

ASX ANNOUNCEMENT – 17 September 2013

Outcome of Board Strategic Review

As noted in August 2013 with the release of the Preliminary Final Result, the Board of Tranzact Financial Services Limited (“**Tranzact**” or the “**Company**”) is presently conducting a strategic review of the business.

In particular, the Board is undertaking a thorough review of the Company’s operations in the context of the business environment in which it operates.

There has been a myriad of legislative and regulatory change in the Australian financial services industry that has directly impacted the Company over the last five to six years. These changes, such as Future of Financial Advice (“**FOFA**”) and My Super have changed, and will continue to change, the future financial landscape.

These changes impact the Company’s costs, particularly in the area of compliance, as well as the degree of synergy that can be extracted through the various businesses within the group.

In particular, the impact of FOFA and ancillary legislation and regulation relating to financial advisory businesses has caused the Board to re-consider the benefits of owning (partly or wholly) any interests in financial advisory businesses.

An outcome of the strategic review is that the Board believes there is now little synergy achieved from Tranzact’s ownership interest in financial advisory businesses and that this is unlikely to change in the future.

Accordingly, the Board has resolved to sell its interest in both Templetons and Camelot NZ. This will provide the Company with the necessary resources to focus on being a superannuation services promoter, administrator and investment manager. The Board believes that this area provides Tranzact with the greatest scope to increase shareholder value.

As a consequence of this decision, the operating principal of Templetons has made an offer to acquire Tranzact’s interest in Templetons. The sale price is consistent with the carrying value reflected in the 30 June 2013 financial statements of approximately \$3.5 million.

Camelot NZ operates wholly in New Zealand and is integrally associated with Grosvenor Financial Services Limited (“**Grosvenor**”), the ultimate majority shareholder of Tranzact. The independent directors of Tranzact are having discussions with Grosvenor and the current intention of both companies is for Grosvenor to acquire Tranzact’s interest in Camelot NZ. Any such transaction will require shareholders’ approval and an independent expert’s report. Shareholders will be informed of relevant details if and when any agreement is determined and it is anticipated that the relevant resolution will be put to shareholders at the Annual General Meeting of Tranzact later this year.

The Board also intends to close the Investor Directed Portfolio Service (“**IDPS**”) business as the Company does not have sufficient scale to compete in a market dominated by much larger rivals. The \$5 million (increasing to \$10m under regulatory changes) of capital required to support the business cannot be justified.

In summary, the strategic review has produced significant clarity and will transform Tranzact into a smaller but more tightly focused superannuation services provider.

Following the successful completion of the rationalisation of the Smartsave Master Fund and the recent confirmation that Smartsave has been granted a MySuper licence, Tranzact is well placed to achieve significant growth in this part of the business.

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