecast how the cash investment will be applied in growing the business of TSI India thereby increasing its value.

10. Valuation of TSI India prior to the Share Sale and the Transaction

10.1 Sum-of-parts valuation

The sum-of-parts method estimates the fair market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods. The underlying assets and liabilities of TSI India are valued using the NAV methodology together with the DCF methodology in respect of the ATM business.

10.1.1 Discounted cash flow

Future Cash Flows

The DCF approach estimates the fair market value by discounting the future cash flows arising from the Company's operations to its net present value. Performing a DCF valuation requires the determination of the following:

- The expected future cash flows that the Company is expected to generate; and
- An appropriate discount rate to apply to the cash flows of the Company to convert them to present value equivalent.

The management of TSN have prepared a detailed cash flow model ("the Model") for the operations of TSI India. We have reviewed the Model and the material assumptions that underpin it. The Model depicts forecasts of nominal, post-tax cash flows over the period from 1 January 2013 to 31 March 2018 ("the Forecast Period"). We have adjusted the model by converting the monthly cash flows to yearly cash flows and incorporating into the Model an organic growth in the number of ATM's held by TSI India ("the Adjusted Model").

BDO has undertaken an analysis of the Adjusted Model which has involved:

- analysing the Adjusted Model to confirm its integrity and mathematical accuracy;
- reviewing the reasonableness of the assumptions adopted by TSN such as the forecast revenue, operating expenses and capital expenditure. The reasonableness of the assumptions used were assessed with respect to historical operating performance;
- analysing the economic assumptions behind the model; and
- calculating an appropriate discount rate.

We have not undertaken a review of the cash flow forecasts in accordance with Australian Auditing Standards and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Adjusted Model has been based have not been prepared on a reasonable basis.

Assumptions

We have set out the key assumptions used in the Adjusted Model below:

Growth Assumptions

- The Adjusted Model incorporates organic growth in the number of ATMs held over the Forecast Period. We have assumed 4 additional TMB ATMs per month will be acquired over the period from 1 January 2013 to 31 March 2018. The growth assumption is based on the announcement made by TSN on 7 March 2013 outlining the terms of the new contract won by TSI India. The contract has a 9 year term by which TSI India has been appointed to deploy, manage and operate 200 TMB ATMs with an ability to rollout an additional 200 ATMs.

Revenue Assumptions

- Approximately 95% of the Company's forecast revenue is derived from transaction revenue from ATMs. The Company also provides bill payment machines, drop boxes and point of sale terminals.
- ATM revenue is earned on a standard fee per transaction basis. The standard fee varies between banks based on the level of services provided. For example depending on the contract, TSI India may be responsible for not only the provision of the ATM hardware but also the renting of the ATM site and the provision of ATM guards. The average revenue per ATM transaction for each of the banks, in the Adjusted Model ranges from INR 6.7 to INR 9.0.

	Actual FY2011 INR'000	Actual FY2012 INR'000	Actual* FY2013 INR'000	Forecast FY2014 INR'000	Forecast FY2015 INR'000	Forecast FY2016 INR'000	Forecast FY2017 INR'000	Forecast FY2018 INR'000
Total Revenue	298,334	298,475	539,121	619,282	639,046	658,728	678,410	698,092

*Actual revenue for the nine months to 31 December 2012 and forecast for the three months to 31 March 2013

- Current ATM contracts between TSI India and the banks have a five, seven or nine year term. These contracts also typically include an option component which allows the Company to extend the arrangement beyond the contract period if it is mutually agreed upon by TSI India and the respective bank.
- The tables below compare the actual number of ATMs historically held and the forecast numbers of ATMs used in the Adjusted Model.

	Actual number of ATM machines				
Bank	31-Mar-09	31-Mar-10	31-Mar-11	31-Mar-12	31-Dec-12
PNB	103	235	353	388	392
TMB	75	91	132	262	372
HDFC	-	-	-	136	250
Total	178	326	485	786	1,014

Bank	Forecast number of ATM machines					
	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-18
PNB	392	392	392	392	392	392
TMB	384	432	480	528	576	624
HDFC	250	250	250	250	250	250
Total	1,026	1,074	1,122	1,170	1,218	1,266

- Management have also provided us with a forecast of ATM transaction volumes per month in order to forecast future operating revenues. Newly deployed ATMs typically do not reach their expected full transaction capacity for a number of months. As such, the expected transaction volumes are increased at different rates over the first six months depending on the bank that the contract is held with. The historical transaction volumes and the forecast volumes used in the Model are set out in the table below.

Bank	Average number of transactions per machine per month					
	Actual 2008/09	Actual 2009/10	Actual 2010/11	Actual 2011/12	Actual to 31-Dec-2012	Forecast 1-Jan-2013 to 31-Mar-2018
PNB (1 and 2 ATMs)	4,173	6,073	6,620	5,221	4,805	5,750
TMB ATM	2,961	5,552	5,390	4,943	4,634	5,100
HDFC (1 and 2 ATMs)	-	-	-	5,050	4,659	6,333

- We have assessed the reasonableness of the transaction volume assumptions used in the Adjusted Model by considering the number of new ATM sites established in the twelve months prior to the beginning of the Forecast Period. The table above indicates that the actual transaction volumes for the twelve months to 31 March 2012 and the nine months to 31 December 2012 are lower than the volumes forecast in the Adjusted Model. Given that newly established ATM sites typically do not reach their expected transaction capacity for up to six months, we have analysed how many new ATMs were deployed in the nine months to 31 December 2012 in order to assess the reasonableness of the transaction volumes forecast. The table below outlines the number of new ATM sites made operational during the nine months ended 31 December 2012.

Bank	Number of new ATMs deployed in nine months to 31 Dec 2012
PNB	11
TMB	114
HDFC	113
Total	238

- Due to the number of new ATMs deployed and the increase in transaction volumes, it is reasonable to assume that volumes may increase in the beginning of the Forecast Period. Forecast volumes appear slightly overstated in the short term. However, we are satisfied that the forecasts are reasonable over the entire Forecast Period due to the Model being built on the conservative assumption of no growth in transaction volumes per established ATM.
- We note that the PNB and HDFC average transaction volumes over the Forecast Period is based on the average of the single and dual ATM sites. The breakdown of these transaction volumes are set out in the table below.

Bank	Average transactions per machine per month	
	Sites with one ATM	Sites with two ATMs
PNB	5,500	6,000
HDFC	7,000	6,500
HDFC (no transaction guarantee)	6,000	6,500
TMB	5,100	N/A

- Management advises that the average transaction volume per machine for PNB ATMs is higher for dual ATM sites because the ATMs on the less profitable single sites are transferred to more profitable locations to create a dual ATM site.
- The transaction guarantee included in the table above relates to ATM contracts with HDFC by which a minimum transaction volume per month is guaranteed by the bank. TSI India has 78 single ATM sites with a minimum guarantee of 7,000 transactions per machine. Dual ATM sites have a minimum guarantee of 7,000 transactions for the first machine and 3,000 transactions for the second machine.

Operating Cost Assumptions

- Operating expenses comprise of direct operating expenses and administrative expenses.
- We have assessed the reasonableness of the total forecast operating expenses based on historical amounts from 1 April 2010. The table below shows the actual total operating expenses together with the forecast expenses used in the Adjusted Model.

	Actual 2010/11 INR'000	Actual 2011/12 INR'000	Actual & Forecast 2012/13* INR'000	Forecast annual operating expenses 2013/14 INR'000	Forecast annual operating expenses 2014/15 INR'000	Forecast annual operating expenses 2015/16 INR'000	Forecast annual operating expenses 2016/17 INR'000	Forecast annual operating expenses 2017/18 INR'000
Direct operating expenses	191,561	308,316	439,066	466,088	470,006	475,817	485,556	495,473
Administration expenses	49,330	53,107	65,375	51,383	55,067	59,016	63,139	67,567
Total operating expenses	240,891	361,423	504,441	517,471	525,073	534,833	548,695	563,040

*Actual operating expenses for the nine months to 31 December 2012 and forecast for the three months to 31 March 2013

- Direct operating expenses are comprised mainly of site rental costs and security and caretaker costs which are based on a fixed rate over the contract term. Based on historical operating expenses, the forecast expenses appear to be reasonable. The direct operating expenses per annum are increasing due to the additional ATMS deployed over the Forecast Period.
- We note that under the current contract with TMB, the Company is not liable for site rental. As such the total direct operating expense per machine is lower than those contracts held with the other banks. Management advise that the additional ATM contracts obtained each year over the Forecast Period are to be with TMB. This is consistent with the contract that was announced by TSN to the market on 7 March 2013.
- The Adjusted Model assumes that administration expenses are inflated at 7.2% per annum based on the current inflation rate in India. Administration expenses mainly comprise salary expenses and office rent.

Capital Expenditure Assumptions

- The Adjusted Model forecasts growth of 4 TMB ATMs per month over the period from 1 January 2013 to 31 March 2018. The capital expenditure assumptions forecast in the Adjusted Model are consistent with the terms of the contract between TMB and TSI India. The contract is for TSI India to deploy, manage and operate an additional 200 TMB ATMs, with the ability to increase to 400 ATMs (at TMB's discretion) over the term of the offer.
- An ATM has an estimated effective life of approximately ten years. TSI India began operations in 2006 at which time it had less than 100 ATMs in operation. The Forecast Period ends in 2018, therefore some of the machines will be nearing the end of their useful lives at the end of the Forecast Period. The Terminal value includes capital expenditure to account for the replacement of the 1,266 ATMs on hand at 31 March 2018. This capital expenditure is spread over a period of ten years, being the economic life of an ATM.

Terminal Value

- For the purposes of calculating a terminal value we have extended the Forecast Period by one year to ensure that the ATMs deployed in 2018 are at their full transaction volume capacity going forward.

Therefore we have increased the revenue from FY2018 to reflect all ATMs operating at full transaction volume capacity.

- The Adjusted Model calculates the terminal value assuming no growth into perpetuity.
- We have assumed that the ATMs in operation at the end of the Forecast Period will continue to generate revenue and that the contacts will be renewed or replaced.
- Many of the ATMs currently in use will be nearing the end of their useful lives at the end of the Forecast Period. The terminal value includes capital expenditure for the replacement of the 1,266 ATMs forecast to be on hand at 31 March 2018. The capital expenditure for the replacement of these existing machines is apportioned over a ten year period, being the estimated life of an ATM.
- The terminal value assumes that replacement ATM's will immediately be at full transaction capacity as they are not subject to the transaction volume ramp up.

Discount Rate

The discount rate is the rate at which future cashflows are discounted to arrive at the present day value of those cashflows.

The discount rate represents the following:

- the time value of money
- the required rate of return
- the risk of achieving projected future cashflows.

Future cash flows are converted to a present value equivalent using an estimated discount rate such as the cost of equity or the weighted average cost of capital ("WACC"), based on the type of cash flows being discounted.

The discount rate or required rate of return is a combination of the opportunity cost (what an investor could earn from a risk-free investment such as a Government bond) plus a risk premium (a premium for the risk associated with obtaining the expected returns from the particular investment).

We applied a discount rate of 14% to the forecast cash flow based on a WACC. The WACC is an average cost of capital consisting of a cost of debt and a cost of equity. The operations of TSI India are 100% equity funded, therefore the company's cost of equity represents the WACC. The inputs used in the calculation of the WACC are detailed below.

The cost of equity was assessed by applying the capital asset pricing model ("CAPM"). The assumptions applied in the CAPM include the following:

- a risk free rate of 8.15% based on the Indian Government 10 year bond yield as at the commencement date of the Forecast Period;
- an observed equity beta of 1.0 - 1.2 based on listed companies with operations similar to that of TSI India; and
- An equity risk premium of 4.0% - 6.0% derived from the difference between 10 year historical returns of the Indian market and the current risk free rate.

Combining these assumptions yields a cost of equity and therefore a WACC of 12% - 15%.

The preferred discount rate that we have used in discounting the forecast cash flows, based 100% on the cost of equity is 14%.

See Appendix 3 for a detailed description of the calculation of the discount rate.

Summary of Cash Flows

A summary of the forecast cash flows used in deriving our valuation opinion are provided in the table below:

	FY2013*	FY2014	FY2015	FY2016	FY2017	FY2018	Terminal value
	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000	INR'000
Forecast net cash flows	(18,214)	11,517	62,739	84,403	88,367	88,928	642,326

*Forecast net cash flows for the period from 1 January 2013 to 31 March 2013

We calculated the terminal value by adjusting the FY2018 cash flow by removing the capital expenditure relating to TMB ATMs and increasing operating revenue to reflect all ATMs being at full transaction capacity. This cash flow was extended into perpetuity to arrive at a terminal value of TSI India at 31 March 2018.

Sensitivity Analysis

We have analysed the key assumptions to the Adjusted Model and have prepared sensitivities on the NPV. These sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of TSI India if our base case assumptions change.

The key assumption driving operating revenue is the ATM transaction volumes. The table below sets out the sensitivity of the value of TSI India to a percentage change in the monthly ATM transaction volumes.

Forecast ATM Tranasction Volumes Flex	NPV (INR'000)
5%	785,304
4%	752,282
3%	719,259
2%	686,237
1%	660,170
0%	634,770
-1%	606,412
-2%	567,487
-3%	528,562
-4%	489,638
-5%	450,713

We note that the above values are calculated using the preferred discount rate of 14%.

The table below sets out the sensitivity of the value of the Company's operations to a change in the discount rate we have adopted.

Discount rate sensitivity					
Discount rate	12%	13%	14%	15%	16%
NPV (INR'000)	738,877	682,724	634,770	593,370	557,290

We have also sensitised the value of the Company's operations to a change in the number of additional TMB ATM's acquired per month over the period from 1 Jan 2013 to 31 March 2018.

Number of additonal TMB ATMs per month	NPV (INR'000)
2	649,763
1	642,266
0	634,770
-1	627,274
-2	619,778

Valuation

Value of TSI India	Low INR'000	Preferred INR'000	High INR'000
DCF Value (rounded)	500,000	635,000	750,000

Due to a large proportion of the operating expenses being fixed costs, a small percentage decline in the number of ATM transactions results in a large decline in the overall value of TSI India.

On the basis of the assumptions set out above, we conclude that the value of TSI India is between INR 500 million and INR 750 million, with a preferred value of INR 635 million.

10.1.2 Other assets and liabilities

As at 30 September 2012, we do not consider there to be any assets and liabilities surplus to the business. We have included the cash and cash equivalents, loans and advances and bank deposits in the opening cash balance in the DCF model.

Cash included in the DCF model	INR'000
Cash and cash equivalents	41,602
Bank deposits	80,735
Total	122,337

10.1.3 Sum-of-parts valuation of TSI India

TSI India		Low value	Preferred value	High value
Summary of assessment	Section	INR'000	INR'000	INR'000
DCF value of TSI India	10.1.1	500,000	635,000	750,000
Other assets & liabilities	10.1.2	-	-	-
Value of TSI India		500,000	635,000	750,000

10.2 Net Asset Valuation of TSI India

The value of TSI India's assets on a going concern basis is reflected in our valuation below:

TSI India	Note	Reviewed as at 30-Sep-12 INR'000	Adjusted Value INR'000
CURRENT ASSETS			
Cash and cash equivalents		137,367	137,367
Trade and other receivables		74,119	74,119
Other current assets		66,018	66,018
TOTAL CURRENT ASSETS		277,504	277,504
NON CURRENT ASSETS			
Fixed assets	1	526,186	163,243
Intangible assets		2,188	2,188
Loans and advances		28,820	28,820
Bank deposits		20,340	20,340
TOTAL NON CURRENT ASSETS		577,534	214,591
TOTAL ASSETS		855,038	492,095
CURRENT LIABILITIES			
Trade and other payables		68,757	68,757
Provisions		20,536	20,536
Other current liabilities		12,848	12,848
TOTAL CURRENT LIABILITES		102,141	102,141
NON CURRENT LIABILITIES			
Provisions		4,228	4,228
TOTAL NON CURRENT LIABILITIES		4,228	4,228
TOTAL LIABILITIES		106,369	106,369
NET ASSET VALUE OF TSI INDIA		748,669	385,726

We have been advised that there has not been a significant change in the net assets of TSI India since 30 September 2012 other than those listed in the notes below.

Note 1 – Fixed assets

As at 30 September 2012, TSN revised its fair value less cost to sell of its property, plant and equipment downwards by approximately 69%. As such, we have adjusted the value of the fixed assets to be 31% of the 30 September 2012 value. We consider this value to more accurately reflect the fair market value of the fixed assets.

10.3 Market valuation of TSI India

In determining the market value of a TSN share we have considered the volume weighted average price ("VWAP") over 10, 30, 60 and 90 day periods prior to 30 November 2012, being the last trading day prior to the announcement of the Transaction. These VWAP's are set out in the table below.

Share Price per unit	30-Nov-12	10 Days	30 Days	60 Days	90 Days
Closing price	$0.006				
Volume weighted average price		$0.005	$0.004	$0.004	$0.005

We have adjusted the market value of TSN as at 30 November 2012 for the cash held by TSN at 30 September 2012. We have assumed that there has been no material change in cash between 30 September 2012 and 30 November 2012.

The adjustments to the market value of TSN are set out in the table below.

Market value of TSI India	
Market capitalisation of TSN at 30 November 2012 (A$)*	10,680,400
Less: Cash held by TSN at 30 September 2012 (A$)	3,721,848
Implied value of TSI India (A$)	6,958,552
Conversion rate to INR	56.57
Implied value of TSI India (INR)	393,670,337

* Market capitalisation based on the 10 day VWAP as at 30 November 2012.

The table above indicates that the implied value of TSN based on the market capitalisation of TSN is approximately INR 394 million. We have used this methodology as a cross check only because the market value of TSI India will differ from the adjusted market value of TSN for many reasons including:

- The market capitalisation of TSN may not be reflective of the true underlying value of TSN, due to its lack of liquidity. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:
  - Regular trading in a company's securities;
  - Approximately 1% of a company's securities are traded on a weekly basis;
  - The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
  - There are no significant but unexplained movements in share price.

  A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant. We do not consider there to be a

deep market for TSN shares, with less than 1% of the issued capital of TSN being traded in the ten trading days prior to the announcement of the Transaction.

- The unadjusted market value of TSN represents a marketable parcel of shares in a listed company. TSI India is an unlisted company, therefore the shares in TSI India are illiquid relative to the shares in TSN. As such the value of a share in TSI India would need to be discounted for this lack of liquidity.
- The value of TSN represents the value of TSI India, TSI UK and TSI Pty Ltd therefore we cannot attribute the full market value of TSN to TSI India.
- The share price of TSN changes on a daily basis and over the 12 months prior to the announcement date recorded a low of $0.004 and a high of $0.015. This represents a change of $0.011 throughout the year. TSI India is a stable operating company and it is reasonable to state that its value does not change by 275% during the year to 30 November 2012. This evidences that many factors unrelated to the value of TSI India impact on the value of a TSI India share.

10.4 Assessment of TSI India's value

The results of the valuations performed are summarised in the table below:

Value of TSI India	Low INR'000	Preferred INR'000	High INR'000
Sum-of-parts (Section 10.1)	500,000	635,000	750,000
Net asset value (Section 10.2)	386,000	386,000	386,000
Market valuation (Section 10.3)	394,000	394,000	394,000

We have based our assessment of the value of TSI India on the results obtained from the sum-of-parts method. We consider this methodology most appropriate as the Company has historical information available on which to reasonably base forecasts and as a going concern it has ongoing contracts which are likely to be renewed or replaced at the end of the Forecast Period.

Based on the results above we consider the value of TSI India to between 500 million rupees and 750 million rupees with a preferred value of 635 million rupees. The table below expresses the value of TSI India on a per share basis.

Value of TSI India	Low INR	Preferred INR	High INR
Assessed value of TSI India prior to the Transaction	500,000,000	635,000,000	750,000,000
Number of TSI India shares on issue	91,687,404	91,687,404	91,687,404
Value per TSI India share	5.45	6.93	8.18

11. Valuation of TSN's interest in TSI India following the Transaction

The value of TSN's interest in TSI India following the Transaction is detailed in the table below.

	Section	Low INR'000	Preferred INR'000	High INR'000
Value of TSN's interest in TSI India prior to the Transaction (100%)	10.4	500,000	635,000	750,000
		25%	25%	25%
Value of 25% of TSI India		125,000	158,750	187,500
Cash consideration				
Subscription for new shares in TSI India	4	125,000	125,000	125,000
Subscription for new TSI India shares	4	412,000	412,000	412,000
Purchase of existing TSI India Shares	4	625,000	625,000	625,000
		1,162,000	1,162,000	1,162,000
		25%	25%	25%
Value of 25% of cash received by TSI India from CX Partners		290,500	290,500	290,500
Value of TSN's interest in TSI India following the Transaction on a control basis		415,500	449,250	478,000
Minority discount	11	20%	20%	20%
Value of TSN's interest in TSI India following the Transaction on a minority basis		332,400	359,400	382,400
Value of cash received by TSN from CX Partners	4	55,000	55,000	55,000
Total value of TSN's share in TSI India following the Transaction		387,400	414,400	437,400

Minority Discount

Prior to the Transaction, TSI India was a wholly owned subsidiary of TSN. If the Transaction is approved Shareholders of TSN will hold a minority interest in TSI India. To value TSN's interest in TSI India following the Transaction we have applied a minority discount, being the inverse of a control premium, to the value derived under the sum-of-parts method.

The concept of a premium for control reflects the additional value that attaches to a controlling interest. We have reviewed the announced control premiums paid by acquirers of companies listed on the Bombay Stock Exchange, Delhi Stock Exchange and National Stock Exchange (collectively the "Indian Stock Exchanges") since 2006. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (US$m)	Average Control Premium (%)
2012	17	69.11	14.22
2011	22	185.21	21.62
2010	51	112.99	52.61
2009	67	44.56	102.04
2008	85	107.50	34.32
2007	107	40.72	8.27
2006	72	55.24	15.63
Median		69.11	21.62
Mean		87.90	35.53

Source: BDO Analysis and Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The long-term average announced control premium paid by acquirers listed on Indian Stock Exchanges are considerably higher compared to the average announced median. We note that the average announced control premia in 2009 and 2010 is relatively high compared to other years. This can be explained by several outlier transactions in these years. The median represents a more accurate measure of central tendency as the mean will tend to be skewed by outliers, particularly in smaller samples. Taking the factors above into account we consider an appropriate control premium to be 25%.

TSN's interest in TSI India's following the Transaction represents a minority interest. We have applied a minority discount of 20%, being the inverse of the control premium determined in our discussion above.

12. Is the Share Sale fair?

The value of a share in TSI India prior to the Transaction and the cash consideration payable by CX Partners on a per share basis is compared below:

	Section	Low INR	Preferred INR	High INR
Value of a share in TSI India prior to the Share Sale	10.4	5.45	6.93	8.18
Value per share of the cash consideration payable by CX Partners	4	8.50	8.50	8.50

We note from the table above that the value of the cash consideration offered by CX Partners is greater than the value of a share in TSI India. Therefore, we consider that the Share Sale is fair for Shareholders of TSN.

13. Is the Transaction fair?

The value of TSN's interest in TSI India prior to the Transaction compares to the value of TSN's interest in TSI India following the Transaction, as detailed below.

	Section	Low INR'000	Preferred INR'000	High INR'000
Value of TSN's interest in TSI India prior to the Transaction (100%)	10.4	500,000	635,000	750,000
		25%	25%	25%
Value of 25% of TSI India		125,000	158,750	187,500
Cash consideration				
Subscription for new shares in TSI India	4	125,000	125,000	125,000
Subscription for new TSI India shares	4	412,000	412,000	412,000
Purchase of existing TSI India Shares	4	625,000	625,000	625,000
		1,162,000	1,162,000	1,162,000
		25%	25%	25%
Value of 25% of cash received by TSI India from CX Partners		290,500	290,500	290,500
Value of TSN's interest in TSI India following the Transaction on a control basis		415,500	449,250	478,000
Minority discount	11	20%	20%	20%
Value of TSN's interest in TSI India following the Transaction on a minority basis		332,400	359,400	382,400
Value of cash received by TSN from CX Partners	4	55,000	55,000	55,000
Total value of TSN's share in TSI India following the Transaction		387,400	414,400	437,400

We note from the table above that value of TSN's interest in TSI India prior to the Transaction is less than the value of TSN's interest in TSI India following the Transaction. Therefore, we consider that the Transaction is not fair for Shareholders of TSN.

However, we note that the cash has been valued as its face value and does not include the potential upside of CX Partners' cash investment in TSI India, as there is not a reasonable basis to forecast how the cash investment will be applied in growing the business of TSI India thereby increasing its value.

14. Is the Transaction reasonable?

We have considered reasonableness in terms of the Transaction as a whole and have not performed a separate assessment of the reasonableness of the Share Sale in isolation. However we note that we have assessed the Share Sale to be fair and that RG 112 states that an offer is reasonable if it is fair.

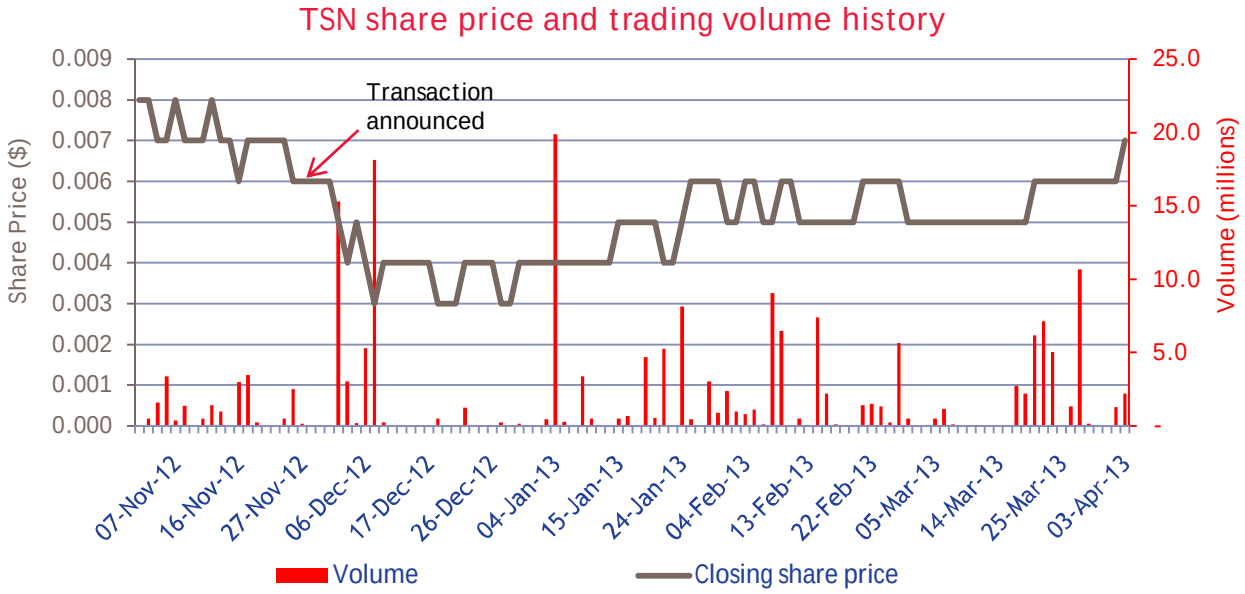
14.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of TSN a premium over the value ascribed to, resulting from the Transaction.

14.2 Consequences of not Approving the Scheme

Movement in share price

We have analysed movements in TSN's share price since the Transaction was announced. A graph of TSN's share price since the announcement is set out below.



Source: Bloomberg

The share price traded between $0.004 and $0.007 on the day of the announcement before closing at $0.005, down from $0.006 on the previous trading day. Since the announcement, the share price has traded between $0.003 and $0.008.

Following the announcement there was a decline in TSN's share price. As at the date of this report the share price of TSN closed higher than its pre-announcement price. Other announcements were made to the market over the period from 3 December 2012 and the date of this report, for example the new contract win with TMB was announced on 7 March 2013 which had a positive effect on TSN's share price. We therefore cannot attribute the increase in TSN's share price solely to the announcement of the Transaction.

14.3 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantage	Description
Increase in TSN's cash balance to fund its working capital and avoid near term capital raisings	On completion of the Transaction, it is envisaged that TSN will hold approximately A$4 million of the cash consideration. The cash consideration will allow TSN to fund working capital and thereby avoid a near term capital raising which would dilute the interests of existing shareholders.
The Transaction is conditional upon TSI India securing new contracts for 500 ATMs which would potentially add value to TSI India	As a condition of Tranche 1 of the Transaction, TSI India must secure contracts for the supply of an additional 500 ATMs. An additional 500 ATMs would be an increase of approximately 51% based on the current number of ATMs, being 974. The increase in the number of ATMs would potentially result in an uplift in value of TSI India. TSN may benefit from any uplift through the distribution of profits. We are unable to quantify the potential uplift in value due to the uncertainty of the terms and timing of prospective contracts. We note that on 7 March 2013 TSN announced that they had secured a contract with TMB to deploy an additional 200 ATMs with the ability to increase to 400 ATMs.
CX Partners' network and contacts in India is expected to provide the opportunity for further growth of TSI India.	CX Partners has been operating in India since 2008 and have a long and profitable record of investing in the financial services sector, including two Indian banks in its current portfolio. CX Partners' knowledge of the Indian banking market and reputation in India, as well as its network and contacts in India, is expected to provide the opportunity for further growth of TSI India.
CX Partners' financial backing and credibility in India will allow TSI India to secure future ATM contacts	CX Partners funds and credibility in India will allow TSI India to secure future ATM contacts by depositing a portion of the funds with the contracted bank. TSN may benefit from any growth through the distribution of profits.
Shareholders will retain control of TSN	Shareholders will retain control of TSN. CX Partners will not have an equity interest in TSN or have any representation on the Board of TSN.

14.4 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Reduction in the percentage of profits that will flow to TSN	Following the Transaction, TSN will hold approximately 25% of TSI India and therefore only be entitled to approximately 25% of the profits of TSI India.
Loss of control of TSI India	Following the Transaction, CX Partners will have a majority shareholding in TSI India, as well as having four of the seven directors appointed to the board by CX Partners.

15. Conclusion

We have considered the terms of the Share Sale as outlined in the body of this report and have concluded that the Share Sale is fair and reasonable to Shareholders of TSN.

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to Shareholders of TSN.

16. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of TSI India for the years ended 31 March 2012 and 31 March 2011;
- Reviewed financial statements of TSI India for the half year ended 30 September 2012;
- Unaudited management accounts of TSI India for the period ended 31 December 2012;
- Cash flow forecasts prepared by Management of TSN for the period from 1 January 2013 to 31 March 2018 for TSI India;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of TSN.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $40,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by TSN in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by TSN, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to TSN and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of TSN and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with TSN, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to TSN and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Evelyn Tan of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Evelyn Tan is a CFA charter holder and is a member of the CFA Institute. Evelyn has over 15 years of experience in corporate finance and banking. Evelyn has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

19. Disclaimers and consents

This report has been prepared at the request of TSN for inclusion in the Notice of Meeting which will be sent to all TSN Shareholders. TSN engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal for CX Partners to acquire 75% of the issued capital of TSI India, a wholly owned subsidiary of TSN.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to CX Partners. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by TSN and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of TSN, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes	Evelyn Tan
Director	Associate Director

APPENDIX 1 – GLOSSARY OF TERMS

Reference	Definition
The Act	The Corporations Act
The Adjusted Model	The cash flow model prepared by TSN and TSI India and adjusted by BDO
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATM	Automatic Teller Machine
BDO	BDO Corporate Finance (WA) Pty Ltd
CAD	Current account deficit
CAPM	Capital asset pricing model
CCDs	Compulsory Convertible Debentures in TSI India
The Company	TSI India
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FDI	Foreign direct investment
FII	Foreign institute investment
FME	Future Maintainable Earnings
The Forecast Period	1 October 2012 to 31 March 2018
GDP	Gross domestic product
HDFC	HDFC Bank
HSBC	Hong Kong and Shanghai Banking Corporation
INR	Indian rupee

The Model	The cash flow model prepared by TSN and TSI India
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
PNB	Punjab National Bank
RBI	Reserve Bank of India
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
Shareholders	Shareholders of TSN not associated with CX Partners
Share Sale	The divestment of a majority interest in TSI India for cash consideration of 8.5 rupees per share
Securitrans	Securitrans India Pvt Ltd
TMB	Tamilnad Mercantile Bank Ltd
The Transaction	Subsequent steps to the Share Sale through which CX Partners will obtain a 75% interest in TSI India through a combination of share issues, cash investments and subscription of 7,812,500 CCD's which will convert to 3.3 ordinary shares per CCD.
TSI India	Transaction Solutions International (India) Private Limited
TSI UK	Transaction Solutions International (UK) Ltd
TSI Pty Ltd	Transaction Solutions International (Australia) Pty Ltd
TSN	Transaction Solutions International Limited
VWAP	Volume Weighted Average Price
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
WACC	Weighted average cost of capital

APPENDIX 2 – VALUATION METHODOLOGIES

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ("NAV")*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since winding up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ("QMP")*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

3 *Capitalisation of future maintainable earnings ("FME")*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ("DCF")*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

APPENDIX 3 – DISCOUNT RATE

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The CAPM is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' WACC the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + \beta \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
β	= equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Having regard to the period of the operations we have used the ten year Indian Government Bond rate, which was 8.15% per annum as at 28 September 2012 (Bloomberg).

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the current market risk premium is 3.77%. This has been sourced from Bloomberg. For the purpose of our report we have adopted a market risk premium of 4 to 6 percent.

Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole. A beta greater than one implies that an investment's return will outperform the market's average return in a rising market and underperform the market's average return in a falling market. On the other hand, a beta less than one

implies that the business' performance compared to that of a business whose beta is greater than one will provide an inverse relationship in terms of the market's average return.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the investment project greater or less risky than comparable listed companies when assessing the equity beta for an investment project.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by "ungearing" the equity beta (β_a) by applying the following formula:

$\beta_a = \beta \ / \ (1+(D/E \times (1-t))$

In order to assess the appropriate equity beta for the Project we have also had regard to the equity betas of listed companies involved in similar industry sectors.

Company	Market Capitalisation (A$m)	Geared Beta (β)	Gross Debt/Equity (%)	Ungeared Beta (βa)
Sparc Systems Ltd	0.23	0.59	2%	0.58
ADC India Communications Ltd	11.96	0.79	0%	0.79
Zenith Infotech Ltd	7.25	0.76	205%	0.32
Guangzhou KingTeller Technology Co Ltd	560.56	1.09	8%	1.03
Shenzhen Zhengtong Electronics Co Ltd	277.70	1.10	64%	0.75
			Mean	0.69
			Median	0.75
			Max	1.03

Set out below is a description of the operations of the companies.

Company	Company Description
Sparc Systems Ltd	Sparc Systems Limited provides software and hardware solutions for office automation, electronic security systems and internet appliances. The Company's products include GPS tracking, video conference systems, SMS solutions, home security systems, mobile ATMs and building management systems.
ADC India Communications Ltd	ADC India Limited provides IT solutions for businesses that supply telecommunications and network services. The Group specialises in developing its customers operations in Broadband Connectivity, Broadband Delivery and Subscriber Interface. Their services cover a number of technologies, including ATM machines, video-conferencing, imaging and other multimedia operations.
Zenith Infotech Ltd	Zenith Infotech Limited specialises in development of software and multimedia products for the banking and financial services sectors. The Company's "PRISM-e" product integrates existing banking systems with a variety of electronic delivery channels, including ATM machines, mobile phones, touch screens, voice and response systems and the Internet.
Guangzhou KingTeller Technology Co Ltd	Guangzhou KingTeller Technology Co. Ltd specializes in ATM research & development, manufacturing, deployment and after-sale services.
Shenzhen Zhengtong Electronics Co Ltd	Shenzhen Zhengtong Electronics Co Ltd. develops, manufactures, markets, and sells bank terminal products. They offer products such as ATM, self-service payment terminals, multimedia kiosk, metal pinpads, force magnetic card encoder, smart card readers, wireless data collectors, and customer displays.

Selected Beta (β)

In selecting an appropriate beta for TSI India, we have considered the similarities between the Company and the comparable companies selected above. We note the following similarities and differences between TSI India and the above comparable companies:

- TSI India have a smaller scale of operations;
- TSI India does not have a history of stable operating profits;
- TSI India is exposed to similar market risks as Sparc Systems Ltd, ADC India Communications Ltd and Zenith Infotech Ltd, however they have slightly different and less diversified operations; and
- TSI India's operations are directly comparable with Guangzhou KingTeller Technology Co Ltd and Shenzhen Zhengtong Electronics Co Ltd, however they are exposed to different market risk as both comparable companies are listed and domiciled in China.

Having regard to the above, we consider that TSI India is more risky than the above comparable companies and therefore consider an appropriate ungeared beta to apply to TSI India to be between 1.0 and 1.2.

TSI India's operations are to be entirely funded by equity and as such, there is no requirement for regearing the beta.

Cost of Equity

On this basis we have assessed the cost of equity to be:

Input	Value Adopted	
	Low	High
Risk free rate of return	8.15%	8.15%
Equity market risk premium	4.00%	6.00%
Beta	1.00	1.20
Cost of Equity	12.15%	15.35%

Weighted Average Cost of Capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

In calculating WACC there are a number of different formulae which are based on the definition of cash flows (i.e., pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or discount rate), and the manner and extent to which they adjust for the effects of dividend imputation. The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table.

CAPM

$$WACC = \frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1 - t)$$

Where:

K_e	= expected return or discount rate on equity
K_d	= interest rate on debt (pre-tax)
T	= corporate tax rate
E	= market value of equity
D	= market value of debt
(1- t)	= tax adjustment

Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (i.e., gearing ratio) must be determined. The gearing ratio adopted should represent the level of debt that the asset can reasonably sustain (i.e., the higher the expected volatility of cash flows, the lower the debt levels which can be supported). The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of the tangible assets.

As described earlier, TSI India will be entirely funded by equity. As such, there is no element of debt that needs to be reflected in the WACC. The appropriate discount rate for TSI India therefore consists entirely of the cost of equity.

Calculation of WACC

Based on the above inputs we have calculated the WACC to be between 12.15% and 15.35%.

Input	Value Adopted		
	Low	Preferred	High
Cost of equity	12.15%	14.0%	15.35%
WACC (rounded)	12.0%	14.0%	15.0%

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TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ABN 98 057 335 672
PROXY FORM

APPOINTMENT OF PROXY
TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ABN 98 057 335 672

I/We [ ]

being a Shareholder of Transaction Solutions International Limited entitled to attend and vote at the General Meeting, hereby

Appoint [ ]

Name of Proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 21 May 2013 at 9.00am (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval to divest a majority interest in Transaction Solutions International (India) Private Limited	☐	☐	☐

If the chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the Resolution and that the votes cast by the Chair of the meeting for that Resolution other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of the Resolution.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution. ☐

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Please return this Proxy Form to the Company Secretary, Transaction Solutions International Limited, Ground Floor, 47 Colin Street, West Perth, Western Australia or by post to PO Box 233, West Perth, Western Australia 6872 or by fax to (08) 9226 2237 by 9.00am (WST) on 19 May 2013.

Signed this day of 2013.

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	**Director**
Signature	**Director/Secretary**
Signature	**Sole Director and Sole Secretary**

Instructions for Completing Appointment of Proxy Form

1. In accordance with section 249L of the Corporations Act, a shareholder of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.

3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - 2 directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For the Company to rely on the assumptions set out in sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with sections 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of sections 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

6. In accordance with section 250BA of the Corporations Act the Company specifies the following for the purposes of receipt of proxy appointments:

   Company Office: Ground Floor, 47 Colin Street, West Perth, Western Australia

   Fax Number: +61 8 9226 2237

   Postal Address: PO Box 233, West Perth, Western Australia 6872

   by no later than 48 hours prior to the time of commencement of the Meeting.