

TRANZACT FINANCIAL SERVICES LIMITED
ABN 84 089 997 731
AND ITS CONTROLLED ENTITIES

Appendix 4D

**HALF-YEAR REPORT FOR
PERIOD ENDED 31 DECEMBER 2010**

1. Details of the Reporting Period

This is the half-year information given to the ASX under Listing Rule 4.2A for the Tranzact Financial Services Limited Consolidated Entity (Tranzact) for the half-year ended 31 December 2010. The previous corresponding period is the half-year ended 31 December 2009 unless otherwise stated.

The Consolidated Entity is comprised of Tranzact Financial Services Limited as the Chief Entity and its wholly or majority owned subsidiaries.

2. Results for Announcement to the Market

	% Change
2.1 Revenues from ordinary activities	Up 16% to \$4,374,000
2.2 Profit from ordinary activities after tax attributable to owners	Up 17% to \$717,000
2.3 Net profit for the year attributable to owners	Up 17% to \$717,000
2.4 A fully franked interim dividend of 0.25 cents per share has been declared.	
2.5 The ex dividend date is 21 March 2011, the record date is 25 March 2011 and the payment date is 8 April 2011 for the proposed dividend. There is no foreign conduit income attributable to the dividend.	
2.6 Refer to the attached half-year financial report for information on the items in 2.1 to 2.4 above.	

3. Net Tangible Assets

	31/12/2010	30/06/2010
	\$	\$
Net tangible asset backing per ordinary share	0.06	0.07

4. Changes in Controlled Entities

At the end of September 2010, Tranzact acquired a controlling interest in the Templetons Group. Templetons is a Brisbane business specialising in the provision of insurance and financial planning services.

Refer to Note 5 in the attached interim financial report for information regarding the purchase of controlled entities.

5. Dividends

A final dividend of 0.35 cents per share relating to the 2010 financial year amounting to \$389,439 was paid on 8 October 2010. An interim dividend of 0.25 cents per share has been declared and will be paid on 8 April 2011.

6. Details of Dividend Reinvestment Plans

There is no dividend reinvestment plan in operation.

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7. Details of Associate Companies

Tranzact holds a 25% shareholding in Group Insurance & Superannuation Concepts Pty Limited. The group recognised an equity accounted share of the profit of GIS of \$72,258 for the six months ended 31 December 2010.

Tranzact also acquired a 33% shareholding in Templetons Administrative Services Pty Limited which provides adviser and other services to the Templetons business. Due to the transition costs following the recent acquisition of a controlling interest in the Templetons business by Tranzact, no profit has been recognised from this associate company in the six month period to 31 December 2010.

8. Foreign Entity Accounting Standards

Not Applicable.

9. Review Report

The accounts of Tranzact for the half-year ended 31 December 2010 have been reviewed. Refer to the review report attached to the half-year financial report.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Anthony Ractliffe', written in a cursive style.

Anthony Ractliffe
Non-Executive Chairman
21 February 2011

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

**HALF-YEAR REPORT FOR
PERIOD ENDED 31 DECEMBER 2010**

CONTENTS	Page
Directors' Report	1
Auditors' Independence Declaration	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Changes of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Declaration by Directors	14
Independent Auditor's Review Report	15

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any other public announcements made by Tranzact Financial Services Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Tranzact Financial Services Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The following persons were directors of Tranzact Financial Services Limited during the whole or part of the period and up to the date of this report:

<u>Director</u>	<u>Period of directorship</u>
P L Harry AM	Director since 4 February 2000
R L Rodgers	Director since 21 August 2002
A S T Yeo	Director since 24 November 2003
W A Ractliffe	Director since 24 November 2003

Review of Operations to 31 December 2010

The Directors of Tranzact Financial Services Limited (the "**Company**") are pleased to report an operating profit before amortisation, depreciation and tax ("**EBTDA**") attributable to shareholders of \$1,172,000 for the six months ended 31 December 2010. This result represents an increase of 49% over the comparable figure of \$788,000 for the same period last year.

Net profit after tax attributable to members for the six months increased by 17% to \$717,000 from \$612,000 in the previous comparable period, representing earnings of 0.64 cents per share compared with 0.54 cents per share in the previous comparable period.

The strong growth in EBTDA is primarily due to the successful completion of the restructure of the members' insurance arrangements of the Smartsave 'Member's Choice' Superannuation Master Plan ("**Smartsave**") effective from 1 June 2010.

Profit before tax was impacted by an increase in the amortisation charge from \$106,000 in the previous corresponding period to \$272,000, due to an acceleration in the amortisation of existing intangible assets, plus the commencement of amortisation of intangible assets following the acquisition made in the period. However, cash flow from operations during the period increased to \$1,165,000 from \$890,000 previously. Net debt was only \$836,000 as at 31 December 2010.

A highlight of the six month period was the expansion of the Partnership for Growth strategy in Australia. This was achieved by acquiring a majority interest in the Brisbane based Templetons Group financial planning business ("**Templetons**"), with whom the Company has had a positive association for over five years. The contribution of this acquisition to the current period's financial results was not significant due to the acquisition costs (\$62,000) and other one-off items (\$25,000) which were expensed in the half year. However, the Board recognises the considerable progress that the Templetons acquisition represents in the execution of the Company's strategic objectives.

Fortunately, whilst a significant portion of Tranzact's business is located in Brisbane, there has been no direct loss and there is expected to be little indirect loss arising from the weather events earlier in the year.

The Company's business segments have each contributed positively to the six month result, with notable performances from the Master Trust and Partnership for Growth operations.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Master Trust

- Total revenue of \$1,975,000 for the half year was 30% ahead of the previous corresponding period, reflecting the successful completion of the restructure of the members' insurance arrangements of Smartsave effective from 1 June 2010, as previously reported. This is clearly evident in the growth in the EBTDA of the segment by \$420,000, though the equivalent period last year was impacted by specific one-off costs of approximately \$200,000.
- Funds under management and administration in this business segment increased from \$249m at the end of June 2010 to \$253m at the end of December 2010, indicating a cautious recovery in savings markets.
- A substantial amount of time and effort has been spent in the past year facilitating a change in the Trusteeship of Smartsave. The existing Trustee has resigned and the new Trustee, Tidswell Financial Services Limited ("**Tidswell**"), has been recently appointed following a robust due diligence process and regulatory approval.
- The Directors are pleased with the appointment of Tidswell as they believe Tidswell's size and culture are more strongly aligned to those of the Company and the Promoter of Smartsave (GIS Concepts).
- An implication of the change of Trustee during the period has been a delay in the restructure of the investment offering of Smartsave. This was originally expected to take effect in the second half of this financial year. The Directors consider this restructure is now unlikely to be achieved this financial year and are actively engaging with Tidswell to progress this important initiative as a matter of urgency.

Partnership for Growth

- The Partnership for Growth segment has continued to perform well over the period despite the market turmoil over the past couple of years. Revenue and earnings increased substantially as a result of the Company's higher level of investment in this segment following a strong period of acquisition activity in New Zealand and the successful launch of the Partnership for Growth strategy in Australia via Templetons.
- The strong reputation of the Templetons business provides a solid platform from which the Company can selectively expand its Partnership model in Australia.
- A key focus of the Camelot partnership in New Zealand is the **significant** change to the regulation of the financial advisory industry. Whilst regulatory change can act as a distraction, on balance, the changes are expected to generate significant opportunities for Camelot.
- Many advisers in the market are looking to rationalise their business, exit the industry altogether or align their involvement following the implementation of the new regulatory regime. Significantly, Camelot is expecting most of its advisers to achieve full authorised adviser status prior to the implementation of the regulation and the Company's parent, Grosvenor Financial Services Group Limited ("**Grosvenor**"), has successfully been granted status as a Qualifying Financial Entity.
- The Board is extremely pleased with the progress of the Company in the execution of its Partnership strategy, which has accounted for nearly 40% of the Company's total EBTDA for the six month period.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Self Managed Superannuation Funds

- The Self Managed Superannuation Funds (“**SMSF**”) segment of the business has faced some challenging market conditions following the global financial crisis. The crisis caused the average investment portfolio balance to fall, making a number of SMSFs uneconomic when compared with master funds, and reduced the demand for new SMSFs to be established.
- Achieving growth in client numbers in this segment of the market has consequently been more challenging and revenue for SMSF is 5% behind the equivalent period last year.
- EBTDA for the period is also lower than the same period last year. However, this result includes the impact of significant one-off costs following a restructure and relocation of the office (approximately \$50,000). The restructure has reduced the ongoing cost base of the business which will provide benefits in the future.
- Traditionally this business area experiences seasonality of income, and it is anticipated there will be a strong increase in revenues in the second half of this financial year.
- As a result of the restructure and the seasonality of income, the Board is confident the business will meet its budget for the second half of the year.

Investor Directed Portfolio Service / Custodial Services

- The EBTDA of the Investor Directed Portfolio Service (“**IDPS**”) / Custodial Services segments declined by 10% compared with the equivalent period last year. This reflects the same challenging investment market faced by the SMSF segment.
- The prospects for IDPS have significantly improved as a result of the closer relationship with the Templetons business. The Company and its ultimate parent company, Grosvenor, are working closely with Templetons to enhance the investment portfolio service for clients which is predominantly administered through the Company’s IDPS service.
- Whilst the Company currently provides a custodial service to various client groups, this is not considered to be part of the Company’s ongoing core range of services and will be scaled down over time. The financial impact of this will be minimal to the Company.

GIS Concepts

- GIS Concepts Pty Limited (“**GIS Concepts**”) has performed strongly during the period, delivering a 37% increase in profitability from the equivalent period last year. This is due to the benefits associated with the insurance rationalisation for Smartsave in GIS Concepts’ capacity as Promoter of the fund.
- Inevitably the delay in the rationalisation of the investment offering in Smartsave will have some impact on the full year financial results of GIS Concepts compared with budget.

Dividend

Last year, the Directors commenced the payment of fully franked interim and final dividends. Given the strong performance of the Company over the six month period, the Directors are pleased to declare a fully franked interim dividend of 0.25 cents per share (consistent with the interim dividend last year). The Record Date for the interim dividend is 25 March 2011 and the dividend will be paid on 8 April 2011.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Share Buy Back

During the period a total of 499,900 shares were purchased under the Company's share buy back scheme and subsequently cancelled. The current programme was extended to 13 October 2011.

Summary

The Directors are pleased with the financial performance of the Company and the progress it has made in respect of a number of its strategic priorities. There is continued focus on the integration of the Templetons acquisition and the completion of the investment rationalisation of Smartsave.

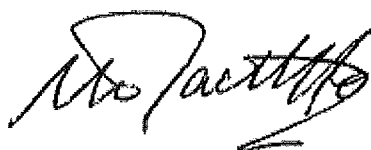
As noted previously, the first half result includes the acquisition and one-off costs associated with the strategic Templetons acquisition and the relocation costs of the SMSF office. In addition, the delay in the restructure of the investment offering of Smartsave impacts the ability of the Company to predict the full year financial result.

In these circumstances, the Board considers a full year forecast for EBTDA growth of approximately 30% - 40% to between \$2.6m - \$2.8m to be a realistic outcome. This reduced estimate reflects the likelihood that the financial benefits of the Company's strategic initiatives are not expected to be achieved in full this financial year.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of directors on 21 February 2011.



Anthony Ractliffe
Non-Executive Chairman



Allan S T Yeo
Managing Director



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**DECLARATION OF INDEPENDENCE BY NEVILLE SINCLAIR
TO THE DIRECTORS OF TRANZACT FINANCIAL SERVICES LIMITED**

As lead auditor for the review of Tranzact Financial Services Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tranzact Financial Services Limited and the entities it controlled during the period.

Neville Sinclair

Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 21st day of February 2011

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities
Consolidated Statement of Comprehensive Income
for the Half-Year Ended 31 December 2010

	Consolidated Entity	
	Half-Year	
	2010	2009
	\$'000	\$'000
Revenue from continuing operations	4,374	3,770
Employee benefits expense	(1,562)	(1,422)
Depreciation and amortisation expenses	(328)	(166)
Finance costs	(70)	(32)
Service expenses	(714)	(727)
Occupancy expenses	(191)	(169)
Administration expenses	(695)	(706)
Other expenses	(22)	-
Share of net profit after tax of associates	72	47
Profit before income tax expense	<u>864</u>	<u>595</u>
Income tax (expense) / credit	(112)	17
Profit after tax from continuing operations	<u>752</u>	<u>612</u>
Net profit for the half-year	<u>752</u>	<u>612</u>
Other comprehensive income	-	-
Total comprehensive income for the half-year	<u>752</u>	<u>612</u>
Profit for the half-year is attributable to:		
Owners of the Company	717	612
Non-controlling interest	35	-
	<u>752</u>	<u>612</u>
Total comprehensive income for the half-year is attributable to:		
Owners of the Company	717	612
Non-controlling interest	35	-
	<u>752</u>	<u>612</u>
	<u><u>752</u></u>	<u><u>612</u></u>
	Cents	Cents
Earnings per share for profit from continuing operations attributable to owners of the Company		
Basic earnings per share	0.64	0.54
Diluted earnings per share	0.64	0.54
Earnings per share for profit attributable to owners of the Company		
Basic earnings per share	0.64	0.54
Diluted earnings per share	0.64	0.54
	No.	No.
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	111,315,460	113,020,971

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities
Consolidated Statement of Financial Position
As at 31 December 2010

	Consolidated Entity	
	31 December 2010 \$'000	30 June 2010 \$'000
CURRENT ASSETS		
Cash & cash equivalents	1,840	2,093
Trade & other receivables	1,128	801
Derivatives	206	-
Other current assets	164	46
TOTAL CURRENT ASSETS	<u>3,338</u>	<u>2,940</u>
NON-CURRENT ASSETS		
Available for sale financial assets	5,271	5,214
Investments accounted for using the equity method	1,629	1,249
Property, plant and equipment	523	343
Intangible assets	10,099	7,208
Deferred tax assets	155	159
TOTAL NON-CURRENT ASSETS	<u>17,677</u>	<u>14,173</u>
TOTAL ASSETS	21,015	17,113
CURRENT LIABILITIES		
Trade & other payables	1,420	1,025
Interest bearing liabilities	2,676	-
Derivatives	-	105
Current tax liabilities	192	108
TOTAL CURRENT LIABILITIES	<u>4,288</u>	<u>1,238</u>
NON-CURRENT LIABILITIES		
Provisions	150	93
Deferred tax liabilities	812	300
Other	4	9
TOTAL NON-CURRENT LIABILITIES	<u>966</u>	<u>402</u>
TOTAL LIABILITIES	5,254	1,640
NET ASSETS	15,761	15,473
EQUITY		
Contributed equity	19,778	19,853
Accumulated losses	(4,061)	(4,424)
Reserves	44	44
TOTAL EQUITY	<u>15,761</u>	<u>15,473</u>
Capital and reserves attributable to the owners of Tranzact Financial Services Limited	15,726	15,473
Non-Controlling Interest	<u>35</u>	<u>-</u>
	<u>15,761</u>	<u>15,473</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

**Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2010**

	Contributed equity \$'000	Employee Option reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
At 1 July 2009	20,047	35	40	(5,283)	14,839	-	14,839
Profit for the half-year	-	-	-	612	612	-	612
Total comprehensive income for the half-year	-	-	-	612	612	-	612
Transactions with owners in their capacity as owners							
Shares issued during the period	6	(4)	-	-	2	-	2
Share buy-back	(25)	-	-	-	(25)	-	(25)
Dividends paid	-	-	-	(395)	(395)	-	(395)
	(19)	(4)	-	(395)	(418)	-	(418)
At 31 December 2009	20,028	31	40	(5,066)	15,033	-	15,033
Profit for the half-year	-	-	-	897	897	-	897
Total comprehensive income for the half-year	-	-	-	897	897	-	897
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	(282)	(282)	-	(282)
Share buy-back	(175)	-	-	-	(175)	-	(175)
Employee Option Reserve	-	(27)	-	27	-	-	-
	(175)	(27)	-	(255)	(457)	-	(457)
At 30 June 2010	19,853	4	40	(4,424)	15,473	-	15,473
Profit for the half-year	-	-	-	717	717	35	752
Total comprehensive income for the half-year	-	-	-	717	717	35	752
Transactions with owners in their capacity as owners							
Share buy-back	(75)	-	-	-	(75)	-	(75)
Dividends paid	-	-	-	(389)	(389)	-	(389)
	(75)	-	-	(389)	(464)	-	(464)
At 31 December 2010	19,778	4	40	(4,096)	15,726	35	15,761

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

**Consolidated Statement of Changes of Cash Flows
for the Half-Year Ended 31 December 2010**

	Consolidated Entity	
	31 December 2010	31 December 2009
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,151	4,072
Payments to suppliers and employees	(3,243)	(3,343)
Interest received	397	376
Interest and other costs of finance paid	(70)	(32)
Income taxes paid	(70)	(183)
Net cash inflow from operating activities	<u>1,165</u>	<u>890</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(236)	(22)
Dividends from equity accounted investees	25	25
Advances to adviser practices	(1,303)	(163)
Repayment of loans by adviser practices	817	-
Payments for purchases of investments	(333)	-
Payments for acquisition of subsidiary	(2,600)	-
Payments for acquisition of intangible assets	-	(55)
Net cash (outflow) from investing activities	<u>(3,630)</u>	<u>(215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2
Payments for shares repurchased	(75)	(25)
Proceeds from borrowings	2,676	-
Dividends paid	(389)	(396)
Net cash inflow/(outflow) from financing activities	<u>2,212</u>	<u>(419)</u>
NET (DECREASE)/INCREASE IN CASH HELD	(253)	256
Net cash at beginning of period	2,093	2,463
NET CASH AT END OF PERIOD	<u><u>1,840</u></u>	<u><u>2,719</u></u>

The above Consolidated Statement of Changes of Cash Flows should be read in conjunction with the accompanying notes.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

Note 1. Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Tranzact Financial Services Limited (the 'Company') during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements, except as follows:

Key Judgements - Superannuation Administration Agreements

Administration agreements (indefinite useful lives) relating to the Smartsave 'Member's Choice' Superannuation Master Plan totalling \$1,069,173 are reassessed as having finite useful lives as at 31 December 2010 subject to amortisation over a 12 year period. This change in assessment follows the recent updating and re-signing of the administration agreement with different terms and conditions.

Key Judgements - Change in Accounting Estimates - Superannuation Administration Agreements

The reassessment of Administration agreements as detailed above has resulted in an increase in amortisation expense on this intangible asset for the period from \$0 to \$44,549.

Note 2. Operating Segments

Within Tranzact Financial Services Limited, the information supplied to executive management and the Board for internal reporting purposes consists of 5 reportable segments as detailed below.

The Group's business is located in Australia and New Zealand and is organised into the following divisions:

Superannuation Fund Administration, Asset Consulting & Sponsorship

The Group operates as a superannuation fund administrator, asset consultant and sponsor for a number of master trust superannuation and pooled superannuation trusts. For these services the Group receives fees and commission income.

Self Managed Superannuation Fund Administration

The Group operates as a superannuation fund administrator for self managed superannuation funds. For these services the Group receives administration fee income.

Investor Directed Portfolio Service Administration (IDPS)

Tranzact Investment Services Limited, a subsidiary of the Company, holds an Australian Financial Services Licence to operate an investor directed portfolio service (IDPS) and currently provides such a service to external clients for a fee.

Custodial Services

Tranzact Investment Services Limited, a subsidiary of the Company, holds an Australian Financial Services Licence to provide custodial services and currently provides such a service to external clients for a fee.

Partnership for Growth

The Partnership for Growth interests are loans to financial and insurance advisory businesses. The valuation of these financial interests utilises an equity style valuation methodology. These instruments do not have a quoted market price in an active market that is reliably measurable of their market value. The range of values applicable to these instruments is significant and the probabilities of the various estimates cannot be reasonably assessed. The values depend heavily on the nature of the revenue streams, the sustainability of the revenue streams over time, and the level of continuing involvement of the practice principals in the business. The Board has accordingly retained these assets at cost.

The recently acquired interest in the Templetons business is also included in this segment.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

Note 2 continued. Operating Segments

Segment information

These reportable segments are the same as those reported in the previous annual financial statements for the financial year ended 30 June 2010.

Segment information provided to the executive management and the Board for the half-year ended 31 December 2010 is as follows:

Operating Segments

Half-Year 2010	Super Fund Admin, Asset Consulting & Sponsorship	Self Managed Superannuation Funds	IDPS Admin	Custodial Services	Partnership for Growth	Head Office	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues attributable to owners of the Company	1,975	1,688	76	28	515	9	4,291
Reportable EBTDA from segments attributable to owners of the Company	476	198	64	15	441	(22)	1,172
Half-Year 2009							
External revenues attributable to owners of the Company	1,519	1,775	83	32	356	5	3,770
Reportable EBTDA from segments attributable to owners of the Company	56	359	69	18	338	(52)	788

Total asset amounts provided to executive management and the Board in internal reports are not broken down by segment and are therefore not disclosed.

Executive management and the Board monitor segment performance based on EBTDA attributable to the owners of the Company, which includes share of profit of equity accounted investees, but excludes taxation, depreciation, amortisation and EBTDA attributable to non-controlling interest.

Reconciliation of EBTDA from segments to profit after income tax is as follows:

	Half-year	
	2010	2009
	\$'000	\$'000
EBTDA from operating segments reported above (including before tax share of profit of equity accounted investee)	1,172	788
Plus EBTDA attributable to non-controlling interest	51	-
Depreciation and amortisation	(328)	(166)
Group taxation	(112)	17
Taxation on share of profit of equity accounted investee	(31)	(27)
Profit after income tax from continuing operations	752	612
Total comprehensive income attributable to non-controlling interest	35	-
Total comprehensive income attributable to owners of the Company	717	612

Note 3. Dividends

	2010	2009
	\$'000	\$'000
Dividends paid during the half-year on ordinary shares	389	356

An interim dividend of 0.25 cents per share has been declared and will be paid on 8 April 2011.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

Note 4. Equity Securities Issued

	2010 Numbers	2009 Numbers	2010 \$'000	2009 \$'000
Ordinary shares issued (2)	-	50,000	-	6
Ordinary shares cancelled (under buy back arrangement) (1) (3) (under buy back arrangement)	(499,900)	(193,209)	(75)	(25)

6 months ended 31 December 2010:

(1) 499,900 equity securities were purchased on market between July and September 2010 at \$0.15 per security under the share buy back scheme announced on 29 September 2008 and the subsequent extension notice of 6 October 2010. These securities have subsequently been cancelled.

6 months ended 31 December 2009:

(2) 50,000 equity securities were issued on 30 July 2009 at \$0.04 per security following the exercise of unlisted options under the Staff Share Option Plan. The exercise price was \$0.04 per share, and a transfer of \$3,500 was made from the employee options reserve.

(3) 193,209 equity securities were purchased on market between October and December 2009 at \$0.13 per security under the share buy back scheme announced on 29 September 2008 and the subsequent extension notice of 28 September 2009. These securities have subsequently been cancelled.

Note 5. Business Combination

Effective 1 October 2010, Tranzact acquired a 60.52% interest in Camelot Financial Services Pty Ltd, which has appointed Templetons Administrative Services Pty Ltd (33% owned by Tranzact) to provide services (collectively referred to as Templetons). Templetons is a Brisbane business specialising in the provision of insurance and financial planning services. The consideration was paid in cash.

The acquisition had the following effect on the Group's assets and liabilities at 1 October 2010:

	Fair Value \$
Intangible assets	1,877,003
Deferred tax liability	(563,101)
Net identifiable assets and liabilities	1,313,902
Goodwill on acquisition	1,286,098
Net assets acquired	<u>2,600,000</u>
Payment for acquisition of subsidiary, net of cash acquired	<u>2,600,000</u>

Intangible assets are at fair value and are based on the recurring income stream expected to be realised from existing clients from contracts and relationships in place at the time of acquisition.

The goodwill is attributable to the profitability that will be generated from new business and from the strategic benefits this acquisition will bring from the extension of the Group's Partnership For Growth model in Australia.

Legal fees, stamp duties and other acquisition costs amounting to \$62,178 have been included in Administration expenses in the profit or loss.

The fair value of the assets on acquisition is still subject to finalisation. Consequently, the above figures are considered to be provisional (in terms of AASB 3) and will be finalised in the full year financial statements. It is not anticipated that there will be any significant changes from the amounts identified above.

Templetons contributed revenues of \$127,857 and net profit of \$54,001 after tax to the owners of the Company in the three months from acquisition date, with this net profit having been reduced by one-off costs of \$25,306 (tax adjusted). The Company's interest in Camelot Financial Services Pty Ltd at 31 December 2010 was 60.52%.

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities
Notes to the Consolidated Financial Statements
for the Half-Year Ended 31 December 2010

Note 6. Contingent Liabilities

There has been no change in contingent liabilities since the previous annual reporting period ended 30 June 2010.

Note 7. Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the period subsequent to the reporting period ended 31 December 2010.

Note 8. Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to rounding of amounts in the financial statements. Amounts have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

DECLARATION BY DIRECTORS

The directors of the company declare that:

- (a) The financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Anthony Ractliffe
Non-Executive Chairman



Allan S T Yeo
Managing Director

Sydney, NSW, Australia
21 February 2011



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tranzact Financial Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tranzact Financial Services Limited, which comprises the balance sheet as at 31 December 2010, and the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tranzact Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

B D O

BDO Audit (NSW-VIC) Pty Ltd

Neville Sinclair

Director

Sydney, 21st day of February 2011