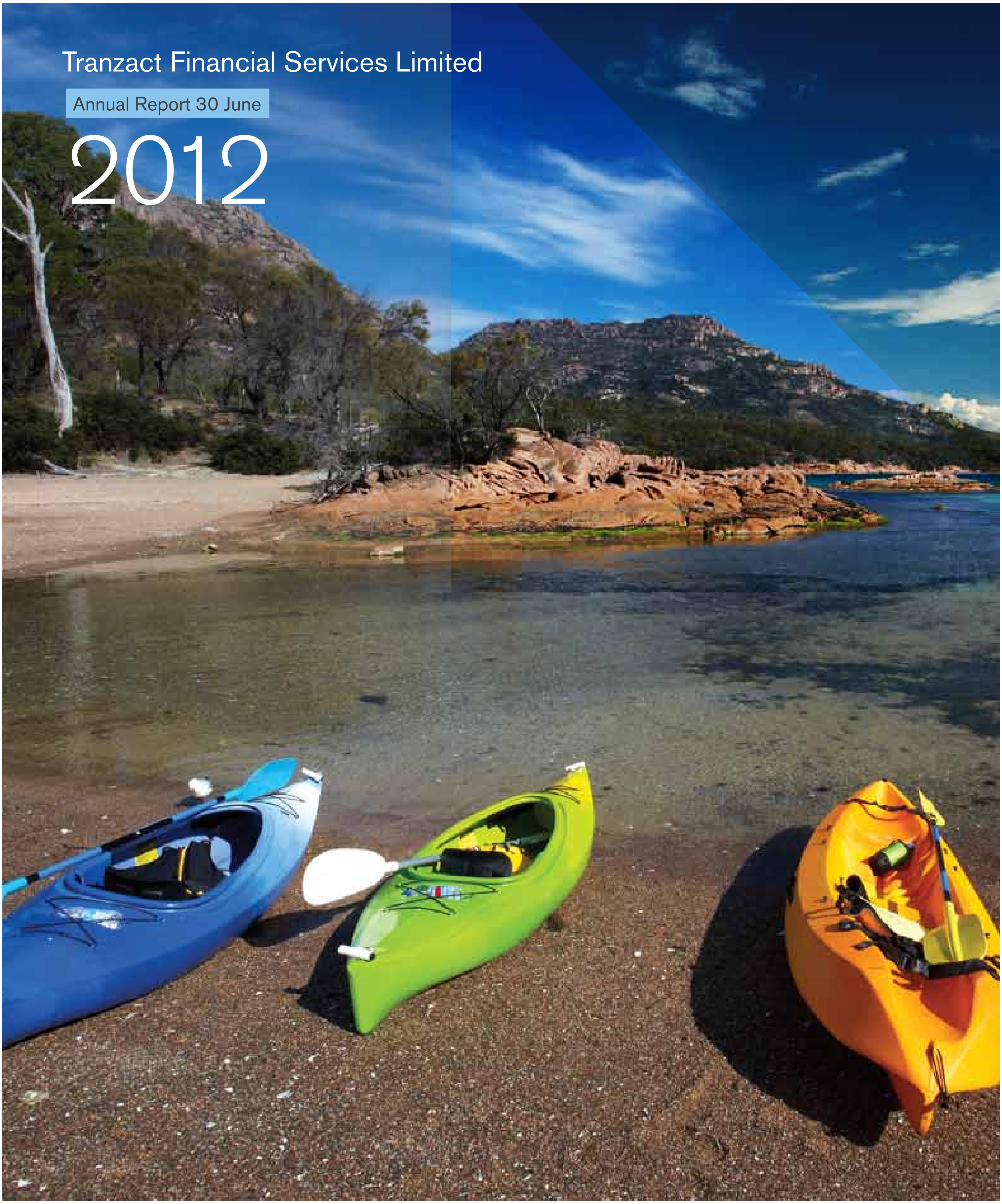
TRANZACT
FINANCIAL SERVICES LIMITED



Tranzact Financial Services Limited

Annual Report 30 June

2012

Contents

Tranzact Financial Services Limited Annual General Meeting
31 October 2012, 2.00pm

Level 5, 241 Castlereagh Street, Sydney, NSW

Report from the Chair and Managing Director

Overview

The Directors of Tranzact Financial Services Limited (the 'Company' or 'Tranzact') are pleased to report an operating profit before amortisation, depreciation and tax ('EBTDA') attributable to shareholders of $2.649 million (FY 2011: $2.666 million) for the year ended 30 June 2012. Net profit after tax ('NPAT') attributable to shareholders was $1.065 million compared with $1.606 million in the prior corresponding period. This represents earnings of 1.0 cent per share compared with 1.4 cents previously.

The main contributors to the fall in NPAT were:

- Depreciation and amortisation – the total expense for the year ended 30 June 2012 increased by $560,000 over the prior corresponding period to $1.425 million.
- Taxation expense – as signalled in the 2011 annual report, Tranzact's carried forward tax losses were virtually fully utilised in the 2011 period, resulting in tax expenses increasing from $220,000 in the prior period to $553,000 for this reporting period.

The increase in goodwill amortised in FY 2012 was a consequence of the business acquisitions made by the Company in the last 18 months. These acquisitions have bolstered the performance of the Company in difficult operating conditions. It is positive to note that despite the challenging conditions in financial markets, there have been no impairment charges in relation to the acquisitions.

The return of Tranzact to sustainable profitability since its association with its major shareholder, Grosvenor Financial Services Group Ltd ('Grosvenor') in 2003, has resulted in the Company successfully offsetting much of its taxation obligations against the historical losses incurred in 2001 and 2002. Those income tax offsets were fully utilised in FY 2012 and future profits are expected to be taxed at the full corporate tax rate.

Net cash flows from operations remained strong despite the increased payments of tax during the year, reflecting the solid cash positive nature of the core businesses. The strong cash flows have enabled the Company to continue to pursue its growth objectives via acquisitions in a prudent and judicious manner. In an environment where small companies' ability to raise new equity capital has been and will likely continue to be extremely limited, the Company's financial capacity and funding arrangements are key strengths.

Increased regulatory changes continue to mark the financial services landscape, whilst the turmoil in global financial markets remains unabated. The only "certainty" in the current operating environment is "uncertainty". The Company's experiences are shared by all the other participants in the financial services sector, irrespective of whether they are larger or smaller players.

Despite rapid changes and the "fog" of uncertainty surrounding the current business environment, the Board is pleased with the performance of the Company. Directors, management and staff continue to steer the business in a conservative fashion, sticking closely to the long term strategic plan. Tranzact has focussed on its main business segments, seeking to operate as efficiently as possible and ensuring that priority is given to developing and maintaining sustainable revenue streams.

Further commentary is provided in the Review of Operations section later in this report, but brief comments on some of the more notable events for the business in FY 2012 follow:

1. **Moving to a majority interest in Group Insurance & Superannuation Concepts Pty Ltd ('GIS Concepts')**
   This move was part of the evolution of the Company's relationship with GIS Concepts and one which was always contemplated at the commencement of the relationship. The acquisition of a majority interest allows Tranzact to integrate the GIS Concepts operation with its own more effectively, creating synergies for both companies. The acquisition was earnings accretive and the Board expects more synergies to be created in the future as management collaborates further on projects of joint interest.

2. **Rationalisation of the Smartsave Masterplan**
   This initiative has been well signalled for a number of years and it is disappointing that the project is yet to be completed. There are still significant efforts being made to bring the project to a successful conclusion as the Board is firmly of the view that without the rationalisation, it will be difficult to grow the fund substantially in the future. In the MySuper environment, the success of this initiative is even more critical.

The Board intends to release a MySuper product offering and that objective has been added to the major rationalisation task. Unfortunately, given the regulatory changes which are happening and the uncertainty surrounding the implications of those changes, the Board is unable to provide any guidance on the timeframe for the completion of this significant project.

3. **Revamp of the Self Managed Superannuation Funds Offering**
   The operating environment in this business segment has been challenging for a couple of years now. Increased regulatory compliance requirements coupled with new technological developments have made this sector extremely price competitive.

   Tranzact undertook a complete strategic review of this business in the second half of FY 2012 and revamped virtually every aspect, including the pricing of its services, the type of services provided, the target market and the cost structure.

   The outcome of the review has given the Company greater confidence in its ability to compete effectively. Tranzact has benchmarked its services against competitors and the Board believes that the Company now provides one of the best "value for money" service offerings in the market.

   The Company has also put in place better focussed marketing resources to target expansion in this growth segment.

Investment Performance and Stewardship

Investment markets proved challenging to assess and navigate during FY 2012– a direct reflection of the uncertainties still surrounding the economic outlook in many parts of the developed world. Share markets turned down sharply at the start of the period, as the European debt crisis worsened and the US government played a dangerous game of 'brinkmanship' leading up to its August 2011 debt ceiling deadline.

A strong market rally then ensued through to March 2012, only for the market to decline again in the June 2012 quarter as investor expectations regarding sustainable economic progress initiatives were not met. Overall, global share markets finished the year around 2% lower in local currency terms, with Australian shares faring worse than average, declining by 7%. Conversely, bond markets thrived in the uncertain, low-growth environment, with significantly lower interest rates leading to returns of over 10% for both the Australian and global fixed interest markets.

The Group's overall portfolio risk management strategies were implemented with reasonable success during this volatile backdrop and these have helped to consolidate Tranzact's competitive longer-term position. As can be seen from the table below, all of the Company's key single sector and multi-sector portfolios have significantly exceeded both their own internal benchmarks as well as the Morningstar peer group averages for the year.

The key to these outcomes has been the Company's continuing philosophical focus on downside risk management, along with an explicit recognition that investment markets will continue to be volatile for some time, requiring a more active approach to both asset allocation and sector strategies. In addition, Tranzact's currency hedging strategy, which was biased towards remaining relatively unhedged, has greatly assisted in reducing the overall variability of returns over the year.

Sector	Last Year	Last 5 Years
Australian Fixed Interest	**11.2%**	**6.1%**
(UBSWA Composite Bond Index)	9.7%	6.1%
Morningstar Median	8.6%	5.6%
Morningstar Quartile Ranking	1	2
Australian Shares	**-3.4%**	**-0.8%**
(ASX 200 Merged Accumulation Index)	-6.9%	-4.2%
Morningstar Median	-6.6%	-3.4%
Morningstar Quartile Ranking	1	1
Global Shares	**-1.0%**	**-3.4%**
MSCI World (ex Aust) 50% Hedged Index	-0.9%	-4.6%
Morningstar Median	-2.6%	-7.1%
Morningstar Quartile Ranking	1	1

Sector	Last Year	Last 5 Years
Defensive	**7.4%**	**4.2%**
Morningstar Median	3.8%	2.4%
Morningstar Quartile Ranking	1	1
Conservative	**6.4%**	**2.3%**
Morningstar Median	3.2%	1.6%
Morningstar Quartile Ranking	1	2
Balanced	**4.1%**	**1.3%**
Morningstar Median	1.0%	-0.4%
Morningstar Quartile Ranking	1	1
Growth	**0.8%**	**-0.9%**
Morningstar Median	-0.4%	-1.9%
Morningstar Quartile Ranking	1	1
High Growth	**-1.4%**	**-2.7%**
Morningstar Median	-2.8%	-3.7%
Morningstar Quartile Ranking	2	1

Returns are to 30 June 2012 and are after tax and fees.
Index returns have also been adjusted for tax and fees.

Dividend and Capital Management

The Board was pleased to announce a final fully franked dividend of 0.45 cents per share, bringing total fully franked dividends for the year to 0.70 cents per share. This matches the dividend payment for the previous year.

Whilst the Company's stated dividend policy is to pay out 50% of effective NPAT, the Board notes that Tranzact maintained its EBTDA based operating profits in FY 2012. As such, the Board concluded that maintaining the previous dividend rate was more representative of the operating performance of the Company and its long term prospects. In addition, the Board felt that it was appropriate to recognise the loyalty of the Company's shareholders in this difficult market.

However, in the interest of prudent capital management and to conserve cash for the Company to pursue its growth objectives, the Board implemented a Dividend Reinvestment Plan ('DRP') which will be operative in relation to the final dividend. The DRP is supported by Tranzact's major shareholder, Grosvenor, which intends to participate fully in the DRP with respect to the final dividend. The remainder of the final dividend amount has been underwritten by Taylor Collison Limited stockbrokers with the support of London City Equities Limited, an existing institutional shareholder in the Company.

Summary

The Board and management of Tranzact remain committed to further growth and are confident about the outlook for the Company. The diversified nature of the business will be a significant asset to combat the headwinds of uncertainty. Additionally, the sustainability of the Company's revenue streams has withstood the turbulence of the ongoing global financial crisis and should provide the foundation for future growth.

The management and staff of the Company are critical to the Company's ability to execute and implement the strategy set by the Board. Tranzact is fortunate to have a very good and stable management team and staff, and the Board would like to take this opportunity to thank them for their efforts and dedication.

The Directors would also like to take the opportunity to thank all shareholders for their continuing support.

Anthony Ractliffe
Non Executive Chair
Sydney, 27 September 2012

Allan Yeo
Managing Director

Directors' report

Your Directors present their report on the consolidated entity consisting of Tranzact Financial Services Limited (the 'Company' or 'Tranzact'), and the entities it controlled at the end of, or during, the year ended 30 June 2012 (collectively referred to as the 'Group').

The following persons were directors of the Company during the whole or part of the period and up to the date of this report:

Director	Period of directorship
Mr P L Harry AM	Director since 8 Feb 2000
Mr R L Rodgers	Director since 21 Aug 2002

Director	Period of directorship
Mr A S T Yeo	Director since 24 Nov 2003
Mr W A Ractliffe	Director since 24 Nov 2003

Particulars of the Directors' qualifications, experience, all directorships in listed public companies held for the past three years and special responsibilities are set out below.

William Anthony Ractliffe

BA, BCom

Non-Executive Chair, Member of the Audit Committee, Member of the Risk and Compliance Committee

A business consultant and professional company director, Mr Ractliffe holds a Bachelor of Arts and a Bachelor of Commerce. Mr Ractliffe is Chair of the New Zealand Export Credit Office and a director of Grosvenor Financial Services Group Ltd. Previously he was Deputy Chair of Accident Compensation Corporation (New Zealand) and before that New Zealand Chief Executive Officer of the National Mutual Group (which became AXA New Zealand).

Allan Seng Tong Yeo

BCA (Hons), BA

Managing Director

With significant experience in the banking industry, Mr Yeo held a number of senior banking roles with Barclays Bank PLC in New Zealand, Australia and the United Kingdom. Mr Yeo holds a Bachelor of Commerce and Administration and a Bachelor of Arts. Mr Yeo is also the Executive Chair of Grosvenor Financial Services Group Limited and a director of TriMax Assurance Services Limited, an innovative insurance joint venture company.

Phillip Lloyd Harry AM

B Econ

Non-Executive Director

An accomplished businessman with significant international experience, Mr Harry holds a Bachelor of Economics from the University of Sydney. Mr Harry is a former Chair of an international plastics group, Mulford Holdings Pty Ltd and a former president of the New South Wales Rugby Union and the Australian Rugby Union.

Richard Lynn Rodgers

BCom, CA

Non-Executive Director,
Chair of the Audit Committee
Member of the Risk and Compliance Committee

With over 36 years experience in the Australian accounting industry, Mr Rodgers, a Chartered Accountant, established his own practice in 1984 which he continues to operate today. Mr Rodgers also holds a Bachelor of Commerce. As part of his day to day business Mr Rodgers is involved in many aspects of the Australian financial and superannuation industry and is a director of a number of private companies.

Principal Activities

During the year the principal activities of the consolidated entity were:

- providing specialist administration services to various superannuation entities;
- operating an Investor Directed Portfolio Service and Custodial Services;
- providing Asset Consulting and Investment Management services;
- acting as a Promoter of superannuation entities;
- providing financial planning and insurance services; and
- acting as an Australian Financial Services Licensee.

Dividends Paid or Recommended

A fully franked final dividend of 0.45 cents per share has been declared by the Board after the reporting period ended 30 June 2012. Refer to Note 24.

Review of Operations

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 $2.649 million for the year ended 30 June 2012. This result was essentially in line with the comparable figure of $2.666 million for the same period last year.

Net profit after tax attributable to the Company's shareholders fell to $1.065 million compared with $1.606 million in the prior corresponding period. This represents earnings of 1.0 cent per share compared with 1.4 cents previously.

The main contributors to the fall in net profit after tax were:

- **Depreciation and amortisation** – the total expense for the year ended 30 June 2012 increased by $560,000 over the prior corresponding period to $1.425 million.
- **Taxation expense** – as signalled in the 2011 annual report, Tranzact's carried forward tax losses were virtually fully utilised in the 2011 period, resulting in tax expenses increasing from $220,000 in the prior period to $553,000 for this reporting period.

Net cash flows from operations remained strong despite the increased payments of tax during the year reflecting the solid cash positive nature of the core businesses.

The Directors have always focussed on the operating EBTDA as the main measure of financial performance. The Company's ability to sustain that measure of profitability in the face of extremely challenging financial market conditions is pleasing.

Each of the Company's business segments has contributed positively to the result but the contribution from the Partnership for Growth strategy is particularly encouraging. A review of the divisional performances is provided below.

Superannuation Fund Administration, Asset Consulting and Promotership (including GIS Concepts)

- The Company continued to focus on consolidating and strengthening its superannuation fund administration, asset consulting and promotership division (collectively referred to as the **'Master Trust division'**). In particular, the Company increased its shareholding in GIS Concepts (the Promoter of Smartsave) in October 2011, from 25% to 65%. The purchase reinforces the strong association that the companies have enjoyed over a number of years.
- Total revenue from the Master Trust division attributable to shareholders improved from $3.823 million in FY2011 to $4.054 million in this reporting period, whilst the segment's EBTDA increased marginally from $801,000 to $830,000.
- Funds under management and administration (including the Pooled Superannuation Trust and Eligible Rollover Fund) decreased from $294 million at the end of June 2011 to $276 million at the end of June 2012. This reflects the challenging investment market performance earlier in the financial year as well as a reduction in the number of members under administration because of transfers of small balance members to the Australian Taxation Office.
- As previously reported, the Board is committed to the implementation of a restructure of the investment offering of Smartsave. This would improve significantly the product for customers and advisers and streamline the administration of the fund. However, the ongoing complexity and regulatory considerations have restricted progress. The Company continues to expend significant energy and resources into this project as the successful completion of the restructure is vital to the long term future of this business segment.

Partnership for Growth

- The Partnership for Growth segment has continued to perform solidly over the period, despite the challenging financial market conditions. The strength of the business model, which the Company introduced and implemented across both Australia and New Zealand, is a key factor in the growth and sustainability of this business segment.
- The New Zealand based interests continue to perform well without having to make many acquisitions. However, there remain opportunities to drive further revenue and profitability growth, organically as well as through more acquisitions.
- Just prior to the year end, the Company reduced its interest in the New Zealand business as the key principals in the business exercised their option to increase their interest. The strength of the business model is the sharing of vested interest between the Company and the key principals operating the business. The Directors welcome the greater involvement of the key principals and the confidence they have in the business.
- This has freed up some capital ($1.4 million) which will allow the Company to reduce its borrowings.
- In Australia, the Templetons business has reached the target 15% return, and is actively exploring opportunities to increase the scale of its business and thereby improve this return. As with the New Zealand based business, there are on-going opportunities to grow revenue and profit, both organically and through acquisitions.

Self Managed Superannuation Funds

- The Self Managed Superannuation Funds ('**SMSF**') segment of the business continues to face challenging market conditions. A strategic review of the whole division was initiated in the June 2012 quarter and a new structure has been put in place for the 2013 financial year.
- Revenue fell by 8% compared with last year, necessitating a review of the cost structure of this division. The outcome was a reduction in staff numbers and a reduced cost base. However, the Company retained the main core of its highly experienced and dedicated staff.
- The Directors recognise the challenges that this business faces in the current climate but remain confident in the ability of the staff and management to realise the potential in this business segment.

Investor Directed Portfolio Service / Custodial Services

- The EBTDA of the Investor Directed Portfolio Service ('**IDPS**') / Custodial Services segments declined by 13% compared with last year. The revenue in this segment is entirely related to the level of funds under administration and the weak investment markets had the most direct impact in this area. The Company's exit from providing Custodial Services was also a contributing factor.

Restatement of 2011 Financial Statements

During the year ended 30 June 2011, Tranzact acquired a 61% interest in Camelot Financial Services Pty Ltd ('**CFS**') for a total cost of $2.933 million. With the proceeds from the issue of shares, CFS acquired the business of Templetons and other client bases. The acquisition was reported in the June 2011 annual report based on the consideration paid by Tranzact, but it was not grossed up for the non-controlling interest share of the transaction.

As a result of this, the value of the amortised intangible assets and goodwill on Tranzact's balance sheet and the matching non-controlling interest as at 30 June 2011 was understated by $1.817 million, and the amortisation expense and matching non-controlling interest for the year to 30 June 2011 was understated by $79,000 (net of tax). A restated financial position as at 30 June 2011 has been provided in the financial statements to show the impact of the correction. Further explanation is also provided in Note 30. The key point to note is that there is no impact on shareholders' funds attributable to the members of Tranzact because the June 2011 annual report fully recognised the price paid for the interest in CFS by the Company.

Dividend and Capital Management

The Directors are pleased to declare a fully franked final dividend of 0.45 cents per share (FY2011 0.45 cents). The Record Date for the dividend is 21 September 2012 and the dividend will be paid on 5 October 2012.

The Company has recently introduced a Dividend Reinvestment Plan ('**DRP**') which will be operative in relation to the final dividend. Shares issued pursuant to the DRP for the final dividend will be issued at a fixed price of $0.11 per share.

The Company's major shareholder, Gro-Aust Holdings Limited, has advised the Board that it intends to participate in the DRP in full for its shareholding in relation to the final dividend. The balance of the DRP has been underwritten by Taylor Collison Limited stockbrokers, with the support of London City Equities Limited, an existing institutional shareholder in the Company. The participation of Gro-Aust Holdings Limited, combined with the underwriting arrangement, will assist with the retention of capital within the business.

During the year a total of 745,400 shares were purchased under the Company's on market share buy back scheme and subsequently cancelled.

The net debt position at 30 June 2012 was $1.097 million, up from $565,000 at 30 June 2011. The increase reflects the $2.020 million funding obtained for the purchase of the increased shareholding in GIS Concepts, less the net cash generated from the Company over the period.

Outlook

The Directors, management and staff remain focused on the execution of the key strategic plans of the Company. The Directors are confident in the long term success of these strategies despite the expected challenging and difficult market conditions over the short to medium term.

Earnings per share

For the consolidated entity in respect of the FY2012 year of operation, the basic earnings per share was $0.0095 and diluted earnings per share was $0.0095 (Note 5 to the financial statements).

Significant changes in the state of affairs

Other than already disclosed, there have been no other significant changes in the state of affairs of the Group.

Matters subsequent to the end of the financial year

The Directors are not aware of any matter or circumstance that has arisen that has 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 financial years subsequent to 30 June 2012.

Future developments, prospects and business strategies

The Board intends to implement the following strategies in the foreseeable future:

(a) take further strategic financial interests in profitable adviser practices;

(b) continue to grow self managed superannuation fund services through the Group's association with Templetons and Gold Financial Pty Ltd, and through its subsidiaries Total Super Pty Ltd and Australian Superannuation Consultants Pty Ltd;

(c) continue to market its IDPS services; and

(d) continue with efforts to rationalise the Smartsave Masterplan and grow the fund via organic growth through financial advisers as well as through further acquisitions.

Information on Directors' interests

Particulars of Directors' interests in shares, unsecured notes and options of Tranzact Financial Services Limited as at 30 June 2012 are shown in the table below.

Director	Ordinary Shares	Options
Mr W A Ractliffe [(2)]	70,335,576	17,235,932
Mr P L Harry AM [(1)]	3,393,445	868,709

Director	Ordinary Shares	Options
Mr R L Rodgers [(3)]	1,669,445	437,709
Mr A S T Yeo [(4)]	68,797,576	16,851,432

(1) *A company associated with P L Harry AM, Conclude Pty Ltd, holds 1,824,000 shares and 456,000 options. Mr Harry also holds 1,569,445 shares and 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23).*

(2) *A company associated with Mr Ractliffe, Gro-Aust Holdings Ltd, holds 66,781,154 shares and 16,326,004 options. In addition, Mr Ractliffe holds 1,538,000 shares and 384,500 options as trustee of the Ractliffe Australian Family Trust and 446,977 shares and 112,719 options as trustee of the Grosvenor Employee Share Scheme. Mr Ractliffe also holds 1,569,445 shares and 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23).*

(3) *These holdings include 1,569,445 shares and 412,709 options held by Mr Rodgers as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23). A further 100,000 shares and 25,000 options are held in his own name.*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 66,781,154 shares and 16,326,004 options. In addition, Mr Yeo holds 446,977 shares and 112,719 options as trustee of the Grosvenor Employee Share Scheme. Mr Yeo also holds 1,569,445 shares and 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23).*

Board and Committee meetings

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2012, and the number of meetings attended by each Director & members were:

	Directors' Meetings		Audit Committee Meetings		Risk and Compliance Meetings	
Director	Entitled	Attended	Entitled	Attended	Entitled	Attended
Mr W A Ractliffe	10	9	3	3	10	9
Mr P L Harry AM	10	8	*	*	**	**
Mr R L Rodgers	10	10	3	3	10	10
Mr A S T Yeo	10	8	*	*	**	**

* *Not a member of the Audit Committee*
** *Not a member of the Risk and Compliance Committee*

Environmental regulations

There are no environmental issues resulting from the consolidated entity's activities, which are likely to affect future operations.

Remuneration report – audited

As the whole Board currently consists of only four members, the Group does not have a separately constituted Remuneration Committee because it would not be a more efficient mechanism than the full Board for focusing the Group on specific issues. The Board has however delegated to the Managing Director the task of determining senior executive remuneration, with the exception of equity benefits which are approved by the Board.

(a) Policy for determining the nature and amount of key management personnel remuneration

The objective of the policy is to ensure remuneration is competitive and appropriate for the results delivered and aligns reward with achievement of strategic objectives and the creation of value for shareholders. Factors taken into consideration include the overall performance of the Group, particular experience of the individual concerned, level of responsibility and the demands made on the key management personnel.

As part of each executive director and executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this policy is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas in which each director/executive is involved and has a level of control over.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth before the KPIs are set for the following year. The Board has delegated to the Managing Director the task of determining the remuneration of key management personnel who are not directors. Each year in the Group's annual report, the Board confirms the performance evaluation was applied consistently with the policy for the reporting period.

The Board's policy for determining the nature of remuneration for key management personnel for the Group is as follows:

Senior Executive Remuneration Policy

The Group is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. The Group aims to align the interests of senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

Consequently, senior executive remuneration typically consists of the following elements:
- fixed salary;
- short-term incentive bonus based on performance;
- long-term incentive share scheme; and
- other benefits including superannuation.

Fixed Salary

The salaries of senior executives are determined from a review of the market and reflect core performance requirements and expectations. In addition, the Group considers the following:
- the scope of the individual's role;
- the individual's level of skill and experience;
- the Group's legal and industrial obligations; and
- labour market conditions.

Performance Bonus

The purpose of the performance bonus is to reward actual achievement by the individual of performance objectives and for improved Group performance. Consequently, performance-based remuneration is paid where a clear contribution to successful outcomes for the Group is demonstrated and the individual attains pre-agreed key performance indicators during a performance cycle.

The pre-agreed performance measures for the Managing Director's bonus are:
- operating profit of the Group; and
- general criteria including leadership, innovation, succession planning, training and adherence to agreed culture.

The method of assessing if each of the above measures are met is:

– Non-executive directors of the Group set the target operating profit that has to be met; and
– based on the discretion and judgement of non-executive directors of the Group.

Performance measures used in determining the discretionary bonuses of other senior executives include:

– operating profit;
– exceeding service standards (internal and external);
– attainment of relevant qualifications;
– accuracy and timeliness of work outputs; and
– staff development and training.

Long-Term Incentives

The Group has a share scheme that has been approved by shareholders in which senior executives may participate. The number of shares issued under the scheme is reasonable in relation to the existing capitalisation of the Group and all issues of shares under the scheme are made in accordance with thresholds previously approved by shareholders. The issue of shares is not subject to any performance conditions as they are an incentive for senior executives to remain employed with the Group.

A policy has been implemented such that participants in the TFS Group Employee Bonus and Share Scheme may not enter into derivative transactions with third parties to eliminate the performance element of the options. This rule is enforced via an annual declaration of compliance by all employees.

Other Benefits

Senior executives are entitled to statutory superannuation. By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Group aims to align the interests of senior executives with those of shareholders and increase Group performance.

Group Performance, Shareholder Wealth and Executives' Remuneration

The remuneration policy has been tailored to align the goals of shareholders and executives.

There have been two main methods in achieving this aim, the first being a performance-based bonus on key performance indicators, and the second being the issue of shares.

The Group's performance over the last five years is shown in the table on page 12. The Board maintains promotional activity amongst analysts so as to increase investor awareness of the Group.

Non-Executive Director Remuneration Policy

The objective of the non-executive director remuneration framework is to ensure that performance is competitive and appropriate for the results delivered and aligns reward with achievement of strategic objectives and the creation of value for shareholders.

Factors taken into consideration include the overall performance of the Group, particular experience of the individual concerned, level of responsibility and the demands made on the directors.

The contracts for service between the Group and directors are on a continuing basis and are not expected to change in the immediate future. Non-executive directors are however subject to rotation requirements of the ASX listing rules and the Company's constitution.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-executive directors. This amount is currently $300,000 per annum (2011: $300,000).

Non-executive directors currently do not receive performance based bonuses and do not participate in equity schemes of the Group. Non-executive directors are entitled to statutory superannuation.

Five year Company Performance

	2008	2009	2010	2011	2012
Revenue	$5,824,646	$7,968,367	$7,831,000	$8,828,000	$9,313,000
Net Profit	$1,754,471	$1,612,140	$1,509,000	$1,633,000	$1,204,000
Share Price at 30 June	$0.155/share	$0.14/share	$0.15/share	$0.20/share	$0.12/share
Dividends Paid	$0.0025/share	$0.0035/share	$0.0060/share	$0.0070/share	$0.0070/share
Share Buy Back Programme – Number repurchased	–	600,000	1,362,146	555,400	745,400
Share Buy Back Programme – Ave price per share	–	$0.16	$0.15	$0.20	$0.187

(b) Key management personnel

The names of persons who were key management personnel of the Group at any time during the 2012 financial year are as follows:

Name	Position Held
Mr W A Ractliffe	Chair – Non-Executive
Mr P L Harry AM	Director – Non-Executive
Mr R L Rodgers	Director – Non-Executive & Company Secretary(1)
Mr A S T Yeo	Managing Director
Mr M Beydoun	Senior Technical Manager & Company Secretary(2)
Mr C Yip(5)	General Manager & Company Secretary(3)
Ms V T Luong	Administration Manager
Mrs C J Dixon	General Manager, Tranzact Super(4)
Mr G Scott(5)	Group Chief Financial Officer

Name	Position Held
Mr D Beattie(5)	Joint Chief Executive Officer, Grosvenor Financial Services
Mr A Wilson(5)	Joint Chief Executive Officer, Grosvenor Financial Services

(1) *Appointed as Company Secretary on 22 September 2011.*

(2) *Resigned as Company Secretary on 22 September 2011.*

(3) *Appointed as Company Secretary on 20 October 2011.*

(4) *Tranzact Super is the trading name of the combined operation of Total Super Pty Ltd and Australian Superannuation Consultants Pty Ltd.*

(5) *Mr Scott, Mr Yip, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Group and Grosvenor Financial Services Group Ltd from 1 July 2010.*

Mr Beattie and Mr Wilson are joint Chief Executive Officers of Grosvenor Financial Services Group Ltd with various responsibilities relating to the management of Tranzact Financial Services Ltd.

Mr Yip commenced duties as General Manager of Tranzact Financial Services Ltd on 1 May 2012.

(c) Details of Remuneration

Details of the compensation key management personnel and other executives of the Group are set out below:

2012	Short Term Benefits			Post-employment benefits	Long Term Benefits	Equity Benefits			Percentage of remuneration consisting of shares & options	Percentage of remuneration performance related
	Salary & Fees	Cash Bonus	Other Benefits	Super-annuation	Long Service Leave [4]	Shares [3]	Options	Total		
Name	($)	($)	($)	($)	($)	($)	($)	($)	(%)	(%)
Mr P L Harry	32,700	–	–	–				32,700	–	–
Mr W A Ractliffe	54,000	–	–	4,860	–	–	–	58,860	–	–
Mr R L Rodgers	63,000	–	–	5,670	–	–	–	68,670	–	–
Mr A S T Yeo [1]	291,007	56,955	–	–	–	–	–	347,962	–	16.4
Other key management personnel										
Mr D Beattie [2]	–	–	–	–	–	–	–	–	–	–
Mr A Wilson [2]	–	–	–	–	–	–	–	–	–	–
Mr G Scott [2]	–	–	–	–	–	–	–	–	–	–
Mr C Yip [2]	–	–	–	–	–	–	–	–	–	–
Ms V T Luong	92,962	6,000	–	12,452	1,761	9,850	–	123,025	8.0	4.9
Mr M Beydoun [5]	31,609	–	–	2,701	–	5,750	–	40,060	13.4	–
Mrs C Dixon	100,000	–	–	9,000	6,624	10,800	–	126,424	8.5	–
Total key management personnel compensation	**665,278**	**62,955**	**–**	**34,683**	**8,385**	**26,400**	**–**	**797,701**		

(1) During the year, the independent Non-Executive Directors approved a cash bonus payment to the Managing Director.

(2) Mr Scott, Mr Yip, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Group and Grosvenor Financial Services Group Ltd.

(3) These shares were acquired under the TFS Group Employee Bonus and Share Scheme. The shares only vest if the personnel remains an employee throughout the vesting period and are expensed on a pro-rata basis.

(4) This represents the expense to the Group in accordance with the accounting policy as opposed to any payments or actual leave granted to the employee.

(5) Resigned 22 September 2011.

2011	Short Term Benefits			Post-employment benefits	Long Term Benefits	Equity Benefits			Percentage of remuneration consisting of shares	Percentage of remuneration performance related
	Salary & Fees	Cash Bonus	Other Benefits	Super-annuation	Long Service Leave (4)	Shares (3)	Options	Total		
Name	($)	($)	($)	($)	($)	($)	($)	($)	(%)	(%)
Mr P L Harry	43,600	–	–	–	–	–	–	43,600	–	–
Mr W A Ractliffe	46,500	–	–	4,185	–	–	–	50,685	–	–
Mr R L Rodgers	36,000	–	–	3,240	–	–	–	39,240	–	–
Mr A S T Yeo (1)	291,007	35,000	–	–	–	–	–	326,007	–	10.7
Other key management personnel										
Mr D Beattie (2)	–	–	–	–	–	–	–	–	–	–
Mr A Wilson (2)	–	–	–	–	–	–	–	–	–	–
Mr G Scott (2)	–	–	–	–	–	–	–	–	–	–
Ms V T Luong	99,462	3,000	–	9,312	1,794	14,407	–	127,975	11.3	2.3
Mr M Beydoun	115,039	3,000	–	10,804	–	14,000	–	142,843	9.8	2.1
Mrs C Dixon	81,981	–	–	11,473	918	10,800	–	105,172	10.3	–
Total key management personnel compensation	**713,589**	**41,000**	**–**	**39,014**	**2,712**	**39,207**	**–**	**835,522**		

(1) *During the year, the independent Non-Executive Directors approved a cash bonus payment to the Managing Director.*

(2) *Mr Scott, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Group and Grosvenor Financial Services Group Ltd from 1 July 2010.*

(3) *These shares were acquired under the TFS Group Employee Bonus and Share Scheme. The shares only vest if the personnel remains an employee throughout the vesting period and are expensed on a pro-rata basis.*

(4) *This represents the expense to the Group in accordance with the accounting policy as opposed to any payments or actual leave granted to the employee.*

(d) Cash bonuses

During the year, cash bonuses were approved for the Managing Director and other key management personnel. These bonuses were granted on 30 June 2012 in relation to the 2012 financial year and were in recognition of the Group achieving performance objectives and individuals achieving pre-agreed key performance indicators. The quantum of each bonus is discretionary and approved in accordance with the remuneration policy contained in this report.

(e) Share-based payments

Share-based payments made to key management personnel and executives as compensation during the financial year are shown in the above table.

(f) Options and rights granted as remuneration

No options or rights were granted to key management personnel and executives as remuneration during the financial year.

(g) Equity instruments issued on exercise of remuneration options

During the period no equity instruments were issued on the exercise of remuneration options previously granted as compensation to key management personnel.

(h) Service contracts

Service contracts have been entered into by the Group with all key management personnel and executives with the exception of Mr A Yeo, Mr C Yip, Mr G Scott, Mr D Beattie and Mr A Wilson who have service contracts with the parent company, Grosvenor Financial Services Group Ltd. The service contracts describe the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses and entitlements to equity benefits. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Managing Director in the absence of a Remuneration Committee to align with changes in job responsibilities and market salary expectations. All service contracts are for an ongoing period which can be terminated by either party giving a minimum of 4 weeks notice. No service contract provides for a payment on termination.

End of Audited Remuneration Report

Share options

Unissued ordinary shares of Tranzact Financial Services Limited under option at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
14 May 2010	31 October 2012	$0.25	27,953,049

No share options were granted up to the date of this report to any Directors or executives.

Indemnification and insurance of officers or auditor

The Group indemnifies all current and former Officers of the Group against any liability to another person (other than the Group or its related bodies corporate) unless the liability arises out of conduct involving lack of good faith.

The Group also indemnifies all current and former Officers of the Group against any liabilities or expenses incurred in defending proceedings except proceedings in which the person is found guilty or which arise out of conduct involving lack of good faith.

During the year ended 30 June 2012 the Group paid a premium of $8,040 to insure the Officers of the Group.

The Officers of the Group at 30 June 2012 were:

- W Anthony Ractliffe — Non-Executive Chair
- Phillip L Harry AM — Non-Executive Director
- Allan S T Yeo — Managing Director
- Richard L Rodgers — Non-Executive Director & Company Secretary
- Colin Yip — Company Secretary

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the consolidated entity.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Group, or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Audit committee

At the date of this report Tranzact Financial Services Limited has a formally constituted Audit Committee of the Board of Directors.

Corporate governance

A statement of the Group's corporate governance standards is set out on pages 17 to 23 of this Annual Report.

Non-audit services

The auditors, Grant Thornton, did not perform any non-audit services during the period.

Auditor's independence declaration

A copy of the auditor's independence declaration under Section 307C of the Corporations Act 2001 in relation to the audit for the financial year is on page 16 and forms part of the Directors' Report.

This Directors' Report is signed on behalf of, and in accordance with, a resolution of the Directors made pursuant to Section 298(2) of the Corporations Act 2001.

W A Ractliffe
Non-Executive Chair

Allan S T Yeo
Managing Director
Sydney, 27 September 2012

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Tranzact Financial Services Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Tranzact Financial Services Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N E Sinclair
Partner - Audit & Assurance

Sydney, 27 September 2012

Corporate Governance Report

The Board is committed to implementing the highest standards of corporate governance in accordance with stakeholder expectations.

1. Board of Directors

1.1 Role and Responsibilities of the Board

The Board is responsible to its shareholders for the overall governance of the Company and Group with the main role of the Board being to drive the performance of the Group.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Group.

Without intending to limit this general role of the Board, the principle functions and responsibilities of the Board include the following:

i. **Leadership of the Group:** Overseeing the Company and establishing codes that reflect the values of the Group and guide the conduct of the Board, management and employees.

ii. **Strategy Formulation:** Set and review the overall strategy and goals for the Group and ensuring that there are policies in place to govern the operation of the Group.

iii. **Overseeing Planning Activities:** Overseeing the development of the Group's strategic plan and approving that plan as well as the annual and long-term budgets.

iv. **Shareholder Liaison:** Ensuring effective communications with shareholders and promoting participation at general meetings of the Company.

v. **Monitoring, Compliance and Risk Management:** Overseeing the Group's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Group.

vi. **Group Finances:** Approving material expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures, financial and other reporting.

The Board must also ensure that the Group complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. To assist the Board with carrying out its functions, the Group has developed a Code of Conduct to guide the Directors in the performance of their roles. See section 3 below for further information on the Group's Code of Conduct.

1.2 Composition of the Board

To add value to the Group the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications, along with the term of office held by each of the Directors, are stated on page 5 in this annual report. Directors are appointed based on the specific governance skills required by the Group and on the independence of their decision-making and judgement. The Board is required to have an appropriate mix of skills to assist it to adequately discharge its responsibilities. This mix of skill is achieved by having at least one director with a legal skill set, at least one director with a financial skill set and each of the other directors having one or more of the following skills: legal; financial; operational; and business knowledge.

The Group recognises the importance of non-executive directors and advice that non-executive directors can offer. Mr Phillip Harry AM, Mr Richard Rodgers and Mr Anthony Ractliffe are all non-executive directors. In addition to being non-executive directors, Mr Phillip Harry AM and Mr Richard Rodgers also meet the following criteria for independence adopted by the Company.

An independent director:

i. is a non-executive director;

ii. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company ('substantial holding' is considered to be a holding of more than 5% of issued share capital consistent with Section 9 of the Corporations Act 2001);

iii. within the last three years, has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;

iv. within the last three years has not been a principal of a material professional adviser or a material consultant to the Group or an employee materially associated with a service provider;

v. is not a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer, or a Company within the Group;

vi. has no material contractual relationship with the Group other than as a director of the Company;

vii. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company or Group; and

viii. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

The Board has adopted the policy that the Chair should in all but exceptional circumstances be an independent director and that the Chair should not hold the position of Chief Executive Officer. The appointment of Mr Anthony Ractliffe (who is not an independent director) as Chair was made in light of this policy and the Board is satisfied that Mr Ractliffe's significant experience in the industry outweighs the policy of independence of the Chair.

The Board acknowledges that whilst there is not a majority of independent directors, whenever the Board considers a matter may give rise to a potential conflict of interest, the conflicted director(s) are required to abstain from the decision. Further to this, every Board meeting must include one independent director to form a quorum. As a result, the Board is comfortable with its current composition.

1.3 Board Policies

1.3.1 Conflicts of Interest

Directors must:

i. disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director and the interests of any other parties in carrying out the activities of the Group; and

ii. if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a director cannot or is unwilling to remove a conflict of interest then the director must, as per the Corporations Act 2001, be absent from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.3.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

1.3.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company and Group have agreed to keep confidential, information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.3.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing, coordinating disclosure of information and communicating to the Australian Stock Exchange ('ASX'). In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

i. concerning the Company or wider Group that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

ii. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.3.5 *Education and Induction*

New directors undergo an induction process in which they are given a full briefing on the Group. This includes meetings with key executives, tours of the premises, an induction pack and presentations. In order to achieve continuing improvement in the performance of the Board, all directors are encouraged to undergo continual professional development. Specifically, directors are provided with the resources and training to address skill gaps where they are identified.

1.3.6 *Independent Professional Advice*

The Board collectively and each director (with the prior approval of the Chair) has the right to seek independent professional advice at the Group's expense to assist them to carry out their duties and responsibilities.

1.3.7 *Related Party Transactions*

Related party transactions include any financial transaction between a director and the Group and will be reported in writing at each Board meeting. Unless there is an exemption under the Corporations Act 2001 from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.3.8 *Shareholder Communication*

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Group is committed to:

i. communicating effectively with shareholders through releases to the market via the ASX and notice of general meetings of the Company;

ii. giving shareholders ready access to balanced and understandable information about the Group and corporate proposals;

iii. making it easy for shareholders to participate in general meetings of the Company; and

iv. requesting the external auditor to attend annual general meetings and be available to answer shareholder questions about the conduct of the relevant audit and the preparation and content of the resulting auditor's report.

Contact details for shareholders to make enquiries of the Group are found on page 76 of this annual report.

1.3.9 *Securities Trading Policy*

Tranzact is a listed public company which means its shares are publically traded on the ASX. This means, it is important that prescribed persons (including directors and employees) take care in the timing of any dealing in the Company's securities. The purpose of the Securities Trading Policy is:

i. to assist those persons to avoid conduct known as "insider trading" (or "insider dealing"); and

ii. to protect the Company against potentially damaging adverse inferences being drawn that its senior officers and personnel may have engaged in unlawful activity, or acted for their personal benefit using information not available to the public.

For these reasons, the Securities Trading Policy extends in some respects beyond the strict legal requirements in Australia. The Securities Trading Policy outlines the rules which must be followed by prescribed persons, as defined in the Securities Trading Policy, who wish to deal in the Company's securities, including a mandatory prior notification and approval process.

A copy of the Securities Trading Policy is available from the Company's website at www.tranzact.com.au.

1.3.10 *Performance Review/Evaluation*

The Board considers the ongoing development and improvement of its own performance and of its senior executives as a critical input to effective governance. The Board has traditionally used informal, ongoing assessments to evaluate its performance, with formal evaluations undertaken periodically. A formal evaluation was last conducted by the Board during the financial reporting year ended 30 June 2011.

1.3.11 Risk Management

The Board has overall responsibility for the system of risk management, compliance and internal controls across the business to ensure the material business risks have been addressed. The material business risks of the Group fall into the following categories:

- strategic risk
- operational risk
- financial and market risk (including financial reporting)
- product risk
- legal and regulatory compliance risk

The Risk and Compliance Committee supports the Board by monitoring and reviewing the effectiveness of the risk management internal control environment. The Audit Committee supports the Board by its oversight of the Company's financial reporting obligations. These measures provide additional assurance to the Board that risks are being effectively managed. The management of the Group are charged by the Board to design and implement an appropriate risk management and control environment for the Group. The Board receives regular reporting from management as to the effectiveness of the Group's management of its material business risks.

1.3.12 Assurance by Managing Director and Group Chief Financial Officer

In accordance with the Board's policy and section 295A of the Corporations Act 2001, prior to the Board signing any financial report, the Managing Director and the Group Chief Financial Officer report in writing to the Board that in their opinion the consolidated financial statements of the Company and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards.

The Managing Director and the Group Chief Financial Officer also confirm that their declaration is founded on a sound system of risk management and internal controls, and that the system is operating effectively in all material aspects in relation to financial reporting risks.

1.3.13 Appointment of External Auditors

Whilst the Board has not formally adopted a policy for the selection and appointment of external auditors, each year the Board (through the Audit Committee) considers the following factors when appointing the external auditor;

- their competence in their role;
- the constructive nature of the relationship with the external auditor;
- the value for money of the services received; and
- the absence of any conflicts that may impact their independence in the future.

The Audit Committee receives assurances from the appointed external auditor that they meet all applicable independence requirements in accordance with the Corporations Act 2001 and any applicable code of professional conduct. This independence declaration is found on page 16 of this annual report.

The Audit Committee will consider the need for the rotation of the lead audit engagement partner by applying the same criteria as for the selection of the external audit firm.

2 Board Committees

2.1 Audit Committee

The Audit Committee was established on 8 February 2000. Below is a summary of the role, composition and responsibilities of the Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the external audit of the Group.

2.1.2 Composition

The Audit Committee currently consists of two members. Members are appointed by the Board from amongst the non-executive directors, a majority of whom are also independent if possible. The current members of the Audit Committee are Mr Richard Rodgers (Chair) and Mr Anthony Ractliffe. Both members can read and understand financial statements and are financially literate and Mr Rodgers, the Chair, is a qualified accountant with experience in tax, financial and accounting matters. Details of the members' qualifications can be found on page 5 or on the Company's website at www.tranzact.com.au. Given the substantial experience of the two members of the Audit Committee, the Board is satisfied the Audit Committee can adequately discharge its responsibilities, even though the ASX recommends an Audit Committee should have at least three members. Whilst the Audit Committee does not have a majority of independent directors, the Chair holds the casting vote, with the effect that this acts as a majority representation.

2.1.3 *Responsibilities*

The Audit Committee reviews the annual and half-yearly financial statements and any reports which accompany published financial statements and recommends to the Board whether the financial statements and reports should be signed. The Audit Committee also recommends to the Board the appointment, removal and remuneration of the external auditor including the rotation of external audit engagement partners. The Audit Committee is no longer responsible for assisting the Board with internal controls and risk management as this responsibility sits with the Risk and Compliance Committee.

A copy of the Audit Committee Charter is available on the Company's website at www.tranzact.com.au.

2.2 Risk and Compliance Committee

The Risk and Compliance Committee was established on 23 October 2009. Below is a summary of the role, composition and responsibilities of the Risk and Compliance Committee. Further details are contained in the Risk and Compliance Committee's Charter.

2.2.1 *Role*

The Risk and Compliance Committee is responsible for the functions of risk management, compliance, controls and procedures, internal audit and such other functions as determined by the Board from time to time.

2.2.2 *Composition*

The Risk and Compliance Committee is comprised of two members who are appointed by the Board from the Directors on the Board.

The Risk and Compliance Committee is also regularly attended by a number of non-members, including an external legal adviser, the Head of Risk and Compliance, the Compliance Officer, and representation from senior management. All members and regular non-member attendees have experience in the areas of law, risk management and/or compliance, and have extensive experience in the financial services industry.

2.2.3 *Responsibilities*

The Risk and Compliance Committee is responsible to the Board for:

- the risk management framework and ensuring compliance with the framework and appropriate management of the key business risks;
- monitoring the extent of compliance by the Group and report to the Board on any serious breaches;
- assess the adequacy of the compliance framework and encourage a compliance culture;
- evaluate the adequacy and effectiveness of the Group's operating policies and procedures and review and approve any significant changes to these policies;
- review any incidents and breaches;
- monitor the implementation of any remedial action following incidents or breaches;
- determine the scope and work plans of any internal audit review;
- provide advice and recommendations to the Board on matters arising from any internal audit review; and
- monitor and manage the rectification of any findings arising from any internal audit review.

A copy of the Risk and Compliance Committee Charter can be obtained by contacting the Company Secretary.

2.3 Remuneration Committee

As the Board currently consists of only four members, there is no separately constituted remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Group on specific issues. The Board has however delegated to the Managing Director the task of determining senior executive remuneration with the exception of equity benefits, which are approved by the Board.

For further information on remuneration policies, refer to the remuneration report on pages 10 to 14.

2.4 Nomination Committee

As the Board consists of four members only, there is no nomination committee because it would not be a more efficient mechanism than the full Board focusing on specific issues. The Board takes on the role and responsibilities for receiving, assessing and recommending, where appropriate, nominees for appointment to the Board. All non-executive directors are subject to re-election and to the ASX Listing Rules and Corporations Act 2001 provisions concerning appointment and removal of a director.

2.4.1 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Group. Given the size of the Group and the business that it operates, the Company aims at all times to have at least two directors with experience in the financial services industry. In addition, directors should have the relevant blend of personal experience in:

- accounting and financial management; and/or
- legal skills; and/or
- Chief Executive Officer level business experience.

2.4.2 Procedure for selection and appointment and Re-election of Directors

The Directors actively seek potential new directors to join the Board who have relevant commercial and governance experience and would have a strong cultural fit with the Group's values. Any new director must, in the opinion of the Board, genuinely be able to add value. Any potential directors that the Board considers meet the criteria would be nominated for election at the next relevant Annual General Meeting.

In accordance with the constitution, a minimum of one third of incumbent directors (excluding the Managing Director) are required to retire each year. Directors may be re-elected for a subsequent term, which is to be no more than three years.

3 Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Group has established and adopted a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole.

The Group's Code of Conduct includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Group complies with the spirit as well as the letter of all laws and regulations (including the ASX Listing Rules) that govern shareholders' rights. The Group has processes in place designed to ensure the truthful and factual presentation of the Group's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Employees have an obligation to use their best efforts to deal in a fair and responsible manner with each of the Group's clients, customers and consumers. The Group is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Group endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels. The Group does not tolerate the offering or acceptance of bribes or the misuse of Group assets or resources.

Obligations Relative to Fair Trading and Dealing

The Group aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Group strives to deal fairly with its customers, suppliers, competitors and employees and encourages its employees to strive to do the same.

Responsibilities to the Community

As part of the community the Group is committed to conducting its business in accordance with applicable environmental laws and regulations.

Responsibility to the Individual

The Group is committed to keeping private information collected from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Group.

How the Group Complies with Legislation Affecting its Operations

Within Australia, the Group strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Group will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Group's operating policies, Group policy will prevail where relevant.

How the Group Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Group are committed to implementing the Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code of Conduct.

Diversity reporting

The Board recognises that a diverse workforce is encouraging and positive for both employees and the business. There is an increasing drive on diversity within organisations with a particular focus on gender and age, and superior work and career flexibility.

The Group and its Board members' mission statement is to respect the dignity of all employees, their beliefs, feelings and privacy, without distinction, exclusion, or preference based on race, national or social origin, religion, political affiliation, gender or any other form of personal identity that could impact or alter equal opportunities or treatment at work.

The Board established a Diversity Policy in 2011, which included establishing key measurable objectives for achieving diversity within the Company. The Board does not endorse participation quotas of any kind but supports and promotes diversity by setting other measurable objectives to achieve diversity.

For the year ended 30 June 2012, the key measurable objectives the Board set were:

(1) Demonstrate through disclosure, the diversity of the Company. The results of this objective are as follows:
   - a. females represented 59% of the gender split within the Group;
   - b. females represented 46% of the managers within the Group;
   - c. females represented 25% of the senior management team within the Group;
   - d. there were no female representatives on the Board;
   - e. the age mix of the Group was:
     - i. under age 25: 14%
     - ii. age 25 and over but under age 40: 44%
     - iii. age 40 and over: 42%
   - f. the ethnicity mix of the Group was:
     - i. Australian: 25%
     - ii. New Zealander: 8%
     - iii. Asian: 50%
     - iv. Other: 17%

(2) Ensure there is a commitment to a corporate culture supportive of diversity by recognising employees have personal responsibilities.
   - A policy for flexible work arrangements was incorporated into the Human Resource Policy.

(3) Ensure there is a commitment to diversity by providing learning opportunities to employees.
   - A policy which supports staff training and development was incorporated into the Human Resource Policy.

The Board is proud of the Group's diversity and will continue to promote diversity.

Financial Statements

TRANZACT
FINANCIAL SERVICES LIMITED

Statement of Comprehensive Income for the year ended 30 June 2012

Tranzact Financial Services Limited
ABN 84 089 997 731

	Note	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Revenue	2	9,313	8,828
Other income	2	110	36
		9,423	8,864
Less: Expenses			
Service expenses		1,472	1,496
Occupancy costs	3	419	362
Administration expenses		930	1,186
Employee benefits expense	3	3,206	3,087
Amortisation and depreciation expenses	3	1,425	865
Financing costs	3	244	143
Share of net (profit) after tax of associates		(30)	(128)
		7,666	**7,011**
Profit before Income Tax Expense		**1,757**	**1,853**
Income tax expense	4	553	220
Profit for the year		**1,204**	**1,633**
Other Comprehensive Income		–	–
Total Comprehensive Income for the year		**1,204**	**1,633**
Profit for the year is attributable to:			
Owners of the company		1,065	1,606
Non-controlling interests		139	27
		1,204	**1,633**
Total Comprehensive Income for the year is attributable to:			
Owners of the company		1,065	1,606
Non-controlling interests		139	27
		1,204	**1,633**

	Note	Consolidated 2012 $	Consolidated 2011 $
Earnings per Share			
Basic earnings per share	5	0.0095	0.0144
Diluted earnings per share	5	0.0095	0.0144
Dividends per share	24	0.0070	0.0070

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

Statement of Financial Position as at 30 June 2012

Tranzact Financial Services Limited
ABN 84 089 997 731

	Note	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Current Assets			
Cash & cash equivalents	7	1,979	811
Trade & other receivables	8	2,181	1,136
Prepayments	9	237	109
Derivatives	10	29	–
Total Current Assets		**4,426**	**2,056**
Non-Current Assets			
Property, plant and equipment	11	453	531
Financial assets	12	4,283	5,551
Investments accounted for using the equity method	13	330	1,618
Intangible assets	14	16,409	12,165
Deferred tax assets	15	119	243
Total Non-Current Assets		**21,594**	**20,108**
Total Assets		**26,020**	**22,164**
Current Liabilities			
Interest bearing liabilities	16	1,470	–
Trade & other payables	17	1,356	989
Derivatives	10	–	117
Current tax liabilities		201	341
Total Current Liabilities		**3,027**	**1,447**
Non-Current Liabilities			
Provisions	18	122	159
Interest bearing liabilities	16	1,606	1,376
Deferred Tax Liabilities	20	1,937	1,011
Total Non-Current Liabilities		**3,665**	**2,546**
Total Liabilities		**6,692**	**3,993**
Net Assets		**19,328**	**18,171**
Equity			
Issued capital	21	19,635	19,775
Accumulated losses		(3,082)	(3,594)
Reserves	22	40	40
Capital and Reserves attributable to owners of the Company		**16,593**	**16,221**
Non-controlling Interest		**2,735**	**1,950**
Total Equity		**19,328**	**18,171**

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

Statement of Changes in Equity for the year ended 30 June 2012

Tranzact Financial Services Limited
ABN 84 089 997 731

Consolidated	Issued Capital $'000	Employee Options Reserve $'000	Other Reserve $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
As at 30 June 2010	**19,853**	**4**	**40**	**(4,424)**	**15,473**	**–**	**15,473**
Profit for the year	–	–	–	1,606	1.606	106	1,712
Total comprehensive income for the year	–	–	–	1,606	1.606	106	1,712
Transactions with owners in their capacity as owners							
Shares issued during the year	8	(4)	–	(4)	–	–	–
Dividends paid – Tranzact Financial Services	–	–	–	(667)	(667)	–	(667)
Dividends paid – non-controlling interests	–	–	–	–	–	(78)	(78)
Share buy-back	(86)	–	–	–	(86)	–	(86)
Transactions with non-controlling interests	–	–	–	(105)	(105)	105	–
As at 30 June 2011 per annual report	**19,775**	**–**	**40**	**(3,594)**	**16,221**	**133**	**16,354**
Restatement of Equity							
Restatement of Equity	–	–	–	–	–	(78)	(78)
Capital introduced by non-controlling interests	–	–	–	–	–	1,895	1,895
As at 30 June 2011 restated	**19,775**	**–**	**40**	**(3,594)**	**16,221**	**1,950**	**18,171**
Profit for the year	–	–	–	1,065	1,065	139	1,204
Total comprehensive income for the year	–	–	–	1,065	1,065	139	1,204
Transactions with owners in their capacity as owners							
Retained earnings on consolidation of acquisition	–	–	–	–	–	1,119	1,119
Share buy-back	(140)	–	–	–	(140)	–	(140)
Dividends paid – Tranzact Financial Services	–	–	–	(775)	(775)	–	(775)
Dividends paid – non-controlling interests	–	–	–	–	–	(251)	(251)
Transactions with non-controlling interests	–	–	–	222	222	(222)	–
As at 30 June 2012	**19,635**	**–**	**40**	**(3,082)**	**16,593**	**2,735**	**19,328**

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

Statement of Cash Flows for the year ended 30 June 2012

Tranzact Financial Services Limited
ABN 84 089 997 731

	Note	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Cash Flows from Operating Activities			
Receipts from customers		9,015	8,737
Payments to suppliers and employees		(6,700)	(6,682)
Distributions and interest received		883	712
Interest and other finance costs paid		(244)	(143)
Income taxes paid		(1,016)	(223)
Net cash inflow from operating activities	33	**1,938**	**2,401**
Cash Flows from Investing Activities			
Payments for property, plant & equipment		(92)	(313)
Equity accounted dividend received		67	150
Net loans/advances to adviser practices		404	(1,563)
Net loans/advances to related parties		150	(180)
Payments for the acquisition of controlled entities, net of cash acquired	29	(1,412)	(2,600)
Payments for the acquisition of associated entities		–	(391)
Proceeds from the disposal of adviser practices		617	999
Payments for acquisition of intangible assets		–	(333)
Payments for purchases of software licenses		(658)	–
Payments for acquisition of financial licenses		(216)	–
Net cash (outflow) from investing activities		**(1,140)**	**(4,231)**
Cash Flows from Financing Activities			
Proceeds from share issues		–	3
Payments for shares repurchased		(139)	(86)
Proceeds from borrowings		2,350	2,676
Repayment of borrowings		(650)	(1,300)
Dividend paid		(1,191)	(745)
Net cash inflow/(outflow) from financing activities		**370**	**548**
Net (decrease) in cash held		**1,168**	**(1,282)**
Cash at the beginning of the financial year		**811**	**2,093**
Cash at the end of the financial year	7	**1,979**	**811**

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

Notes to the Financial Statements for the year ended 30 June 2012

1. Statement of Significant Accounting Policies

Corporate Information

This general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements of Tranzact Financial Services Limited ('Tranzact' or the 'Company') for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 24 September 2012 and covers the consolidated entity consisting of Tranzact Financial Services Limited and its subsidiaries as required by the Corporations Act 2001 (the 'Group').

Separate financial statements for Tranzact Financial Services Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001, however limited financial information for Tranzact Financial Services Limited as an individual entity is included in Note 34.

Tranzact Financial Services Limited is a listed public company, incorporated and domiciled in Australia. For purposes of preparing the financial statement, Tranzact Financial Services Limited is a for-profit entity. The financial statements are presented in Australian currency.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the accounts. Unless otherwise stated, the accounting policies are consistent with those of the previous period.

Basis of Preparation

The financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

Tranzact Financial Services Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. A list of subsidiaries is contained in Note 28 to the financial statements.

Where subsidiaries have entered or left the consolidated entity during the year or comparative year, their operating results have been included from the date control was obtained or until the date control ceased. The effects of all transactions between entities in the consolidated entity are eliminated in full.

The Group has financial interests in New Zealand advisory practices through Camelot Financial Advisers Limited ('Camelot'). The Group has no influence over the business operations or decisions of the advisory practices. Camelot was set up to source funding for selected advisers to aid them in their growth initiatives. These 'Partnership for Growth' financial interests are arranged through loans from a Tranzact subsidiary to Camelot, and the underlying interests are treated as Available for Sale assets (refer Note 12).

(i) Accounting for Associates

Investments in associated entities by the Group are accounted for using the equity method of accounting in the consolidated financial statements. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights, with the exception of financial interests in Partnership for Growth investments (refer to Critical Accounting Estimates and Judgements).

Investments in associated entities are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the share of net assets of the associate, less any impairment in value. The Statement of Comprehensive Income reflects the share of the results of operations of the associate. The Group's share of losses in the associate is limited to the investment in the associate unless it has incurred obligations or made payments on behalf of the associate.

(b) Property, Plant and Equipment

Property, plant and equipment are measured on a historical cost less depreciation basis.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets and capitalised leased assets is depreciated on a straight-line basis over their estimated useful lives from when the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and Equipment	5-40%
Leased Plant and Equipment	20%
Leasehold Improvements	25-33%
Motor Vehicle	12.50%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items and utilised tax losses. It is calculated using the tax rates that have been enacted or are substantially enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit and loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or liability is settled. Deferred tax is credited in profit or loss except where it relates to items that may be credited directly to equity, or other comprehensive income, in which case the deferred tax is adjusted directly against equity or other comprehensive income.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary timing differences can be utilised.

Tranzact Financial Services Limited, as the parent entity, and its subsidiaries implemented the tax consolidation legislation as of 1 July 2002. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the stand-alone taxpayer approach to allocation. The current tax liability for each entity in the Group is subsequently assumed by the parent entity, and becomes a liability of the parent entity.

(d) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus on costs. Employee benefits expected to be paid later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

A provision is recognised for employee entitlements relating to long service and annual leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Long Service Leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(e) Trade and Other Payables

Trade payables including accruals not yet billed are recognised when the consolidated entity becomes obliged to make future payments as a result of the purchase of assets or services. These amounts are unsecured and have generally 30-day payment terms.

(f) Share-based Payments

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Share-based payments transactions, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the Company are recognised in the entity's financial statements.

For transactions with employee and others providing similar services, the Company measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received. The fair value of equity instruments granted is measured at grant date.

(g) Parent Entity Financial Information

The financial information for the parent entity, Tranzact Financial Services Limited, included in Note 34, has been prepared on the same basis as the consolidated financial statement, except as follows:

– the parent entity's interest in the subsidiary companies is recognised at the lower of cost and net recoverable value, being the amount of the subsidiaries' net assets at 30 June 2012.

(h) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments under operating leases, net of incentives received from the lessor, are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Revenue Recognition

Fee and commission income is recognised when the economic entity has performed the related service. Dividend revenue is recognised when the dividend has been declared for payment. Interest revenue and distributions from financial interests are recognised on an accrual basis.

(j) Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, cash includes cash on hand, deposits held at call with a financial institution with original maturities of three months or less, net of bank overdrafts.

(k) Intangibles

In accordance with AASB 138: Intangible Assets, intangible assets are classified as having either indefinite or finite useful lives.

An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the asset is expected to be used. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is written evidence to support renewal.

An intangible asset with an indefinite useful life shall not be amortised. Instead it must be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

An intangible asset with a finite useful life shall be amortised over its useful life. The amortisation method used shall reflect the pattern in which the assets future economic benefits are expected to be consumed.

Promoter Agreements

The Group has acquired the rights to be the promoter to superannuation master trusts which are classified as intangible assets. Some promoter agreement assets are deemed to have indefinite useful lives as it is expected that the promotership rights would continue with no foreseeable limit to the period over which they are expected to generate cash flows. As such, they are not amortised but are subject to impairment testing.

The remainder are deemed to have definite useful lives and are amortised over three years.

Superannuation Administration Agreements

The Group has acquired agreements to provide administration services to superannuation entities which are classified as intangible assets. Where there is written evidence that these contracts will be renewed on an ongoing basis, the asset is classified as having an indefinite useful life. Such assets are not amortised but subject to impairment testing. Where no such evidence exists, they are classified as having a finite useful life and are amortised over the expected useful life, which may be based on the remaining term of the contract, or as calculated based on past experience where contracts do not have an end date.

Client Contracts and Relationships

The Group has acquired client contracts and value from an on-going relationship with those clients, on the acquisition of interests in the Templetons Group and Group Insurance & Superannuation Concepts Pty Ltd, which are classified as intangible assets. These intangible assets are classified as having a finite useful life and are amortised over their expected useful life, which is based on the recurring income stream estimated to be realised from existing clients from contracts and relationships in place at the time of acquisition.

Australian Financial Services Licences (AFS Licences)

The Group holds several AFS Licences which enables it to provide financial services including providing advice, dealing, IDPS and custody in return for fees. The costs incurred for obtaining these AFS Licences are capitalised and amortised over a period of no more than 10 years on a straight-line basis. Costs incurred in varying a licence are capitalised and amortised over the remaining life of the amortisation period. Costs incurred in the acquisition of new licences are capitalised where the Director have certify that future benefits to the Group exceed the costs.

Software and Website Development

Software development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the software which is no more than 3 years on a straight-line basis.

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains or losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(l) Earnings Per Share

(i) **Basic Earnings Per Share:** Basic earnings per share is determined by dividing the profit/(loss) after income tax and preference share dividends attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year and are adjusted for bonus elements in ordinary shares issued during the year.

(ii) **Diluted Earnings Per Share:** Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(m) Financial Instruments

(i) Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

(ii) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

(iii) Loans and receivables
Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at the amortised cost using the effective interest rate method.

(iv) Held-to-maturity investments
These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at the amortised cost using the effective interest rate method.

(v) Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value, other than the Partnership for Growth investments (refer to Critical Accounting Estimates and Judgements). Unrealised gains and losses from changes in fair value are taken directly to other comprehensive income.

(vi) Equity instruments with no active market
The valuation of financial interests in the Partnership for Growth asset 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 due to the unique nature of the arrangements and structure of the business. 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.

(vii) Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(viii) Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in the fair value are taken to profit or loss unless they are designated as hedges. Gains and losses arising from designated hedges are taken directly to a hedge reserve in other comprehensive income and are transferred to profit or loss in the periods when the hedged item will affect the profit and loss.

(ix) Fair value
Fair value is determined based on the current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(x) Impairment
At the end of each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. These assessments are based on critical accounting estimates and judgements. Impairment losses are recognised in profit or loss.

(n) Borrowing Costs
Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on short-term and long term borrowings.

(o) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as cash flows from operating activities.

(p) Business Combinations
Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method.

The acquisition method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Acquisition costs are expensed as incurred. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's share of the acquiree's identifiable net assets.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(q) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in other comprehensive income as a separate component of equity (foreign currency translation reserve).

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. See note 6.

(t) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 120 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

(u) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

(v) Dividends

Provision is made for dividends declared, and no longer at the discretion of the Group, on or before the end of the reporting period but not after the end of the reporting period.

(w) Impairment

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the Statement of Comprehensive Income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(x) New or Amended Australian Accounting Standard

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies nor affected the amounts reported for the current or prior years.

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

(y) Accounting Standards issued but not yet effective

At the date of authorisation of the financial report a certain number of the Australian Accounting Standards and Interpretations issued or amended but not yet effective have not been adopted by the Group for the financial reporting year ended 30 June 2012. The Directors have assessed the impact of these new or amended standards (to the extent relevant to the Group) and interpretations as follows:

Reference	Title	Summary	Application date of Standard*	Impact on Company Financial Report	Application date for Company
AASB 9 (December 2010)	Financial Instruments	AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only. Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.	31 December 2015	The Group has yet to assess the impact that the standard is likely to have on the Financial Statements of the Group.	1 July 2015
AASB 10	Consolidated Financial Statements	Introduces a revised definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.	31 December 2013	The Group has yet to assess the impact that the standard is likely to have on the Financial Statements of the Group.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structures entities in which an investor or sponsor has involvement.	31 December 2013	The Group has yet to assess the impact that the standard is likely to have on the Financial Statements of the Group.	1 July 2013
AASB 13	Fair Value Management	AASB 13 has been issued to: – establish a single source of guidance for all fair value measurements; – clarify the definition of fair value and related guidance; and – enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).	31 December 2013	The Group has yet to assess the impact that the standard is likely to have on the Financial Statements of the Group.	1 July 2013

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

Reference	Title	Summary	Application date of Standard*	Impact on Company Financial Report	Application date for Company
AASB 2011-4	Amendments to ASSB to remove individual key management personnel disclosure requirements (AASB 124)	The standard makes amendments to remove the individual key management personnel disclosure requirements , as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report.	1 January 2013	This will impact disclosure to a minor degree.	1 July 2013

* *Designates the beginning of the applicable annual reporting period unless otherwise stated.*

(z) 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.

Statement of Significant Accounting Policies

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the Financial Statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment of Goodwill and Intangible Assets with Indefinite Useful Lives
The Group tests annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment, in accordance with the accounting policy stated in Note 1(w). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 14 for details of these assumptions.

Key Judgements – Intangible Assets with Indefinite Useful Lives
An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. Some promoter agreement assets are deemed to have indefinite useful lives as it is expected that the promotership rights would continue with no foreseeable limit to the period over which they are expected to generate cash flows, and therefore no justification for choosing a life that is unrealistically short. As such, they are not amortised but are subject to impairment testing on an ongoing basis.

Key Judgements – Financial Interests in the Camelot Partnership for Growth Investments
The valuation of financial interests in the Partnership for Growth asset 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 Group tests annually whether these investments have suffered any impairment, in accordance with the accounting policy stated in Note 1 (w).

As part of the Partnership for Growth strategy, Tranzact maintains an indirect economic interest in a New Zealand partnership, Camelot NZ Limited Partnership, of greater than 20%. The interest is held via loans to other independently owned entities. Tranzact holds no control or influence over the business's operations or decisions concerning the management of Camelot NZ Limited Partnership, there is no representation on the board or any material transactions arising between Camelot NZ Limited Partnership and the Group. The management of this business rests with the three directors, who are independent of the Group. Accordingly, the indirect equity interest has been treated as an available for sale investment and not as an associate entity.

Key Judgements – Licensee, Trade Mark
The cost of acquiring or varying an Australian Financial Service Licence (AFSL) is capitalised where there is reasonable expectation that the Group will obtain future benefits through improved profitability from the business activities related to the licence.

The costs are amortised over the expected useful life not exceeding 10 years.

2. Revenue

	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Revenue		
Rendering of services	6,493	6,998
Commission income	1,139	1,102
Bank interest	76	66
Distributions from financial interests in the Camelot Partnership	837	658
Dividends received	6	4
	9,313	**8,828**
Other Income		
Foreign exchange (losses)/gains	(310)	229
Unrealised foreign exchange gains/(losses)	420	(193)
Total Other Income	**110**	**36**

3. Profit before Income Tax

Profit before Income Tax includes the following specific expenses.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Occupancy Costs		
Net rental expenses relating to operating leases	320	294
Other occupancy costs	99	68
	419	362
Employee Benefits Expenses		
Salary & wages	2,362	2,460
Superannuation contributions	207	208
Other employee benefits expense	637	419
	3,206	3,087
Amortisation and Depreciation Expenses		
Depreciation – property, plant and equipment	152	125
Amortisation of intangible assets – administration contracts	284	284
Amortisation of intangible assets – trade marks and other items	26	39
Amortisation of intangible assets – software & website development	–	78
Amortisation of intangible assets – promotor agreements	47	47
Amortisation of intangible assets – Camelot Financial Services Pty Ltd (Restated)	520	292
Amortisation of intangible assets – Group Insurance & Superannuation Concepts Pty Ltd	396	–
	1,425	865
Financing Costs		
Interest on borrowings	152	108
Other borrowing costs	92	35
	244	143

4. Income Tax

(a) Income tax expense:

	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Current tax	778	810
Deferred tax	(184)	(208)
Recoupment of prior year tax losses	(40)	(382)
Utilisation of capital losses	(1)	(382)
Total income tax expense in profit or loss	553	220

(b) The prima facie tax payable on the operating profit is reconciled to the income tax provided as follows:

	2012 $'000	2011 $'000
Profit/(Loss) before Income Tax	1,757	1,853
Prima facie tax payable at 30%	527	556
Tax effect of differences:		
Non allowable deductions	79	129
Tax effect of share of net profit of associates	(9)	(38)
Tax effect of fully franked dividends	(2)	(45)
Recoupment of prior year tax losses previously not recognised	(42)	(382)
Income tax expense	553	220

Tranzact Financial Services Limited and its wholly owned subsidiaries implemented the tax consolidation legislation as at 1 July 2002. The head entity of the tax consolidated group is Tranzact Financial Services Limited.

The wholly owned subsidiaries within the Tranzact Financial Services Group have entered into a tax funding arrangement with the head entity whereby the subsidiaries shall pay to the head entity their respective tax liabilities each year. In the case of subsidiaries having recorded a tax loss it will not need to make a payment to the head entity and it will instead receive a payment from the head entity to the extent that the tax loss can be utilised by the consolidated group. The head entity is entitled to utilise any carry forward losses of the consolidated group. Any associated costs such as general interest charge and penalties shall be paid for by the head entity.

The tax benefit of unused tax losses as at 30 June 2012 amounted to $nil (2011:$40,314).

5. Earnings Per Share

	Consolidated 2012 $'000	Consolidated 2011 $'000
Earnings used in the calculation of basic earnings per share	1,065	1,606
	No.	No.
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	110,877,655	111,490,555
Weighted average number of options outstanding	–	–
Weighted number of ordinary shares outstanding during the year used in calculating diluted earnings per share	110,877,655	111,490,555
Instruments that could potentially dilute earnings per share but were not included because they were anti-dilutive	27,953,049	27,953,049

Refer to Note 1(l)(ii) for information relating to diluted earnings per share.

No shares or options have been issued or cancelled since 30 June 2012.

6. Segment Information

Within Tranzact Financial Services Limited, the information supplied to executive management and the Board for internal reporting purposes consists of five reportable segments as detailed below. Revenue and expenses not pertaining to segments relate to head office and are shown separately below.

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

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. This segment includes the business from Group Insurance & Superannuation Concepts Pty Ltd from 1 November 2011.

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) and Custodial Services

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

Partnership for Growth

The Partnership for Growth interests in New Zealand are loans granted for interests in financial and insurance advisory businesses. The Group receives interest on these loans. The Partnership for Growth Australian based interests are shareholdings in businesses providing insurance and financial planning services from which dividends are received and a share of profit recognised.

The Partnership for Growth Australian based interests are in Templetons, which is a Brisbane based business specialising in the provision of insurance and financial planning services. A majority of the shares are held in Camelot Financial Services Pty Ltd ('Camelot') by a subsidiary of Tranzact Financial Services Limited and the income from this investment is recorded in the Partnership segment. A 33.3% interest is held in Templetons Administrative Services Pty Ltd, which provides administration and adviser services to Camelot. The income from this investment is equity accounted.

6. Segment Information *(continued)*

Segment Information

These reportable segments are the same as those reported in the previous financial statements for the year ended 30 June 2011.

Segment information provided to the executive management committee and the Board for the year ended 30 June 2012 is as follows:

Operating Segments

	*Super Fund $'000	**SMSF $'000	IDPS & Custodial Services $'000	Partnership for Growth $'000	Head Office $'000	Total $'000
2012 Financial Year						
Segment Revenue						
External revenues	4,419	3,081	161	1,652	–	9,313
Before tax share of profit of associated entities	–	–	–	–	42	42
Less non-controlling interests share of revenue	(365)	–	–	(294)	–	(659)
External revenues attributable to owners of the Company	4,054	3,081	161	1,358	42	8,696
Finance Costs	143	–	–	–	–	244
Segment Result before depreciation, amortisation, tax and including before tax share of profit from equity accounted investees	830	553	133	1,373	(240)	2,649
Depreciation and amortisation expense	(584)	(306)	(14)	(521)	–	(1,425)
Plus non-controlling interests share of depreciation, amortisation and tax						408
Group taxation expense						(553)
Taxation on share of profit of equity accounted investees						(14)
Total comprehensive income attributable to owners of the Company						**1,065**

	*Super Fund $'000	**SMSF $'000	IDPS & Custodial Services $'000	Partnership for Growth $'000	Head Office $'000	Total $'000
2011 Financial Year						
Segment Revenue						
External revenues	3,823	3,346	202	1,376	81	8,828
Before tax share of profit of associated entities	–	–	–	–	183	183
Less non-controlling interests share of revenue	–	–	–	(235)	–	(235)
External revenues attributable to owners of the Company	3,823	3,346	202	1,141	264	8,776
Finance Costs	143	–	–	–	–	143
Segment Result before depreciation, amortisation, tax and including before tax share of profit from equity accounted investees	801	583	152	1,194	(64)	2,666
Depreciation and amortisation expense	(246)	(313)	(14)	(292)	–	(865)
Plus non-controlling interests share of depreciation, amortisation and tax						79
Group taxation expense						(220)
Taxation on share of profit of equity accounted investees						(54)
Total comprehensive income attributable to owners of the Company						**1,606**

** Superannuation fund administration, asset consulting and sponsorship*
*** Self managed superannuation fund administration*

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

The executive management committee monitors segment performance based on EBTDA, which includes share of profit of equity accounted investees, but excludes taxation, depreciation, amortisation and EBTDA attributable to non-controlling interest.

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

6. Segment Information *(continued)*

Geographical Segments

	Segment Revenues from External Customers 2012 $'000	2011 $'000
Geographical Location:		
Australia	8,442	8,061
New Zealand	871	767
	9,313	8,828

7. Current Assets – Cash & Cash Equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash at Bank	1,890	722
Cash on Deposit	89	89
	1,979	811

Note: Cash on Deposit includes term deposits with original maturities of three months or less, that are lodged as security for the Australian Financial Services Licence requirements and lease guarantees.

The exposure of the Group and the parent entity to interest rate risk is discussed in Note 31.

8. Current Assets – Trade and Other Receivables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Trade receivables	1,571	581
Less: allowance for doubtful debts	–	(13)
	1,571	568
Other receivables	275	324
Accrued revenue	335	244
	2,181	1,136

Age analysis of trade receivables at the reporting date:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Total amounts not past due	1,459	492
Total amounts over 30 days past due	16	27
Total amounts over 60 days past due	7	7
Total amounts over 90 days past due	89	55
	1,571	581
Total amounts impaired	–	(13)
Total amounts not impaired	1,571	568

Analysis of Allowance Account:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Opening Balance	13	–
Receivables written off during the year	(13)	–
Provided for during the year	–	13
Closing balance	**–**	**13**

8. Current Assets – Trade and Other Receivables *(continued)*

All the current net trade receivables that are neither past due or impaired are with long standing clients who have a good credit history.

As at 30 June 2012, trade receivables over 30 days past due amounted to $112,000. The majority of this was owed by long standing clients who have agreements with the company, the conditions of which make it very unlikely that debts will not be repaid.

Based on the above, the directors consider that, of the balances over 30 days past due, none are impaired and no further provision is required.

Information about the exposure of the Group and the parent entity to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 31.

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Refer to Note 31 for more information on the risk management policy of the Group and the credit quality of its trade receivables.

9. Current Assets – Prepayments

	Consolidated 2012 $'000	Consolidated 2011 $'000
Prepayments	237	109

10. Current Assets – Derivatives

	Consolidated 2012 $'000	Consolidated 2011 $'000
Foreign exchange contracts – held for trading	29	(117)
	29	(117)

Derivative instruments used by the Group

The Group enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in foreign exchange rates.

As part of the Partnership for Growth strategy $5,326,691 in New Zealand dollar loans have been granted plus an amount of NZ$1,275,113 was receivable at 30 June 2012 relating to a reduction in the loan, giving a total exposure of NZ$6,601,804 (2011: NZ$7,118,295). In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts with high credit quality Australasian financial institutions to sell $6,600,000 (2011:$7,100,000) New Zealand dollars to hedge principal amounts. While not designated hedges, the contracts have been taken out within $100,000 of the principal amounts in accordance with the Group's financial risk management policies (refer Note 31).

The cash flows are expected to occur at various dates between three months, six months and one year from the balance date. At balance date the details of outstanding contracts are as follows:

	Sell New Zealand dollars/ Buy Australian dollars		Average exchange rate	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Maturity				
0 – 3 months	–	–	–	–
3 – 6 months	2,368	2,801	0.7895	0.7779
6 – 12 months	2,858	2,637	0.7938	0.7535

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are taken to profit or loss immediately. At the end of the reporting period the value of these contracts totalled $29,188 (2011: ($117,424)), being the increase (2011: decrease) in fair value during the year ended 30 June 2012.

11. Non-Current Assets – Property, Plant & Equipment

	Consolidated 2012 $'000	Consolidated 2011 $'000
Plant & equipment at cost	1,208	1,137
Less accumulated depreciation	(787)	(655)
	421	482
Motor vehicle at cost	68	68
Less accumulated depreciation	(36)	(28)
	32	40
Capitalised leased assets	47	47
Less accumulated depreciation	(47)	(38)
	–	9
Total	**453**	**531**

Reconciliation

Reconciliation of the carrying amount of each class of property, plant & equipment at the beginning of the year and at the end of the financial year is set out below:

2012	Plant & Equipment $'000	Motor Vehicle $'000	Leased Plant & Equipment $'000	Total $'000
Consolidated Entity				
Carrying amount as at 30 June 2011	482	40	9	531
Additions	92	–	–	92
Disposals	(18)	–	–	(18)
Depreciation charge	(135)	(8)	(9)	(152)
Carrying amount as at 30 June 2012	421	32	–	453

2011	Plant & Equipment $'000	Motor Vehicle $'000	Leased Plant & Equipment $'000	Total $'000
Consolidated Entity				
Carrying amount as at 30 June 2010	276	49	18	343
Additions	313	–	–	313
Disposals	–	–	–	–
Depreciation charge	(107)	(9)	(9)	(125)
Carrying amount as at 30 June 2011	482	40	9	531

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

12. Non-Current – Other Financial Assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
Available for Sale Assets	4,283	5,551
Total	**4,283**	**5,551**

Available for sale assets comprise of:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Shares in unlisted entities at cost:		
Gold Financial Pty Ltd	66	56
Other investments at cost:		
Financial interests in Partnership for Growth (1)	4,174	5,495
Shares in listed entities at fair value	43	–
Total	**4,283**	**5,551**

(1) *The Partnership For Growth model involves the Group taking strategic financial interests in adviser practices with the objective of partnering with these practices to achieve growth and improvements in profitability. In New Zealand, the Partnership For Growth model has developed into the creation of a nationwide brand, Camelot, which the various partners operate under. The Group accesses these financial interests through Camelot Financial Advisers Limited. This entity was set up to obtain the funding needed for the growth initiatives of the adviser practices in the Camelot NZ Partnership.*

Prior to 30 June 2012, the Group reduced its interest in the Camelot NZ Limited Partnership with the principals of the partnership taking an increased stake. The sale proceeds were NZ$1,600,000 (A$1,470,232), of which A$1,000,071 was receivable at 30 June 2012.

There are no indications of impairment and these investments are held at cost in terms of the Statement of Significant Accounting Policies (Note 1). There is no intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2012.

13. Non-Current – Investments Accounted for using the Equity Method

	Consolidated 2012 $'000	Consolidated 2011 $'000
Shares in associated entities	330	1,618
Total	**330**	**1,618**

Investments in Associates

(a) Movements in carrying amounts

	Consolidated 2012 $'000	Consolidated 2011 $'000
Carrying amount at the beginning of the financial year	1,618	1,249
Share of profits after income tax	30	128
Dividends received	(57)	(150)
Acquisitions	–	391
Reclassification from associate (1)	(1,261)	–
Carrying amount at the end of the financial year	**330**	**1,618**

(1) *The Company's holding in Group Insurance & Superannuation Concepts Pty Ltd, which was accounted for using the equity method at 30 June 2011, was increased to a controlling interest during the year and is now fully consolidated (see Note 29).*

13. Non-Current – Investments Accounted for using the Equity Method *(continued)*

Summarised financial statements of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2012					
Group Insurance & Superannuation Concepts Pty Ltd [1]	65	–	–	124	49
Templetons Administrative Services Pty Ltd	33	227	146	617	(19)
		227	146	741	30
2011					
Group Insurance & Superannuation Concepts Pty Ltd	25	323	80	508	168
Templetons Administrative Services Pty Ltd	33	208	126	458	(40)
		531	206	966	128

All of the above associates are incorporated in Australia.

[1] Revenue and profit shown based on 4 months prior to reclassification as a consolidated entity. Ownership at 30 June 2012 was 65.42%.

14. Non-Current Assets – Intangible Assets

	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Promoter agreements at cost		
(Indefinite useful lives)	2,095	2,095
Less accumulated impairment losses	–	–
	2,095	2,095
Promoter agreements at cost		
(Finite useful lives)	140	140
Less accumulated impairment losses	(117)	(70)
	23	70
Administration agreements at cost		
(Finite useful lives)	2,428	2,428
Less accumulated amortisation	(897)	(613)
	1,531	1,815
Goodwill on acquisition	6,603	5,456
Less accumulated impairment losses	–	–
	6,603	5,456
Licences, trade marks and other items at cost	476	271
Less accumulated amortisation	(160)	(145)
	316	126
Software & website development at cost	339	328
Less accumulated amortisation	(339)	(328)
	–	–
Client contracts and relationships	7,050	2,895
Less accumulated amortisation	(1,209)	(292)
	5,841	2,603
Total Intangible Assets	**16,409**	**12,165**

An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the asset is expected to be used. If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is written evidence to support renewal.

14. Non-Current Assets – Intangible Assets *(continued)*

An intangible asset with an indefinite useful life shall not be amortised. Instead it must be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

Some of the Promoter rights of the superannuation master trusts are deemed to have indefinite useful lives. This is because management are of the opinion that there is no foreseeable limit over which these assets are expected to generate net cash inflows for the Group and therefore no justification for choosing a life that is unrealistically short. Impairment reviews are performed on an ongoing basis.

A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgement. If the recoverable amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows.

Reconciliation

Reconciliation of the carrying amount of each class of intangible asset at the beginning of the year and at the end of the financial year is set out below:

2012 Consolidated Entity	Promoter Agreements $'000	Administration Agreements $'000	Goodwill $'000	Licences, Trade Marks and Other Items $'000	Client Relationships	Total $'000
Carrying amount as at 30 June 2011 (restated)	2,165	1,815	5,456	126	2,603	12,165
Additions	–	–	1,147	215	4,155	5,517
Amortisation charge	(47)	(284)	–	(26)	(916)	(1,273)
Carrying Amount as at 30 June 2012	2,118	1,531	6,603	315	5,842	16,409

Material Intangible Assets

Smartsave 'Member's Choice' Superannuation Plan Promotership Rights
Carrying Amount: $2,094,973
Type: Indefinite Useful Life

Smartsave 'Member's Choice' Superannuation Plan Administration Agreement
Carrying Amount: $890,977
Type: Finite Useful Life with a remaining useful life of 10 years at 30 June 2012

Client Contracts & Relationships – Camelot Financial Services Pty Ltd
Carrying Amount: $2,082,528
Type: Finite Useful Life with a remaining useful life of 4 years at 30 June 2012

Client Contracts & Relationships – Group Insurance & Superannuation Concepts Pty Ltd
Carrying Amount: $3,759,618
Type: Finite Useful Life with a remaining useful life of 6 years at 30 June 2012

Goodwill recognised on consolidation in relation to the Total Super Pty Ltd, Australian Superannuation Consultants Pty Ltd, Camelot Financial Services Pty Ltd & Group Insurance & Superannuation Concepts Pty Ltd entities
Carrying Amount: $6,602,369
Type: Indefinite Useful Life

Administration Contracts – Total Super Pty Ltd and Australian Superannuation Consultants Pty Ltd.
Carrying Amount: $620,030
Type: Finite Useful Life with a remaining useful life of 4 years at 30 June 2012

14. Non-Current Assets – Intangible Assets *(continued)*

2011 Restated Consolidated Entity	Promoter Agreements $'000	Administration Agreements $'000	Goodwill $'000	Licences, Trade Marks and Other Items $'000	Software & Website Development $'000	Client Relationships	Total $'000
Carrying amount as at 30 June 2010	2,212	2,099	2,654	165	78	–	7,208
Additions	–	–	1,816	–	–	1,596	3,412
Amortisation charge	(47)	(284)	–	(39)	(78)	(179)	(627)
Reported carrying amount as at 30 June 2011	2,165	1,815	4,470	126	–	1,417	9,993
Restatement adjustment to Additions	–	–	986	–	–	1,299	2,285
Restatement adjustment to Amortisation	–	–	–	–	–	(113)	(113)
Restated Carrying Amount as at 30 June 2011	2,165	1,815	5,456	126	–	2,603	12,165

Material Intangible Assets

Smartsave 'Member's Choice' Superannuation Plan Promotership Rights
Carrying Amount: $2,094,973
Type: Indefinite Useful Life

Smartsave 'Member's Choice' Superannuation Plan Administration Contract
Carrying Amount: $980,075
Type: Finite Useful Life with a remaining useful life of 11 years at 30 June 2011

Contracts & Relationships – Camelot Financial Services Pty Ltd
Carrying Amount: $2,603,235
Type: Finite Useful Life with a remaining useful life of 5 years at 30 June 2011

Goodwill recognised on consolidation in relation to the Total Super Pty Ltd, Australian Superannuation Consultants Pty Ltd & Camelot Financial Services Pty Ltd entities
Carrying Amount: $5,455,862
Type: Indefinite Useful Life

Administration Contracts – Total Super Pty Ltd and Australian Superannuation Consultants Pty Ltd
Carrying Amount: $775,038
Type: Finite Useful Life with a remaining useful life of 5 years at 30 June 2011

Impairment Disclosures

Intangible assets allocated to the cash-generating units of the Group are as follows:

2012 Consolidated Entity	Goodwill $'000	Intangibles with Indefinite Useful Lives $'000	Intangibles with Finite Useful Lives $'000	Licences Trade Marks and Others $'000	Total $'000
Smartsave 'Member's Choice' Superannuation Master Plan	–	2,095	898	–	2,993
Super Eligible Rollover Fund	–	–	51	–	51
Self Managed Superannuation Funds	2,655	–	620	39	3,314
Group Insurance & Superannuation Concepts Pty Ltd Client Contracts & Relationships	3,948	–	5,842	–	9,790
Other	–	–	–	261	261
	6,603	2,095	7,411	300	16,409

2011 Restated Consolidated Entity	Goodwill $'000	Intangibles with Indefinite Useful Lives $'000	Intangibles with Finite Useful Lives $'000	Licences Trade Marks and Others $'000	Total $'000
Smartsave 'Member's Choice' Superannuation Master Plan	–	2,095	1,040	–	3,135
Super Eligible Rollover Fund	–	–	70	–	140
Self Managed Superannuation Funds	2,654	–	775	65	3,495
Client Contracts & Relationships	1,816	–	2,603	–	5,404
Other	–	–	–	61	61
	4,470	2,095	3,322	126	12,165

14. Non-Current Assets – Intangible Assets *(continued)*

The recoverable amount of the cash-generating units (CGU's) is based on value-in-use calculations. Value-in-use is calculated based on present value of cash flow projections over a five year period for the Smartsave 'Member's Choice' Superannuation Master Plan and the Super Eligible Rollover Fund CGU's, and over a twenty year period for the Self Managed Superannuation Funds and Client Contacts & Relationships CGU's.

The cash flow projections are based on the following year's approved budget and extrapolated for a further four years using an estimated revenue growth rate of 2.5% (2011: 2.5%) for the Smartsave 'Member's Choice' Superannuation Master Plan, with no growth rate factored in for the Super Eligible Rollover Fund, Self Managed Superannuation Funds and Client Contacts & Relationships CGU's. Costs are projected to increase by a rate of 3% per annum.

The use of a time horizon beyond five years is considered appropriate by the Board because:

- the Board takes a longer term view than five years on the investments made in strategic areas of the business such as Self Managed Superannuation Fund Administration and Client Contracts and Relationships.
- the Board does not agree that strategic investments of this kind can be expected to be self funding within five years, based on the market value of these investment opportunities, and where they would have a future re-sale value should they be sold by the Group.
- the Board is highly confident the Tranzact Group will obtain significant commercial benefit from these investments for the longer term, which is consistent with the current year results and expected future results for this segment of the business.

The cash flows are discounted at a pre-tax rate of 11% (2012: 13%). The lower discount rate for 2012 results from a combination of the lower weighted average cost of capital identified for the company and an increase in funding from debt at a lower rate than the average cost of capital.

A sensitivity analysis in relation to changes in key assumptions is detailed below and illustrates the changes in recoverable amounts if the assumptions are varied as shown.

In order to assess the required pre-tax discount rate which provides break-even discounted cashflow against CGU assets, the internal rates of return were calculated as follows:

	Smartsave Master Plan	Super Eligible Rollover Fund	Client Contracts & Relationships	SMSF*
Internal rates of return 2012	24%	N/A(1)	13%	14%
Internal rates of return 2011	25%	N/A(1)	17%	22%

(1) The discounted payback for this CGU is less than one year, as such the internal rate of return does not provide a meaningful result.

Based on the assumptions set out above, the impact on discounted cashflows was reviewed against several sensitivity measures as follows:

	Effect on cashflows			
	Smartsave Master Plan $'000	Super Eligible Rollover Fund $'000	Client Contracts & Relationships	SMSF* $'000
Cashflow forecast period				
+ one year	349	145	190	86
– one year	(366)	(156)	(204)	(92)
Discount rate				
+ 1%	(211)	(98)	(637)	(291)
– 1%	226	106	730	333
Estimated Revenue Growth rate				
+ 1%	390	102	668	303
– 1%	(380)	(99)	(602)	(273)

** Self managed superannuation fund administration*

15. Non-Current Assets – Deferred Tax Assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
Deferred Tax Asset	119	243
Deferred tax asset comprises temporary differences attributable to:		
Employee Benefits	84	82
Accruals	(4)	216
Interest Receivable	39	(55)
	119	243
Reconciliations		
Gross Movements		
Opening Balance	243	159
Charge to income statement	(124)	84
Closing Balance	119	243

Movement in deferred tax assets for each temporary difference during the year is as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee Benefits		
Opening Balance	82	70
(Charge)/credit to income statement	2	12
Closing Balance	84	82
Accruals		
Opening Balance	216	155
(Charge)/credit to income statement	(220)	61
Closing Balance	(4)	216
Interest Receivable		
Opening Balance	(55)	(66)
(Charge)/credit to income statement	94	11
Closing Balance	39	(55)

16. Interest Bearing Liabilities

	Consolidated 2012 $'000	Consolidated 2011 $'000
Short Term (1)		
Commercial Bill (2)	1,470	–
	1,470	–
Long Term (3)		
Commercial Bill (2)	1,606	1,376
Total	1,606	1,376

(1) The financial interest in Camelot NZ Limited Partnership was reduced prior to 30 June 2012 (Note 12), and it is a requirement that the proceeds of the sale are applied to the bank facility. As a result, this amount is treated as a current liability at 30 June 2012.

(2) The above is a commercial bill variable interest rate facility of $8,000,000 provided by St George Bank, a division of Westpac Banking Corporation (2012: $3,000,000). This is made up of a three year working capital facility of $3,000,000 expiring September 2013 plus an additional acquisition facility which was established during the year, expiring September 2015.*

The security for the loan consists of fixed and floating charges against the assets of Tranzact Financial Services Limited and its wholly owned subsidiaries.

The interest rates on the working capital loan ranged from 4.97% to 5.89% during the year ended 2012 (2011: from 5.79% to 5.89%).

The interest rates on the acquisition facility loan ranged from 5.82% to 6.50% during the year ended 2012 (2011: n/a).

(3) While each of the commercial bills has a term of between 30 and 90 days, they can be rolled over up to the date of expiry of the overall bank facility of September 2013 and therefore the loan has been classified as a non-current liability.

** Drawdowns against the acquisition facility require specific bank approval, and principal repayments are required over the term of the facility which cannot be re-drawn. At 30 June 2012 $750,000 of the borrowing were against the acquisition facility, and the facility limit has been reduced to $4.25m.*

17. Trade & Other Payables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Short Term		
Trade Creditors	278	133
Other Payables and Accruals [1]	1,078	856
	1,356	989

[1] Includes accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

18. Provisions

	Consolidated 2012 $'000	Consolidated 2011 $'000
Long Term		
Employee Entitlements – Long Service Leave	82	119
Restoration Costs	40	40
	122	159

(a) Restoration costs

Tranzact Financial Services Limited is required to restore their leased premises to their original condition at the end of their respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. The costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) Movement in provisions

Movements in each class of provision during the financial year, other than employee entitlements, are set out below:

	Restoration Costs $'000	Total $'000
Carrying amount at the start of the year – 1 July 2011	40	40
Other Costs	–	–
Carrying amount at the end of the year – 30 June 2012	40	40

19. Share-Based Payments

Tranzact Financial Services Limited Directors, Executives and Staff Share Option Plan

The Tranzact Financial Services Limited Directors, Executives and Staff Share Option Plan was approved by shareholders on 6 March 2000. Those eligible to participate are determined by the Board and may in its absolute discretion determine who are the offerees, the number of Ordinary Shares and/or options to be offered to them and the offering dates.

The Company shall offer such number of ordinary shares and/or Options to such offerees in accordance with their eligibility. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights. Options offered must be accepted within 30 business days after the date of the offer. The vesting period is 3 years from the date they are granted. The total number of ordinary Shares and Options issued under the plan and excluding lapsed or terminated options shall not at any time exceed that number which is 5% of the total number of issued shares.

Expenses arising from options granted under staff share option schemes for the year was $nil (2011: $nil).

See Note 21 for summary of movements.

Details of options outstanding as part of the Staff Share Option Plan during the financial year are as follows:

2012 Grant date	Exercise date	Expiry date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Nil options outstanding as at 30 June 2012				–	–	–	–	–	–	–

2011 Grant date	Exercise date	Expiry date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
1 July 2006	1 July 2009	1 July 2011	$0.04	75,000	–	–	(75,000)	–	–	–
Weighted average exercise price				$0.04						

TFS Group Employee Bonus and Share Scheme

The Company established the TFS Group Employee Bonus and Share Scheme in April 2007 under which the Trustees of the Scheme may be issued or acquire shares in the Company, to hold for the purpose of providing rights to eligible employees provided that, for the purposes of the Scheme, in no event shall the Trustees hold in excess of 10% of the issued share capital of the Company.

Details of shares and options held as part of the Employee Bonus and Share Scheme are as follows:

	Parent Entity Shares Number	Parent Entity Options Number	Weighted average price
Balance at 30 June 2010	1,650,836	412,709	
Vested shares transferred to employees during the year	(420,000)	–	
Shares purchased during the year	609,999	–	$0.15
Shares sold during the year	(92,501)	–	
Balance at 30 June 2011	1,748,334	412,709	
Vested shares transferred to employees during the year	(178,889)	–	
Balance at 30 June 2012 [1]	1,569,445	412,709	

[1] *These shares are granted to certain key employees and, on the condition that those employees remain full-time employees up to that date, will vest as follows: 179,446 on 1 July 2012, 554,444 on 1 July 2013, 141,666 on 1 July 2014, 100,000 on 19 November 2014 and 593,889 on 1 July 2015.*

The amount recognised in Employee Benefits as an expense in relation to the Employee Bonus and Share Scheme for the year ended 30 June 2012 was $68,745 (2011: $88,734).

20. Deferred Tax Liabilities

	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Deferred tax liabilities comprise temporary differences attributable to:		
Amounts recognised in profit and loss	–	–
Amounts recognised directly in equity		
Fair value adjustments on acquisition – intangible assets with definite useful lives	1,937	1,011
Total deferred tax liabilities	1,937	1,011
To be settled within 12 months	245	191
To be settled after more than 12 months	1,692	820

Movements in deferred tax liabilities

2012	Opening balance at 1 July 2011	Charged/ (credited) to income	Amounts recognised on acquisition of controlled entity	Closing balance at 30 June 2012
Consolidated Entity				
Amounts recognised directly in equity				
Fair value adjustments on acquisition – intangible assets with definite useful lives	1,011	(321)	1,247	1,937
Total	**1,011**	**(321)**	**1,247**	**1,937**

2011 Restated	Opening balance at 1 July 2010	Charged/ (credited) to income	Amounts recognised on acquisition of controlled entity	Closing balance at 30 June 2011
Consolidated Entity				
Amounts recognised directly in equity				
Fair value adjustments on acquisition – intangible assets with definite useful lives	300	(157)	868	1,011
Total	300	**(157)**	868	1,011

21. Issued Capital

	2012 Shares	2012 $'000	2011 Shares	2011 $'000
Consolidated				
Share capital				
Ordinary shares – no par value	110,504,955	19,635	111,250,355	19,775
Fully paid	110,504,955	19,635	111,250,355	19,775

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up the Company in proportion to the number of shares held. On a show of hands every person present who is a member or a representative or an attorney or a proxy of a member has one vote. The Company can issue further shares in accordance with its constitution and the Corporations Act 2001.

21. Issued Capital *(continued)*

Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2010	Balance	111,730,755	19,853
4 April 2011	Exercise of Staff Options [1]	75,000	8
July 2010 to February 2011	Shares repurchased [2]	(555,400)	(86)
		111,250,355	19,775
July 2011 to October 2011	Shares repurchased [3]	(745,400)	(140)
		110,504,955	19,635

[1] *75,000 equity securities were issued on 4 April 2011 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 $4,613 was made from the employee option reserve.*

[2] *Between July and September 2010, 499,900 equity securities were purchased on market at $0.15 per security, and in January and February 2011, a further 55,500 securities at $0.20 per security, under the share buy back scheme announced on 29 September 2008 and subsequent extended. These securities have subsequently been cancelled.*

[3] *745,400 equity securities were purchased on market between July and October 2011 at prices between $0.175 and $0.20 per security under the share buy back scheme announced on 29 September 2008 and subsequently extended. These securities have subsequently been cancelled.*

Options	Parent 2012 No.	Parent 2012 $	Parent 2011 No.	Parent 2011 $
(i) Listed Options				
Listed Options				
At the beginning of the reporting period	27,953,049	–	27,953,049	–
At reporting date	27,953,049	–	27,953,049	–

(ii) Unlisted Options	Parent 2012 No.	Parent 2012 $	Parent 2011 No.	Parent 2011 $
Unlisted Options				
At the beginning of the reporting period [1]	–	–	75,000	–
Exercise of Staff Options	–	–	(75,000)	–
At reporting date	–	–	–	–

[1] *(These options were granted under the Tranzact Financial Services Limited Directors, Executives and Staff Share Option Plan enabling the holder to acquire a share for $0.04 with an exercise date of 1 July 2009 and an expiry date of 1 July 2011.*

Information relating to the Tranzact Financial Services Limited Directors, Executives and Staff Share Option Plan is set out in Note 19.

22. Reserves

Employee Option Reserve

The employee option reserve records items recognised as expenses on valuation of employee share options.

Foreign Currency Reserve

The foreign currency reserve records net unrealised exchange gains on revaluation of foreign currency investments.

Other Reserve

The other reserve records items recognised as expenses for share based payments in return for services from external parties.

23. Key Management Personnel Disclosures

(a) Key management personnel compensation

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	728,233	754,589
Post-employment benefits	34,683	39,014
Other long-term benefits	8,385	2,712
Share-based payments	26,400	39,207
Total	**797,701**	**835,522**

Total remuneration to key management personnel was lower in 2012 compared with the prior year. This is due to the resignation of the Company Secretary during the year and subsequent replacement by an existing officer of the Company at no additional cost.

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 5 to 15 of this Annual Report.

(b) Equity Instruments

(i) Options and Rights Holdings

The options listed below relate to the free bonus issue of one bonus option for every four shares held made to shareholders registered on 14 May 2010. Each bonus option is exercisable at $0.25 at any time before 31 October 2012.

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

2012 Name	Balance at 01 July 11	Granted as compensation	Options Exercised	Balance at 30 June 12	Total Vested at 30 June 12	Total vested and exercisable at 30 June 12
Mr P L Harry AM (1)	868,709	–	–	868,709	868,709	868,709
Mr W A Ractliffe (2)	17,235,932	–	–	17,235,932	17,235,932	17,235,932
Mr R L Rodgers (3)	437,709	–	–	437,709	437,709	437,709
Mr A S T Yeo (4)	16,851,432	–	–	16,851,432	16,851,432	16,851,432
Ms V T Luong	27,250	–	–	27,250	27,250	27,250
Mr C Yip (5)	53,003	–	–	53,003	53,003	53,003
Mr G Scott (5)	41,288	–	–	41,288	41,288	41,288
Mr D Beattie (5)	38,075	–	–	38,075	38,075	38,075
Mr A Wilson (5)	220,075	–	–	220,075	220,075	220,075
Mrs C Dixon	85,625	–	–	85,625	85,625	85,625

(1) *A company associated with Mr Harry AM, Conclude Pty Ltd, holds 456,000 options and Mr Harry AM also holds 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(2) *A company associated with Mr Ractliffe, Gro-Aust Holdings Ltd, holds 16,326,004 options. In addition, Mr Ractliffe holds 384,500 options as trustee of the Ractliffe Australian Family Trust and 112,719 options as trustee of the Grosvenor Employee Share Scheme. Mr Ractliffe also holds 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(3) *Mr Rodgers holds 25,000 options, plus a further 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 16,326,004 options. In addition, Mr Yeo holds 112,719 options as trustee of the Grosvenor Employee Share Scheme and also holds 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(5) *Mr Scott, Mr Yip, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Company and Grosvenor Financial Services Group Limited.*

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

23. Key Management Personnel Disclosures *(continued)*

(b) Equity Instruments *(continued)*

(i) Options and Rights Holdings *(continued)*

2011 Name	Balance at 01 July 10	Granted as compensation	Options Exercised	Balance at 30 June 2011	Total Vested at 30 June 2011	Total vested and exercisable at 30 June 2011
Mr P L Harry AM (1)	868,709	–	–	868,709	868,709	868,709
Mr W A Ractliffe (2)	17,235,932	–	–	17,235,932	17,235,932	17,235,932
Mr R L Rodgers (3)	437,709	–	–	437,709	437,709	437,709
Mr A S T Yeo (4)	16,851,432	–	–	16,851,432	16,851,432	16,851,432
Ms V T Luong	27,250	–	–	27,250	27,250	27,250
Mr G Scott (5)	41,288	–	–	41,288	41,288	41,288
Mr D Beattie (5)	38,075	–	–	38,075	38,075	38,075
Mr A Wilson (5)	220,075	–	–	220,075	220,075	220,075
Mrs C Dixon	85,625	–	–	85,625	85,625	85,625

(1) *A company associated with Mr Harry AM, Conclude Pty Ltd, holds 456,000 options and Mr Harry AM also holds 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(2) *A company associated with Mr Ractliffe, Gro-Aust Holdings Ltd, holds 16,326,004 options. In addition, Mr Ractliffe holds 384,500 options as trustee of the Ractliffe Australian Family Trust and 112,719 options as trustee of the Grosvenor Employee Share Scheme. Mr Ractliffe also holds 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(3) *Mr Rodgers holds 25,000 options, plus a further 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 16,326,004 options. In addition, Mr Yeo holds 112,719 options as trustee of the Grosvenor Employee Share Scheme and also holds 412,709 options as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(5) *Mr Scott, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Company and Grosvenor Financial Services Group Limited.*

(ii) Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

2012 Name	Balance at 1 July 2011	Granted as compensation(6)	Other changes (1)	Balance at 30 June 12	Balance held nominally(9)
Mr P L Harry AM (2)	3,572,334	–	(178,889)	3,393,445	1,569,445
Mr W A Ractliffe (5)	70,454,363	–	(118,787)	70,335,576	2,199,209
Mr R L Rodgers (3)	1,848,334	–	(178,889)	1,669,445	1,569,445
Mr A S T Yeo (4)	68,916,363	–	(118,787)	68,797,576	2,199,209
Mr G Scott (7)	165,150	–	–	165,150	–
Mr C Yip (7)	212,010	–	–	212,010	–
Mr D Beattie (7)	152,300	–	–	152,300	–
Mr A Wilson (7)	880,300	–	–	880,300	–
Ms V T Luong	415,667	–	–	415,667	–
Mrs C Dixon	652,500	–	–	652,500	–
Mr M Beydoun	283,333	–	(283,333)	–	–

(1) *Refers to shares purchased, sold, transferred or forfeited during the financial year.*

(2) *A company associated with Mr Harry AM, Conclude Pty Ltd, holds 1,824,000 shares. Mr Harry AM also holds 1,569,445 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(3) *Mr Rodgers holds 1,569,445 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 21) plus a further 100,000 in his own name.*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 66,781,154 shares. In addition, Mr Yeo holds 446,977 shares as trustee of the Grosvenor Employee Share Scheme and also holds 1,569,445 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(5) *A company associated with Mr Ractliffe, Gro-Aust Holdings Ltd, holds 66,781,154 shares. In addition, Mr Ractliffe holds 1,538,000 shares as trustee of the Ractliffe Australian Family Trust and 446,977 shares as trustee of the Grosvenor Employee Share Scheme. Mr Ractliffe also holds 1,569,445 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(6) *Held by the trustees of the TFS Group Employee Bonus and Share Scheme.*

(7) *Mr Scott, Mr Yip, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Company and Grosvenor Financial Services Group Limited.*

(8) *Mr Beydoun left the Company on 22 September 2011.*

(9) *These are shareholdings held in the capacity of Trustee for which no personal beneficial interest exists.*

23. Key Management Personnel Disclosures *(continued)*

(b) Equity Instruments *(continued)*

(ii) Shareholdings *(continued)*

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows.

2011 Name	Balance at 1 July 2010	Granted as compensation[6]	Other changes [1]	Balance at 30 June 11	Balance held nominally
Mr P L Harry AM [2]	3,474,836	–	97,498	3,572,334	1,748,334
Mr W A Ractliffe [5]	68,943,726	–	1,510,637	70,454,363	2,199,209
Mr R L Rodgers [3]	1,750,836	–	97,498	1,848,334	1,748,334
Mr A S T Yeo [4]	67,405,726	–	1,510,637	68,916,363	2,199,209
Mr G Scott [7]	165,150	–-	–	165,150	–
Mr D Beattie [7]	152,300	–	–	152,300	–
Mr A Wilson [7]	880,300	–	–	880,300	–
Ms V T Luong	289,000	126,667	–	415,667	–
Mrs C Dixon	412,500	240,000	–	652,500	–
Mr M Beydoun	150,000	133,333	–	283,333	–

(1) *Refers to shares purchased, sold or forfeited during the financial year.*

(2) *A company associated with Mr Harry AM, Conclude Pty Ltd, holds 1,824,000 shares. Mr Harry AM also holds 1,748,334 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(3) *Mr Rodgers holds 1,748,334 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 21) plus a further 100,000 in his own name.*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 66,717,154 shares. In addition, Mr Yeo holds 450,875 shares as trustee of the Grosvenor Employee Share Scheme and also holds 1,748,334 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(5) *A company associated with Mr Ractliffe, Gro-Aust Holdings Ltd, holds 66,717,154 shares. In addition, Mr Ractliffe holds 1,538,000 shares as trustee of the Ractliffe Australian Family Trust and 450,875 shares as trustee of the Grosvenor Employee Share Scheme. Mr Ractliffe also holds 1,748,334 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(6) *Held by the trustees of the TFS Group Employee Bonus and Share Scheme.*

(7) *Mr Scott, Mr Beattie and Mr Wilson are not employees of the Group but have been assigned to the Group as part of the management arrangement between the Company and Grosvenor Financial Services Group Limited.*

(c) Other transactions with Key Management Personnel

A firm associated with Mr R L Rodgers provides tax consulting services to the Group on an arm's length basis and received fees during the year of 2012: $5,600 (2011: $5,500).

Messrs W A Ractliffe and A S T Yeo are also directors of Grosvenor Financial Services Group Limited and its associated companies. For transactions between the Grosvenor Group and the Tranzact Group, refer to Note 25.

24. Dividends

The following dividends were paid by the Group in the year ended 30 June 2012:

Ordinary Shares	Consolidated 2012 $'000	Consolidated 2011 $'000
Interim dividend for year ended 30 June 2012 of 0.25 cents per share (2011: 0.25 cents) per fully paid share paid on 5 April 2012 (2011: 8 April 2011)	276	278
Final dividend for year ended 30 June 2011 of 0.45 cents per share (2010: 0.35 cents) per fully paid share paid on 7 October 2011 (2010: 8 October 2010)	498	389
Total dividends paid	774	667

Dividends not recognised as a liability

Since year end the Directors have recommended the payment of a final fully franked dividend of 0.45 cents per share (2011:0.45 cents). The aggregate amount of the proposed dividend expected to be paid on 5 October 2012, but not recognised as a liability at year end, is $497,272 (2011:$498,298).

24. Dividends *(continued)*

Franking Credits	Consolidated 2012 $'000	Consolidated 2011 $'000
Franking credits available for subsequent financial years at a tax rate of 30%	210	154
Franking credits from the receipt of dividends	281	119
Franking credits attached to dividends paid	(332)	(286)
Franking credits attached to income tax paid	378	223
The amount of franking credits available for future reporting periods	537	210

The impact on the franking account of dividends recommended after year end but before the financial report was authorised for issue and not recognised as a liability at year end will be a reduction on the franking account of $213,117 (2011: $214,554). Income tax totalling $40,496 was paid to the Australian Taxation Office on 20 July 2012 creating an additional 40,496 franking credits available for distribution.

25. Related Parties

Directors and other Key Management Personnel
Disclosures relating to Directors are set out in Note 23.

Parent entity
Tranzact Financial Services Limited is the parent entity of the Group. Grosvenor Financial Services Group Limited is the ultimate parent entity of the Tranzact Financial Services Group. Grosvenor Financial Services Group Limited owns 70% as at 30 June 2012 (2011: 75%) of Gro-Aust Holdings Limited which owns 60.43% of the ordinary shares in Tranzact Financial Services Limited at 30 June 2012 (2011: 59.97%).

Subsidiaries
Details of subsidiaries and ownership interests are disclosed in Note 28.

Transactions between Tranzact Financial Services Limited and its subsidiaries during the years ended 30 June 2012 and 30 June 2011 consisted of:

(a) loans advanced between members of the wholly-owned group and interest thereon
(b) loans repaid by members of the wholly-owned group and interest thereon
(c) management fees paid to Tranzact Financial Services Limited
(d) payments between the companies in the Group for the allocation of tax expenses and benefits (refer Note 4).

	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Transactions with entities in the Group:		
Management fees received by Tranzact Financial Services Limited	3,427	4,073
Interest on loan from subsidiaries to Tranzact Financial Services Limited	170	117
Interest on loan from Tranzact Financial Services Limited to subsidiaries	175	112
Payments by subsidiaries to Tranzact Financial Services Limited for the allocation of income tax expenses	177	247
Loans advanced and repaid:		
Amount of loans advanced from subsidiaries to Tranzact Financial Services Limited	300	1,480
Amount of loans repaid by Tranzact Financial Services Limited	14	540
Amount of loans advanced by Tranzact Financial Services Limited to subsidiaries	–	3,324
Amount of loans advanced by Tranzact Financial Services Limited to associates	50	180
Amount of loans repaid by associates	150	–
Outstanding balances between entities in the Group at balance date:		
Current receivables	–	7
Loans from subsidiaries to Tranzact Financial Services Limited	3,423	3,138
Loans to subsidiaries by Tranzact Financial Services Limited	3,324	3,324
Loans to associates by Tranzact Financial Services Limited	80	180

25. Related Parties *(continued)*

Ultimate Parent and associated companies	**Consolidated 2012 $'000**	**Consolidated 2011 $'000**
Transactions between the Group and the ultimate parent entity and its associated companies:		
Management/administration fees paid to:		
Grosvenor Financial Services Group Limited ('GFSG')	617	521
Other expenses reimbursed to GFSG	214	412
Consulting fee charged by Tranzact to GFSG	108	109
Outstanding balances between the Group and the ultimate parent and its associated companies at balance date:		
Other Payables	7	2

The Grosvenor Financial Services Group Limited (New Zealand), of which Messrs Yeo and Ractliffe are directors, provides a number of services to the Tranzact Financial Services Limited Group. Grosvenor Financial Services Group Limited owns 70% of Gro-Aust Holdings Limited at 30 June 2012 (2011: 75%), which owns 100% of GFS Aust Pty Ltd at 30 June 2012 (2011: 100%).

Loans receivable from entities in the Group are repayable at the option of the lender and interest is charged at the St George commercial bill rate applicable at the end of each month, with an average for 2012 of 5.3% (2011: 4.50%).

Loans receivable from the ultimate parent entity and its associated companies are unsecured, interest-free and short term in nature with no fixed repayment terms, as they are generally of a trade receivable/payable nature.

26. Auditor's Remuneration

	Consolidated 2012 $	**Consolidated 2011 $**
Audit & assurance fees – Grant Thornton	91,500	–
Audit & assurance fees – Other auditors	34,500	115,125
Other services – Grant Thornton	28,691	41,082
	154,691	156,207

Grant Thornton was first appointed as auditor of Tranzact Financial Services Limited and its wholly-owned subsidiaries for the year ended 30 June 2012.

Other services fees paid relate to internal controls reviews.

27. Commitments For Expenditure

(a) Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated 2012 $'000	**Consolidated 2011 $'000**
Not later than one year	344	324
Later than one year but not later than five years	537	787
Later than five years	–	–
Commitments not recognised in the financial statements	881	1,111

The parent entity's commitment is for is a property lease which is non-cancellable. It has a three-year term expiring on 31 May 2013. The lease payments are subject to annual review.

In addition to the parent entity lease, the group is committed to a property lease in Brisbane expiring in November 2015 and plant and equipment with various expiry dates.

27. Commitments For Expenditure *(continued)*

(b) Finance Leases

Commitments for minimum lease payments in relation to non-cancellable finance leases are payable as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Not later than one year	–	9
Later than one year but not later than five years	–	–
Commitments recognised in the financial statements	–	9
Less future finance charges	–	–
Commitments not recognised in the financial statements	–	9

The finance lease on plant and equipment, which commenced in 2007 expired in June 12 and had nil value at 30 June 2012 (2011: $8,690).

(c) Capital Expenditure Commitments

There are no capital expenditure commitments contracted for at 30 June 2012 ($nil: 2011).

28. Investments In Subsidiaries

Name of Entity	Class of Share	Equity Holding 2012 %	Equity Holding 2011 %	Value of Parent Entity's Investment 2012 $	Value of Parent Entity's Investment 2011 $
Tranzact Consulting Ltd	Ordinary	100.00	100.00	123,442	123,442
Tranzact Investment Services Ltd	Ordinary	100.00	100.00	5,456,422	5,456,422
Asset Custodian Nominees (Aust) Pty Ltd (1)	Ordinary	100.00	100.00	–	–
Australia First Financial Services Pty Ltd	Ordinary	100.00	100.00	1,570,000	1,570,000
Tranzact Superannuation Services Pty Ltd (2)	Ordinary	100.00	100.00	–	–
Tranzact Financial Solutions Pty Ltd (2)	Ordinary	100.00	100.00	–	–
Australian Superannuation Consultants Pty Ltd	Ordinary	100.00	100.00	811,883	811,883
Total Super Pty Ltd	Ordinary	100.00	100.00	2,801,794	2,801,794
Camelot Financial Services Pty Ltd (3)	Ordinary	61.38	61.38	–	–
Bob Templetons Australia Pty Ltd (4)	Ordinary	61.38	61.38	–	–
Templetons Financial Planning Pty Ltd (4)	Ordinary	61.38	61.38	–	–
Group Insurance & Superannuation Concepts Pty Ltd (5)	Ordinary	65.42	25.00	3,263,934	1,267,467
				14,027,475	**12,031,008**

(1) *Fully owned subsidiary of Tranzact Investment Services Ltd.*
(2) *Fully owned subsidiary of Australia First Financial Services Pty Ltd.*
(3) *Partly owned subsidiary of Australia First Financial Services Pty Ltd.*
(4) *Fully owned subsidiary of Camelot Financial Services Pty Ltd.*
(5) *Partly owned subsidiary of Tranzact Financial Services Ltd.*

All companies listed above were incorporated in Australia.

The proportion of ownership interest is equal to the proportion of voting power held.

29. Business Combination

Effective 31 October 2011, Tranzact increased its shareholding in Group Insurance & Superannuation Concepts Pty Ltd ('GIS') from 25% to 65.42%. The consideration of $2,020,890 was paid in cash, drawing on the Group's St George Bank loan facility.

The acquisition had the following effect on the Group's assets and liabilities at 31 October 2011:

	Fair Value $'000
Cash	609
Receivables	21
Property, plant and equipment	29
Investments	11
Deferred tax asset	15
Intangible assets	4,155
Payables	(356)
Deferred tax liability	(1,247)
Net identifiable assets and liabilities acquired	3,237
Less initial holding at fair value	(1,243)
Less non-controlling interest	(1,119)
Goodwill on acquisition	1,146
Net assets acquired	**2,021**
Total purchase consideration in cash	**2,021**

Intangible assets are at fair value and are based on the recurring income stream expected to be realised from existing clients at the time of acquisition under the promotership agreement.

The goodwill is attributable to the profitability that will be generated from new clients acquired in terms of the promotership agreement.

GIS contributed total revenues of $1,053,763 ($689,372 relating to the owners of the Company) and net profit of $228,232 after amortisation and tax ($149,309 relating to the owners of the Company) in the eight months from acquisition date. The owners net profit result is after amortisation of $181,229 on the intangible assets acquired which are amortised over 7 years. The contribution to EBDTA attributable to the owners for the eight months was $481,276. The Company's interest in GIS at 30 June 2012 was 65.42%.

If the increased shareholding of 65.42% had been held for the full financial year, revenues of $1,012,695 and profit after tax of $461,333 would have been attributable to the owners of the Company.

30. Restatement of the Financial Statements

Subsequent to the release of the 30 June 2011 consolidated financial statements, a misstatement was identified with respect to the financial statements of the 61.38% owned subsidiary company, Camelot Financial Services Pty Ltd ('CFS').

The misstatement related to the failure to recognise the capital introduced by non-controlling shareholders into CFS. This impacted the consolidation of the CFS into the consolidated accounts.

The restated figures in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position are provided in the table below.

As the adjustments made through the restatement were solely related to the non-controlling interest, the previously reported profit attributable to the owners of the Company and EPS are unaffected.

30. Restatement of the Financial Statements *(continued)*

Statement of Consolidated Comprehensive Income

	Reported June 2011 $'000	Restated June 2011 $'000	Difference $'000
Depreciation and amortisation	752	865	113
Income tax expense	254	220	(34)
Profit attributable to non-controlling interests	106	27	(79)
Profit attributable to owners of the Company	1,606	1,606	–
Statement of Consolidated Financial Position			
Intangible assets	9,993	12,165	2,172
Deferred tax liability	656	1,011	355
Capital and reserves attributable to non-controlling interests	133	1,950	1,817
Capital and reserves attributable to owners of the Company	16,221	16,221	–

The full restated Consolidated Statement of Comprehensive Income is shown on page 26, the restated Consolidated Statement of Financial Position is shown on page 27 and a restated Consolidated Statement of Changes in Equity is shown on page 28.
The Consolidated Statement of Changes of Cash Flows is unaffected.

Acquisition of Camelot Financial Services Pty Ltd

In the 30 June 2011 financial statements it was reported that the Company had acquired an interest in Camelot Financial Services Pty Ltd for $2,600,000 plus a subsequent capital call of $332,658. These amounts represent the Company's share of the investment only, and did not include the non-controlling interest's contribution.

It should be clarified that the Company acquired a controlling interest in the newly formed company, Camelot Financial Services Pty Ltd ('CFS'), initially through a capital call of $2,600,000 in September 2010 followed by a subsequent capital call of $332,658 in May 2011. CFS used the funds obtained from the initial capital call and an issue of share capital to acquire the business of Templetons.

In the 30 June 2011 financial statements only the Company's share of the cash based capital calls were reported in the business combination disclosure. For purposes of clarity, the restated Fair Value is now shown in the table below for this acquisition and the subsequent client book acquisition with their corresponding restatement adjustments.

Details shown below represent the total assets and liabilities recognised in the restated financial statements included in this report.

	Reported Fair Value [1] $'000	Restatement Adjustment [2] $'000	Previously Recorded Subsequent Acquisition [3] $'000	Restatement Adjustment [4] $'000	Restated Fair Value $'000
Intangible assets – client contracts and relationships	1,416	1,219	181	79	2,895
Deferred tax liability	(425)	(365)	(54)	(24)	(868)
Net identifiable assets and liabilities acquired	991	854	127	55	2,027
Goodwill on acquisition	1,609	897	206	89	2,801
Net assets acquired	2,600	1,751	333	144	4,828
Consideration paid in cash	2,600	–	333	144	3,077
Consideration paid in shares	–	1,751	–	–	1,751
Total purchase consideration	2,600	1,751	333	144	4,828

(1) The reported fair value of the Templetons business acquired in September 2010.
(2) The adjustment required to reported fair value to correctly present the acquisition of the Templetons business.
(3) The reported fair value of the subsequent acquisition made by CFS in May 2011.
(4) The adjustment required to reported fair value to correctly present the subsequent acquisition made by CFS in May 2011.

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

31. Financial Instruments

The Group's principal financial instruments comprise the following:

(a) Cash, Trade and other receivables;
(b) Held to Maturity, Available for Sale, Shares in Associates;
(c) Derivatives;
(d) Trade and other payables; and
(e) Interest Bearing Liabilities

Categories of Financial Instruments

	Consolidated 2012 $'000	Consolidated 2011 $'000
Financial Assets		
Cash & cash equivalents	1,979	811
Trade and other receivables	1,571	568
Available-for-sale financial assets		
At Cost:		
Shares in unlisted entities	66	56
Partnership for Growth	4,174	5,495
At Fair Value:		
Shares in listed entities	43	–
Shares in associates	330	1,618
Derivatives	29	–
	8,192	8,548
Financial Liabilities		
Bank Bills	3,076	1,376
Derivatives	–	117
Trade and Other Payables	960	608
	4,036	2,101

Categories of Financial Instruments

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these standards.

The main risks arising from the Group's financial instruments are market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk. Senior management, in conjunction with the Board, review and agree policies for managing each of these risks.

The risks arising in 2012 are unchanged from those of the previous year.

Risk Exposures and Responses

Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), interest rates (interest rate risk), or other market factors (other price risk).

(i) Foreign Exchange Risk

As a result of operations in New Zealand the Group's balance sheet is impacted by movements in exchange rates. This risk is assessed on an ongoing basis and forward exchange contracts are taken up from time to time as deemed appropriate. While the forward exchange contracts are not designated hedges, the strategy is to limit the un-hedged amount on the financial assets (being Partnership for Growth investments in New Zealand) to $100,000 at any point in time (excluding short-term trade receivables and payables).

The Group also has currency exposures arising from transactions in a currency other than the Group's functional currency. Approximately 9% of the Group's revenues are denominated in currencies other than the reporting currency of the Group. These revenues are partially offset by expenses incurred in the same currency.

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

31. Financial Instruments *(continued)*

At 30 June 2012, the Group had the following exposure to foreign currencies:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Financial Assets		
Trade and other receivables	1,203	182
Financial assets	4,174	5,495
	5,377	5,677
Financial Liabilities		
Derivatives – forward contracts	5,226	5,438
Net exposure	(151)	239

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 30 June 2012, had the Australian Dollar moved, with all other variables held constant, post tax profit and equity would have been affected as illustrated in the table below.

Management have assessed the closing net position of each entities assets in the table below for movements in a currency to highlight the potential impact on the net asset position. There were no material impacts identified based on the parameters used.

	Post Tax Profit Higher/(Lower)	
Judgements of reasonably possible movements	2012 $'000	2011 $'000
Consolidated Entity		
AUD/NZD + 10%	15	24
AUD/NZD – 10%	(15)	(24)

(ii) Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The following table details the Group's exposure to interest rate risk as at 30 June 2012:

Consolidated 2012	Weighted Average Effective Rate	Variable Interest Rate $'000	Fixed Interest Rate maturing less than 1 year $'000	Non-interest Bearing $'000	Total $'000
Interest Bearing Assets					
Cash at bank	3.8%	1,845	–	–	1,845
Cash on deposit	4.7%	–	133	–	133
Unsecured loans [(1)]	13.9%	4,174	–	–	4,174
Total Interest Bearing Assets		6,019	133	–	6,152
Non-interest Bearing Assets					
Equity investments		–	–	3,671	3,671
Other non-interest bearing assets		–	–	1,571	1,571
Total Non-interest Bearing Assets		–	–	5,242	5,242
Total Assets		**6,019**	**133**	**5,242**	**11,394**
Interest Bearing Liabilities					
Bank bills	5.3%	3,076	–	–	3,076
Total Interest Bearing Liabilities		3,076	–	–	3,076
Non-interest Bearing Liabilities		–	–	960	960
Total liabilities		3,076	–	960	4,036
Net Assets		**2,943**	**133**	**4,282**	**7,358**

[(1)] *Relates to loans as part of the Partnership for Growth which are repayable at the discretion of the borrower (which could potentially be immediately) and therefore have no fixed maturity profile.*

31. Financial Instruments *(continued)*

The following table details the Group's exposure to interest rate risk as at 30 June 2011:

Consolidated 2011	Weighted Average Effective Rate	Variable Interest Rate $'000	Fixed Interest Rate maturing less than 1 year $'000	Non-interest Bearing $'000	Total $'000
Interest Bearing Assets					
Cash at bank	4.5%	722	–	–	722
Cash on deposit	5.5%	–	89	–	89
Unsecured loans [1]	13.0%	5,495	–	–	5,495
Total Interest Bearing Assets		6,217	89	–	6,306
Non-interest Bearing Assets					
Equity investments		–	–	1,674	1,674
Other non-interest bearing assets		–	–	568	568
Total Non-interest Bearing Assets		–	–	2,242	2,242
Total Assets		**6,217**	**89**	**2,242**	**8,548**
Interest Bearing Liabilities					
Bank bills	5.7%	1,376	–	–	1,376
Total Interest Bearing Liabilities		1,376	–	–	1,376
Non-interest Bearing Liabilities		–	–	608	608
Total liabilities		1,376	–	608	1,984
Net Assets		**4,841**	**89**	**1,634**	**6,564**

[1] *(Relates to loans as part of the Partnership for Growth which are repayable at the discretion of the borrower (which could potentially be immediately) and therefore have no fixed maturity profile.*

The Group manages its interest rate risk by the use of fixed rate instruments and by spreading the tenure of any debt to optimise the balance between costs of funds and liquidity.

Similarly, in terms of interest rate risk on cash and deposits the Group seeks to maximise the interest earned on these funds balanced against the length of the investment and impact on liquidity.

The following sensitivity analysis is based on the interest rate risk exposures in existence as at balance date.

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit Higher/(Lower)	
Judgements of reasonably possible movements	**2012 $'000**	**2011 $'000**
Consolidated Entity		
+ 0.75% (75 basis points)	23	37
- 0.50% (50 basis points)	(15)	(25)

The movements in profit are due to movements in interest costs from variable rate debt and cash movements.

31. Financial Instruments *(continued)*

(iii) Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and bank loans.

The Group minimises liquidity risk by maintaining a significant level of cash and cash equivalents, monitoring of actual performance to budgets, regular cash flow forecasting as well as ensuring the Group has access to use of credit facilities as and when required.

The Group has a credit standby arrangement for working capital purposes, being a commercial bill facility provided by St George Bank, a division of Westpac Banking Corporation plus an acquisition facility established in September 2011. As a result the Group considers there is no liquidity risk.

At balance date, the Group has $4,174,000 of unused credit facilities available (Note 33 (c)), of which $673,528 relates to the working capital portion of the facility and can be redrawn.

Maturity Analysis of Financial Liabilities

The risks from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations.

Consolidated 2012 Financial Liabilities	Carrying Amount $'000	Contractual Cash Flows $'000	< 6 mths $'000	6 – 12 mths $'000	1 – 3 years $'000	> 3 years $'000
Non-derivatives						
Bank Bills (1) – Working Capital Facility	2,326	2,326	720	–	1,376	–
Bank Bills (1) – Acquisition Facility	750	750	750	–	–	–
Trade and Other Payables	960	960	960	–	–	–
Derivatives						
Forward Exchange Contracts (2)	5,226	5,226	2,368	2,858	–	–
TOTAL	**9,262**	**9,262**	**4,798**	**2,858**	**1,606**	**–**

(1) *No further interest is paid on these bank bills as the interest is paid upfront at the time of the drawdown. Whilst the bill has a repayment date within 6 months, this amount can be rolled over up to the date of expiry of the bank facility. See Note 16 for details of repayment due within 6 months.*

(2) *The gross liability shown is offset by the value of the foreign exchange expected to be received of $5,255,138, resulting in a net asset of $29,188.*

Consolidated 2011 Financial Liabilities	Carrying Amount $'000	Contractual Cash Flows $'000	< 6 mths $'000	6 – 12 mths $'000	1 – 3 years $'000	> 3 years $'000
Non-derivatives						
Bank Bills (1)	1,376	1,376	–	–	1,376	
Trade and Other Payables	608	608	608	–	-	–
Derivatives						
Forward Exchange Contracts (1)	5,438	5,438	2,801	2,637	–	–
TOTAL	**7,422**	**7,422**	**3,409**	**2,637**	**1,376**	**–**

(1) *No further interest is paid on these bank bills as the interest is paid upfront at the time of the drawdown. Whilst the bill has a repayment date within 6 months, this amount can be rolled over up to the date of expiry of the bank facility, being 16 August 2013.*

(2) *The gross liability shown is offset by the value of the foreign exchange expected to be received of $5,320,323, resulting in a net liability of $117,424.*

31. Financial Instruments *(continued)*

(iv) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has policies in place to manage these risks. The Group has adopted a policy of only dealing with reputable established businesses as a means of mitigating the risk of financial loss from defaults. The maximum credit risk for financial assets recognised on the balance sheet is the carrying amount less, where applicable, any provisions for doubtful debts.

– **Financial Interests in the Camelot Partnership (as part of the Partnership for Growth Strategy)**
The Company has $4,173,995 in loans and interest in Camelot Financial Advisers Limited. The loans and financial interests in the 'Camelot Partnership' are unsecured and have a negative pledge. There is no material credit risk exposure to the Group as prior to the advisers joining the Camelot Partnership, they undergo strict due diligence and vetting processes to ensure they meet the necessary revenue and business value expectations. In addition Camelot Financial Advisers Limited, through its subsidiary company, retains the right to assume day to day control of the partnership business in the event of non performance of the operating partner. There are no indications of impairment at 30 June 2012. Ongoing monitoring is conducted to ensure there is no impairment going forward.

– **Trade and Other Receivables**
A receivable of $1,000,072 relating to the repayment of a loan to the Camelot Partnership is outstanding as at 30 June 2012. There is no material credit risk as explained in the paragraph above.

The Company has $42,758 in fees owing from various superannuation funds under the Trusteeship of Tidswell Financial Services Limited. There is no material credit risk exposure as the Company is the administrator of these funds and part of its monthly administration process is to arrange for fees to be paid to the various service providers.

– **Foreign Exchange Contracts and Bank Deposits**
There are $1,978,811 of funds on deposit for the Consolidated Entity. The credit risk on liquid funds is limited because the counterparties are major banks with ratings of AA or higher assigned by international credit rating agencies.

(v) Net Fair Values

The carrying amount of all financial assets and liabilities recorded in the financial statements approximates their net values.

Estimation of Fair Values
The net fair values of financial assets and liabilities is determined using a hierachy as follows:

Level one – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level two – inputs other than quoted prices included in level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level three – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Shares in listed entities are classified as level one. All other financial instruments carried at fair value are classified as level two within the fair value heirarchy.

The net fair values of:

- Term receivables and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Forward exchange contracts are the recognised unrealised gain or loss at balance date determined from the current forward exchange rates for contracts with similar maturities.
- Other assets and other liabilities approximate their carrying value.
- The Partnership for Growth New Zealand interests are loans granted for interests in 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.

32. Capital Risk Management

The Group considers its capital to comprise of its ordinary share capital less accumulated losses.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions and through the payment of dividends. In order to achieve this objective, the Group assesses each relevant transaction to ensure risks and returns are at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, or buy back program, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The increase in borrowing at a Group level has been brought about by the Board's decision to take on additional debt finance to fund acquisitions. The Group regularly reviews its capital requirements and determines whether or not to increase or decrease its borrowings. As a consequence, the Board has implemented a Dividend Reinvestment Plan ('DRP') which will commence for the dividend payable on 5 October 2012. This dividend has also been fully underwritten to maximise capital retention. There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

The Group does not currently have a gearing ratio policy.

During the period the Group complied with all externally imposed capital requirements and covenants to which it is subject.

33. Cash Flow Information

(a) Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	Consolidated 2012 $'000	Consolidated Restated 2011 $'000
Profit After Income Tax	1,204	1,633
Non-Cash Flows in Operating Profit:		
Provision for depreciation	152	125
Provision for amortisation	1,273	740
Increase in provision for staff entitlements	5	82
Share of profit of associated entity	(30)	(128)
Unrealised foreign exchange losses	(420)	197
Changes in Assets and Liabilities:		
(Increase)/decrease in current receivables	102	(131)
(Increase) in prepayments	(126)	(64)
(Increase) in deferred tax assets	139	(84)
(Decrease) in trade and other payables	100	(45)
Increase /(decrease) in current tax liabilities	(140)	200
(Decrease) in deferred tax liabilities	(321)	(124)
Net Cash Inflows from operating activities	**1,938**	**2,401**

(b) Non-Cash Financing and Investing Activities

Equity Securities Issued

	Consolidated 2012 No.	Consolidated 2011 No.	Consolidated 2012 $'000	Consolidated 2011 $'000
Ordinary Shares Issued [2]	–	75,000	–	8
Ordinary Shares Cancelled (under buy back arrangement)[1] [3]	(745,400)	(555,400)	(140)	(86)

12 months ended 30 June 2012:

[1] *745,400 equity securities were purchased on market between July and October 2011 at prices between $0.175 and $0.20 per security under the share buy back scheme announced on 29 September 2008 and subsequently extended. These securities have subsequently been cancelled.*

33. Cash Flow Information *(continued)*

12 months ended 30 June 2011:

(2) 75,000 equity securities were issued on 4 April 2011 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 $4,613 was made from the employee options reserve.

(3) 499,900 equity securities were purchased on market between June and September 2010 at $0.15 per security, and a further 55,500 securities at $0.20 per security, under the share buy back scheme announced on 29 September 2008 and subsequent extension notice of 6 October 2010. These securities have subsequently been cancelled.

(c) Credit Standby Arrangements with Banks

	Consolidated 2012 $'000	Consolidated 2011 $'000
Credit facility	7,250	3,000
Amount utulised	(3,076)	(1,376)
Amount unused at reporting date	4,174	1,624

The above is a commercial bill variable interest rate facility of $8,000,000 provided by St George Bank, a division of Westpac Banking Corporation (2011: $3,000,000). This is made up of the three year working capital facility of $3,000,000 expiring September 2013 plus an additional $5,000,000 acquisition facility which was established during the year, expiring September 2015.

As described in Note 16, the acquisition facility requires the repayment of principal over the term of the facility which cannot be redrawn. At 30 June 2012, the facility limit was reduced from $5,000,000 to $4,250,000 which is reflected in the credit facility amount of $7,250,000 above.

34. Parent Entity Information

The following information relates to the parent entity, Tranzact Financial Services Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 1.

	Parent 2012 $'000	Parent 2011 $'000
Current assets	3,714	3,874
Non current assets	16,417	14,495
Total assets	20,131	18,369
Current liabilities	6,959	4,926
Non current liabilities	73	90
Total liabilities	7,032	5,016
Net Assets	**13,099**	**13,353**
Issued capital	19,760	19,760
Retained earnings	(6,700)	(6,446)
Reserves	39	39
Total Shareholder's Equity	**13,099**	**13,353**
Profit for the year	**660**	**1,521**
Total Comprehensive Income	**660**	**1,521**

The parent has not provided guarantees in relation to the debts of its subsidiaries as at 30 June 2012.

The parent company has no contingent liabilities as at 30 June 2012 (2011: nil)

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2012.

Notes to the Financial Statements for the year ended 30 June 2012 *(continued)*

35. Contingent Liabilities

At 30 June 2011, contingent liabilities consisted of one claim against a subsidiary of the Company with an expected maximum liability of $150,000. Due to a lack of correspondence for a significant period of time, the Company now considers this case to be closed and there are no contingent liabilities at 30 June 2012.

36. Events Occurring After Reporting Date

There has not arisen in the intervening period between the end of the reporting period and the date of these financial statements any item, transaction or other event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Directors' Declaration

Tranzact Financial Services Limited and Controlled Entities Directors' Declaration

ABN 84 089 997 731

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of the performance for the year ended on that date.

   The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

2. 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.

3. The remuneration disclosures included in pages 10 to 14 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2012, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A.

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 Chair
Sydney, 27 September 2012

A S T Yeo
Managing Director

Grant Thornton Audit Pty Ltd
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ACN 130 913 594

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Independent Auditor's Report
To the Members of Tranzact Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Tranzact Financial Services Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Tranzact Financial Services Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 10 to 14 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Tranzact Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

N E Sinclair
Partner - Audit & Assurance

Sydney, 27 September 2012

Shareholder Information

Statements Pursuant to Australian Stock Exchange Official Listing Rules as at 14 September 2012

Substantial Shareholders

Substantial shareholders in the Company are set out below:

A. Ordinary Shares

	Number Held	Percentage
Gro-Aust Holdings Limited *	66,781,324	60.43%

** 7,481,494 shares are held through Asset Custodian Nominees Limited*

B. Directors' Shareholding

	Total Interest
P L Harry AM	3,393,445
R L Rodgers	1,669,445
A S T Yeo	68,797,576
W A Ractliffe	70,335,576

See the Directors' report on page 9 for details of the Directors' interests.

C. Number of Shareholders

The Company had 430 shareholders with the following distribution of holdings:

Number of Shares	Number of Shareholders
1 – 1,000	22
1,001 – 5,000	97
5,001 – 10,000	68
10,001 – 100,000	158
100,001 – over	85

Of the above, 91 shareholders did not have a marketable parcel.

D. Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares:

1. At meeting of members or classes of members, each member entitled to vote may vote in person or by representative or by proxy or by attorney.
2. On a show of hands every person present who is, a member, or a representative or an attorney, or a proxy of a member has one vote.
3. On a show of hands a member, representative, attorney and a proxy has only one (1) vote, irrespective of the number of shareholders that person represents.
4. Where a member appoints two (2) proxies, neither proxy may vote for that member on a show of hands.
5. On a poll every member present in person or by proxy or by attorney or other duly authorised representative has one (1) vote for each fully paid share he/she holds, and a fraction of a vote for each partly paid share he/she holds. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). The amount paid in advance of a call must be ignored when calculating the proportion.

Twenty Largest Shareholdings as at 14 September 2012

	Name	Holding	% Issued Capital
1	Gro-Aust Holdings Limited	59,299,830	53.66
2	Asset Custodian Nominees Limited	8,471,524	7.67
3	London City Equities Limited	4,469,035	4.04
4	Asset Custodian Nominees (Aust) Pty Ltd	3,107,445	2.81
5	Conclude Pty Limited	1,824,000	1.65
6	Contemplator Pty Ltd	1,250,000	1.13
7	Ruaminator Pty Ltd	1,250,000	1.13
8	Tuturau Nominees Ltd	1,197,138	1.08
9	Cedars Properties Pty Ltd	1,000,000	0.90
10	SM Roberts & CA Sheldon	999,370	0.90
11	UBS Nominees Pty Ltd	923,099	0.84
12	Mary Christopher	922,884	0.84
13	Dalbow Superannuation Pty Limited	814,109	0.74
14	Central Highlands Financial Services Pty Ltd	803,680	0.73
15	Cravat Holdings Pty Ltd	800,000	0.72
16	Russellan Pty Ltd	734,825	0.66
17	Forsyth Barr Custodians Ltd	731,945	0.66
18	Storey Enterprises Pty Ltd	712,820	0.65
19	Keiser Shipping & Transport Pty Ltd	600,000	0.54
20	Alan Scott Storey	561,132	0.51
		90,472,836	**81.86**

Corporate Directory

Tranzact Financial Services Limited is a listed Public Company incorporated and domiciled in Australia.

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Tranzact Financial Services Limited
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Tel 02 9236 5600
Fax 02 9236 5699

Officers of the Company

W Anthony Ractliffe	Non-Executive Chair
Phillip L Harry AM	Non-Executive Director
Allan S T Yeo	Managing Director
Richard L Rodgers	Non-Executive Director and Company Secretary
Colin Yip	Company Secretary

Auditor
Grant Thornton Audit Pty Ltd
Level 19
2 Market Street
SYDNEY NSW 2000
Tel 02 9286 5555

Share Registry
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