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

Appendix 4D

HALF-YEAR REPORT FOR PERIOD ENDED 31 DECEMBER 2011

1. Details of the Reporting Period

This is the half-year information given to the ASX under Listing Rule 4.2A for the Tranzact Financial Services Limited Consolidated Entity **('Tranzact')** for the half-year ended 31 December 2011. The previous corresponding period is the half-year ended 31 December 2010 unless otherwise stated.

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

2. Results for Announcement to the Market

		% Change			
2.1	Revenue from ordinary activities	Up	1%	to	$4,432,000
2.2	Profit from ordinary activities after tax attributable to owners	Down	21%	to	$575,000
2.3	Net profit for the period attributable to owners	Down	21%	to	$575,000

2.4 A fully franked interim dividend of 0.25 cents per share has been declared.

2.5 The ex dividend date is 19 March 2012, the record date is 23 March 2012 and the payment date is 5 April 2012 for the proposed dividend. There is no foreign conduit income attributable to the dividend.

2.6 Refer to the attached half-year financial report for information on the items in 2.1 to 2.4 above.

3. Net Tangible Assets

	31/12/2011 $	30/06/2011 $
Net tangible asset backing per ordinary share	0.037	0.061

4. Changes in Controlled Entities

At the end of October 2011, Tranzact increased its shareholding in Group Insurance & Superannuation Concepts Pty Limited **('GIS Concepts')** from 25% to 65.42%. As this interest represents a controlling interest in GIS Concepts, the financial statements for GIS Concepts are now fully consolidated in the Group accounts.

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

5. Dividends

A final dividend of 0.45 cents per share relating to the 2011 financial year amounting to $498,298 was paid on 7 October 2011. An interim dividend of 0.25 cents per share has been declared and will be paid on 5 April 2012.

6. Details of Dividend Reinvestment Plans

There is no dividend reinvestment plan in operation.

7. Details of Associate Companies

   Tranzact holds a 33% shareholding in Templetons Administrative Services Pty Limited **('TAS')**. The Group recognised an equity accounted share of the profit of TAS of $2,585 for the six months ended 31 December 2011.

8. Foreign Entity Accounting Standards

   Not Applicable.

9. Review Report

   The accounts of Tranzact for the half-year ended 31 December 2011 have been reviewed. Refer to the review report attached to the half-year financial report.

Yours faithfully,

Anthony Ractliffe
Non-Executive Chairman
23 February 2012

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

**HALF-YEAR REPORT FOR
PERIOD ENDED 31 DECEMBER 2011**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any other public announcements made by Tranzact Financial Services Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Tranzact Financial Services Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

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

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

Review of Operations to 31 December 2011

The Directors of Tranzact Financial Services Limited (the '**Company**') are pleased to report an operating profit before amortisation, depreciation and tax ('**EBTDA**') attributable to shareholders of $1.258 million for the six months ended 31 December 2011. This result represents an increase of approximately 7% over the comparable figure of $1.172 million for the same period last year.

The movement in EBTDA, as described more fully in the segment analysis, is a result of significantly increasing returns from the Partnership for Growth strategy, offset by lower revenue from the Smartsave Master Trust business.

Net profit after tax attributable to the owners for the six months reduced to $575,000 compared with $717,000 in the prior corresponding period. This represents earnings of 0.52 cents per share compared with 0.64 cents previously.

The change in net profit after tax was mainly due to the following:

- Depreciation and amortisation – the total expense for the period ended 31 December 2011 increased by $286,000 to $652,000 compared with $366,000 in the prior corresponding half-year. Of this increase, the owner's share of the amortisation of the intangible asset acquired through the acquisition of Camelot Financial Services Pty Ltd (trading as Templetons) is $204,000. A further $65,000 relates to the owner's share of amortisation on consolidation for the two month period from late October 2011 of the intangible asset recognised on the acquisition of additional shares in GIS Concepts Pty Ltd ('**GIS Concepts**').

- Taxation expense – as signalled in the 2011 annual report, Tranzact's carried forward tax losses were fully utilised in this period, resulting in a significant increase in the effective tax rate and expense for the half-year.

- Administration expenses – these expenses were significantly lower than the corresponding period last year reflecting a $60,000 reduction in legal fees incurred, a reduction in the operating expenses of the Self Managed Superannuation Funds business segment, and the non-recurring nature of the $87,000 incurred in the acquisition of the Templetons business last year.

Net cash flows from operations increased during the period from $1.165 million to $1.356 million reflecting the solid cash positive nature of the core businesses and the favourable impact of the two month's contribution from GIS Concepts.

The nature of business acquisitions in the financial services industry is that cash (a tangible asset) is exchanged for a future cash flow (an intangible asset). Moreover, a large proportion of the purchase price (to the extent it relates to future earnings expected from existing clients) is usually amortised over the period that revenue is expected to be received. This imposes a significant amortisation cost on the business and therefore significantly impacts short term reported profit following such acquisitions. Accordingly, Tranzact continues to measure and report on EBTDA as a primary measure of performance as this focuses on the "cash earnings" of the business.

The Company's business segments have each contributed positively to the six month result, in particular the Partnership for Growth strategy. A review of the divisional performances is provided below.

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

- The Company continued to focus on the consolidation and strengthening of its superannuation fund administration, asset consulting and sponsorship division (collectively referred to as the '**Master Trust division'**) during the half-year. 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.

- One of the consequences of the increased shareholding in GIS Concepts has been to cease to equity account the Company's 25% share and to implement a full consolidation of the results, with a corresponding recognition of a non-controlling interest for the shares not owned by the Company. Further details of the acquisition are included in Note 5 of the consolidated financial statements.

- Total revenue from the Master Trust division declined by 6% to $1,861,000 in the half-year from the prior corresponding period. Although total revenue includes $153,000 relating to the two months of consolidation of GIS Concepts' revenue, this was offset by lower insurance commission receipts from members (approximately $115,000) and a reduction in administration and investment consulting fees (approximately $132,000).

- The reduction in the divisional EBTDA from $476,000 to $315,000 directly reflects the lower level of revenue generated during the period. GIS Concepts performed strongly, primarily due to the rationalisation of the insurance arrangements for Smartsave. It contributed $106,000 to the divisional EBTDA result, maintaining the increased level of profitability achieved in the previous financial period. However, the fall in insurance commission receipts was due to some members reducing their level of insurance cover following the restructuring of the insurance arrangements in May 2010. This was naturally expected following the insurance cover adjustments for many members.

- Funds under management and administration (including the pooled superannuation trust and eligible rollover fund) decreased from $294m at the end of June 2011 to $276m at the end of December 2011. This reflects challenging investment market performance as well as a reduction in the numbers of members under administration because of large transfers of small balance members to the Australian Taxation Office.

- There continues to be a significant focus on the implementation of the restructure of the investment offering of Smartsave in conjunction with the fund Trustee (Tidswell Financial Services Limited) and GIS Concepts as the Promoter. This would improve significantly the product for customers and advisers and streamlining the administration of the fund. However, the Directors consider it unlikely that this restructure will be achieved this financial year and are cautious of estimating when this may be completed due to the complexity of the task.

- The profitability of GIS Concepts is anticipated to increase following a recent restructure of the operating costs of the business, although the rationalisation of Smartsave continues to be the key focus.

Partnership for Growth

- The Partnership for Growth segment has continued to perform solidly over the period. Despite the tough investment market conditions over a protracted period of time, the diversity of earnings across the Camelot network in conjunction with a balanced weighting towards risk insurance business, has provided credible and sustainable returns to the business.

- The New Zealand based interests overall have enjoyed a steadily increasing investment return, reaching the 15% targeted overall return. This has been the result of a period of selective acquisitions to provide economic scale to each of the locations of the business.

- Whilst the level of capital provided to Camelot in New Zealand has been minimal in the past six months, the most significant New Zealand based Camelot business has funded a number of acquisitions from the sale of a lower performing investment that no longer fit its strategic plan. More recent acquisitions have been completed by way of merger which has also reduced the need for new capital from its owners, including the Company.

- Despite two of the New Zealand based Camelot businesses being based in Christchurch, and inevitably experiencing some challenging trading conditions since the earthquakes, they represent only 5% of the total investment in New Zealand and are performing at a satisfactory level.

- In Australia, the Templetons business has achieved an overall return of just under 15% (inclusive of the interest in the servicing company), and is actively seeking to increase the scale of its business to improve further this return. The Board is pleased with this result, achieved in a relatively short period of time since the initial acquisition.

- The uncertainties created by new / prospective legislative changes impacting advisers is creating significant acquisition and merger opportunity as many advisers seek the ‘safety’ of a larger professional business, or seek to exit the industry altogether.

- This segment of the business contributed nearly 60% of the Company’s EBDTA for the period. The Board is very pleased with the performance of this segment of the business, and is confident that despite the challenges presented by impending regulatory change, it will continue to provide a strong source of future earnings.

Self Managed Superannuation Funds

- The Self Managed Superannuation Funds ('**SMSF**') segment of the business continues to face challenging market conditions. The number of SMSFs under administration has not grown in line with expectations, necessitating a restructuring of this division last year.

- Revenue reduced by 10% compared with the same period last year. Despite this decline, EBTDA for the segment improved reflecting the benefits created by the cost restructure.

- Further opportunity is provided from the Templetons business where existing relationships with SMSF trustees or their accountants can be referred to the Tranzact Super SMSF service. A number of new clients have been acquired in recent months following referrals from Templetons, though in the context of a difficult market, client fund growth has been fairly flat for some time.

- The traditional seasonality of the business combined with a minor modification to certain charges for services provides the Board with measured confidence that this segment will achieve budget in the second half of the financial year.

Investor Directed Portfolio Service / Custodial Services

- The EBTDA of the Investor Directed Portfolio Service ('**IDPS**') / Custodial Services segments declined by 11% compared with the equivalent period last year. This reflects the continued challenging investment markets and, to a lesser extent, a reduction in the custodial function of the business.

- Since the acquisition of the Templetons business in September 2010, the Company and its ultimate parent company, Grosvenor Financial Services Group Ltd, have worked closely with Templetons to implement an improved investment portfolio service for clients which is predominantly administered through the Company's IDPS service. This provides clients a robust investment offering and offers some administration benefits to the Templetons business.

Dividend and Capital Management

The Directors are pleased to declare a fully franked interim dividend of 0.25 cents per share (consistent with the interim dividend last year). The Record Date for the interim dividend is 23 March 2012 and the dividend will be paid on 5 April 2012.

During the period a total of 745,400 shares were purchased under the Company's on market share buy back scheme and subsequently cancelled. The current programme was extended to 13 October 2012.

The net debt position at 31 December 2011 was $1,792,000, increasing from $565,000 at 30 June 2011. This reflects the funding obtained for the purchase of the increased shareholding in GIS Concepts, less the net cash generated from the Company over the period.

As noted in the June 2011 annual report, the Company secured a $5m acquisition facility in addition to the existing $3m credit facility. Of this, a total of $3.5m had been drawn at 31 December 2011, providing a solid funding base from which further growth opportunities can be pursued.

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 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 6. 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.

Outlook

The Directors remain focused on the key strategic objectives of the Company as well as tightly managing costs in continuing challenging market conditions.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of directors on 23 February 2012.

Anthony Ractliffe	**Allan S T Yeo**
Non-Executive Chairman	**Managing Director**

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

As lead auditor of Tranzact Financial Services Limited for the period ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Neville Sinclair
Director

BDO Audit (NSW-Vic) Pty Ltd

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Consolidated Statement of Comprehensive Income for the Half-Year Ended 31 December 2011

	Consolidated Entity Half-Year	
		Restated
	2011	**2010**
	$'000	**$'000**
Revenue from continuing operations	4,432	4,374
Employee benefits expense	(1,507)	(1,562)
Depreciation and amortisation expenses	(652)	(366)
Finance costs	(134)	(70)
Service expenses	(790)	(714)
Occupancy expenses	(178)	(191)
Administration expenses	(476)	(695)
Other expenses	51	(22)
Share of net profit after tax of associates	52	72
Profit before income tax expense	798	826
Income tax (expense) / credit	(222)	(101)
Profit after tax from continuing operations	576	725
Net profit for the half-year	576	725
Other comprehensive income	-	-
Total comprehensive income for the half-year	576	725
Profit for the half-year is attributable to:		
Owners of the Company	575	717
Non-controlling interest	1	8
	576	725
Total comprehensive income for the half-year is attributable to:		
Owners of the Company	575	717
Non-controlling interest	1	8
	576	**725**
	Cents	Cents
Earnings per share for profit from continuing operations attributable to owners of the Company		
Basic earnings per share	0.52	0.64
Diluted earnings per share	0.52	0.64
Earnings per share for profit attributable to owners of the Company		
Basic earnings per share	0.52	0.64
Diluted earnings per share	0.52	0.64
	No.	No.
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	110,592,895	111,315,460

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

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Consolidated Statement of Financial Position
As at 31 December 2011

	Consolidated Entity	
		Restated
	31 December 2011 $'000	30 June 2011 $'000
CURRENT ASSETS		
Cash & cash equivalents	1,705	811
Trade & other receivables	927	1,136
Derivatives	23	-
Other current assets	307	109
TOTAL CURRENT ASSETS	**2,962**	**2,056**
NON-CURRENT ASSETS		
Available for sale financial assets	5,463	5,551
Investments accounted for using the equity method	420	1,618
Property, plant and equipment	516	531
Intangible assets	16,891	12,165
Deferred tax assets	249	243
TOTAL NON-CURRENT ASSETS	**23,539**	**20,108**
TOTAL ASSETS	**26,501**	**22,164**
CURRENT LIABILITIES		
Trade & other payables	1,066	989
Derivatives	-	117
Current tax liabilities	525	341
TOTAL CURRENT LIABILITIES	**1,591**	**1,447**
NON-CURRENT LIABILITIES		
Provisions	168	159
Interest bearing liabilities	3,497	1,376
Deferred tax liabilities	2,121	1,011
TOTAL NON-CURRENT LIABILITIES	**5,786**	**2,546**
TOTAL LIABILITIES	**7,377**	**3,993**
NET ASSETS	**19,124**	**18,171**
EQUITY		
Contributed equity	19,635	19,775
Accumulated losses	(3,428)	(3,594)
Non-Controlling Interests	2,877	1,950
Reserves	40	40
TOTAL EQUITY	**19,124**	**18,171**
Capital and reserves attributable to the owners of Tranzact Financial Services Limited	**16,247**	**16,221**
Non-Controlling Interests	**2,877**	**1,950**
	19,124	**18,171**

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

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2011

	Note	Contributed equity $'000	Employee Option reserve $'000	Other reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
At 1 July 2010		**19,853**	**4**	**40**	**(4,424)**	**15,473**	**-**	**15,473**
Profit for the half-year		-	-	-	717	717	35	752
Total comprehensive income for the half-year		-	-	-	**717**	**717**	**35**	**752**
Transactions with owners in their capacity as owners								
Share buy-back		(75)	-	-	-	(75)	-	(75)
Dividends paid		-	-	-	(389)	(389)	-	(389)
At 31 December 2010 per Appendix 4D		**19,778**	**4**	**40**	**(4,096)**	**15,726**	**35**	**15,761**
Restatement of Equity								
Restatement adjustment to profit for the half-year	6	-	-	-	-	-	(27)	*(27)*
Capital introduced by non-controlling interests	6	-	-	-	-	-	1,751	*1,751*
Restated at 31 December 2010		**19,778**	**4**	**40**	**(4,096)**	**15,726**	**1,786**	**17,512**
Profit for the half-year		-	-	-	889	889	71	960
Total comprehensive income for the half-year		-	-	-	**889**	**889**	**71**	**960**
Transactions with owners in their capacity as owners								
Shares issued during the period		8	(4)	-	(4)	-	-	-
Share buy-back		(11)	-	-	-	(11)	-	(11)
Dividends paid		-	-	-	(278)	(278)	-	(278)
Dividends paid - non-controlling interests		-	-	-	-	-	(78)	(78)
Transactions with non-controlling interests		-	-	-	(105)	(105)	105	-
At 30 June 2011		**19,775**	-	**40**	**(3,594)**	**16,221**	**1,884**	**18,105**
Restatement of Equity								
Restatement adjustment of profit reported in 2011		**-**	**-**	**-**	-	-	(78)	*(78)*
Capital introduced by non-controlling interests		**-**	**-**	**-**	-	-	144	*144*
At 30 June 2011 restated		**19,775**	-	**40**	**(3,594)**	**16,221**	**1,950**	**18,171**
Profit for the half-year		-	-	-	575	575	1	576
Total comprehensive income for the half-year		-	-	-	**575**	**575**	**1**	**576**
Transactions with owners in their capacity as owners								
Non-controlling interests on acquisition		**-**	**-**	**-**	**-**	-	1,119	1,119
Share buy-back		(140)	-	-	-	(140)	-	(140)
Dividends paid		-	-	-	(497)	(497)	-	(497)
Dividends paid - non-controlling interests		-	-	-	-	-	(105)	(105)
Transactions with non-controlling interests		-	-	-	88	88	(88)	-
At 31 December 2011		**19,635**	-	**40**	**(3,428)**	**16,247**	**2,877**	**19,124**

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

TRANZACT FINANCIAL SERVICES LIMITED and its Controlled Entities

Consolidated Statement of Changes of Cash Flows
for the Half-Year Ended 31 December 2011

	Consolidated Entity	
	31 December 2011 $'000	**31 December 2010 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,467	4,151
Payments to suppliers and employees	(3,378)	(3,243)
Interest received	475	397
Interest and other costs of finance paid	(134)	(70)
Income taxes paid	(74)	(70)
Net cash inflow from operating activities	**1,356**	**1,165**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(60)	(236)
Dividends from equity accounted investees	67	25
Advances to adviser practices	(1)	(1,303)
Repayment of loans by adviser practices	-	817
Repayment of loans by related parties	120	-
Payments for purchases of investments	(77)	-
Proceeds from the sale of investments	27	-
Payments for acquisition of shares in subsidiaries	(2,021)	(2,933)
Net cash (outflow) from investing activities	**(1,945)**	**(3,630)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for shares repurchased	(140)	(75)
Proceeds from borrowings	2,350	2,676
Repayments of borrowings	(230)	-
Dividends paid	(497)	(389)
Net cash inflow from financing activities	**1,483**	**2,212**
NET INCREASE/(DECREASE) IN CASH HELD	894	(253)
Net cash at beginning of period	811	2,093
NET CASH AT END OF PERIOD	**1,705**	**1,840**

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

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

These general purpose financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2011 and any public announcements made by Tranzact Financial Services Limited (the **'Company'**) during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Note 2. Operating Segments

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

Superannuation Fund Administration, Asset Consulting & Sponsorship

The Group operates as a superannuation fund administrator, asset consultant and sponsor for a number of master trust superannuation and pooled superannuation trusts. For these services the Group receives fees and commission income. GIS Insurance and Superannuation Concepts Pty Ltd **('GIS Concepts')**, which operates as a promoter in the superannuation sector, is included in this segment.

Self Managed Superannuation Fund Administration

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

Investor Directed Portfolio Service Administration ('IDPS')

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

Custodial Services

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

Partnership for Growth

The Partnership for Growth interests 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.

Segment information

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

Note 2 continued. Operating Segments

Segment information provided to the executive management and the Board for the half-year ended 31 December 2011 is as follows:

Operating Segments

Half-Year 2011	Super Fund Admin, Asset Consulting & Sponsorship	Self Managed Superannuation Funds	IDPS & Custodial Admin	Partnership for Growth *	Head Office	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenues attributable to owners of the Company	1,861	1,505	93	709	9	4,177
Reportable EBTDA from segments attributable to owners of the Company	315	209	70	749	(85)	1,258
Half-Year 2010						
External revenues attributable to owners of the Company	1,975	1,688	104	515	9	4,291
Reportable EBTDA from segments attributable to owners of the Company	476	198	79	441	(22)	1,172

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

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

* Note - the EBTDA for this segment exceeds the revenue due to foreign exchange gains made on hedging contracts.

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

	Half-year	
	2011	**2010**
	$'000	**$'000**
EBTDA from operating segments reported above (including before tax share of profit of equity accounted investee)	**1,258**	**1,172**
Plus EBTDA attributable to non-controlling interest	214	51
Depreciation and amortisation	(652)	(366)
Group taxation	(222)	(101)
Taxation on share of profit of equity accounted investee	(22)	(31)
Profit after income tax from continuing operations	576	725
Total comprehensive income attributable to non-controlling interest	1	8
Total comprehensive income attributable to owners of the Company	575	717

Note 3. Dividends

	2011	**2010**
	$'000	**$'000**
Dividends paid during the half-year on ordinary shares	497	389

An interim dividend of 0.25 cents per share has been declared and will be paid on 5 April 2012.

Note 4. Equity Securities Issued

	2011 Numbers	2010 Numbers	2011 $'000	2010 $'000
Ordinary shares issued	-	-	-	-
Ordinary shares cancelled (under buy back arrangement) (1) (2) (under buy back arrangement)	(745,400)	(499,900)	(140)	(75)

6 months ended 31 December 2011:
(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.

6 months ended 31 December 2010:
(2) 499,900 equity securities were purchased on market between July and September 2010 at $0.15 per security under the share buy back scheme announced on 29 September 2008 and subsequently extended. These securities have subsequently been cancelled.

Note 5. Business Combination

Effective 31 October 2011, Tranzact increased its shareholding in GIS Concepts 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 1 October 2011:

	Fair Value $
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.

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

GIS Concepts contributed total revenues of $232,223 ($151,920 relating to the owners of the Company) and net profit of $41,278 after amortisation and tax ($27,004 relating to the owners of the Company) in the two months from acquisition date. The Company's interest in GIS Concepts at 31 December 2011 was 65.42%.

Note 6. 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.

	Reported December 2010	Provisional Accounting adjustment *	Adjusted December 2010	Restated December 2010	Differ-ence	Reported June 2011	Restated June 2011	Differ-ence
Statement of Consolidated Comprehensive Income								
Depreciation and amortisation	328		328	366	38	752	865	113
Income tax expense	112		112	101	(11)	254	220	(34)
Profit attributable to non-controlling interests	35		35	8	(27)	106	27	(79)
Profit attributable to owners of the Company	717		717	717	-	1,606	1,606	-
Statement of Consolidated Financial Position								
Intangible assets	10,099	(138)	9,961	12,032	2,071	9,993	12,165	2,172
Deferred tax liability	812	138	674	1,021	347	656	1,011	355
Capital and reserves attributable to non-controlling interests	35		35	1,759	1,724	133	1,950	1,817
Capital and reserves attributable to owners of the Company	15,726		15,726	15,726	-	16,221	16,221	-

The full restated Consolidated Statement of Financial Performance is shown on Page 7, the restated Consolidated Statement of Financial Position is shown on Page 8 and a restated Consolidated Statement of Changes in Equity is shown on page 9. The Consolidated Statement of Changes of Cash Flows is unaffected.

*Between the period of reporting the 31 December 2010 Appendix 4D and the 30 June 2011 financial statements, a provisional adjustment was recorded. This adjustment has been presented separately as this is not part of the misstatement.

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 ('CFS') 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, 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. Subsequently, CFS used the funds from the capital call in May 2011 to acquire a client book from an independent adviser business.

Note 6. Restatement of the Financial Statements continued

Acquisition of Camelot Financial Services Pty Ltd continued

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 the acquisition of Templetons 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)	Restatement Adjustment (2)	Previously Recorded Subsequent Acquisition (3)	Restatement Adjustment (4)	Restated Fair Value
	$'000	**$'000**	**$'000**	**$'000**	**$'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.

Note 7. 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 31 December 2011.

Note 8. Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the period subsequent to the reporting period ended 31 December 2011.

Note 9. Rounding

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

DECLARATION BY DIRECTORS

The directors of the company declare that:

(a) The financial statements and notes set out on pages 7 to 15 are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Anthony Ractliffe
Non-Executive Chairman

Allan S T Yeo
Managing Director

Sydney, NSW, Australia
23 February 2012

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tranzact Financial Services Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tranzact Financial Services Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tranzact Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

Neville Edward Sinclair

Director

Sydney, 23 February 2012